

# CUMBERLAND COUNTY BOARD OF EDUCATION

Fayetteville, North Carolina



## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

# ***CUMBERLAND COUNTY BOARD OF EDUCATION***

*Fayetteville, North Carolina*

## ***Comprehensive Annual Financial Report***

*For the Fiscal Year Ended  
June 30, 2015*

*Frank Till, Ed. D  
Superintendent*

*Prepared by  
Finance Department  
Clyde Locklear, Jr.  
Associate Superintendent Business Operations*

**CUMBERLAND COUNTY BOARD OF EDUCATION  
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JUNE 30, 2015**

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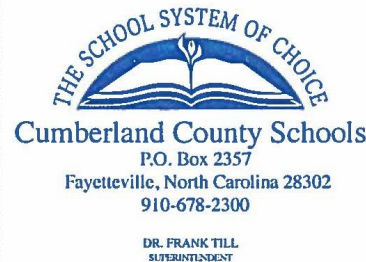


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# INTRODUCTORY SECTION

# LETTER OF TRANSMITTAL

JAMES A. MCLAUCHLIN, CHAIRMAN  
SUSAN B. WILLIAMS, VICE CHAIRMAN  
ALICIA S. CHISOLM  
MACKY HALL



JUDY MUSGRAVE  
CARRIE SUTTON  
RUDY TATUM  
DONNA VANN  
GREGORY WEST

December 21, 2015

## Cumberland County Board of Education and the Citizens of Cumberland County

Presented herein is the Comprehensive Annual Financial Report (CAFR) of Cumberland County Board of Education (Board) for the fiscal year ended June 30, 2015. 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, 2015, fifty-three 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 entities.

## LETTER OF TRANSMITTAL (continued)

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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 employer, employing more than twenty-three thousand employees over two categories. Cumberland County Schools (CCS) is the largest non-military employer, employing approximately 6,300 full time employees. Cumberland County Hospital System, Inc. doing business as Cape Fear Valley Health System employs over 4,900 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 2,500 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 2014-2015 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 2014-2015 are as follows:

- 81.3% of the schools met or exceeded growth
- 90% of the elementary schools met or exceeded growth
- 53% of the middle schools met or exceeded growth
- 87% of the high schools met or exceeded growth

## LETTER OF TRANSMITTAL (continued)

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Four high schools achieved a 100% four-year cohort graduation rate for 2014-2015: Cross Creek Early College, Cumberland International Early College, Howard Health and Life Sciences, and Reid Ross Classical high schools.

The 2014-2015 Graduation Rate rose to 81.7% for the CCS, compared to 81.2% in 2013-2014.

The Class of 2015 earned over \$65 million in scholarships, grants and financial aid for continuing their education. This amount surpassed the over \$54 million attained by the Class of 2014.

The CCS joined forces with the United Way of Cumberland County and its community partners to launch a community campaign to support mentoring throughout the county known as *Mentoring Works*. It guarantees that a young person has someone who cares and is available to help them navigate day-to-day challenges. A meaningful relationship with a caring adult has numerous benefits for youth. It increases self-esteem, improves attitudes about school, and decreases the likelihood that youth will become involved with criminal activity. For this reason, the CCS has launched a Community Volunteer Services (CVS) Website that lists numerous volunteer opportunities in the schools and links to several local United Way community agencies. Information regarding *Mentoring Works* can be found at [www.cvs.ccs.k12.nc.us](http://www.cvs.ccs.k12.nc.us).

The 2014-2015, district-wide *Reading Rocks!* Walk-A-thon raised \$248,530.30 to promote literacy for students and

adults in the CCS. This amount excludes the in-kind donations.

Kim Robertson, principal of Elizabeth Cashwell Elementary School, was chosen as the CCS' 2014-2015 Principal of the Year and went on to win the 2015 Sandhills/South Central Regional Principal of the Year title.

As the global focus on Science, Technology, Engineering and Math (STEM) education continued to progress in 2014-15, CCS remained committed to nurturing STEM opportunities for students through quality curriculum tools, broadening partnerships, and grant funding. Notably, the AGORA Cyber STEM grant funded by the Office of Naval Research laid the foundation for a grant partnership with Fayetteville State University and CCS. Each year of the three-year initiative, 50 CCS students will be selected for participation in a Cyber STEM Saturday Academy and competition for college scholarships. The three-year \$718,000 award will provide a rich learning experience to a total of 150 students. Additionally, Rolie "Andi" Adrienne Webb, an instructional coach at Alderman Road Elementary School, was named a recipient of the Burroughs Wellcome Fund Career Award for Science and Mathematics Teachers. Ms. Webb is one of six teachers to be awarded this honor in North Carolina in the spring of 2015. The Career Award for Science and Mathematics Teachers was created in 2008 to help expand the leadership of quality science and mathematics teachers in North Carolina. The purpose of this award is to recognize teachers who have demonstrated solid knowledge of



## LETTER OF TRANSMITTAL (continued)

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science and/or mathematics content and have outstanding performance records in educating children. The award provides \$175,000 over five years for professional development, salary, and equipment and supplies for the recipient's school.

### **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 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

## LETTER OF TRANSMITTAL (continued)

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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, 2014. The Certificate of Achievement is a prestigious national award that recognizes conformance 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 1993-2014). 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 – 2014. 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)

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### 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



Clyde Locklear, Jr.  
Associate Superintendent  
Business Operations

## **BOARD MEMBERS AND SUPERINTENDENT**

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Dr. Frank Till  
Superintendent

James A. McLaughlin  
Chairman

Susan B. Williams  
Vice Chairman

Alicia S. Chisolm

Macky Hall

Judy Musgrave

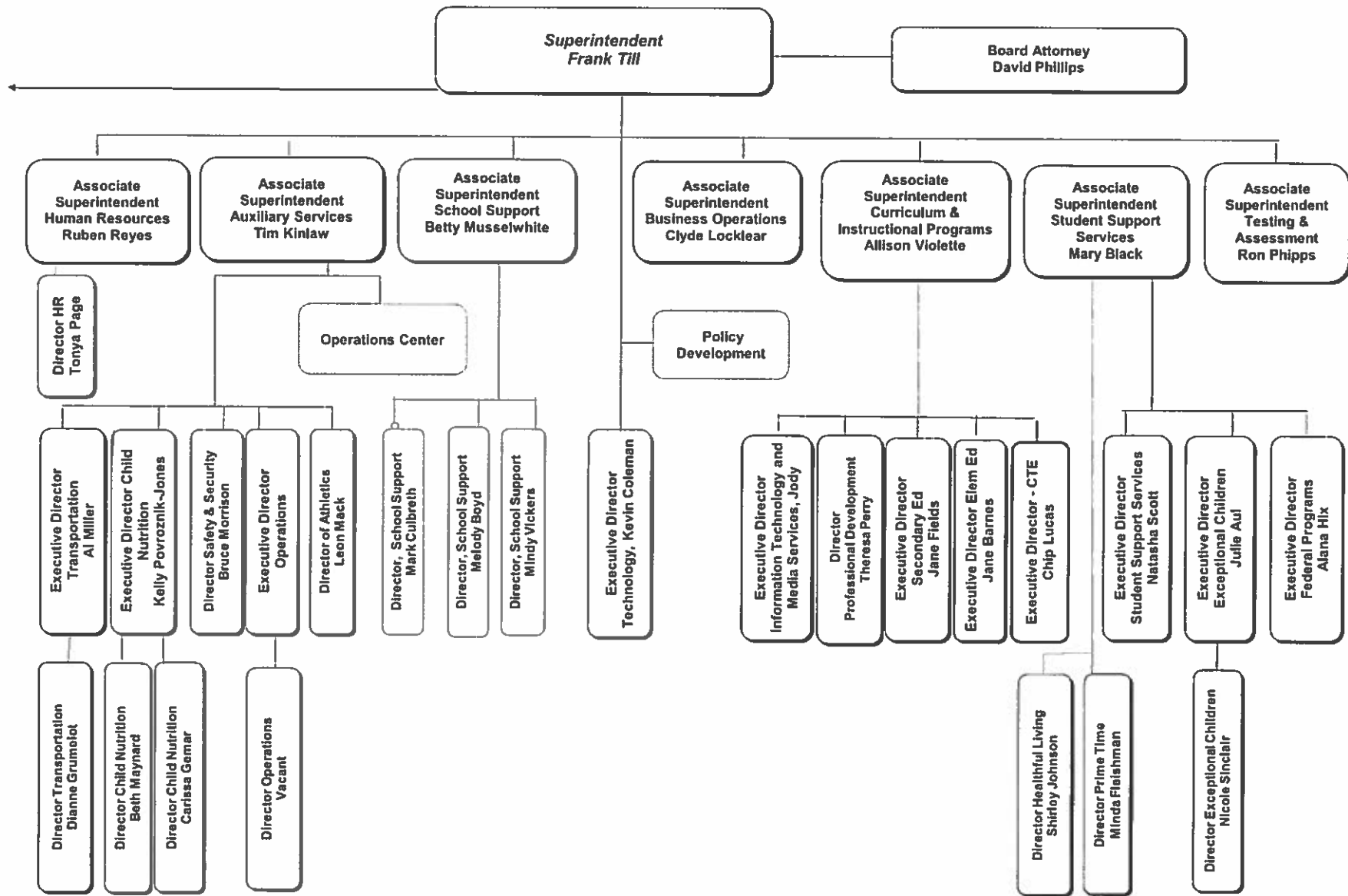
Carrie Sutton

Rudy Tatum

Donna Vann

Greg West

# ORGANIZATIONAL CHART





# CERTIFICATE OF ACHIEVEMENT / GFOA

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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, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Emen".

Executive Director/CEO

# CERTIFICATE OF EXCELLENCE / ASBO

## Association of School Business Officials International

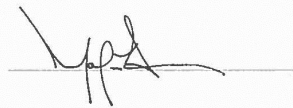


*The Certificate of Excellence in Financial Reporting Award  
is presented to*

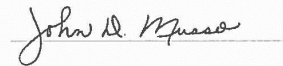
### Cumberland County Board of Education

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2014*

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



Mark C. Pepera, MBA, RSBO, SFO  
President



John D. Musso, CAE, RSBA  
Executive Director

# 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, 2015, 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, 2015, 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.

## Emphasis of Matter

### *Changes in Accounting Principle*

As discussed in Note V to the basic financial statements, the Board adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplemental information as listed in the table of contents 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 21, 2015 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.

 Cherry Raintree LLP

Fayetteville, North Carolina  
December 21, 2015

## 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, 2015. 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 continues to see positive growth in student achievement and an increased graduation rate of 81.7%
- 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 – is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – 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 \$213,650,830 as of June 30, 2015. The largest component of net position is Net Investment in Capital Assets of \$258,278,128 (net of related debt) which is 126.9% 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, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current assets	\$ 60,054,909	\$ 60,941,637	\$ 11,210,199	\$ 12,184,896	\$ 71,265,108	\$ 73,126,533
Capital assets	261,447,179	271,221,731	1,994,042	2,113,254	263,441,221	273,334,985
<b>Total assets</b>	<b>321,502,088</b>	<b>332,163,368</b>	<b>13,204,241</b>	<b>14,298,150</b>	<b>334,705,329</b>	<b>346,461,518</b>
Defer inflow resources	37,508,727	-	985,875	-	38,495,602	-
Current liabilities	15,961,645	17,957,313	416,034	375,687	16,377,679	18,333,000
Long-term liabilities	53,660,002	30,270,818	1,476,311	982,374	55,136,313	31,253,192
<b>Total liabilities</b>	<b>69,621,647</b>	<b>48,228,131</b>	<b>1,892,345</b>	<b>1,358,061</b>	<b>71,513,992</b>	<b>49,586,192</b>
Defer inflow resources	85,910,610	3,176,277	2,126,499	-	88,037,109	3,176,277
Invested cap assets	258,278,128	269,801,915	1,994,042	2,113,254	260,272,170	271,915,169
Restricted net assets	8,506,345	5,311,500	-	-	8,506,345	5,311,500
Unrestricted net assets	(63,304,915)	5,645,545	8,177,230	10,826,835	(55,127,685)	16,472,380
<b>Total net assets</b>	<b>\$ 203,479,558</b>	<b>\$ 280,758,960</b>	<b>\$ 10,171,272</b>	<b>\$ 12,940,089</b>	<b>\$ 213,650,830</b>	<b>\$ 293,669,049</b>

Note that net position decreased during the year by \$80 million or 27.0% over the previous year. The bulk of this change was related to the governmental activities and impacted by the implementation of GASB 68. Additionally, the Board received \$700 thousand less from the County for capital outlay expenditures and continued to use fund balance to supplement local current expense. The business-type activities were consistent with the prior year. Expenditures across both the governmental and business type activities remained fairly consistent between the fiscal years.

Table 2A  
Condensed Statement of Activities  
as of June 30, 2015

	Governmental Activities 6/30/2015	Business-type Activities 6/30/2015	Total Primary Government 6/30/2015
<b>Revenues:</b>			
<b>Program rev:</b>			
Chg. for svcs.	\$ 8,314,938	\$ 8,412,474	\$ 16,727,412
Op. grants & contr.	299,613,319	20,242,917	319,856,236
<b>General Rev:</b>			
County	83,996,217		83,996,217
State	504,421		504,421
Other revenues	21,122,534	-	21,122,534
<b>Total revenues</b>	<b>413,551,429</b>	<b>28,655,391</b>	<b>442,206,820</b>
<b>Expenses:</b>			
<b>Govtl activities:</b>			
Instr. programs	325,753,201		325,753,201
Supp. Svcs.	66,105,700		66,105,700
Ancillary Services	62,468		62,468
Nonprog. Chgs.	1,359,871		1,359,871
Depr.	3,498,666		3,498,666
<b>Business-type Activities:</b>			
Food service		25,298,959	25,298,959
Child care		3,653,291	3,653,291
<b>Total expenses</b>	<b>396,779,906</b>	<b>28,952,250</b>	<b>425,732,156</b>
Incr (Dec) net position	16,771,523	(296,859)	16,474,664
Beginning net position	280,758,960	1,294,089	282,053,049
Restated	(94,050,925)	(2,471,958)	(96,522,883)
Beginning net position, restated	186,708,035	10,468,131	197,176,166
<b>Ending net position</b>	<b>\$ 203,479,558</b>	<b>\$ 10,171,272</b>	<b>\$ 399,180,996</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 2B  
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
<b>Revenues:</b>			
<b>Program rev:</b>			
Chg. for svcs.	\$ 8,708,219	\$ 9,409,209	\$ 18,117,428
Op. grants & contr.	288,861,407	19,734,575	308,595,982
<b>General Rev:</b>			
County	83,956,205		83,956,205
State	184,145		184,145
Other revenues	17,761,230	37,682	17,798,912
<b>Total revenues</b>	<b>399,471,206</b>	<b>29,181,466</b>	<b>428,652,672</b>
<b>Expenses:</b>			
<b>Govtl activities:</b>			
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
<b>Business-type Activities:</b>			
Food service		25,841,581	25,841,581
Child care		3,997,102	3,997,102
<b>Total expenses</b>	<b>416,844,745</b>	<b>29,838,683</b>	<b>446,683,428</b>
<b>Incr (Dec) net position</b>	<b>(17,373,539)</b>	<b>(657,217)</b>	<b>(18,030,756)</b>
Beginning net position	298,132,499	13,597,306	311,729,805
Ending net position	<u>\$ 280,758,960</u>	<u>\$ 12,940,089</u>	<u>\$ 293,699,049</u>

Instructional expenses comprised 82% of total governmental-type expenses while support services made up 16.7% 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 \$28.6 million and had expenses of \$28.9 million. Net position decreased in the business-type activities by \$2.7 million primarily as a result of the restatement of pensions as required by GASB 68

### 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 \$39.1 million, a \$.7 million decrease from the prior year. The decrease was due to a \$.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 increased by \$10.4 million and Capital Projects revenues decreased by \$.9 million.

**Proprietary Funds:** The Board's business-type funds showed an overall decrease in net position of \$2.7 million. The School Food Service Fund generated a profit of \$269,000, an increase of \$150,000 from the previous year. A decrease in sales of \$872,000 and a decrease of \$543,000 in operating expenses offset by a \$480,000 increase in federal reimbursements contributed to this increase.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Before and After School Child Care Fund has a decrease in net position of \$566,000 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 125 budget amendments to account for changes in revenue and expenditure expectations. The total system-wide budget was modified by a net increase of \$21 million (or 4.8%) 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 2014-2015 due to economic uncertainties.

The variance between the original budgeted expenditures and the final budgeted expenditures was only .8%, a small percentage spread among various functions.

The actual expenditures from the General Fund were significantly less (\$3.4 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 60% 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 \$7.7 million in fund balance in reserve to balance the budget for 2014-2015.

General fund expenditures decreased by \$1.8 million. During the 2014-2015 year, there was a reduction in teachers in regular instructional services for the general fund.

### Capital Assets

The capital assets decreased by \$9,893,764 (or 3.6%) 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, 2015 and 2014

	6/30/2015	6/30/2014
<b>Governmental Activities</b>		
Land	\$ 9,371,168	\$ 9,361,168
Construction in Process	-	45,019
Blds & Improvements	238,842,376	246,903,336
Furniture & Equipment	3,976,677	4,419,901
Vehicles	9,256,958	10,492,307
<b>Total</b>	<b>\$ 261,447,179</b>	<b>\$ 271,221,731</b>
<b>Business-type Activities</b>		
Blds & Improvements	\$ 8,597	\$ 9,400
Furniture & Equipment	1,977,882	2,093,939
Vehicles	7,563	9,915
<b>Total</b>	<b>\$ 1,994,042</b>	<b>\$ 2,113,254</b>
<b>Total Primary Government</b>		
Land	\$ 9,371,168	\$ 9,361,168
Construction in Process	-	45,019
Blds & Improvements	238,850,973	246,912,736
Furniture & Equipment	5,954,559	6,513,840
Vehicles	9,264,521	10,502,222
<b>Total</b>	<b>\$ 263,441,221</b>	<b>\$ 273,334,985</b>

### Debt Outstanding

During the year the Board's outstanding debt increased by 23.3 million due primarily to additions of installment purchase contracts, an increase in the obligation for compensated absences and the recording of net pension liabilities. 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)**

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### **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:

Clyde Locklear, Jr.  
Associate 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, 2015**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total Primary Government</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 45,748,523	\$ 9,686,032	\$ 55,434,555
Due from other governments	13,821,637	815,735	14,637,372
Receivables	9,036	76,288	85,324
Inventories	475,713	632,144	1,107,857
Capital assets			
Land and construction in progress	9,371,168	-	9,371,168
Other capital assets, net of depreciation	252,076,011	1,994,042	254,070,053
<b>Total capital assets</b>	<b>261,447,179</b>	<b>1,994,042</b>	<b>263,441,221</b>
<b>Total assets</b>	<b>321,502,088</b>	<b>13,204,241</b>	<b>334,706,329</b>
<b>Deferred outflows of resources - pension</b>	<b>37,509,727</b>	<b>985,875</b>	<b>38,495,602</b>
<b>Liabilities</b>			
Accounts payable	2,098,478	1,683	2,100,161
Accrued salaries and benefits	13,863,167	283,184	14,146,351
Unearned revenue	-	131,187	131,187
Long-term liabilities			
Due within one year	2,814,793	66,659	2,881,452
Due in more than one year	25,577,414	843,715	26,421,129
Net pension liability	21,531,510	565,917	22,097,427
Risk management	3,736,285	-	3,736,285
<b>Total liabilities</b>	<b>69,621,647</b>	<b>1,892,345</b>	<b>71,513,992</b>
<b>Deferred inflows of resources</b>			
Unearned grants	5,003,411	-	5,003,411
Pension	80,907,199	2,126,499	83,033,698
	<b>85,910,610</b>	<b>2,126,499</b>	<b>88,037,109</b>
<b>Net position</b>			
Net investment in capital assets	258,278,128	1,994,042	260,272,170
Restricted for			
Stabilization by state statute	108,002	-	108,002
School capital outlay	2,322,850	-	2,322,850
Individual schools	2,947,773	-	2,947,773
Programs	3,127,720	-	3,127,720
Unrestricted	(63,304,915)	8,177,230	(55,127,685)
<b>Total net position</b>	<b>\$ 203,479,558</b>	<b>\$ 10,171,272</b>	<b>\$ 213,650,830</b>

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, 2015**

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	
<b>Primary government</b>							
Governmental activities							
Instructional services							
Regular instructional	\$ 186,571,214	\$ 76,582	\$ 164,786,133	\$ -	\$ (21,708,499)	\$ -	\$ (21,708,499)
Special populations	46,391,935	-	47,157,719	-	765,784	-	765,784
Alternative programs	25,079,809	-	21,952,091	-	(3,127,718)	-	(3,127,718)
School leadership	29,898,693	-	11,862,191	-	(18,036,502)	-	(18,036,502)
Co-curricular	12,620,894	8,238,356	-	-	(4,382,538)	-	(4,382,538)
School-based support	25,704,687	-	20,888,443	-	(4,816,244)	-	(4,816,244)
System-wide support services							
Support and development	7,006,089	-	933,972	-	(6,072,117)	-	(6,072,117)
Special populations support and development	1,552,688	-	993,763	-	(558,925)	-	(558,925)
Alternative programs and services support and development	585,469	-	581,023	-	(4,446)	-	(4,446)
Technology support	2,020,682	-	1,112,545	-	(908,137)	-	(908,137)
Operational support	46,696,207	-	27,574,709	504,421	(18,617,077)	-	(18,617,077)
Financial and human resource	3,120,819	-	265,196	-	(2,855,623)	-	(2,855,623)
Accountability	615,629	-	-	-	(615,629)	-	(615,629)
System-wide pupil support	61,163	-	-	-	(61,163)	-	(61,163)
Policy, leadership and public relations	3,932,923	-	1,026,442	-	(2,906,481)	-	(2,906,481)
Ancillary services	62,468	-	62,184	-	(284)	-	(284)
Non-programmed charges	1,359,871	-	416,908	-	(942,963)	-	(942,963)
Unallocated depreciation expense	3,498,666	-	-	-	(3,498,666)	-	(3,498,666)
Total governmental activities	396,779,906	8,314,938	299,613,319	504,421	(88,347,228)	-	(88,347,228)
Business-type activities							
School food service	25,298,959	5,325,185	20,242,917	-	-	269,143	269,143
Child care	3,653,291	3,087,289	-	-	-	(566,002)	(566,002)
Total business-type activities	28,952,250	8,412,474	20,242,917	-	-	(296,859)	(296,859)
<b>Total primary government</b>	<b>\$ 425,732,156</b>	<b>\$ 16,727,412</b>	<b>\$ 319,856,236</b>	<b>\$ 504,421</b>	<b>(88,347,228)</b>	<b>(296,859)</b>	<b>(88,644,087)</b>
<b>General revenues</b>							
Unrestricted county appropriations - operating					76,982,883	-	76,982,883
Unrestricted county appropriations - capital					7,013,334	-	7,013,334
Investment earnings, unrestricted					166,939	-	166,939
Miscellaneous, unrestricted					20,955,595	-	20,955,595
Total general revenues and transfers					105,118,751	-	105,118,751
Change in net position					16,771,523	(296,859)	16,474,664
Net position, beginning					280,758,960	12,940,089	293,699,049
Restatement - pension					(94,050,925)	(2,471,958)	(96,522,883)
Net position, beginning, restated					186,708,035	10,468,131	197,176,166
Net position, ending					\$ 203,479,558	\$ 10,171,272	\$ 213,650,830

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, 2015**

	<b>Major Funds</b>						<b>Total Governmental Funds</b>
	<b>General</b>	<b>State Public School</b>	<b>Federal Grants</b>	<b>Special Revenue</b>	<b>Capital Outlay</b>	<b>Non-Major Funds</b>	
<b>Assets</b>							
Cash and cash equivalents	\$ 32,665,104	\$ -	\$ -	\$ 7,805,373	\$ 2,280,549	\$ 2,997,497	\$ 45,748,523
Due from other governments	-	11,549,870	1,441,297	441,701	388,769	-	13,821,637
Accounts receivable	9,036	-	-	-	-	-	9,036
Inventory	475,713	-	-	-	-	-	475,713
<b>Total assets</b>	<b>\$ 33,149,853</b>	<b>\$ 11,549,870</b>	<b>\$ 1,441,297</b>	<b>\$ 8,247,074</b>	<b>\$ 2,669,318</b>	<b>\$ 2,997,497</b>	<b>\$ 60,054,909</b>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 1,702,286	\$ -	\$ -	\$ -	\$ 346,468	\$ 49,724	\$ 2,098,478
Accrued salaries and benefits payable	756,057	11,549,870	1,441,297	115,943	-	-	13,863,167
<b>Total liabilities</b>	<b>2,458,343</b>	<b>11,549,870</b>	<b>1,441,297</b>	<b>115,943</b>	<b>346,468</b>	<b>49,724</b>	<b>15,961,645</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,003,411</b>	<b>-</b>	<b>-</b>	<b>5,003,411</b>
<b>Fund balances</b>							
Nonspendable:							
Inventories	475,713	-	-	-	-	-	475,713
Restricted:							
Stabilization by state statute	108,002	-	-	-	-	-	108,002
School capital outlay	-	-	-	-	2,322,850	-	2,322,850
Individual schools	-	-	-	-	-	2,947,773	2,947,773
Programs	-	-	-	3,127,720	-	-	3,127,720
Assigned:							
Designated for subsequent year's expenditures	3,000,000	-	-	-	-	-	3,000,000
Risk management	3,736,285	-	-	-	-	-	3,736,285
Unassigned	23,371,510	-	-	-	-	-	23,371,510
<b>Total fund balances</b>	<b>30,691,510</b>	<b>-</b>	<b>-</b>	<b>3,127,720</b>	<b>2,322,850</b>	<b>2,947,773</b>	<b>39,089,853</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 33,149,853</b>	<b>\$ 11,549,870</b>	<b>\$ 1,441,297</b>	<b>\$ 8,247,074</b>	<b>\$ 2,669,318</b>	<b>\$ 2,997,497</b>	

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.	261,447,179
Deferred outflows of resources related to pensions	37,509,727
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(28,392,207)
Net pension liability	(21,531,510)
Risk management liabilities that are not due and payable in the current period and therefore are not reported in the funds.	(3,736,285)
Deferred inflows of resources related to pensions	(80,907,199)
Net position of governmental activities	<u>\$ 203,479,558</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, 2015**

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Special Revenue	Capital Outlay	Non-Major Funds	
<b>Revenues</b>							
State of North Carolina	\$ -	\$ 267,343,552	\$ -	\$ 1,654,850	\$ -	\$ -	\$ 268,998,402
Cumberland County							
Local current expense	76,982,883	-	-	-	-	-	76,982,883
Capital outlay	-	-	-	-	7,013,334	-	7,013,334
U.S. Government	-	-	32,255,553	9,836,164	-	-	42,091,717
Other	1,291,355	14,214	-	7,050,078	217,411	9,387,614	17,960,672
<b>Total revenues</b>	<b>78,274,238</b>	<b>267,357,766</b>	<b>32,255,553</b>	<b>18,541,092</b>	<b>7,230,745</b>	<b>9,387,614</b>	<b>413,047,008</b>
<b>Expenditures</b>							
<b>Current</b>							
Instructional services							
Regular instructional	16,298,497	160,278,655	4,507,478	12,883,090	-	-	193,967,720
Special populations	3,087,308	36,594,194	10,563,525	774,559	-	-	51,019,586
Alternative programs	768,225	7,478,763	14,473,328	1,412,049	-	-	24,132,365
School leadership	17,976,787	11,842,842	19,349	59,715	-	-	29,898,693
Co-curricular	2,464,512	-	-	66,203	-	9,142,735	11,673,450
School-based support	4,258,279	20,263,800	624,643	178,988	-	-	25,325,710
System-wide support services							
Support and development	5,870,219	659,166	274,806	201,898	-	-	7,006,089
Special populations support and development	445,187	672,955	320,808	113,738	-	-	1,552,688
Alternative programs and services support and development	4,446	-	581,023	-	-	-	585,469
Technology support	908,137	1,112,545	-	-	-	-	2,020,682
Operational support	24,154,937	27,140,558	434,151	9,984	-	37,549	51,777,179
Financial and human resource	2,855,623	225,662	39,534	-	-	-	3,120,819
Accountability	615,329	-	-	300	-	-	615,629
System-wide pupil support	61,163	-	-	-	-	-	61,163
Policy, leadership and public relations	1,011,592	1,026,442	-	-	-	-	2,038,034
Ancillary services	284	62,184	-	-	-	-	62,468
Non-programmed charges	942,963	-	416,908	-	-	-	1,359,871
<b>Debt service</b>							
Principal	559,251	-	-	-	504,421	-	1,063,672
<b>Capital outlay</b>							
Land, buildings, and site improvement	-	-	-	-	4,219,430	-	4,219,430
Furniture and equipment	-	-	-	-	2,678,371	-	2,678,371
Vehicles and other	-	-	-	-	90,535	-	90,535
<b>Total expenditures</b>	<b>82,282,739</b>	<b>267,357,766</b>	<b>32,255,553</b>	<b>15,700,524</b>	<b>7,492,757</b>	<b>9,180,284</b>	<b>414,269,623</b>
<b>Revenues over expenditures</b>	<b>(4,008,501)</b>	<b>-</b>	<b>-</b>	<b>2,840,568</b>	<b>(262,012)</b>	<b>207,330</b>	<b>(1,222,615)</b>
<b>Other financing sources (uses)</b>							
Contributions from DPI	-	-	-	-	504,421	-	504,421
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504,421</b>	<b>-</b>	<b>504,421</b>
<b>Net change in fund balances</b>	<b>(4,008,501)</b>	<b>-</b>	<b>-</b>	<b>2,840,568</b>	<b>242,409</b>	<b>207,330</b>	<b>(718,194)</b>
Fund balances, beginning	34,700,011	-	-	287,152	2,080,441	2,740,443	39,808,047
Fund balances, ending	\$ 30,691,510	\$ -	\$ -	\$ 3,127,720	\$ 2,322,850	\$ 2,947,773	\$ 39,089,853

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, 2015**

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

Net changes in fund balances - total governmental funds	\$ (718,194)
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.	(9,774,552)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	37,509,727
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	(1,749,235)
Pension expenses	(8,387,784)
Compensated absences	(114,998)
Risk management	6,559
Total changes in net position of governmental activities	<u>\$ 16,771,523</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, 2015**

	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)
<b>Revenues</b>								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 263,988,981	\$ 271,572,507	\$ 267,343,552	\$ (4,228,955)
Cumberland County	76,982,905	76,982,905	76,982,883	(22)	-	-	-	-
U.S. Government	-	-	-	-	-	-	-	-
Other	975,000	975,000	1,291,355	316,355	-	-	-	-
<b>Total revenues</b>	<u>77,957,905</u>	<u>77,957,905</u>	<u>78,274,238</u>	<u>316,333</u>	<u>263,988,981</u>	<u>271,572,507</u>	<u>267,343,552</u>	<u>(4,228,955)</u>
<b>Expenditures</b>								
Instructional services	44,858,218	46,226,897	44,853,608	1,373,289	233,031,588	240,394,741	236,458,254	3,936,487
System-wide support services	39,353,361	37,981,988	35,926,633	2,055,355	30,893,711	31,114,084	30,837,328	276,756
Ancillary services	-	-	284	(284)	63,682	63,682	62,184	1,498
Non-programmed charges	825,000	950,000	942,963	7,037	-	-	(14,214)	14,214
<b>Total expenditures</b>	<u>85,036,579</u>	<u>85,158,885</u>	<u>81,723,488</u>	<u>3,435,397</u>	<u>263,988,981</u>	<u>271,572,507</u>	<u>267,343,552</u>	<u>4,228,955</u>
<b>Revenues over (under) expenditures</b>	<u>(7,078,674)</u>	<u>(7,200,980)</u>	<u>(3,449,250)</u>	<u>3,751,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Debt service</b>								
Principal	559,251	559,251	559,251	-	-	-	-	-
<b>Fund balance appropriated</b>	<u>7,637,925</u>	<u>7,760,231</u>	<u>-</u>	<u>(7,760,231)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(4,008,501)</u>	<u>\$ (4,008,501)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balances</b>								
Beginning of year			34,700,011				-	
End of year			<u>\$ 30,691,510</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, 2015**

	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)
<b>Revenues</b>								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 1,542,341	\$ 1,604,741	\$ 1,654,850	\$ 50,109
Cumberland County	-	-	-	-	-	-	-	-
U.S. Government	35,060,008	39,661,906	32,255,553	(7,406,353)	9,532,000	11,948,568	9,836,164	(2,112,404)
Other	-	-	-	-	3,038,258	4,632,355	7,050,078	2,417,723
<b>Total revenues</b>	<u>35,060,008</u>	<u>39,661,906</u>	<u>32,255,553</u>	<u>(7,406,353)</u>	<u>14,112,599</u>	<u>18,185,664</u>	<u>18,541,092</u>	<u>355,428</u>
<b>Expenditures</b>								
Instructional services	32,763,491	37,348,908	30,188,323	7,160,585	13,863,263	17,804,725	15,374,604	2,430,121
System-wide support services	1,788,161	1,732,089	1,650,322	81,767	249,336	380,939	325,920	55,019
Ancillary services	-	-	-	-	-	-	-	-
Non-programmed charges	508,356	580,909	416,908	164,001	-	-	-	-
<b>Total expenditures</b>	<u>35,060,008</u>	<u>39,661,906</u>	<u>32,255,553</u>	<u>7,406,353</u>	<u>14,112,599</u>	<u>18,185,664</u>	<u>15,700,524</u>	<u>2,485,140</u>
<b>Revenues over (under) expenditures</b>	-	-	-	-	-	-	2,840,568	2,840,568
<b>Debt service</b>								
Principal	-	-	-	-	-	-	-	-
<b>Fund balance appropriated</b>	-	-	-	-	-	-	-	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,840,568</u>	<u>\$ 2,840,568</u>
<b>Fund balances</b>								
Beginning of year			-				287,152	
End of year			<u>\$ -</u>				<u>\$ 3,127,720</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, 2015

	<u>Major Fund</u>	<u>Enterprise Funds</u>	
	<u>School Food</u>	<u>Non-major Fund</u>	
	<u>Service</u>	<u>Child Care</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 7,322,036	\$ 2,363,996	\$ 9,686,032
Due from other governments	815,735	-	815,735
Receivables (net)	72,764	3,524	76,288
Inventories	632,144	-	632,144
<b>Total current assets</b>	<u>8,842,679</u>	<u>2,367,520</u>	<u>11,210,199</u>
<b>Noncurrent assets</b>			
Capital assets			
Furniture and equipment, net	1,786,374	75,818	1,862,192
Vehicles, net	124,288	7,562	131,850
<b>Total noncurrent assets</b>	<u>1,910,662</u>	<u>83,380</u>	<u>1,994,042</u>
<b>Total assets</b>	<u>10,753,341</u>	<u>2,450,900</u>	<u>13,204,241</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>985,875</u>	<u>-</u>	<u>985,875</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	1,683	-	1,683
Accrued salaries and benefits payable	279,703	3,481	283,184
Compensated absences	66,659	-	66,659
Unearned revenue	131,187	-	131,187
<b>Total current liabilities</b>	<u>479,232</u>	<u>3,481</u>	<u>482,713</u>
<b>Noncurrent liabilities</b>			
Compensated absences	843,715	-	843,715
Net pension liability	565,917	-	565,917
<b>Total noncurrent liabilities</b>	<u>1,409,632</u>	<u>-</u>	<u>1,409,632</u>
<b>Total liabilities</b>	<u>1,888,864</u>	<u>3,481</u>	<u>1,892,345</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>2,126,499</u>	<u>-</u>	<u>2,126,499</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,910,662	83,380	1,994,042
Unrestricted	5,813,191	2,364,039	8,177,230
<b>Total net position</b>	<u>\$ 7,723,853</u>	<u>\$ 2,447,419</u>	<u>\$ 10,171,272</u>

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, 2015**

		<b>Enterprise Funds</b>	
	<b>Major Fund</b>	<b>Non-major Fund</b>	
	<b>School Food Service</b>	<b>Child Care</b>	<b>Total</b>
<b>Operating revenues</b>			
Food sales	\$ 5,325,185	\$ -	\$ 5,325,185
Child care fees	-	2,997,271	2,997,271
Other operating revenues	-	90,018	90,018
<b>Total operating revenues</b>	<b>5,325,185</b>	<b>3,087,289</b>	<b>8,412,474</b>
<b>Operating expenses</b>			
Food cost			
Purchase of food	8,457,265	53,793	8,511,058
Donated commodities	1,582,260	-	1,582,260
Salaries and benefits	11,058,420	2,160,451	13,218,871
Indirect costs	1,405,058	1,160,000	2,565,058
Materials and supplies	133,377	70,905	204,282
Repairs and maintenance	437,581	-	437,581
Depreciation	292,832	28,268	321,100
Contracted services	785,973	177,263	963,236
Other	1,146,193	2,611	1,148,804
<b>Total operating expenses</b>	<b>25,298,959</b>	<b>3,653,291</b>	<b>28,952,250</b>
<b>Operating income (loss)</b>	<b>(19,973,774)</b>	<b>(566,002)</b>	<b>(20,539,776)</b>
<b>Nonoperating revenues</b>			
Federal reimbursements	18,569,759	-	18,569,759
Federal commodities	1,582,260	-	1,582,260
State reimbursements	66,373	-	66,373
Indirect costs not paid	24	-	24
Sales tax refund	24,501	-	24,501
<b>Total nonoperating revenues</b>	<b>20,242,917</b>	<b>-</b>	<b>20,242,917</b>
<b>Income before contributions and transfers</b>	<b>269,143</b>	<b>(566,002)</b>	<b>(296,859)</b>
<b>Change in net position</b>	<b>269,143</b>	<b>(566,002)</b>	<b>(296,859)</b>
<b>Total net position, beginning</b>	<b>9,926,668</b>	<b>3,013,421</b>	<b>12,940,089</b>
<b>Restatement - pension</b>	<b>(2,471,958)</b>	<b>-</b>	<b>(2,471,958)</b>
<b>Total net position, beginning, restated</b>	<b>7,454,710</b>	<b>3,013,421</b>	<b>10,468,131</b>
<b>Total net position, ending</b>	<b>\$ 7,723,853</b>	<b>\$ 2,447,419</b>	<b>\$ 10,171,272</b>

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, 2015**

	Enterprise Funds		
	Major Fund	Non-major Fund	
	School Food		
	Service	Child Care	Total
Cash flows from operating activities			
Cash received from customers	\$ 5,161,500	\$ 3,087,289	\$ 8,248,789
Cash paid for goods and services	(12,199,664)	(1,464,572)	(13,664,236)
Cash paid to employees for services	(11,862,950)	(2,165,342)	(14,028,292)
Net cash provided (used) by operating activities	(18,901,114)	(542,625)	(19,443,739)
Cash flows from noncapital financing activities			
Federal reimbursements	18,569,759	-	18,569,759
State reimbursements	66,373	-	66,373
Sales tax refund	24,501	-	24,501
Net cash provided (used) by noncapital financing activities	18,660,633	-	18,660,633
Cash flows from capital and related financing activities			
Acquisition of capital assets	(201,888)	-	(201,888)
Net cash provided (used) by capital and related financing activities	(201,888)	-	(201,888)
Cash flows from investing activities			
Interest on investments	-	-	-
Net increase (decrease) in cash and cash equivalents	(442,369)	(542,625)	(984,994)
Cash and cash equivalents, beginning of year	7,764,405	2,906,621	10,671,026
Cash and cash equivalents, end of year	\$ 7,322,036	\$ 2,363,996	\$ 9,686,032

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, 2015**

	Enterprise Funds		
	Major Fund	Non-major Fund	
	School Food Service	Child Care	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (19,973,774)	\$ (566,002)	\$ (20,539,776)
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities			
Depreciation	292,832	28,268	321,100
Donated commodities	1,582,260	-	1,582,260
Net pension expense	(324,814)	-	(324,814)
Indirect costs not paid	24	-	24
Changes in assets and liabilities			
Increase in due from other governments	(155,501)	-	(155,501)
Decrease in accounts receivable	(18,872)	-	(18,872)
Increase in inventories	164,076	-	164,076
Increase in deferred outflows	(440,603)	-	(440,603)
Increase in accounts payable and accrued liabilities	34,570	(4,891)	29,679
Decrease in unearned revenue	10,688	-	10,688
Decrease in compensated absences payable	(72,000)	-	(72,000)
Total adjustments	1,072,660	23,377	1,096,037
Net cash provided (used) by operating activities	\$ (18,901,114)	\$ (542,625)	\$ (19,443,739)
Supplemental schedule of non-cash activities:			
Donated commodities	\$ 1,582,260	\$ -	\$ 1,582,260

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, 2015**

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	<u>Private-Purpose Trust</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 381,448
<b>Liabilities</b>	
Accounts payable	<u>-</u>
<b>Net Position</b>	
Assets held in trust for private purpose	<u><u>\$ 381,448</u></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, 2015**

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	Private-Purpose Trust
<b>Additions</b>	
Contributions and other revenue	\$ 96,500
<b>Deductions</b>	
Instructional costs	<u>72,731</u>
<b>Change in net position</b>	23,769
<b>Net position - beginning of year</b>	<u>357,679</u>
<b>Net position - end of year</b>	<u><u>\$ 381,448</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, 2015**

**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, 2015**

*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, 2015**

**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.

The County of Cumberland, North Carolina (the "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

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

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

	<u>Years</u>
Buildings	50
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 outflows and inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion - a pension related deferral and contributions made to the pension plan in the current fiscal year. 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 two items that meet this criterion - grants receivable in the Special Revenue Fund and pension related deferrals.

**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, 2015 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:

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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.

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. The Cumberland County Board of Education authorizes the assignment of amounts to a specific purpose.

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 \$50,000.

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. This classification may be reported as a negative balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to these purposes. A negative unassigned fund balance may be reported in other governmental funds, if expenditures for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

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. Defined Benefit Pension Plans**

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

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**10. Reconciliation of Government-wide and Fund Financial Statements**

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

The governmental fund balance sheet includes 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 \$164,389,705 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):	\$ 464,815,272
Less: Accumulated Depreciation	<u>(203,368,093)</u>
Net Capital Assets	<u>261,447,179</u>
 Pension related deferred outflows of resources	
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	37,509,727
 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	(3,169,051)
Compensated Absences	(25,223,156)
Risk management	<u>(3,736,285)</u>
Total	<u>(32,128,492)</u>

<u>Description</u>	<u>Amount</u>
Net Pension Liability	(21,531,510)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(5,018,882)
Difference between projected and actual earnings on plan investments	(72,747,144)
Differences between contributions and proportional share of contributions and changes in proportion	<u>(3,141,173)</u>
Total Adjustment	<u>\$ 164,389,705</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 \$17,489,717 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements, but capitalized as assets in the statement of activities.	\$1,935,193
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.	(11,662,221)
Loss on disposal of assets	(47,524)

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Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities

37,509,727

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.

(2,812,907)

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.

1,063,672

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

Pension expense

(8,387,784)

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

(114,998)

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

6,559

Total Adjustment

\$ 17,489,717

**II. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

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

At June 30, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$20,615,886. The bank balances with the financial institutions were \$25,154,746. Of these balances, \$1,759,183 was covered by federal depository insurance and \$23,395,563 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2015**

**2. Investments**

At June 30, 2015, the Board's investment balances were as follows:

Investment	Fair Value	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	\$ 788,208	N/A	AAA
Department of State Treasurer Short Term Investment Fund (STIF)	29,362,600	Weighted average maturity of 1.5 years	Unrated
US Government Agencies	5,049,309	1-2 years	AA+/A-1+
<b>Total</b>	<b>\$ 35,200,117</b>		

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 83.4% of the Board's total investments.

**3. Accounts Receivable**

Receivables at the government-wide level at June 30, 2015, were as follows:

	Due from other governments	Other
<b>Governmental activities:</b>		
General Fund	\$ -	\$ 9,036
Other governmental activities	13,821,637	-
<b>Total</b>	<b>\$13,821,637</b>	<b>\$ 9,036</b>
<b>Business-type activities:</b>		
School Food Service	\$ 815,735	\$ 72,764
Child Care	-	3,524
<b>Total</b>	<b>\$ 815,735</b>	<b>\$ 76,288</b>

Due from other governments consists of the following:

<b>Governmental activities:</b>		
Special Revenue Fund	\$ 441,701	Federal grants
State Public School Fund	11,549,870	Operating funds from DPI
Capital Outlay Fund	388,769	County Appropriations
Federal Grants Fund	1,441,297	Federal grant funds
<b>Total</b>	<b>\$13,821,637</b>	
<b>Business-type activities:</b>		
School Food Service	\$ 815,735	Federal funds
<b>Total</b>	<b>\$ 815,735</b>	



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For the Fiscal Year Ended June 30, 2015

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

<u>Category</u>	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 9,361,168	\$ 10,000	\$ -	\$ 9,371,168
Construction in Progress	45,019	-	45,019	-
Total capital assets not being depreciated	9,406,187	10,000	45,019	9,371,168
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	391,332,770	-	-	391,332,770
Furniture and Equipment	23,400,403	1,030,277	75,027	24,355,653
Vehicles	38,860,765	894,916	-	39,755,681
Total capital assets being depreciated	453,593,938	1,925,193	75,027	455,444,104
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	144,429,434	8,060,960	-	152,490,394
Furniture and Equipment	18,980,502	1,470,996	72,522	20,378,976
Vehicles	28,368,458	2,130,265	-	30,498,723
Total accumulated depreciation	191,778,394	\$ 11,662,221	\$ 72,522	203,368,093
Total capital assets being depreciated, net	261,815,544			252,076,011
<b>Governmental Activity capital assets, net</b>	<b>\$ 271,221,731</b>			<b>\$ 261,447,179</b>

Depreciation was charged to governmental functions as follows:

Instructional services – regular	\$ 5,364,622
Instructional services – special populations	233,244
Instructional services – alternative programs	583,111
Instructional services – co-curricular	583,111
Instructional services – school based support services	233,244
Instructional services – school leadership services	1,166,223
Unallocated depreciation	3,498,666
Total	<u>\$ 11,662,221</u>

<u>Category</u>	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
<b>Capital assets being depreciated:</b>				
Furniture and Equipment	\$ 12,636,451	\$ 201,888	\$ 1	\$ 12,838,338
Vehicles	124,288	-	-	124,288
Total capital assets being depreciated	12,760,739	201,888	-	12,962,626
<b>Less accumulated depreciation for:</b>				
Furniture and Equipment	10,635,634	292,044	-	10,927,677
Vehicles	123,499	788	-	124,287
Total accumulated depreciation	10,759,133	292,832	-	11,051,964
<b>School Food Service capital assets, net</b>	<b>2,001,606</b>			<b>1,910,662</b>
<b>Before and After School Care Fund:</b>				
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	24,701	-	-	24,701
Furniture and Equipment	269,228	-	-	269,228
Vehicles	15,645	-	-	15,645
Total capital assets being depreciated	309,574	-	-	309,574
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	15,301	803	-	16,104
Furniture and Equipment	176,106	25,901	-	202,007
Vehicles	6,519	1,564	-	8,083
Total accumulated depreciation	197,926	\$ 28,268	\$ -	226,194
<b>Before and After School Care Fund capital assets, net</b>	<b>111,648</b>			<b>83,380</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 2,113,254</b>			<b>\$ 1,994,042</b>

**Construction commitments**

The Board has no active construction projects as of June 30, 2015.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**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 47 buses in this manner. The buses were received in FY 2015-2016 and not recorded as long-term liabilities at June 30, 2015. 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, 2015, has been recorded.

The payments due in the fiscal year ended June 30, 2015 are as follows:

Total purchase price, 47 buses	\$ 3,756,027
Total payments due in fiscal year 2015-2016	1,879,013
Remaining payments in subsequent years	<u>\$ 1,877,014</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. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter

schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Benefits Provided.* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an

**CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
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**For the Fiscal Year Ended June 30, 2015**

officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The current rate is 8.69% of annual covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. The contribution requirements of plan members and Cumberland County Board of Education are established by General Statute 135-8 and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2015, 2014, and 2013 were \$38,495,602, \$21,291,312, and \$22,952,897, respectively, equal to the required contributions for each year.

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

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Board reported a liability of \$22,097,427 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2014 and 2013, the Board's proportion was .02%.

For the year ended June 30, 2015, the Board recognized pension expense of \$29,887,360. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,150,795
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	74,659,170
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	3,223,733
Board Contributions subsequent to the measurement date	<u>38,495,602</u>	<u>-</u>
Total	<u>\$ 38,495,602</u>	<u>\$ 83,033,698</u>

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**For the Fiscal Year Ended June 30, 2015**

A total of \$83,033,698 is reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$20,874,430
2017	\$20,874,430
2018	\$20,874,430
2019	\$20,410,408
2020	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

**CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2015**

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	<u>\$158,630,727</u>	<u>\$22,097,427</u>	<u>(\$93,185,036)</u>

**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 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

**CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2015**

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, 2015, 2014 and 2013, the Board paid all annual required contributions to the Plan for post-employment health care benefits of \$15,175,685, \$14,457,345, and \$14,603,884, respectively. These contributions represented 5.49%, 5.40%, and 5.30% of covered payroll, respectively.

Long-term Disability Benefits

*Plan Description.* Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. 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 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

**CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2015**

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, 2015, 2014, and 2013, the Board paid annual required contributions to the DIPNC for disability benefits of \$1,216,266, \$1,178,006, and

\$1,213,398, respectively. These contributions represented .41%, .44%, and .44% 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.

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.

**CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the Fiscal Year Ended June 30, 2015

**3. Deferred Inflows of Resources**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 5,150,794
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	74,659,170
Change in proportion and difference between employer contributions and proportionate share of contributions	-	3,223,734
Board contributions subsequent to the measurement date	38,495,602	-
Grants not yet earned (Special Revenue Fund)	-	5,003,411
	<u>\$ 38,495,602</u>	<u>\$ 88,037,109</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, 2015, are as follows:

	<u>Vendors</u>	<u>Salaries &amp; Benefits</u>
Governmental Activities:		
General	\$1,702,286	\$ 756,057
Other Governmental	<u>396,192</u>	<u>13,107,110</u>
Total - governmental activities	<u>\$2,098,478</u>	<u>\$13,863,167</u>

	<u>Vendors</u>	<u>Salaries &amp; Benefits</u>
Business-type Activities		
School Food Service	\$ 1,683	\$ 279,703
Child Care	-	3,481
Total - business-type activities	<u>\$ 1,683</u>	<u>\$ 283,184</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 \$3,736,285 at June 30, 2015 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 2014 and 2015 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>
2013-14	\$2,731,845	\$ 1,935,366	\$ (924,367)	\$ 3,742,844
2014-15	3,742,844	1,012,192	(1,018,751)	3,736,285



**CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2015**

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 \$1,318,155,074 (this is subject to the Catastrophic Limit of \$400,000,000.) 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 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, 2015, 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.

In May 2012, the board entered into such contract to reduce the energy costs associated with several schools. The financing contract requires principal payments for twelve years beginning in the fiscal year 2012 with an interest rate of 2.32 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, 2015 are as follows:

<b><u>Governmental Activities</u></b>		
<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2016	\$ 741,226	\$ 76,997
2017	765,435	57,905
2018	184,985	36,623
2019	193,972	32,236
2020	203,261	27,638
2021-2025	<u>1,080,172</u>	<u>61,541</u>
Totals	<b><u>\$ 3,169,051</u></b>	<b><u>\$ 292,940</u></b>

**CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the Fiscal Year Ended June 30, 2015

**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, 2015:

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

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015	Current Portion
<b>Governmental Activities:</b>					
Installment Purchases	\$ 1,419,816	\$ 2,812,907	\$ 1,063,672	\$ 3,169,051	\$ 741,226
Net Pension Liability	114,796,965	20,746,040	114,011,495	21,531,510	-
Compensated Absences	25,108,158	20,564,949	20,449,951	25,223,156	2,073,567
Risk Management	3,742,844	1,012,192	1,018,751	3,736,285	-
<b>Total</b>	<b>\$145,067,783</b>	<b>\$45,136,088</b>	<b>\$136,543,869</b>	<b>\$53,660,002</b>	<b>\$ 2,814,793</b>
<b>Business-Type Activities:</b>					
Net Pension Liability	\$ 3,017,230	\$ 545,272	\$2,996,585	\$ 565,917	\$ -
Compensated Absences	982,374	839,284	911,284	910,374	66,659
<b>Total</b>	<b>\$ 3,999,604</b>	<b>\$1,384,556</b>	<b>\$3,907,869</b>	<b>\$1,476,291</b>	<b>\$ 66,659</b>

**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	\$ 30,691,510
Less:	
Inventories	475,713
Stabilization by State Statute	108,002
Appropriated fund balance in 2016 budget	3,000,000
Risk management	3,736,285
Remaining fund balance	<b>\$ 23,371,510</b>

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

Encumbrances:

General Fund	\$ 98,966
Special Revenue Fund	1,765,433

**CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2015**

**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.

The implementation of these Statements required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$94,050,925 and \$2,471,958, respectively.

**IV. Subsequent Events**

The Board has evaluated subsequent events through December 21, 2015, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

**V. Change in Accounting Principles/Restatement**

The Board implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. This Statement established a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The Board also implemented GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement 68. The provisions of Statement 71 are required to be applied simultaneously with the provisions of Statement 68.

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## **REQUIRED SUPPLEMENTAL INFORMATION**

**Cumberland County Board of Education**  
**Schedule of the Board's Proportionate Share of the Net Pension**  
**Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Two Fiscal Years \***

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	1.885%	1.941%
County's proportionate share of the net pension liability (asset) \$	\$ 22,097,439	\$ 117,814,195
County's covered-employee payroll	\$ 253,094,029	\$ 244,937,120
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.73%	48.10%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

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

**Cumberland County Board of Education**

**Schedule of Board Contributions  
Teachers' and State Employees' Retirement System  
Last Two Fiscal Years**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 38,495,602	\$ 21,291,312
Contributions in relation to the contractually required contribution	<u>38,495,602</u>	<u>21,291,312</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 253,094,029	\$ 244,937,120
Contributions as a percentage of covered-employee payroll	15.210%	8.693%

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# **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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>			
Cumberland County appropriation	\$ 76,982,905	\$ 76,982,883	\$ (22)
Other			
Fines and forfeitures	900,000	719,826	(180,174)
Interest earned on investments	-	166,939	166,939
Rental of school property	75,000	76,582	1,582
Sales and use tax refund	-	11,063	11,063
Miscellaneous	-	316,945	316,945
Total other	<u>975,000</u>	<u>1,291,355</u>	<u>316,355</u>
<b>Total revenues</b>	<u>77,957,905</u>	<u>78,274,238</u>	<u>316,333</u>
<b>Expenditures</b>			
Instructional services:			
Regular instructional services:			
Regular curricular services		15,194,734	
CTE Curricular services		1,103,763	
Special populations services:			
Children with disabilities curricular services		2,126,111	
Special populations CTE curricular services		32,041	
Pre-K children with disabilities curricular services		167,350	
Speech and language pathology services		266,224	
Audiology services		9,347	
Academically/intellectually gifted curricular services		306,987	
Limited English proficiency services		179,248	
Alternative programs services:			
Attendance and social work services		475,074	
Remedial and supplemental K-12 services		250,682	
Pre-K readiness/remedial and supplemental services		42,469	
School leadership services		17,976,787	
Co-curricular services		2,464,512	
School-based support services:			
Educational media services		724,605	
Guidance services		919,288	

**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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Health support services		681,754	
Safety and security support services		180,695	
Instructional technology services		1,743,805	
Staff development unallocated		6,768	
Parent involvement services		1,364	
Total instructional services	46,226,897	44,853,608	1,373,289
System-wide support services:			
Support and development services:			
Regular curricular support and development services		5,828,490	
CTE curricular support and development services		41,729	
Special populations support and development services		445,187	
Alternative programs and services support and development services		4,446	
Technology support services		908,137	
Operational support services:			
Printing and copying services		468,047	
Public utility and energy services		8,857,178	
Custodial/housekeeping services		3,173,330	
Transportation services		1,417,221	
Warehouse and delivery services		785,151	
Facilities planning, acquisition and construction services		85,653	
Maintenance services		9,368,357	
Financial and human resource services:			
Financial services		1,255,364	
Human resources services		1,600,259	
Accountability services:			
Student testing services		592,938	
Planning, research development and program evaluation		22,391	
System-wide pupil support			
Health support services		48,815	
Safety and security support services		12,061	
Instructional technology support services		287	
Policy, leadership and public relations services:			
Board of education		157,357	
Legal services		357,867	

**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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Audit services		53,000	
Leadership services		386,357	
Public relations		57,011	
Total support services	<u>37,981,988</u>	<u>35,926,633</u>	<u>2,055,355</u>
Ancillary services	<u>-</u>	<u>284</u>	<u>(284)</u>
Non-programmed charges:			
Payments to other governments	<u>950,000</u>	<u>942,963</u>	<u>7,037</u>
Debt service			
Principal	<u>559,251</u>	<u>559,251</u>	<u>-</u>
Total expenditures	<u>85,718,136</u>	<u>82,282,739</u>	<u>3,435,397</u>
Revenues over (under) expenditures	<u>(7,760,231)</u>	<u>(4,008,501)</u>	<u>3,751,730</u>
Fund balance appropriated	<u>7,760,231</u>	<u>-</u>	<u>(7,760,231)</u>
Net change in fund balance	<u>\$ -</u>	<u>(4,008,501)</u>	<u>\$ (4,008,501)</u>
Fund balance, beginning		34,700,011	
Fund balance, ending		<u>\$ 30,691,510</u>	

## **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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
U. S. Government			
U. S. Department of Education	\$ 39,661,906	\$ 32,255,553	\$ (7,406,353)
<b>Total revenues</b>	<u>39,661,906</u>	<u>32,255,553</u>	<u>(7,406,353)</u>
<b>Expenditures</b>			
Instructional services	37,348,908	30,188,323	7,160,585
System-wide supporting services	1,732,089	1,650,322	81,767
Non-programmed charges	580,909	416,908	164,001
<b>Total expenditures</b>	<u>39,661,906</u>	<u>32,255,553</u>	<u>7,406,353</u>
<b>Revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balance, beginning</b>		<u>-</u>	
<b>Fund balance, ending</b>		<u>\$ -</u>	



## **Special Revenue Fund**

The Special Revenue Fund accounts for grants and other funding received for specifically designated uses. The funds are accounted for using the modified accrual basis of accounting.

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, 2015

	Budget	Actual	Positive (Negative) Variance
<b>Revenues</b>			
State of North Carolina	\$ 1,604,741	\$ 1,654,850	\$ 50,109
U.S. Government	11,948,568	9,836,164	(2,112,404)
Other	4,632,355	7,050,078	2,417,723
<b>Total revenues</b>	<u>18,185,664</u>	<u>18,541,092</u>	<u>355,428</u>
<b>Expenditures</b>			
Instructional services			
Regular instructional		12,883,090	
Special populations		774,559	
Alternative programs		1,412,049	
School leadership		59,715	
Co-curricular		66,203	
School-based support		178,988	
Total instructional services	<u>17,804,725</u>	<u>15,374,604</u>	<u>2,430,121</u>
System-wide support services			
Support and development		201,898	
Special populations support and development		113,738	
Operational support		9,984	
Accountability		300	
Total support services	<u>380,939</u>	<u>325,920</u>	<u>55,019</u>
Non-program charges	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>18,185,664</u>	<u>15,700,524</u>	<u>2,485,140</u>
Revenues over (under) expenditures	-	2,840,568	2,840,568
<b>Fund balance appropriated</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>2,840,568</u>	<u>\$ 2,840,568</u>
<b>Fund balance, beginning</b>		287,152	
<b>Fund balance, ending</b>		<u>\$ 3,127,720</u>	

## **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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>			
State of North Carolina			
State appropriations - buses	\$ 504,421	\$ -	\$ (504,421)
Total State of North Carolina	<u>504,421</u>	<u>-</u>	<u>(504,421)</u>
Cumberland County			
County bond proceeds	70,000	38,973	(31,027)
Qualified school construction bonds	-	-	-
General county revenues	<u>11,092,931</u>	<u>6,974,361</u>	<u>(4,118,570)</u>
Total Cumberland County	<u>11,162,931</u>	<u>7,013,334</u>	<u>(4,149,597)</u>
Other			
Miscellaneous	-	217,411	217,411
Total other	<u>-</u>	<u>217,411</u>	<u>217,411</u>
<b>Total revenues</b>	<u>11,667,352</u>	<u>7,230,745</u>	<u>(4,436,607)</u>
<b>Expenditures</b>			
Capital Outlay			
Land, buildings, and site improvement		4,219,430	
Furnishings and equipment		2,678,371	
Vehicles and other		90,535	
Total capital outlay	<u>11,162,931</u>	<u>6,988,336</u>	<u>4,174,595</u>
Debt services			
Principal	<u>504,421</u>	<u>504,421</u>	<u>-</u>
<b>Total expenditures</b>	<u>11,667,352</u>	<u>7,492,757</u>	<u>4,174,595</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(262,012)</u>	<u>(262,012)</u>
<b>Other financing sources (uses)</b>			
Contributions from DPI	<u>-</u>	<u>504,421</u>	<u>504,421</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>504,421</u>	<u>504,421</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>242,409</u>	<u>\$ 242,409</u>
<b>Fund balance, beginning</b>		2,080,441	
<b>Fund balance, ending</b>		<u>\$ 2,322,850</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, 2015

	Individual Schools Fund	Combined Athletics Fund	Combined Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 2,655,383	\$ 342,114	\$ 2,997,497
<b>Total assets</b>	<u>\$ 2,655,383</u>	<u>\$ 342,114</u>	<u>\$ 2,997,497</u>
<b>Liabilities</b>			
Accounts payable	\$ 49,724	\$ -	\$ 49,724
<b>Total liabilities</b>	<u>49,724</u>	<u>-</u>	<u>49,724</u>
<b>Fund balances</b>			
Fund balance - restricted	<u>2,605,659</u>	<u>342,114</u>	<u>2,947,773</u>
<b>Total liabilities and fund balance</b>	<u>\$ 2,655,383</u>	<u>\$ 342,114</u>	<u>\$ 2,997,497</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, 2015**

	<b>Individual Schools Fund</b>	<b>Combined Athletics Fund</b>	<b>Totals</b>
<b>Revenues</b>			
Other	\$ 8,238,356	\$ 1,149,258	\$ 9,387,614
<b>Total revenues</b>	<u>8,238,356</u>	<u>1,149,258</u>	<u>9,387,614</u>
<b>Expenditures</b>			
Instructional services			
Co-curricular	8,126,676	1,016,059	9,142,735
System-wide supporting services			
Operational support services	-	37,549	37,549
<b>Total expenditures</b>	<u>8,126,676</u>	<u>1,053,608</u>	<u>9,180,284</u>
<b>Revenues over expenditures</b>	<u>111,680</u>	<u>95,650</u>	<u>207,330</u>
<b>Net change in fund balance</b>	111,680	95,650	207,330
<b>Fund balance, beginning</b>	2,493,979	246,464	2,740,443
<b>Fund balance, ending</b>	<u>\$ 2,605,659</u>	<u>\$ 342,114</u>	<u>\$ 2,947,773</u>

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## **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, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Operating revenues, food sales</b>	<u>\$ 7,750,000</u>	<u>\$ 5,000,371</u>	<u>\$ (2,749,629)</u>
<b>Operating expenditures</b>			
Business support services			
Purchase of food		8,293,189	
Donated commodities		1,582,260	
Salaries and benefits		12,328,943	
Indirect costs		1,405,058	
Repairs and maintenance		437,581	
Materials and supplies		133,377	
Contracted services		785,973	
Other		1,146,193	
Equipment purchases		201,888	
<b>Total operating expenditures</b>	<u>27,323,000</u>	<u>26,314,462</u>	<u>1,008,538</u>
Operating loss	<u>(19,573,000)</u>	<u>(21,314,091)</u>	<u>(1,741,091)</u>
<b>Nonoperating revenues</b>			
Federal reimbursements	-	18,569,759	18,569,759
Federal commodities	-	1,582,260	1,582,260
State reimbursements	-	66,373	66,373
Sales tax refund	23,000	24,501	1,501
<b>Total nonoperating revenues</b>	<u>23,000</u>	<u>20,242,893</u>	<u>20,219,893</u>
<b>Excess of expenditures over revenue</b>	<u>\$ (19,550,000)</u>	<u>(1,071,198)</u>	<u>\$ 18,478,802</u>
<b>Reconciliation of modified accrual to full accrual basis</b>			
Revenues and fund balance appropriated under expenditures		(1,071,198)	
Reconciling items			
Depreciation		(292,832)	
Indirect costs not paid		24	
Contributions to the pension plan in the current fiscal year		440,603	
Equipment purchases, net of contributions		201,888	
Increase in pension liability		565,917	
Decrease in compensated absences payable		264,003	
Pension expense		324,814	
Decrease in inventories		(164,076)	
Change in net position (full accrual)		<u>\$ 269,143</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, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Operating revenues</b>			
Child care fees	\$ 3,812,614	\$ 2,997,271	\$ (815,343)
Other operating revenue	70,000	90,018	20,018
<b>Total operating revenues</b>	<u>3,882,614</u>	<u>3,087,289</u>	<u>(795,325)</u>
<b>Operating expenditures</b>			
Regular community service			
Purchase of food		53,793	
Salaries and benefits		2,160,451	
Indirect costs		1,160,000	
Materials and supplies		70,905	
Contracted services		177,263	
Other		2,611	
<b>Total operating expenditures</b>	<u>4,332,614</u>	<u>3,625,023</u>	<u>707,591</u>
<b>Operating loss</b>	(450,000)	(537,734)	87,734
<b>Nonoperating revenues</b>			
Interest income	-	-	-
<b>Excess of expenditures over revenues before other financing sources</b>	<u>(450,000)</u>	<u>(537,734)</u>	<u>87,734</u>
<b>Other financing sources</b>			
Fund balance appropriated	<u>450,000</u>	<u>-</u>	<u>450,000</u>
<b>Excess expenditures over revenues and other sources</b>	<u>\$ -</u>	<u>(537,734)</u>	<u>\$ 537,734</u>
<b>Reconciliation of modified accrual to full accrual basis</b>			
Revenues and fund balance appropriated under expenditures		(537,734)	
Reconciling items			
Depreciation		(28,268)	
<b>Change in net position (full accrual)</b>		<u>\$ (566,002)</u>	

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# STATISTICAL SECTION

**CUMBERLAND COUNTY BOARD OF EDUCATION**  
**STATISTICAL SECTION**  
**Introduction**  
**June 30, 2015**

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 259,623,913	\$ 269,801,915	\$ 276,668,882	\$ 279,824,817	\$ 270,647,358	\$ 281,041,423	\$ 253,370,765	\$ 235,558,195	\$ 235,131,593	\$ 234,748,736
Restricted	8,506,345	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
Unrestricted	(64,650,700)	9,388,389	16,115,645	28,962,529	19,357,451	24,398,519	11,086,416	22,121,624	3,679,279	6,334,534
<b>Total governmental activities net position</b>	<b>\$ 203,479,558</b>	<b>\$ 284,501,804</b>	<b>\$ 298,132,499</b>	<b>\$ 314,120,189</b>	<b>\$ 300,859,934</b>	<b>\$ 288,368,700</b>	<b>\$ 267,195,151</b>	<b>\$ 249,898,330</b>	<b>\$ 242,443,908</b>	<b>\$ 244,826,807</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 1,994,042	\$ 2,113,254	\$ 2,194,348	\$ 2,145,122	\$ 2,380,098	\$ 2,066,221	\$ 1,958,001	\$ 2,406,683	\$ 2,610,433	\$ 3,055,150
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	8,177,230	10,826,835	11,402,958	11,844,577	11,393,701	10,463,496	9,044,128	9,813,454	9,845,695	8,687,216
<b>Total business-type activities net position</b>	<b>\$ 10,171,272</b>	<b>\$ 12,940,089</b>	<b>\$ 13,597,306</b>	<b>\$ 13,989,699</b>	<b>\$ 13,773,799</b>	<b>\$ 12,529,717</b>	<b>\$ 11,002,129</b>	<b>\$ 12,220,137</b>	<b>\$ 12,456,128</b>	<b>\$ 11,742,366</b>
<b>Primary Government</b>										
Net investment in capital assets	\$ 261,617,955	\$ 271,915,169	\$ 278,863,230	\$ 281,769,939	\$ 273,027,456	\$ 283,107,644	\$ 255,328,766	\$ 237,964,878	\$ 237,742,026	\$ 237,803,888
Restricted	8,506,345	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
Unrestricted	(56,473,470)	20,215,224	27,518,603	40,807,106	30,751,152	34,862,015	20,130,544	31,935,078	13,524,974	15,021,750
<b>Total primary government net position</b>	<b>\$ 213,650,830</b>	<b>\$ 297,441,893</b>	<b>\$ 311,729,805</b>	<b>\$ 328,109,888</b>	<b>\$ 314,633,733</b>	<b>\$ 300,898,417</b>	<b>\$ 278,197,280</b>	<b>\$ 262,118,467</b>	<b>\$ 254,900,036</b>	<b>\$ 256,569,173</b>

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
<b>Governmental Activities:</b>										
Instructional services:										
Regular instructional	\$ 186,047,766	\$ 191,947,803	\$ 204,189,972	\$ 205,563,524	\$ 196,209,193	\$ 197,407,850	\$ 207,660,666	\$ 201,252,812		
Special populations	46,401,352	50,350,971	50,499,490	49,608,160	52,390,966	51,481,795	53,269,215	49,720,458		
Alternative programs	25,079,809	25,987,369	26,810,690	29,080,306	32,505,502	29,653,193	25,552,650	26,350,996		
School leadership	29,898,693	29,220,118	29,577,572	29,494,171	29,921,721	28,874,473	29,874,703	32,451,609		
Co-curricular	12,620,894	13,280,148	13,019,167	13,129,035	13,095,664	16,915,392	13,961,680	12,758,965		
School-based support	25,704,687	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	7,006,089	7,897,355	8,263,834	7,760,504	8,546,453	8,246,906	10,209,811	10,641,888		
Special populations support and development	1,552,688	1,392,545	1,399,897	1,351,302	795,931	1,060,737	1,068,909	499,696		
Alternative programs, services support & development	585,469	567,106	608,945	691,729	826,762	778,720	772,985	303,018		
Technology support	2,020,682	2,184,435	1,800,324	1,634,107	1,735,592	2,010,096	1,947,346	(304,797)		
Operational support	47,210,238	53,482,787	53,645,786	51,185,132	53,748,930	56,858,787	52,556,430	57,010,984		
Financial and human services	3,120,819	3,158,029	3,143,566	3,169,763	3,144,528	3,173,890	1,738,977	1,785,475		
Accountability	615,629	636,182	621,771	667,398	697,551	695,331	849,505	791,013		
System-wide pupil support	61,163	68,825	1,408	62,096	1,723,065	2,680,661	1,127,211	1,045,980		
Policy, leadership and public relations	3,932,923	3,472,714	3,325,505	3,647,991	1,764,204	1,748,437	1,639,298	1,769,086		
Ancillary services	62,468	58,137	70,955	211,378	223,760	1,281,023	104,774	350,842		
Nonprogram charges	1,359,871	1,107,798	859,363	727,426	304,079		281,763	167,898		
Unallocated depreciation expense *	3,498,666	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)	\$ 396,779,906	\$ 413,101,901	\$ 426,844,952	\$ 426,388,233	\$ 429,333,276	\$ 433,960,183	\$ 438,407,286	\$ 429,174,437	\$ 404,312,899	\$ 371,485,066
<b>Business-type activities:</b>										
School food service	25,298,959	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
Child care	3,653,291	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
Total business-type activities	28,952,250	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
Total primary government	425,732,156	442,940,584	457,457,168	456,535,344	458,576,417	462,705,270	467,978,382	457,133,306	431,019,344	397,462,980
<b>Program Revenues:</b>										
<b>Governmental activities:</b>										
Charges for services										
Instruction	8,314,938	8,708,219	8,708,138	8,555,377	9,485,113	9,078,769	9,473,108	9,478,413	\$ 1,214,687	\$ 677,826
Supporting services					104,243	(40,908)	1,174,123	1,227,346	1,205,181	39,506
Operating grants and contributions	299,613,319	288,861,407	293,405,301	311,055,627	310,924,419	314,728,483	315,928,288	307,846,021	291,857,125	273,244,148
Capital grants and contributions	504,421				6,861,981	3,020,547	1,549,192	5,538,152	5,334,731	618,680
Total governmental activities program revenue	\$ 308,432,678	\$ 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

\* 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 uniformed 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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Program revenues (continued):</b>										
Business-type activities										
Charges for services										
School food service	\$ 5,325,185	\$ 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
Child care	3,087,289	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
Operating grants and contributions	20,242,917	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
Capital grants and contributions	-	-	-	-	574,877	467,973	56,248	169,730	-	-
Total business-type activities program revenue	28,655,391	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
Total primary government program revenue	337,088,069	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
<b>Net (expense)/revenue</b>										
Governmental activities	(88,347,228)	(115,532,275)	(124,731,513)	(106,777,229)	(101,957,520)	(107,173,292)	(110,284,575)	(105,084,505)	(104,700,975)	(96,904,906)
Business-type activities	(296,859)	(694,899)	(430,576)	153,295	1,163,904	1,419,232	(1,419,231)	(387,115)	396,874	(967,068)
Total primary government net expense	(88,644,087)	(116,227,174)	(125,162,089)	(106,623,934)	(100,793,616)	(105,754,060)	(111,703,806)	(105,471,620)	(104,304,101)	(97,871,974)
<b>General revenues and other changes in net assets:</b>										
Governmental activities:										
Unrestricted county appropriations - operating	76,982,883	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
Unrestricted county appropriations - capital	7,013,334	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
Unrestricted State appropriations - operating	-	-	-	-	7,645,251	7,997,849	6,809,524	6,914,570	7,098,008	6,924,257
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
Investment earnings, unrestricted	166,939	175,568	112,276	402,790	785,628	859,278	1,430,862	1,862,934	1,818,577	1,421,114
Miscellaneous, unrestricted	20,955,595	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
Total governmental activities	105,118,751	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
Business-type activities:										
Investment earnings, unrestricted	-	37,682	38,183	62,605	80,178	108,356	201,223	151,124	316,888	249,980
Total business-type activities	-	37,682	38,183	62,605	80,178	108,356	201,223	151,124	316,888	249,980
Total primary government general revenues	105,118,751	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
<b>Change in net position, governmental activities</b>	16,771,523	(13,630,695)	(15,987,690)	13,260,255	12,491,234	21,173,549	17,296,821	7,454,422	(2,382,899)	1,142,735
<b>Change in net position, business-type activities</b>	(296,859)	(657,217)	(392,393)	215,900	1,244,082	1,527,588	(1,218,008)	(235,991)	713,762	(717,088)
<b>Total primary government</b>	\$ 16,474,664	\$ (14,287,912)	\$ (16,380,083)	\$ 13,476,155	\$ 13,735,316	\$ 22,701,137	\$ 16,078,813	\$ 7,218,431	\$ (1,669,137)	\$ 425,647

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>General Fund</b>										
Nonspendable:										
Inventories	\$ 475,713	\$ 475,713	\$ 372,375	\$ 372,375	\$ 459,416	\$ 315,281	\$ 299,505	\$ 270,897	\$ 348,852	\$ 202,732
Restricted:										
Stabilization by State Statute	108,002	203,464	273,333	395,741	900,475	791,127	2,016,673	2,310,201	1,121,550	1,292,153
Assigned:										
Subsequent year's expenditures	3,000,000	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
Risk Management	3,736,285	3,742,844								
Unassigned:	23,371,510	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
<b>Total General Fund</b>	<u>\$ 30,691,510</u>	<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>
<b>All other governmental funds</b>										
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
School capital outlay	2,322,850		720,079	2,070,130						
Individual Schools	2,947,773	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
Programs	3,127,720	287,152	255,096							
Unassigned:					(4,106,667)	(14,108,088)	(8,494,722)	(11,702,168)	(3,059,010)	(1,553,544)
<b>Total all other governmental funds</b>	<u>\$ 8,398,343</u>	<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>
<b>Total all governmental funds</b>	<u>\$ 39,089,853</u>	<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>

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
State of North Carolina	\$ 268,998,402	\$ 258,695,726	\$ 262,064,127	\$ 263,753,731	\$ 264,186,520	\$ 266,412,582	\$ 288,668,324	\$ 287,400,409	\$ 268,836,338	\$ 245,706,763
Cumberland County	83,996,217	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
U. S. Government	42,091,717	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
Other	17,960,672	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
Total revenues	413,047,008	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
<b>Expenditures (1)</b>										
Instructional programs	336,017,524	325,631,819	335,652,591	341,644,140	347,375,929	343,674,211	356,567,417	343,996,859		
Supporting services	69,337,003	71,296,593	70,278,700	69,926,176	76,176,312	71,934,025	74,286,461	71,221,876		
Ancillary services	62,468	58,137	70,955	211,378	223,760	1,281,023	108,627	446,357		
Nonprogram charges	1,359,871	1,107,798	859,363	727,426	528,958	228,449	790,842	592,845		
Capital outlay	6,988,336	7,868,258	11,362,514	21,362,443	17,921,213	27,424,190	22,671,464	19,329,343		
Debt Service										
Principal	504,421	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	414,269,623	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
Revenues over (under) expenditures	(1,222,615)	(6,675,544)	(8,810,116)	4,701,950	(674,448)	11,165,490	(4,238,390)	847,034	(3,491,447)	184,727
<b>Other financing sources (uses)</b>										
Installment purchase obligations issued	504,421	-	-	-	4,299,893	1,652,749	4,663,683	2,365,011	1,673,821	-
Total other financing sources (uses)	504,421	-	-	-	4,299,893	1,652,749	4,663,683	2,365,011	1,673,821	-
Net change in fund balances	\$ (718,194)	\$ (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
Debt service as a percentage of noncapital expenditures	0.12%	0.05%	0.35%	0.26%	0.71%	0.51%	1.00%	0.51%	0.32%	0.20%

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 uniformed 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 <sup>(1)</sup>	Per Capita <sup>(2)</sup>
	General Obligation Bonds	Certificates of Participation	Capital Leases	Installment Purchase	General Obligation Bonds	Certificates of Participation	Capital Leases	Installment Purchase			
2015	\$ 35,206,484	\$ 97,178,829	\$ 1,172,987	\$ 4,599,065	\$ 1,117,000	\$ 27,709,715	-	\$ 1,648,919	\$ 168,632,999	NA	\$ 512
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

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2015.

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**

<u>Fiscal Year</u>	<u>Total General Obligation Bonds</u>	<u>Percentage of Personal Income (1)</u>	<u>Percentage of Actual Taxable Value of Property (2)</u>	<u>Per Capita (1)</u>
2015	\$ 36,323,484	NA	0.16%	\$110
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

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2015.

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt Limit	\$ 2,093,592	\$ 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
Total net debt applicable to limit	34,857	42,711	49,115	56,830	65,845	73,815	82,295	90,235	98,230	106,165
Legal debt margin	<u>\$ 2,058,735</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	1.66%	2.03%	2.43%	2.71%	3.23%	3.93%	5.45%	6.19%	7.01%	7.82%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Assessed Property Value	\$ 22,944,381
Plus : Exempt Property	3,225,523
Total Assessed Value	<u>\$ 26,169,904</u>
Debt Limit (8% of total assessed value)	2,093,592
Debt applicable to limit:	
Total Bonded debt	34,857
Authorized and unissued debt	20,126
	<u>54,983</u>
Less: Statutory deductions	
Authorized and unissued debt	20,126
Revenue bonds	-
	<u>20,126</u>
Total amount of debt applicable to debt limit	<u>34,857</u>
Legal debt margin	<u>\$ 2,058,735</u>

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2015.

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

<b>Years Ended June 30</b>	<b>Balance Installment Purchases</b>	<b>Minimum Future Payments Year 1</b>	<b>Minimum Future Payments Year 2</b>	<b>Minimum Future Payments Year 3</b>	<b>Minimum Future Payments Year 4</b>	<b>Minimum Future Payments Year 5</b>	<b>Minimum Future Payments Beyond 5 Years</b>	<b>Debt Percentage of Personal Income (1)</b>	<b>Debt Per Capita (1)</b>
2015	\$ 3,169,051	\$ 818,223	\$ 823,340	\$ 221,608	\$ 226,208	\$ 230,899	\$ 1,141,713	NA	9.62
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

Note (1) Population and income information per the County of Cumberland, North Carolina Annual Financial Report for the year ended June 30, 2015.  
(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 2015			Fiscal Year 2006		
	2014 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2005 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Goodyear Tire & Rubber Co.	\$ 332,044	1	1.45%	\$ 128,531	2	0.85%
Cross Creek Mall, LLC	151,049	2	0.66%	85,200	4	0.56%
Wal-Mart Stores, Inc.	113,075	3	0.49%	109,617	3	0.72%
Duke Energy Progress, Inc.	86,087	4	0.38%			
Carolina Telephone Co.	63,491	5	0.28%	129,295	1	0.85%
DAK Americas, LLC	62,683	6	0.27%	56,089	8	0.37%
Purolator Filters, NA LLC	62,468	7	0.27%	57,675	7	0.38%
Piedmont Natural Gas Co., Inc.	56,727	8	0.25%	53,475	9	0.35%
South River EMC	47,566	9	0.21%			
Cargill	43,607	10	0.19%			
Carolina Power & Light Co.				68,173	5	0.45%
Black & Decker				59,171	6	0.39%
Centurion Aviation Service				43,854	10	0.29%
	<u>\$ 1,018,797</u>		<u>4.45%</u>	<u>\$ 791,080</u>		<u>5.21%</u>

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2015.



**CUMBERLAND COUNTY BOARD OF EDUCATION**  
**PROPERTY TAX LEVIES AND COLLECTIONS FOR THE COUNTY OF CUMBERLAND**  
**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			Total Collections to Date	
		Current Tax Collections	Percent of Net Levy Collected	Collections in Subsequent Years (2)	Total Tax Collections	Percent of Total Tax Collections To Net Levy
2015	\$ 170,223,065	\$ 168,914,935	99.23%	NA	\$ 168,914,935	99.23%
2014	171,641,426	169,217,802	98.59%	1,518,644	170,736,446	99.47%
2013	164,274,193	160,024,057	97.41%	3,118,409	163,142,466	99.31%
2012	159,824,747	155,867,130	97.52%	3,079,278	158,946,408	99.45%
2011	155,671,269	151,707,302	97.45%	3,123,836	154,831,138	99.46%
2010 <sup>1</sup>	158,424,003	154,634,400	97.61%	3,012,904	157,647,304	99.51%
2009	144,914,639	140,776,733	97.14%	3,314,915	144,091,648	99.43%
2008	144,435,397	140,172,406	97.05%	3,378,204	143,550,610	99.39%
2007	138,486,845	133,857,005	96.66%	3,660,895	137,517,900	99.30%
2006	133,891,832	129,101,364	96.42%	3,751,178	132,852,542	99.22%

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

Note (2) Collections for FY 2006 include all collections through 9th prior year.  
Collections for FY 2007 include all collections through 8th prior year.  
Collections for FY 2008 include all collections through 7th prior year.  
Collections for FY 2009 include all collections through 6th prior year.  
Collections for FY 2010 include all collections through 5th prior year.  
Collections for FY 2011 include all collections through 4th prior year.  
Collections for FY 2012 include all collections through 3rd prior year.  
Collections for FY 2013 include all collections through 2nd prior year.  
Collections for FY 2014 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, 2015.

**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 <sup>1</sup>	Personal Property		Less: Tax Exempt Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value <sup>2</sup>	Assessed Value as a Percentage of Actual Value <sup>3</sup>
			Motor Vehicle	Other					
2015	\$ 22,096,679	\$ 365,032	\$ 2,203,857	\$ 1,504,336	\$ 3,225,523	\$ 22,944,381	\$ 0.9025	\$ 22,064,505	103.99%
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%
<sup>4</sup> 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%

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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, 2015.

**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					
<b>Year Ended June 30</b>	<b>County Direct Rate</b>	<b>County Recreation Rate</b>	<b>Fire Protection Districts (1)</b>	<b>Special Fire District (2)</b>	<b>Total Direct Rate</b>
2015	\$ 0.740	\$ 0.050	\$ 0.100	\$ 0.0125	\$ 0.9025
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

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, 2015.

**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**

<b>Year Ended June 30</b>	<b>City of Fayetteville (1)</b>	<b>Fayetteville Revitalization District</b>	<b>Town of Hope Mills</b>	<b>Town of Spring Lake (1)</b>	<b>Town of Eastover (2)</b>	<b>Town of Falcon</b>	<b>Town of Godwin</b>	<b>Town of Linden (1)</b>	<b>Town of Stedman</b>	<b>Town of Wade</b>
2015	\$ 0.486	\$ 0.100	\$ 0.460	\$ 0.700	\$ 0.205	\$ 0.150	\$ 0.240	\$ 0.200	\$ 0.320	\$ 0.250
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

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, 2015.

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

<b>Years Ended June 30</b>	<b>Population (1)</b>	<b>Personal Income</b>	<b>Per Capita Income (2)</b>	<b>Median Age (1)</b>	<b>Unemployment Rate (3)</b>
2015	329,411	NA	NA	NA	7.8%
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%

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, 2015.

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

Employer	Fiscal Year 2015			Fiscal Year 2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Department of Defense-Civilians	8,757	1	6.19%	8,857	1	7.27%
Cumberland County Schools	6,530	2	4.62%	6,447	2	5.29%
Cape Fear Valley Health System	4,900	3	3.47%	4,100	3	3.37%
Wal-Mart Associates Inc.	2,860	4	2.02%			
Goodyear Tire & Rubber Co.	2,500	5	1.77%	2,560	4	2.10%
Cumberland County Government	2,350	6	1.66%	2,500	5	2.05%
City of Fayetteville	2,055	7	1.45%	1,959	6	1.61%
Fayetteville Technical Community College	1,390	8	0.98%	1,250	7	1.03%
Veterans Administration	1,000 +	9	0.71%			
Fayetteville State University	900 +	10	0.69%			
U.S. Postal Service				1,312	8	1.08%
Purolator				1,150	9	0.94%
M.J. Softe				1,100	10	0.90%
	<u>33,242</u>		<u>23.55%</u>	<u>31,235</u>		<u>25.63%</u>

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2015.

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

Position	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Officials, Adm., Mgrs.	8	8	8	9	9	7	7	7	7	7
Principals	86	86	85	83	85	87	84	85	87	77
Asst. Principals, Teaching	8	7	9	6	10	13	8	6	5	9
Asst. Principals, Nonteaching	116	115	116	114	110	112	122	126	119	116
Elementary Teachers	1,772	1,852	1,886	1,866	1,847	1,851	1,872	1,894	1,905	1,846
Secondary Teachers	621	644	682	652	654	655	671	668	657	647
Other Teachers	938	943	932	952	1,032	1,040	1,023	927	889	916
Guidance	133	130	131	135	134	138	148	148	141	144
Psychological	28	30	31	30	33	32	34	28	30	26
Librarian, Audiovisual	80	78	85	85	96	97	98	95	93	94
Consultant, Supervisor	54	53	57	52	52	55	63	75	72	68
Other Professional	191	191	196	196	198	190	179	204	190	183
Teacher Assistants	819	817	939	891	1,036	1,001	1,156	1,141	1,069	1,103
Technicians	19	22	22	24	55	52	55	55	50	50
Clerical, Secretarial	410	427	436	435	450	431	441	455	446	433
Service Workers	763	780	738	728	729	751	764	765	686	717
Skilled Crafts	179	182	186	183	188	181	189	182	181	185
Laborers, Unskilled	89	88	86	90	89	89	88	91	86	22
<b>Total</b>	<b>6,314</b>	<b>6,453</b>	<b>6,625</b>	<b>6,531</b>	<b>6,807</b>	<b>6,782</b>	<b>7,002</b>	<b>6,952</b>	<b>6,713</b>	<b>6,643</b>

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Number of schools</b>										
Elementary	52	52	53	53	53	52	51	51	53	54
Middle	16	16	16	15	15	15	15	15	15	15
Grades 6-12	1	1	1	1	1	1	1	1	1	1
High	15	15	14	14	13	13	14	14	14	11
Alternative	1	1	2	2	2	3	3	3	3	2
Special	1	1	1	1	1	3	3	3	2	4
Total	86	86	87	86	85	87	87	87	88	87
<b>Average Student Teacher Ratio</b>	17:1	15:1	15:1	15:1	15:1	15:1	15:1	15:1	15:1	15:1
<b>Child Nutrition</b>										
Average breakfasts served daily	15,840	15,903	16,234	16,320	15,522	15,338	15,338	15,002	14,939	13,852
Average lunches served daily	32,760	32,416	34,599	37,066	35,698	35,861	35,810	35,371	43,676	43,343
Free & Reduced Lunch percentage	61.36%	58.50%	58.45%	57.88%	55.23%	53.73%	53.73%	55.69%	55.45%	56.07%
<b>Before and After School Care</b>										
Number of sites	33	38	41	43	43	43	44	44	44	44
Number of participants	1,304	1,301	1,465	1,394	2,273	2,803	3,010	3,227	3,403	3,376
<b>Exceptional Children's Program</b>										
Number of disabled students	7,273	7,270	7,325	7,335	7,343	7,279	7,474	7,481	7,631	7,527
Number of academically/ intellectually gifted students	5,058	5,168	4,970	4,706	4,946	4,825	4,563	4,574	4,223	4,242
<b>English as a Second Language Program (ESL)</b>										
Number of students served	1,104	1,001	1,022	964	1,080	1,201	1,245	1,246	1,008	1,142
Number of schools with ESL	85	85	83	79	75	77	77	77	75	81
Number of languages spoken	82	57	46	52	42	67	60	48	46	57
<b>Athletic Programs</b>										
<b>Middle Schools</b>										
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
<b>High Schools</b>										
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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>School Buildings</b>										
<u>Elementary Schools</u>										
Number	52	52	53	53	53	52	52	52	54	54
Square feet	3,267,613	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
Acres	908	920	940	923	912	861	793	777	794	822
Portables	140	138	139	134	149	143	129	135	134	127
Enrollment	23,360	23,828	24,593	24,715	24,943	25,066	25,615	24,631	24,516	24,152
<u>Middle Schools</u>										
Number	18	18	18	17	17	17	17	17	17	17
Square feet	1,854,045	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
Acres	380	380	370	384	384	375	330	328	349	422
Portables	27	27	27	35	30	33	51	40	32	37
Enrollment	11,420	11,563	11,820	11,771	11,963	11,769	11,767	11,876	12,157	12,348
<u>High Schools</u>										
Number	16	16	16	16	15	18	18	18	17	16
Square feet	2,552,510	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
Acres	722	711	712	712	712	730	754	772	735	686
Portables	33	32	31	31	25	25	25	20	27	29
Enrollment	15,088	15,200	15,134	15,199	15,098	15,105	15,089	16,405	16,405	16,266
<u>Totals</u>										
Number	86	86	87	86	85	87	87	87	88	87
Square feet	7,674,168	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
Acres	2,010	2,011	2,022	2,019	2,008	1,966	1,877	1,877	1,878	1,930
Portables	200	197	197	200	204	201	205	195	193	193
Enrollment	49,868	50,591	51,547	51,685	52,004	51,940	52,471	52,912	53,078	52,766
<b>Number of Buses:</b>	444	444	439	444	463	466	492	492	504	492

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, 2015, 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 21, 2015.

**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 Raintree LLP in black ink.

Fayetteville, North Carolina  
December 21, 2015

**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 U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2015. 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, 2015.



### **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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

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

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 21, 2015



**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, 2015. 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, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2015.



### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major state 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 and corrective action plan. 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 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.

 LCP

Fayetteville, North Carolina  
December 21, 2015



**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015**

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**Section I - Summary of Auditor's Results**

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**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, 2015**

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

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

☐ yes      ☒ no

Identification of major federal programs:

CFDA Numbers

Names of Federal Program or Cluster

84.041

Impact Aid (School Assistance in Federally Affected Areas)

10.553

Child Nutrition Cluster

10.555

School Breakfast Program

10.555

National School Lunch Program (Cash Assistance)

10.559

National School Lunch Program (Non-Cash Assistance)

Summer Food Service Program for Children

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

\$1,714,828

Auditee qualified as low-risk auditee?

☒ yes      ☐ no

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2015**

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

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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  
School Technology Fund - SPSF  
Driver Training – SPSF  
School Financed Buses - SPSF

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2015**

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**Section II – Financial Statement Findings**

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None reported

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2015**

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

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**Finding 2015-001**

**Significant Deficiency – Matching/Special Tests and Provisions**

**U.S. Department of Education**

**Program Name: Impact Aid (School Assistance in Federal Affected Areas)**

**Criteria:** On an annual basis, the Board will review the level of effort calculation to determine whether they have supplanted funding. The Board will also review the calculation pertaining to the required level of expenditures for special education services provided to federally connected children with disabilities.

**Condition:** A direct review of the calculations is not performed nor is it documented.

**Context:** We noted that the Board has an informal review process over the funding received for Impact Aid. However, this calculation and review is not documented.

**Effect:** The Board could be supplanting money or not meet the required level of expenditures without realizing it.

**Cause:** Management oversight and under development of controls.

**Recommendation:** Establish stronger controls to ensure that all calculations are correct and use the most current information.

**Management Response:** Management acknowledges the finding.

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2015**

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

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**Finding 2015-002**

**Non-material Non-compliance – Gfeller-Waller Concussion Awareness Act**

**North Carolina Department of Public Instruction**

**Program Name: State Public School Fund**

**Criteria:** The Board is required to comply with all aspects of Session Law 2011-147. Session Law 2011-147 requires that the Board shall obtain, on an annual basis, a signed concussion and head injury information sheet from all coaches, school nurses, athletic directors, first responders, volunteers and students who participate in interscholastic activities prior to any participation, including tryouts, practice or competition.

**Condition:** The Board did not obtain the signed concussion and head injury information sheet for all athletes prior to the first date of tryouts.

**Context:** We noted that 2 of the 15 signed concussion and head injury information sheets tested were dated prior to the first date of tryouts.

**Questioned costs:** None as this compliance requirement has no impact on allowable costs.

**Effect:** The Board was not in compliance with all requirements of Session Law 2011-147.

**Cause:** Management oversight over documentation requirements of Session Law 2011-147.

**Recommendation:** Adapt a policy consistent to the requirements of Session Law 2011-147 and implement controls to ensure the policy is in place throughout the Board.

**Management Response:** Management acknowledges the finding.

**Cumberland County Board of Education  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2015**

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**Section II – Financial Statement Findings**

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None reported

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

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Finding 2015-001

Name of Contact Person: Clyde Locklear, Jr., Associate Superintendent for Business Operations

Corrective Action: An accurate calculation will be prepared each year by the Federal Programs Budget Manager and the Accounting Manager. The report will be reviewed and approved by the Finance Officer.

Proposed Completion Date: January 2016

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

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Finding 2015-002

Name of Contact Person: Clyde Locklear, Jr., Associate Superintendent for Business Operations

Corrective Action: Cumberland County Schools will inform parents and athletes of the requirements of Gfeller-Waller Concussion Awareness. An informational form will be provided to parents and athletes. This form will be signed by the parent and student and returned to the coach prior to any student participating in any workout or practice. Forms will be collected and maintained in the school athletic department. Each School Principal, Coach and Athletic Director will be responsible for caring out this program. The district Athletic Director will be responsible for compliance.

Proposed Completion Date: January 2016

**Cumberland County Board of Education  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2015**

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**Section II – Financial Statement Findings**

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None reported

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

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Finding 2014-001  
Status: Corrected

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

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None reported



**Cumberland County Board of Education  
Schedule of Expenditures of Federal and State Awards  
For the Fiscal Year Ended June 30, 2015**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>			
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster:			
<b>Non-Cash Assistance (commodities):</b>			
Passed through the N.C. Department of Agriculture: National School Lunch Program	10.555	PRC 035	\$ 1,582,260
<b>Cash Assistance:</b>			
Passed through the N.C. Department of Public Instruction: School Breakfast Program	10.553	PRC 035	4,771,138
National School Lunch Program	10.555	PRC 035	13,653,934
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	144,479
Total Cash Assistance			18,569,551
Total Child Nutrition Cluster			20,151,811
Total U.S. Department of Agriculture			20,151,811
<u>U.S. Department of Education</u>			
Direct Programs:			
Impact Aid (School Assistance in Federally Affected Areas)	84.041	PRC 308	4,907,172
Indian Education - Title IX	84.060	PRC 310	210,593
Passed through Moore County Board of Education ARRA - Race to the Top - Regional Leadership Academies	84.395	PRC 364	2,447

**Cumberland County Board of Education**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

<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:			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	PRC 050	14,901,828
Title I Grants to Local Education Agencies (Title I, Part A of ESEA) - School Improvement	84.010	PRC 105	544,660
Total Title I, Part A Cluster			<u>15,446,488</u>
School Improvement Cluster			
ARRA - School Improvement Grants, Recovery Act	84.388	PRC 143	297,369
Total School Improvement Cluster			<u>297,369</u>
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060, PRC 114	10,918,959
Special Education - Preschool Grants	84.173	PRC 049	299,129
IDEA - Targeted Assistance for Preschool Federal Grants	84.173A	PRC 119	21,805
Special Needs Targeted Assistance	84.027A	PRC 118	16,801
Total Special Education Cluster			<u>11,256,694</u>
Education of Homeless Children and Youth Cluster			
Education of Homeless Children and Youth	84.196	PRC 026	28,473
Total Education of Homeless Children and Youth Cluster			<u>28,473</u>

**Cumberland County Board of Education**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

<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	296,564
Foreign Language Assistance Program (FLAP)	84.293	PRC 359, 360	
Special Education - State Personnel Development	84.323A	PRC 082	31,408
Mathematics and Science Partnership, Title II-B	84.366B	PRC 112	284,377
Teacher Quality Enhancement	84.367	PRC 103	2,639,224
ARRA - Race to the Top	84.395	PRC 156	1,235,695
ARRA - Race to the Top Governors Teacher	84.395	PRC 154	124,089
Reads for Summer Learning	84.305	PRC 342	56,468
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	612,570
Capacity Building Grant	84.048	PRC 058	2,602
Total U.S. Department of Education			<u>37,432,233</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	12.xxx	PRC 301	678,688
Total Federal Assistance			<u>58,262,732</u>

**Cumberland County Board of Education**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<b>State Grants:</b>			
<b>Cash Assistance:</b>			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			251,364,090
Driver Training - SPSF		PRC 012	940,594
Vocational Education			
State Months of Employment		PRC 013	13,495,431
Program Support Funds		PRC 014	687,679
School Technology Fund - SPSF		PRC 015	850,573
Breakfast Program		PRC 035	66,373
Lateral Entry		PRC 440	100,034
			<hr/>
Total N.C. Department of Public Instruction			267,504,774
			<hr/>
<u>N.C. Department of Health and Human Services</u>			
NC Pre-Kindergarten Program		PRC 413	1,455,300
NC Health Department		PRC 460	99,516
			<hr/>
Total N.C. Department of Health and Human Services			1,554,816
			<hr/>

**Cumberland County Board of Education**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>Non-Cash Assistance:</b>			
<u>N.C. Department of Public Instruction</u>			
School Financed Buses		PRC 120	504,421
Textbooks		PRC 130	5,183
			<hr/> 509,604
Total Non-Cash Assistance			
Total State Assistance			<hr/> 269,569,194
Total Federal and State Assistance			<hr/> <b>\$ 327,831,926</b> <hr/>

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

Basis of Presentation

- 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.