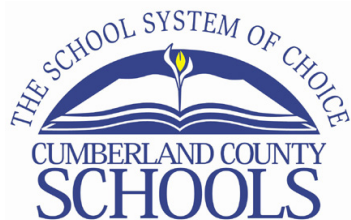


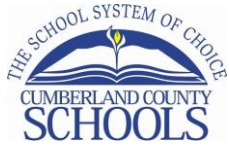
CUMBERLAND COUNTY BOARD OF EDUCATION  
FAYETTEVILLE, NORTH CAROLINA

# Comprehensive Annual Financial Report

For The Fiscal Year Ended  
**June 30, 2018**



COLLABORATE. COMPETE. SUCCEED.



# **CUMBERLAND COUNTY BOARD OF EDUCATION**

Fayetteville, North Carolina

## **Comprehensive Annual Financial Report**

For Fiscal Year Ended  
June 30, 2018

Dr. Marvin Connelly, Jr.  
Superintendent

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



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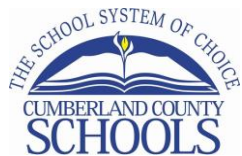
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# **INTRODUCTORY SECTION**



## LETTER OF TRANSMITTAL

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February 5, 2019

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, 2018. 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.

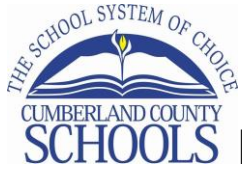
### **Reporting Entity**

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 of North Carolina providing for the public school needs of the county's three hundred twenty

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, 2018, 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.

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



## LETTER OF TRANSMITTAL (continued)

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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 Army Airfield. 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. Cape Fear Valley Health System is the largest non-military employer, employing approximately 6,500 full time employees. Cumberland County Schools (CCS) employs over 6,000 employees. Wal-Mart, having five local

Super Centers and one distribution center, employs over 2,500 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.

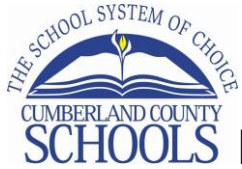
### Major Initiatives

Student achievement for the Cumberland County Schools (CCS) continued to excel. Assessment results for CCS students reflect continuous improvement. Assessment results for CCS in 2017-2018 from the North Carolina Department of Public Instruction (NCDPI) are as follows:

- 80.5% of the schools met or exceeded growth
- 94% of the elementary schools met or exceeded growth
- 77% of the high schools met or exceeded growth

The North Carolina Department of Public Instruction recognized 52 Cumberland County Schools for high implementation success of Positive Behavior Interventions and Support (PBIS) by awarding three levels of





## LETTER OF TRANSMITTAL (continued)

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recognition: (18) Green Ribbons, (19) Model, and (15) Exemplar.

The 2017-2018 Graduation Rate decreased by 0.1 points to 82% for the CCS.

Five schools were recognized by the North Carolina Department of Public Instruction for receiving an “A” grade for academic performance during the 2016-2017 school year. They are Beaver Dam Elementary, Cross Creek Early College High, Cumberland Polytechnic, Cumberland International Early College High Schools and Jack Britt High School.

District students and staff continue to be recognized for their outstanding achievement. Mary Potter, the media coordinator at Seventy-First Classical Middle, was named the 2017-2018 Media Coordinator of the Year. Career & Technical Education students earned 5,884 credentials and ranked second in the state among public school districts for credentials earned. Cumberland County Schools received an award from the NC Special Olympics for starting the Unified Track Program. Cumberland County Schools is the first school system in the state where all schools within the district are participating in a Unified Sport. Several athletic teams received regional and state recognition including bowling, track and wrestling.

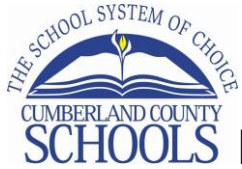
### **Accounting System**

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





## LETTER OF TRANSMITTAL (continued)

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annual balanced budget that must be adopted for all funds except the individual school funds, combined athletic funds and administrative fund in accordance with the North Carolina School Budget and Fiscal Control Act. Also, expenditures cannot legally exceed appropriations at the function level for governmental fund types and budget amendments must be reported to the Board at the next meeting. As an additional control required by State statute, the Board maintains an encumbrance accounting system that is an allocation of budgeted money for purchase orders in process. Outstanding encumbrances at year-end are re-appropriated in the following year's budget. Furthermore, pre-audit procedures are performed in accordance with the North Carolina School Budget and Fiscal Control Act to ensure availability of funds prior to issuance of purchase orders or payment of claims. Internal controls include examination of activity funds of individual schools each year by the internal audit staff for compliance with federal, State, and local Board policy. Additional review procedures include submitting monthly transactions of State and federal funds and details of disbursements from these funds to the North Carolina Department of Public Instruction. Annually, external auditors perform an audit on the entire school system, as required by State statute, as well as compliance audits for federal and State financial assistance programs.

### **Financial Reporting Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate

of Achievement for Excellence in Financial Reporting to Cumberland County Board of Education for its comprehensive annual financial report for the fiscal year ended June 30, 2017. 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-four consecutive years (fiscal years ended 1993-2017). 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 1993-2017. The Certificate of Excellence Award is the highest form of recognition in school financial reporting.



## LETTER OF TRANSMITTAL (continued)

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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

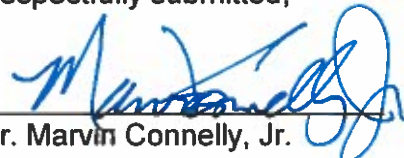
The financial statements have been audited by the independent certified public accounting firm of Cherry Bekaert LLP and their unmodified opinion is expressed herein.

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.

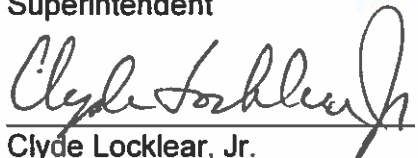
### Acknowledgments

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,



Dr. Marvin Connelly, Jr.  
Superintendent



Clyde Locklear, Jr.  
Associate Superintendent  
Business Operations

# BOARD MEMBERS AND SUPERINTENDENT

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Dr. Marvin Connelly  
Superintendent

Donna Vann  
Chairperson

Alicia S. Chisolm  
Vice Chairperson

Peggy Hall

Charles McKellar

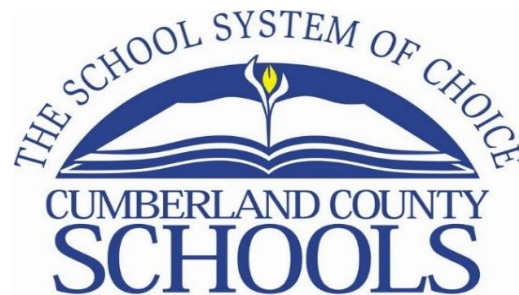
Porcha McMillan

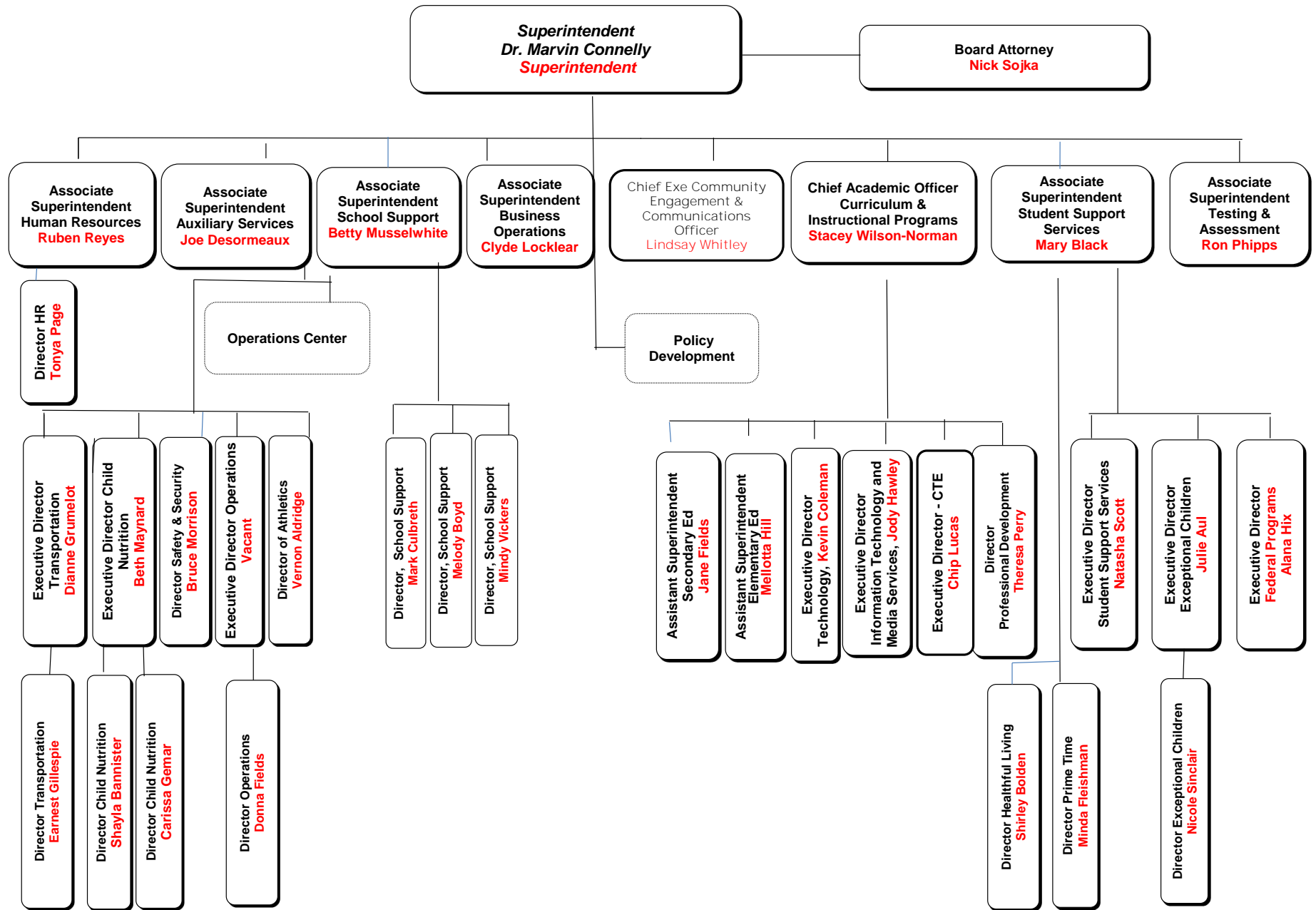
Judy Musgrave

Carrie Sutton

Greg West

Susan Williams







ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

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

## **Cumberland County Board of Education**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.**

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



Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

John D. Musso, CAE  
Executive Director



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, 2017**

*Christopher P. Morill*

Executive Director/CEO

# **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, 2018, 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, 2018, 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 Grants 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**

### ***Change in Accounting Principles***

As discussed in Note IV to the financial statements, the Board adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended June 30, 2018. As a result, net position as of June 30, 2017, has been restated. Our opinion is not modified with respect to this matter.

### ***Restatement***

As discussed in Note IV to the financial statements, the Board recorded a restatement to correct deferred outflows related to the pension cost. As a result, net position as of June 30, 2017, has been restated. 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 supplemental 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 February 5, 2019, 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 Roubert LLP

Fayetteville, North Carolina  
February 5, 2019



## 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, 2018. 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 82.12%
- 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 and is one way to measure the unit's financial health or position.

- 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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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. Liabilities exceeded assets by \$494 million as of June 30, 2018 as compared to assets exceeding liabilities by \$218.1 million as of June 30, 2017. This decrease is primarily due to the implementation of GASB 75 during the year which had the effect of reducing beginning of the year net position. The largest component of net position is Net Investment in Capital Assets of \$238.3 million.

## 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, 2018 and 2017  
(Amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current assets	\$ 82,320	\$ 77,502	\$ 14,507	\$ 13,808	\$ 96,827	\$ 91,310
Capital assets	237,858	247,516	3,185	3,017	241,043	250,533
Total assets	320,178	325,018	17,692	16,825	337,870	341,843
Deferred outflows	84,458	119,201	2,256	3,153	86,714	122,354
Current liabilities	29,358	27,977	1,147	1,278	30,505	29,255
Long-term liabilities	671,650	192,637	17,501	4,972	689,151	197,609
Total liabilities	701,008	220,614	18,648	6,250	719,656	226,864
Defer inflow resources	194,112	18,880	4,856	350	198,968	19,230
Invested cap assets	235,078	244,299	3,185	3,017	238,263	247,316
Restricted net position	10,177	9,234	24		10,201	9,234
Unrestricted net position	(735,738)	(48,808)	(6,765)	10,361	(742,503)	(38,447)
Total net position	\$ (490,483)	\$ 204,725	\$ (3,556)	\$ 13,378	\$ (494,039)	\$ 218,103

Net position decreased during the year by \$711 million over the previous year. The GASB 75 restatement accounted for nearly all of this decrease. The business-type activities reflect a slight increase, in non-operating revenues of \$1.7 million or 7.07% for the year in the School Food Service Fund. Governmental activities expenditures increased by \$18.4 million or 4% while business type operating expenditures increased by \$1.8 million or 5.97% for the fiscal year.

Table 2A  
Condensed Statement of Activities  
as of June 30, 2018  
(Amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
	6/30/2018	6/30/2018	6/30/2018
Revenues:			
Program rev:			
Chg. for svcs.	\$ 7,850	\$ 6,956	\$ 14,806
Op. grants & contr.	323,825	25,731	349,556
General Rev:			
County	91,112		91,112
State	2,517		2,517
Other revenues	20,363	55	20,418
Total revenues	445,667	32,742	478,409
Expenses:			
Govtl activities:			
Instr. programs	373,137		373,137
Supp. Svcs.	75,759		75,759
Ancillary Services	90		90
Nonprog. Chgs.	2,102		2,102
Depr.	3,331		3,331
Business-type activities			
Food service		28,765	28,765
Child care		3,182	3,182
Total expenses	454,419	31,947	486,366
Incr (Dec) net position	(8,752)	795	(7,957)
Restatement: OPEB & Pension	(684,455)	(17,728)	(702,183)
Beginning net position, restated	(481,731)	(4,351)	(486,082)
Ending net position	\$ (490,483)	\$ (3,556)	(494,039)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 2B  
Condensed Statement of Activities  
as of June 30, 2017  
(Amount expressed in thousands)

	Governmental Activities 6/30/2017	Business-type Activities 6/30/2017	Total Primary Government 6/30/2017
<b>Revenues:</b>			
<b>Program rev:</b>			
Chg. for svcs.	\$ 7,994	\$ 7,229	\$ 15,223
Op. grants & contr.	308,246	24,011	332,257
<b>General Rev:</b>			
County	85,299		85,299
State	2,591		2,591
Other revenues	21,963	72	22,035
<b>Total revenues</b>	<b>426,093</b>	<b>31,312</b>	<b>457,405</b>
<b>Expenses:</b>			
<b>Govtl activities:</b>			
Instr. programs	357,567		357,567
Supp. Svcs.	72,916		72,916
Ancillary Services	97		97
Nonprog. Chgs.	1,913		1,913
Depr.	3,460		3,460
<b>Business-type Activities:</b>			
Food service		26,903	26,903
Child care		3,227	3,227
<b>Total expenses</b>	<b>435,953</b>	<b>30,130</b>	<b>466,083</b>
<b>Incr (Dec) net position</b>	<b>(9,860)</b>	<b>1,182</b>	<b>(8,678)</b>
Beginning net position	214,585	12,197	226,782
Ending net position	\$ 204,725	\$ 13,379	\$ 218,104

Instructional expenses comprised 82% of total governmental-type expenses while support services made up 16.7% of expenses. This continues to be consistent with prior year activity. Programs supporting regular classroom instruction and special population show the majority of the growth. County funding comprised 20% of total governmental revenue. Much of the remaining 80% of total governmental revenue consisted of restricted state and federal money. Business-type activities generated revenues of \$32.7 million and had expenses of \$31.9 million. Both increasing slightly over 2017. Net position decreased in the governmental activities by \$8.8 million primarily as a result of the restatement of pensions as required by GASB 75. Business-type activities increased by \$.8 million.

### Financial Analysis of the Board's Funds

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

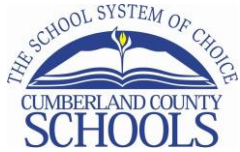
The Board's governmental funds reported a combined fund balance of \$45.8 million, a \$2.9 million increase from the prior year. The increase was due to an increase in revenue in the General Fund.

The State Public School Fund revenues and expenditures increased only slightly and Capital Projects revenues and expenditures increased over 2017.

**Proprietary Funds:** The Board's business-type funds showed an overall increase in net position of \$.795 million. The School Food Service Fund accounted for \$.7 million, which was down from 2017. Food sales decreased by \$367,043 while operating expenses increased by \$1.86 million and federal reimbursements and commodities increased by \$1.7 million.

The Before and After School Child Care Fund had an increase in net position of \$.09 million, up from 2017, primarily due to operational





## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

revenues over expenses. Expense were down in 2018 and participation in the program trends upward.

### General Fund Budgetary Highlights

Over the course of the year, the Board approved budget amendments to account for changes in revenue and expenditure expectations. The total system-wide budget was modified as appropriate 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 increased by 4.0% primarily due to an increase in local government appropriations over fiscal year 2016-2017.

The variance between the original budgeted expenditures and the final budgeted expenditures was 3.1% spread among the various functions.

The actual expenditures from the General Fund were significantly less (\$2.6 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. General fund expenditures increased by \$3.07 million, an increase of 3.9% over expenditures in 2016-2017.

### Capital Assets

Capital assets are summarized in Table 3 and are reported as net of accumulated depreciation. The capital assets decreased by \$9.5 million (or 3.8%) 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 increased by \$1.67 million over 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.

### Debt Outstanding

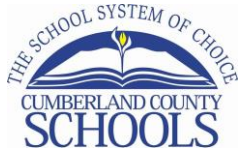
During the year the Board's outstanding debt decreased by \$197.8 million due primarily to a decrease of net pension liabilities, an increase in the obligation for compensated absences and a slight decrease in risk management. The Board is limited by North Carolina General Statutes with regard to the types of debt it can issue and for what purpose that debt can be used. The County of Cumberland 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.)

### 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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

Table 3  
Summary of Capital Assets  
as of June 30, 2018 and 2017  
(Amounts expressed in thousands)

	<u>6/30/2018</u>	<u>6/30/2017</u>
Governmental Activities		
Land	\$ 9,773	\$ 9,574
Construction in Process		
Blds & Improvements, net	215,431	223,099
Furniture & Equipment, net	4,240	4,730
Vehicles, net	8,414	10,113
<b>Total</b>	<u>\$ 237,858</u>	<u>\$ 247,516</u>
Business-type Activities		
Blds & Improvements, net	\$ 7	\$ 8
Furniture & Equipment, net	3,107	2,958
Vehicles, net	71	51
<b>Total</b>	<u>\$ 3,185</u>	<u>\$ 3,017</u>
Total Primary Government		
Land	\$ 9,773	\$ 9,574
Construction in Process		-
Blds & Improvements, net	215,438	223,107
Furniture & Equipment, net	7,347	7,688
Vehicles, net	8,485	10,164
<b>Total</b>	<u>\$ 241,043</u>	<u>\$ 250,533</u>

### 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**

# **GOVERNMENT – WIDE FINANCIAL STATEMENTS**

**Cumberland County Board of Education**  
**Statement of Net Position (Deficit)**  
**June 30, 2018**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total Primary Government</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 63,650,566	\$ 12,993,376	\$ 76,643,942
Due from other governments	17,040,383	814,113	17,854,496
Receivables	246,235	52,205	298,440
Net OPEB asset	907,714	23,443	931,157
Inventories	475,713	624,357	1,100,070
Capital assets:			
Land and construction in progress	9,773,526	-	9,773,526
Other capital assets, net of depreciation	228,084,841	3,184,941	231,269,782
<b>Total capital assets</b>	<u>237,858,367</u>	<u>3,184,941</u>	<u>241,043,308</u>
<b>Total assets</b>	<u>320,178,978</u>	<u>17,692,435</u>	<u>337,871,413</u>
<b>Deferred outflows of resources - pension</b>			
Pension	68,646,971	1,847,806	70,494,777
OPEB	15,811,170	408,354	16,219,524
	<u>84,458,141</u>	<u>2,256,160</u>	<u>86,714,301</u>
<b>Liabilities</b>			
Accounts payable	5,430,147	727,679	6,157,826
Accrued salaries and benefits	23,927,844	311,153	24,238,997
Unearned revenue	-	108,654	108,654
Long-term liabilities:			
Due within one year	19,342,996	910,935	20,253,931
Due in more than one year	10,739,929	-	10,739,929
Net pension liability	133,231,517	3,540,790	136,772,307
OPEB liability	505,247,082	13,048,967	518,296,049
Risk management	3,088,684	-	3,088,684
<b>Total long-term liabilities</b>	<u>671,650,208</u>	<u>17,500,692</u>	<u>689,150,900</u>
<b>Total liabilities</b>	<u>701,008,199</u>	<u>18,648,178</u>	<u>719,656,377</u>
<b>Deferred inflows of resources</b>			
Grants	6,407,798	-	6,407,798
Pension	10,118,696	269,654	10,388,350
OPEB	177,585,582	4,586,485	182,172,067
	<u>194,112,076</u>	<u>4,856,139</u>	<u>198,968,215</u>
<b>Net position (deficit)</b>			
Net investment in capital assets	235,078,467	3,184,941	238,263,408
Restricted for			
Stabilization by state statute	312,832	-	312,832
School capital outlay	3,045,040	-	3,045,040
Individual schools	2,810,653	-	2,810,653
Programs	3,100,856	-	3,100,856
DIPNC OPEB plan	907,714	23,443	931,157
Unrestricted (deficit)	<u>(735,738,718)</u>	<u>(6,764,106)</u>	<u>(742,502,824)</u>
<b>Total net position (deficit)</b>	<u>\$ (490,483,156)</u>	<u>\$ (3,555,722)</u>	<u>\$ (494,038,878)</u>

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, 2018**

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		
					Governmental Activities	Business-Type Activities	Total
<b>Primary government</b>							
Governmental activities							
Instructional services							
Regular instructional	\$ 220,018,874	\$ 46,187	\$ 183,807,607	\$ -	\$ (36,165,080)	\$ -	\$ (36,165,080)
Special populations	52,232,489	-	48,145,643	-	(4,086,846)	-	(4,086,846)
Alternative programs	27,646,405	-	24,164,960	-	(3,481,445)	-	(3,481,445)
School leadership	33,514,499	-	13,048,919	-	(20,465,580)	-	(20,465,580)
Co-curricular	12,859,684	7,804,001	-	-	(5,055,683)	-	(5,055,683)
School-based support	26,865,033	-	21,091,159	-	(5,773,874)	-	(5,773,874)
System-wide support services							
Support and development	7,563,056	-	1,021,929	-	(6,541,127)	-	(6,541,127)
Special populations support and development	1,790,024	-	1,468,344	-	(321,680)	-	(321,680)
Alternative programs and services support and development	1,005,964	-	997,279	-	(8,685)	-	(8,685)
Technology support	1,786,566	-	888,117	-	(898,449)	-	(898,449)
Operational support	53,488,488	-	27,656,261	2,097,887	(23,734,340)	-	(23,734,340)
Financial and human resource	3,417,984	-	187,474	-	(3,230,510)	-	(3,230,510)
Accountability	634,110	-	-	-	(634,110)	-	(634,110)
System-wide pupil support	1,147,540	-	-	-	(1,147,540)	-	(1,147,540)
Policy, leadership, and public relations	4,924,854	-	780,206	-	(4,144,648)	-	(4,144,648)
Ancillary services	90,331	-	149,279	-	58,948	-	58,948
Non-programmed charges	2,102,680	-	417,970	-	(1,684,710)	-	(1,684,710)
Unallocated depreciation expense (excludes depreciation allocated to programs)	3,330,950	-	-	-	(3,330,950)	-	(3,330,950)
Total governmental activities	454,419,531	7,850,188	323,825,147	2,097,887	(120,646,309)	-	(120,646,309)
Business-type activities							
School food service	28,765,409	3,698,105	25,731,328	-	-	664,024	664,024
Child care	3,181,755	3,257,855	-	-	-	76,100	76,100
Total business-type activities	\$ 31,947,164	\$ 6,955,960	\$ 25,731,328	\$ -	-	740,124	740,124
General revenues							
Unrestricted county appropriations - operating					80,082,412	-	80,082,412
Unrestricted county appropriations - capital					11,029,218	-	11,029,218
Unrestricted State appropriations - capital					2,517,004	-	2,517,004
Investment earnings, unrestricted					386,588	54,992	441,580
Miscellaneous, unrestricted					17,878,059	-	17,878,059
Total general revenues and transfers					111,893,281	54,992	111,948,273
Change in net position					(8,753,028)	795,116	(7,957,912)
Net position, beginning of year					204,725,657	13,378,189	218,103,846
Restatement - OPEB					(671,099,169)	(17,332,413)	(688,431,582)
Restatement - Pension					(15,356,616)	(396,614)	(15,753,230)
Net position (deficit), beginning, restated					(481,730,128)	(4,350,838)	(486,080,966)
Net position (deficit), end of year					\$ (490,483,156)	\$ (3,555,722)	\$ (494,038,878)

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

# **FUND FINANCIAL STATEMENTS**



**Cumberland County Board of Education  
Balance Sheet  
Governmental Funds  
June 30, 2018**

	<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	\$ 49,318,770	\$ -	\$ -	\$ 9,450,051	\$ 1,638,141	\$ 3,243,604	\$ 63,650,566
Due from other governments	-	13,970,985	1,397,280	265,219	1,406,899	-	17,040,383
Accounts receivable	246,235	-	-	-	-	-	246,235
Inventory	475,713	-	-	-	-	-	475,713
<b>Total assets</b>	<b>\$ 50,040,718</b>	<b>\$ 13,970,985</b>	<b>\$ 1,397,280</b>	<b>\$ 9,715,270</b>	<b>\$ 3,045,040</b>	<b>\$ 3,243,604</b>	<b>\$ 81,412,897</b>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 5,236,870	\$ -	\$ -	\$ 84,129	\$ -	\$ 109,148	\$ 5,430,147
Accrued salaries and benefits payable	8,113,289	13,970,985	1,397,280	122,487	-	323,803	23,927,844
<b>Total liabilities</b>	<b>13,350,159</b>	<b>13,970,985</b>	<b>1,397,280</b>	<b>206,616</b>	<b>-</b>	<b>432,951</b>	<b>29,357,991</b>
<b>Deferred inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,407,798</b>	<b>-</b>	<b>-</b>	<b>6,407,798</b>
<b>Fund balances</b>							
Nonspendable:							
Inventories	475,713	-	-	-	-	-	475,713
Restricted:							
Stabilization by state statute	312,832	-	-	-	-	-	312,832
School capital outlay	-	-	-	-	3,045,040	-	3,045,040
Individual schools	-	-	-	-	-	2,810,653	2,810,653
Programs	-	-	-	3,100,856	-	-	3,100,856
Assigned:							
Designated for subsequent year's expenditures	9,890,014	-	-	-	-	-	9,890,014
Risk management	3,088,684	-	-	-	-	-	3,088,684
Unassigned	22,923,316	-	-	-	-	-	22,923,316
<b>Total fund balances</b>	<b>36,690,559</b>	<b>-</b>	<b>-</b>	<b>3,100,856</b>	<b>3,045,040</b>	<b>2,810,653</b>	<b>45,647,108</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 50,040,718</b>	<b>\$ 13,970,985</b>	<b>\$ 1,397,280</b>	<b>\$ 9,715,270</b>	<b>\$ 3,045,040</b>	<b>\$ 3,243,604</b>	

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

Net OPEB asset	907,714
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	237,858,367
Deferred outflows of resources related to pensions	68,646,971
Deferred outflows of resources related to OPEB	15,811,170
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	(30,082,925)
Net pension liability	(133,231,517)
Net OPEB liability	(505,247,082)
Risk management liabilities that are not due and payable in the current period and, therefore, are not reported in the funds	(3,088,684)
Deferred inflows of resources related to pensions	(10,118,696)
Deferred inflows of resources related to OPEB	(177,585,582)
Total adjustments	(536,130,264)
Net position of governmental activities	<u>\$ (490,483,156)</u>

**Cumberland County Board of Education**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

	<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>Revenues</b>						
State of North Carolina	\$ -	\$ 292,377,414	\$ -	\$ 1,650,017	\$ 2,517,004	\$ 296,544,435
Cumberland County						
Local current expense	81,090,751	-	-	-	-	81,090,751
Capital outlay	-	-	-	-	11,029,218	11,029,218
U.S. Government	-	-	31,416,130	8,083,225	-	39,499,355
Other	3,283,977	31,603	-	4,155,689	52,253	16,413,196
<b>Total revenues</b>	<b>84,374,728</b>	<b>292,409,017</b>	<b>31,416,130</b>	<b>13,888,931</b>	<b>13,598,475</b>	<b>444,576,955</b>
<b>Expenditures</b>						
<b>Current</b>						
Instructional services						
Regular instructional	10,190,289	181,520,647	2,286,960	10,275,164	-	204,273,060
Special populations	2,602,200	37,763,972	10,381,671	699,612	-	51,447,455
Alternative programs	719,956	8,776,604	15,388,356	1,366,119	-	26,251,035
School leadership	20,358,721	13,048,919	-	106,859	-	33,514,499
Co-curricular	2,572,548	-	-	44,120	-	11,464,314
School-based support	4,192,492	20,179,047	912,112	1,023,235	-	26,306,886
System-wide support services						
Support and development	6,322,517	950,957	70,972	218,610	-	7,563,056
Special populations support and development	160,774	1,091,736	376,608	160,906	-	1,790,024
Alternative programs and services support and development	8,685	-	997,279	-	-	1,005,964
Technology support	898,449	887,955	162	-	-	1,786,566
Operational support	25,532,599	27,198,308	457,953	20,480	-	53,253,636
Financial and human resource	3,230,510	142,142	45,332	-	-	3,417,984
Accountability	634,104	-	-	6	-	634,110
System-wide pupil support	1,147,540	-	-	-	-	1,147,540
Policy, leadership, and public relations	1,353,906	780,206	-	-	-	2,134,112
Ancillary services	21,807	68,524	-	-	-	90,331
Non-programmed charges	1,684,710	-	417,970	-	-	2,102,680
<b>Debt service</b>						
Principal	-	-	-	-	2,517,004	2,517,004
<b>Capital outlay</b>						
Land, buildings, and site improvement	-	-	-	-	6,510,780	6,510,780
Furniture and equipment	-	-	80,755	-	4,264,207	4,344,962
Vehicles and other	-	-	-	-	2,352,118	2,352,118
<b>Total expenditures</b>	<b>81,631,807</b>	<b>292,409,017</b>	<b>31,416,130</b>	<b>13,915,111</b>	<b>15,644,109</b>	<b>443,908,116</b>
<b>Revenues over expenditures</b>	<b>2,742,921</b>	<b>-</b>	<b>-</b>	<b>(26,180)</b>	<b>(2,045,634)</b>	<b>668,839</b>
<b>Other financing sources (uses)</b>						
Installment purchase obligations issued	-	-	-	-	2,097,887	2,097,887
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,097,887</b>	<b>2,097,887</b>
<b>Net change in fund balances</b>	<b>2,742,921</b>	<b>-</b>	<b>-</b>	<b>(26,180)</b>	<b>52,253</b>	<b>2,766,726</b>
Fund balances, beginning of year	33,947,638	-	-	3,127,036	2,992,787	42,880,382
Fund balances, end of year	<b>\$ 36,690,559</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,100,856</b>	<b>\$ 3,045,040</b>	<b>\$ 45,647,108</b>

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, 2018**

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

Net changes in fund balances - total governmental funds	\$ 2,766,726
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.	(9,658,274)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,008,339)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	26,721,773
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	15,343,949
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	622,767
Pension expenses	(33,069,759)
OPEB expense	(10,358,560)
Compensated absences	(449,942)
Risk management	336,631
Total adjustments	<u>(11,519,754)</u>
Total changes in net position of governmental activities	<u>\$ (8,753,028)</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, 2018**

	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	\$ -	\$ -	\$ -	\$ -	\$ 293,191,618	\$ 299,806,085	\$ 292,377,414	\$ (7,428,671)
Cumberland County	80,582,412	80,582,412	81,090,751	508,339	-	-	-	-
U.S. Government	-	-	-	-	-	-	-	-
Other	2,180,000	2,194,800	3,283,977	1,089,177	-	21,882	31,603	9,721
<b>Total revenues</b>	<u>82,762,412</u>	<u>82,777,212</u>	<u>84,374,728</u>	<u>1,597,516</u>	<u>293,191,618</u>	<u>299,827,967</u>	<u>292,409,017</u>	<u>(7,418,950)</u>
<b>Expenditures</b>								
Instructional services	40,834,920	41,513,124	40,636,206	876,918	262,205,323	268,213,122	261,289,189	6,923,933
System-wide support services	41,848,800	40,459,115	39,289,084	1,170,031	30,899,996	31,528,546	31,051,304	477,242
Ancillary services	-	21,807	21,807	-	86,299	86,299	68,524	17,775
Non-programmed charges	1,500,000	1,684,447	1,684,710	(263)	-	-	-	-
<b>Total expenditures</b>	<u>84,183,720</u>	<u>83,678,493</u>	<u>81,631,807</u>	<u>2,046,686</u>	<u>293,191,618</u>	<u>299,827,967</u>	<u>292,409,017</u>	<u>7,418,950</u>
<b>Revenues over (under) expenditures</b>	(1,421,308)	(901,281)	2,742,921	3,644,202	-	-	-	-
<b>Debt service</b>								
Principal	-	603,786	-	(603,786)	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Fund balance appropriated</b>	<u>1,421,308</u>	<u>1,505,067</u>	<u>-</u>	<u>(1,505,067)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>2,742,921</u>	<u>\$ 2,742,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balances</b>								
Beginning of year			33,947,638				-	
End of year			<u>\$ 36,690,559</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, 2018**

	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	\$ -	\$ -	\$ -	\$ -	\$ 1,367,402	\$ 1,488,633	\$ 1,650,017	\$ 161,384
Cumberland County	-	-	-	-	-	-	-	-
U.S. Government	32,641,686	40,306,212	31,416,130	(8,890,082)	10,444,078	12,273,844	8,083,225	(4,190,619)
Other	-	-	-	-	3,579,475	4,737,912	4,155,689	(582,223)
<b>Total revenues</b>	<u>32,641,686</u>	<u>40,306,212</u>	<u>31,416,130</u>	<u>(8,890,082)</u>	<u>15,390,955</u>	<u>18,500,389</u>	<u>13,888,931</u>	<u>(4,611,458)</u>
<b>Expenditures</b>								
Instructional services	30,318,613	37,345,442	28,969,099	8,376,343	15,147,505	18,099,219	13,515,109	4,584,110
System-wide support services	1,830,232	2,253,475	1,948,306	305,169	243,450	402,059	400,002	2,057
Ancillary services	-	94,243	80,755	13,488	-	-	-	-
Non-programmed charges	492,841	613,052	417,970	195,082	-	-	-	-
<b>Total expenditures</b>	<u>32,641,686</u>	<u>40,306,212</u>	<u>31,416,130</u>	<u>8,890,082</u>	<u>15,390,955</u>	<u>18,501,278</u>	<u>13,915,111</u>	<u>4,586,167</u>
<b>Revenues over (under) expenditures</b>	-	-	-	-	-	(889)	(26,180)	(25,291)
<b>Debt service</b>								
Principal	-	-	-	-	-	-	-	-
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Fund balance appropriated</b>	-	-	-	-	-	889	-	(889)
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(26,180)</u>	<u>\$ (26,180)</u>
<b>Fund balances</b>								
Beginning of year			-				3,127,036	
End of year			<u>\$ -</u>				<u>\$ 3,100,856</u>	

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

**Cumberland County Board of Education**  
**Statement of Net Position (Deficit)**  
**Proprietary Funds**  
**June 30, 2018**

	<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>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 10,664,029	\$ 2,329,347	\$ 12,993,376
Due from other governments	814,113	-	814,113
Receivables (net)	48,681	3,524	52,205
OPEB asset	23,443	-	23,443
Inventories	624,357	-	624,357
<b>Total current assets</b>	<b>12,174,623</b>	<b>2,332,871</b>	<b>14,507,494</b>
<b>Noncurrent assets</b>			
Capital assets			
Furniture and equipment, net	3,149,829	35,112	3,184,941
<b>Total noncurrent assets</b>	<b>3,149,829</b>	<b>35,112</b>	<b>3,184,941</b>
<b>Total assets</b>	<b>15,324,452</b>	<b>2,367,983</b>	<b>17,692,435</b>
<b>Deferred Outflows of Resources</b>			
Pension	1,847,806	-	1,847,806
OPEB	408,354	-	408,354
	<b>2,256,160</b>	<b>-</b>	<b>2,256,160</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	727,679	-	727,679
Accrued salaries and benefits payable	311,153	-	311,153
Compensated absences	910,935	-	910,935
Unearned revenue	108,654	-	108,654
<b>Total current liabilities</b>	<b>2,058,421</b>	<b>-</b>	<b>2,058,421</b>
<b>Noncurrent liabilities</b>			
Net pension liability	3,540,790	-	3,540,790
Net OPEB liability	13,048,967	-	13,048,967
<b>Total noncurrent liabilities</b>	<b>16,589,757</b>	<b>-</b>	<b>16,589,757</b>
<b>Total liabilities</b>	<b>18,648,178</b>	<b>-</b>	<b>18,648,178</b>
<b>Deferred Inflows of Resources</b>			
Pension	269,654	-	269,654
OPEB	4,586,485	-	4,586,485
	<b>4,856,139</b>	<b>-</b>	<b>4,856,139</b>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	3,149,829	35,112	3,184,941
Restricted - DIPNC OPEB Plan	23,443	-	23,443
Unrestricted (deficit)	(9,096,977)	2,332,871	(6,764,106)
<b>Total net position (deficit)</b>	<b>\$ (5,923,705)</b>	<b>\$ 2,367,983</b>	<b>\$ (3,555,722)</b>

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, 2018**

		<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	\$ 3,698,105	\$ -	\$ 3,698,105
Child care fees	-	3,138,372	3,138,372
Other operating revenues	-	119,483	119,483
<b>Total operating revenues</b>	<b>3,698,105</b>	<b>3,257,855</b>	<b>6,955,960</b>
<b>Operating expenses</b>			
Food cost			
Purchase of food	8,667,006	22,432	8,689,438
Donated commodities	1,937,139	-	1,937,139
Salaries and benefits	12,635,484	1,671,632	14,307,116
Indirect costs	1,433,183	1,160,000	2,593,183
Materials and supplies	276,956	105,858	382,814
Repairs and maintenance	516,615	-	516,615
Depreciation	300,517	12,782	313,299
Contracted services	1,419,777	209,051	1,628,828
Other	1,578,732	-	1,578,732
<b>Total operating expenses</b>	<b>28,765,409</b>	<b>3,181,755</b>	<b>31,947,164</b>
<b>Operating loss</b>	<b>(25,067,304)</b>	<b>76,100</b>	<b>(24,991,204)</b>
<b>Nonoperating revenues</b>			
Federal reimbursements	23,724,274	-	23,724,274
Federal commodities	1,937,139	-	1,937,139
State reimbursements	28,396	-	28,396
Interest earned	44,786	10,206	54,992
Sales tax refund	41,519	-	41,519
<b>Total nonoperating revenues</b>	<b>25,776,114</b>	<b>10,206</b>	<b>25,786,320</b>
<b>Income (Loss) before contributions and transfers</b>	<b>708,810</b>	<b>86,306</b>	<b>795,116</b>
<b>Change in net position</b>	<b>708,810</b>	<b>86,306</b>	<b>795,116</b>
<b>Total net position, beginning of year</b>	<b>11,096,512</b>	<b>2,281,677</b>	<b>13,378,189</b>
<b>Restatement - OPEB</b>	<b>(17,332,413)</b>	<b>-</b>	<b>(17,332,413)</b>
<b>Restatement - Pension</b>	<b>(396,614)</b>	<b>-</b>	<b>(396,614)</b>
<b>Total net position (deficit), beginning, restated</b>	<b>(6,632,515)</b>	<b>2,281,677</b>	<b>(4,350,838)</b>
<b>Total net position (deficit), end of year</b>	<b>\$ (5,923,705)</b>	<b>\$ 2,367,983</b>	<b>\$ (3,555,722)</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  
For the Fiscal Year Ended June 30, 2018**

	<b>Enterprise Funds</b>	
	<b>Major Fund School Food Service</b>	<b>Non-Major Fund Child Care Total</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 3,733,633	\$ 3,257,855
Cash paid for goods and services	(14,015,234)	(1,496,731)
Cash paid to employees for services	(12,433,057)	(1,671,632)
<b>Net cash from operating activities</b>	<b>(22,714,658)</b>	<b>89,492</b>
<b>Cash flows from noncapital financing activities</b>		
Federal reimbursements	23,724,274	-
State reimbursements	28,396	-
Sales tax refund	41,519	-
<b>Net cash from noncapital financing activities</b>	<b>23,794,189</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	(477,884)	-
<b>Net cash from noncapital financing activities</b>	<b>(477,884)</b>	<b>-</b>
<b>Cash flows from investing activities</b>		
Interest on investments	44,786	10,206
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>646,433</b>	<b>99,698</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>10,017,596</b>	<b>2,229,649</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 10,664,029</b>	<b>\$ 2,329,347</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, 2018**

	<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>Reconciliation of operating loss to net cash from operating activities</b>		
Operating loss	\$ (25,067,304)	\$ (24,991,204)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	300,517	12,782
(Gain) Loss on disposal	(4,162)	610
Donated commodities	1,937,139	-
Changes in operating assets and liabilities		
Due from other governments	22,443	-
Accounts receivable	995	-
Net OPEB asset	(23,443)	-
Inventories	47,474	-
Accounts payable and accrued liabilities	(142,593)	-
Unearned revenue	12,090	-
Net pension liability	(664,358)	-
Net OPEB liability	(4,680,060)	-
Deferred inflows	4,505,760	-
Deferred outflows	897,291	-
Compensated absences payable	143,553	-
<b>Total adjustments</b>	<b>2,352,646</b>	<b>13,392</b>
<b>Net cash from operating activities</b>	<b>\$ (22,714,658)</b>	<b>\$ (22,625,166)</b>
<b>Supplemental schedule of noncash activities:</b>		
Donated commodities	\$ 1,937,139	\$ -

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, 2018**

	<b>Private-Purpose Trust</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 367,073
<b>Liabilities</b>	
Accounts payable	-
<b>Net Position</b>	
Assets held in trust for private purpose	<u>\$ 367,073</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, 2018**

	<u>Private-Purpose Trust</u>
<b>Additions</b>	
Contributions and other revenue	\$ 69,459
<b>Deductions</b>	
Instructional costs	<u>59,051</u>
<b>Change in net position</b>	10,408
<b>Net position, beginning of year</b>	<u>356,665</u>
<b>Net position, end of year</b>	<u><u>\$ 367,073</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, 2018**

**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**  
**For the Fiscal Year Ended June 30, 2018**

*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**  
**For the Fiscal Year Ended June 30, 2018**

**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 amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. 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 received prior to July 1, 2015, are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015, are recorded at acquisition value. All other capital assets are recorded at original cost. 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.

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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 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 outflows 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 one item that meets this criterion - 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, 2018, 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.

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The governmental fund types classify fund balances as follows:

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

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

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 – This classification includes the portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

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

Restricted for Individual Schools – This classification includes the 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 – This classification includes the 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.

Designated for Subsequent Year's Expenditures – This classification includes the 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 – This classification includes the 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 Plan and Other Postemployment Benefits ("OPEB") 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") the Retiree Health Benefit Fund ("RHBF"), and the Disability Income Plan of NC ("DIPNC") and additions to/deductions from TSERS, RHBF, and



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DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. 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, RHBF, and DIPNC. Investments are reported at fair value.

**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 (\$536,130,264) 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):	\$ 473,825,103
Less: Accumulated depreciation	(235,966,736)
Net Capital Assets	<u>237,858,367</u>
Net OPEB Asset	907,714
Pension related deferred outflows of resources	68,646,971
OPEB related deferred outflows of resources	15,811,170
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	(4,257,305)
Compensated Absences	(25,825,620)
Net Pension Liability	(133,231,517)
Net OPEB Liability	(505,247,082)
Risk Management	(3,088,684)
Deferred inflows of resources related to pensions	(10,118,696)
Deferred inflows of resources related to OPEB	<u>(177,585,582)</u>
Total Adjustment	<u>(\$536,130,264)</u>

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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 (\$11,519,754) 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.	\$ 1,435,201
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.	(11,103,166)
Other capital asset activity	9,691
Revenues deferred in the statement of activities that do not provide current financial resources and are not recorded as revenues in the fund statements.	(1,008,339)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	26,721,773
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	15,343,949
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.	(2,097,887)

<u>Description</u>	<u>Amount</u>
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.	2,720,654
Pension expense	(33,069,759)
OPEB expense	(10,358,560)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(449,942)
Risk management expenses are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	336,631
Total Adjustment	<u>(\$11,519,754)</u>

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**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, 2017, the Board had deposits with banks and savings and loans with a carrying amount of \$42,449,252. The bank balances with the financial institutions were \$40,462,825. Of these balances, \$1,146,377 was covered by federal depository insurance and \$39,305,756 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

**2. Investments**

At June 30, 2018, the Board's investment balances were as follows:

<u>Investment</u>	<u>Valuation</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
	<u>Measurement Method</u>			
NC Capital Management Trust – Government Portfolio	Amortized Cost	\$ 1,189,812	N/A	AAAm
Department of State Treasurer Short Term Investment Fund (STIF)	Fair Value - Level 2	28,167,331	Weighted average maturity of 1.5 years	Unrated
US Government Agencies	Fair Value – Level 1	5,204,620	1-2 years	AA+/A-1+
Total		<u>\$34,561,763</u>		

All investments are measured using the market approach. Debt classified in Level 1 of the fair value hierarchy is valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using prices that are either directly or indirectly observable for an asset or liability.

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 81.3% of the Board's total investments.

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**3. Accounts Receivable**

Receivables at the government-wide level at June 30, 2018, were as follows:

	Due from other <u>governments</u>	<u>Other</u>
Governmental activities:		
General Fund	\$ -	\$ 246,235
Other governmental activities	<u>17,040,383</u>	<u>-</u>
Total	<u>\$ 17,040,383</u>	<u>\$ 246,235</u>
Business-type activities:		
School Food Service	\$ 814,113	\$ 48,681
Child Care	<u>-</u>	<u>3,524</u>
Total	<u>\$ 814,113</u>	<u>\$ 52,205</u>

Due from other governments consists of the following:

Governmental activities:		
State Public School		
Fund	\$13,970,985	Operating funds from DPI
Federal Grants Fund	1,397,280	Federal grant funds
Special Revenue Fund	265,219	Federal
Capital Outlay Fund	1,406,899	Local
Total	<u>\$17,040,383</u>	
Business-type activities:		
School Food Service	\$ 814,113	Federal funds
Total	<u>\$ 814,113</u>	

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**4. Capital Assets**

Capital asset activity for the year ended June 30, 2018, was as follows:

<u>Category</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 9,573,526	\$ 200,000	\$ -	\$ 9,773,526
Total capital assets not being depreciated	9,573,526	200,000	-	9,773,526
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	391,346,654	84,685	74,027	391,357,312
Furniture and Equipment	27,419,830	699,512	558,076	27,561,266
Vehicles	44,882,865	451,004	200,870	45,132,999
Total capital assets being depreciated	463,649,349	1,235,201	832,973	464,051,577
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	168,247,082	7,753,821	74,027	175,926,876
Furniture and Equipment	22,689,440	1,202,960	571,489	23,320,911
Vehicles	34,769,712	2,146,385	197,148	36,718,949
Total accumulated depreciation	225,706,234	\$ 11,103,166	\$ 842,664	235,966,736
Total capital assets being depreciated, net	237,943,115			228,084,841
<b>Governmental Activity capital assets, net</b>	<b>\$ 247,516,641</b>			<b>\$ 237,858,367</b>

Depreciation was charged to governmental functions as follows:

Instructional services – regular	\$ 5,107,456
Instructional services – special populations	222,063
Instructional services – alternative programs	555,158
Instructional services – co-curricular	555,158
Instructional services – school based support services	222,063
Instructional services – school leadership services	1,110,318
Unallocated depreciation	3,330,950
<b>Total</b>	<b>\$ 11,103,166</b>

<u>Category</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
<b>Capital assets being depreciated:</b>				
Furniture and Equipment	\$ 13,937,865	\$ 448,614	\$ 191,886	\$ 14,194,593
Vehicles	173,537	29,270	-	202,807
Total capital assets being depreciated	14,111,402	447,884	191,886	14,397,400
<b>Less accumulated depreciation for:</b>				
Furniture and Equipment	11,016,462	292,909	196,048	11,113,323
Vehicles	126,640	7,608	-	134,248
Total accumulated depreciation	11,143,102	300,517	196,048	11,247,571
<b>School Food Service capital assets, net</b>	<b>2,968,300</b>			<b>3,149,829</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	266,553	-	1,241	265,312
Vehicles	15,645	-	-	15,645
Total capital assets being depreciated	306,899	-	1,241	305,658
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	16,932	613	-	17,545
Furniture and Equipment	230,251	10,604	631	240,224
Vehicles	11,212	1,565	-	12,777
Total accumulated depreciation	258,395	\$ 12,782	\$ 631	270,546
<b>Before and After School Care Fund capital assets, net</b>	<b>48,504</b>			<b>35,112</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 3,016,804</b>			<b>\$ 3,184,941</b>

**Construction commitments**

The Board has no active construction projects as of June 30, 2018.

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**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 or at [www.osc.nc.gov](http://www.osc.nc.gov).

*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 law enforcement officers ("LEO") are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an 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 9.98% 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 year ended June 30, 2018, were \$27,411,913, equal to the required contributions for each year.

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*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, 2018, the Board reported a liability of \$136,772,307 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017, 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, 2017 and 2016, the Board's proportion was 1.72% and 1.78%, respectively.

For the year ended June 30, 2018, the Board recognized pension expense of \$33,923,842. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,964,971	\$ 4,474,536
Changes of assumptions	21,607,962	-
Net difference between projected and actual earnings on pension plan investments	18,509,931	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	5,913,814
Board contributions subsequent to the measurement date	27,411,913	-
<b>Total</b>	<b><u>\$ 70,494,777</u></b>	<b><u>\$ 10,388,350</u></b>

\$27,411,913 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 4,773,693
2020	24,048,304
2021	11,280,394
2022	(7,407,877)
	<b><u>\$ 32,694,514</u></b>

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*Actuarial Assumptions.* The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016, valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. 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.



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*Sensitivity of the County's proportionate share of the net pension liability 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 7.20 percent, as well as what the Board's proportionate share of the nets pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
Board's proportionate share of the net pension liability	\$281,534,024	\$136,772,307	\$15,480,441

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

**b. Other Postemployment Benefits**

**1. Healthcare Benefits**

*Plan description.* The RHBF has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, Local Education Agencies, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percentage of payroll contribution from participating employing units. Each year the

percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

*Benefits provided.* Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/ Prescription Drug Plan ("MA-PDP") options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the DIPNC and retirees of the TSERS, the Consolidated Judicial Retirement System ("CJRS"), the Legislative Retirement System ("LRS"), the University Employees' Optional Retirement Program ("ORP"), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly 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 or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially

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contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021, will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

*Contributions.* By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.05% of covered payroll which amounted to \$15,384,237.

At June 30, 2018, Board reported a liability of \$518,296,049 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017, utilizing update procedures

incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017, the Board's proportion was 1.58%.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 37,162,780
Changes of assumptions	-	142,736,366
Net difference between projected and actual earnings on pension plan investments	-	192,621
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	2,080,300
Board contributions subsequent to the measurement date	15,384,237	-
<b>Total</b>	<b>\$ 15,384,237</b>	<b>\$182,172,067</b>

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\$15,384,237 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$	(36,444,044)
2020		(36,444,044)
2021		(36,444,044)
2022		(36,444,044)
2023		(36,395,891)
	\$	<u>(182,172,067)</u>

*Actuarial assumptions.* Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	2.75%
Salary increases	3.50-8.10%, includes 3.5% inflation and productivity factor
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate – medical	5.00-6.50%
Healthcare cost trend rate – prescription drug	5.00-7.25%
Healthcare cost trend rate – Medicare advantage	4.00-5.00%
Healthcare cost trend rate – administrative	3.00%

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan

members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$ 618,297,418	\$ 518,296,049	\$ 438,980,773

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-6.25%, Medicare Advantage - 3.00-4.00%, Administrative - 2.00%)	Healthcare Trend Rates (Medical -5.00- 6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 4.00-5.00%, Administrative - 3.00%)	1% increase (Medical -6.00- 7.50%, Pharmacy - 6.00-8.25%, Medicare Advantage - 5.00-6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 423,400,139	\$ 518,296,049	\$ 644,424,845

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*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

## 2. Disability Benefits

*Plan description.* Short-term and long-term disability benefits are provided through the DIPNC, a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

*Benefits Provided.* Long-term disability benefits are payable as an OPEB 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. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, 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 TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

*Contributions.* 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 plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$355,999 for the year ended June 30, 2018.

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 an OPEB.

### ***OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB***

At June 30, 2018, Board reported an asset of \$931,157 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The total OPEB asset was then rolled forward to the measurement date of June 30, 2017, utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value

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of future salary, actuarially determined. At June 30, 2017, the Board's proportion was 1.52%.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 255,306	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	204,103	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	19,879	-
Board contributions subsequent to the measurement date	355,999	-
<b>Total</b>	<b>\$ 835,287</b>	<b>\$ -</b>

\$355,999 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB asset in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2019	\$ 142,781
2020	142,781
2021	142,735
2022	50,991
<b>Total</b>	<b>\$ 479,288</b>

*Actuarial assumptions.* Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	3.00%
Salary increases	3.5%-8.10%, include 3.5% inflation and productivity factor

*Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current discount rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	\$ 791,621	\$ 931,157	\$ 1,071,013

*Common actuarial assumptions for both OPEB plans.* The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016, using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB asset was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., teacher, 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 mortality rates also contain a provision to reflect future mortality improvements.

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The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

***Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources of Related to OPEB***

Following is information related to the proportionate share and pension expense:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB Expense	\$ 25,280,225	\$ 501,349	\$ 25,781,574
OPEB Liability (Asset)	518,296,049	(931,157)	517,364,892
Proportionate share of the net OPEB liability (asset)	1.58082%	1.52349%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 255,306	\$ 255,306
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	204,103	204,103
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	19,879	19,879
Board contributions subsequent to the measurement date	15,384,237	355,999	15,740,236
	<u>\$ 15,384,237</u>	<u>\$ 835,287</u>	<u>\$ 16,219,524</u>
Deferred of Inflows of Resources			
Differences between expected and actual experience	\$ 37,162,780	\$ -	\$ 37,162,780
Changes of assumptions	142,736,366	-	142,736,366
Net difference between projected and actual earnings on plan investments	192,621	-	192,621
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,080,300	-	2,080,300
	<u>\$ 182,172,067</u>	<u>\$ -</u>	<u>\$ 182,172,067</u>

**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

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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 month's salary in a row during the 24 months prior to his/her death, with a minimum benefit of \$25,000 and a maximum of \$50,000.

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

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

### **3. Deferred Inflows**

Unearned grant revenue of \$6,407,798 has been presented as a deferred inflow on the Statement of Net Position because all eligibility requirements other than time requirements have been met.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience - TSERS	\$ 2,964,971	\$ 4,474,536
Changes of assumptions-TSERS	21,607,962	-
Net difference between projected and actual earnings on pension plan investments-TSERS	18,509,931	-

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion and differences between Board contributions and proportionate share of contributions-TSERS	-	5,913,814
Board contributions subsequent to the measurement date - TSERS	27,411,913	-
Differences between expected and actual experience - OPEB	255,306	37,162,780
Changes of assumptions-OPEB	-	142,736,366
Net difference between projected and actual earnings on pension plan investments-OPEB	204,103	192,621
Changes in proportion and differences between Board contributions and proportionate share of contributions-OPEB	19,879	2,080,300
Board contributions subsequent to the measurement date - OPEB	15,740,236	-
Grants	-	6,407,798
Total	<u>\$ 86,714,301</u>	<u>\$198,968,215</u>

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**4. Accounts Payable**

Accounts payable as of June 30, 2018, are as follows:

	<u>Vendors</u>	<u>Salaries &amp; Benefits</u>
Governmental Activities:		
General	\$ 5,236,870	\$ 8,113,289
Other Governmental	<u>193,277</u>	<u>15,814,555</u>
Total - governmental activities	<u>\$ 5,430,147</u>	<u>\$ 23,927,844</u>
	<u>Vendors</u>	<u>Salaries &amp; Benefits</u>
Business-type Activities		
School Food Service	\$ 727,679	\$ 311,153
Child Care	<u>-</u>	<u>-</u>
Total - business-type activities	<u>\$ 727,679</u>	<u>\$ 311,153</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 is self-insured for the first \$400,000 per occurrence.

The claims liability of \$3,088,684 at June 30, 2018, is based on the requirements of Governmental Accounting Standards Board ("GASB") 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 2017 and 2018 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>
2016-17	\$3,308,992	\$792,064	\$(675,741)	\$3,425,315
2017-18	3,425,315	238,213	(574,844)	3,088,684

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.



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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, 2018, 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 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 Thomas Built Buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price.at total payments less than the purchase price.

The future minimum payments of the installment purchases as of June 30, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,652,303	\$ 32,236
2020	998,847	27,638
2021	737,333	22,820
2022	222,782	17,777
2023	233,031	12,499
2024-2025	413,008	8,445
Totals	<u>\$ 4,257,304</u>	<u>\$ 121,415</u>

**CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**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, 2018:

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

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018	Current Portion
Governmental Activities:					
Installment Purchases	\$ 4,880,072	\$ 2,097,887	\$ 2,720,655	\$ 4,257,304	\$ 1,652,303
Compensated Absences	25,375,678	22,251,120	21,801,177	25,825,621	17,690,693
Net Pension Liability*	158,954,958	-	25,723,441	133,231,517	-
Net OPEB Liability*	672,058,068	-	166,810,986	505,247,082	-
Risk Management	3,425,315	238,213	574,844	3,088,684	-
<b>Total</b>	<b>\$864,694,091</b>	<b>\$24,587,220</b>	<b>\$217,631,103</b>	<b>\$671,650,208</b>	<b>\$19,342,996</b>
Business- Type Activities:					
Compensated Absences	\$ 767,382	\$ 967,272	\$ 823,719	\$ 910,935	\$ 910,935
Net Pension Liability*	4,205,148	-	664,358	3,540,790	-
Net OPEB Liability*	17,357,178	-	4,308,211	13,048,967	-
<b>Total</b>	<b>\$ 22,329,708</b>	<b>\$ 967,272</b>	<b>\$ 5,796,288</b>	<b>\$ 17,500,692</b>	<b>\$ 910,935</b>

\*Beginning balance was restated as described in Note IV.

**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	\$ 36,690,559
Less:	
Inventories	475,713
Stabilization by State Statute	312,832
Appropriated fund balance in 2019 budget	9,890,014
Risk management	<u>3,088,684</u>
Remaining fund balance	<u>\$ 22,923,316</u>

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

Encumbrances:

General Fund	\$ 66,597
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**CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**III. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

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

The Board implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning net OPEB liability and net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year end June 30, 2017). As a result, net position for the governmental and business-type activities decreased by \$671,099,169 and \$17,332,413, respectively.

The Board recorded a restatement of deferred inflows related to the pension plan in the fiscal year ending June 30, 2018. As a result, net position for the governmental and business-type activities decreased by \$15,356,616 and \$396,614, respectively.

**V. Subsequent Events**

The Board has evaluated subsequent events through February 5, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

## **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 Five Fiscal Years \***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset) %	1.720%	1.776%	1.861%	1.885%	1.941%
Board's proportionate share of the net pension liability (asset) \$	\$ 136,772,307	\$ 163,160,106	\$ 68,577,452	\$ 22,097,439	\$ 117,814,195
Board's covered-employee payroll	\$ 248,783,034	\$ 241,587,903	\$ 253,094,029	\$ 244,937,120	\$ 275,544,982
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.98%	67.54%	27.10%	9.02%	42.76%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**Cumberland County Board of Education**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 27,411,913	\$ 24,828,547	\$ 21,670,435	\$ 22,702,534	\$ 22,044,341
Contributions in relation to the					
contractually required contribution	27,411,913	24,828,547	21,670,435	22,702,534	22,044,341
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 254,284,904	\$ 248,783,034	\$ 241,587,903	\$ 253,094,029	\$ 244,937,120
Contributions as a percentage of					
covered-employee payroll	10.78%	9.98%	8.97%	8.97%	9.00%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**Cumberland County Board of Education**  
**Schedule of Required Supplementary Information**  
**Schedule of the Board's Proportionate Share of the Net OPEB Liability**  
**Retiree Health Benefit Fund**  
**Last Two Fiscal Years \***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	1.581%	1.585%
Board's proportionate share of the net OPEB liability (asset)	\$ 518,296,049	\$ 689,415,246
Board's covered-employee payroll	\$ 248,783,034	\$ 241,587,903
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	208.33%	285.37%
Plan fiduciary net position as a percentage of the total pension liability	3.52%	2.41%

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

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**Cumberland County Board of Education  
Schedule of Required Supplementary Information  
Schedule of Board Contributions  
Retiree Health Benefit Fund  
Last Ten Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 15,384,237	\$ 13,931,850	\$ 15,143,344	\$ 15,175,685	\$ 14,457,345
Contributions in relation to the					
contractually required contribution	15,384,237	13,931,850	15,143,344	15,175,685	14,457,345
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 254,284,904	\$ 248,783,034	\$ 241,587,903	\$ 253,094,029	\$ 244,937,120
Contributions as a percentage of covered-employee payroll	6.050%	5.600%	6.268%	5.996%	5.902%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 14,603,884	\$ 13,129,129	\$ 13,400,755	\$ 12,369,310	\$ 11,252,822
Contributions in relation to the					
contractually required contribution	14,603,884	13,129,129	13,400,755	12,369,310	11,252,822
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 275,544,981	\$ 262,582,580	\$ 273,484,796	\$ 274,873,556	\$ 274,459,073
Contributions as a percentage of covered-employee payroll	5.300%	5.000%	4.900%	4.500%	4.100%



**Cumberland County Board of Education  
Schedule of Required Supplementary Information  
Schedule of the Board's Proportionate Share of the Net OPEB Asset  
Disability Income Plan of North Carolina  
Last Two Fiscal Years \***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	1.523%	1.584%
Board's proportionate share of the net OPEB asset	\$ 931,157	\$ 983,664
Board's covered-employee payroll	\$ 248,783,034	\$ 241,587,903
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.37%	0.41%
Plan fiduciary net position as a percentage of the total OPEB asset	116.23%	116.06%

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

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**Cumberland County Board of Education  
Schedule of Required Supplementary Information  
Schedule of Board Contributions  
Disability Income Plan of North Carolina  
Last Ten Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 355,999	\$ 928,130	\$ 1,133,339	\$ 1,216,266	\$ 1,178,006
Contributions in relation to the					
contractually required contribution	355,999	928,130	1,133,339	1,216,266	1,178,006
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 254,284,904	\$ 248,783,034	\$ 241,587,903	\$ 253,094,029	\$ 244,937,120
Contributions as a percentage of covered-employee payroll	0.140%	0.373%	0.469%	0.481%	0.481%

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 1,213,398	\$ 1,365,429	\$ 1,422,121	\$ 1,429,342	\$ 1,427,187
Contributions in relation to the					
contractually required contribution	1,213,398	1,365,429	1,422,121	1,429,342	1,427,187
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 275,772,273	\$ 262,582,500	\$ 273,484,808	\$ 274,873,462	\$ 274,459,038
Contributions as a percentage of covered-employee payroll	0.440%	0.520%	0.520%	0.520%	0.520%

# **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## **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  
For the Fiscal Year Ended June 30, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative) Variance</b>
<b>Revenues</b>			
Cumberland County appropriation	\$ 80,582,412	\$ 81,090,751	\$ 508,339
Other			
Fines and forfeitures	1,750,000	2,228,106	478,106
Interest earned on investments	100,000	386,588	286,588
Rental of school property	45,000	46,187	1,187
Miscellaneous	299,800	623,096	323,296
Total other	2,194,800	3,283,977	1,089,177
<b>Total revenues</b>	<b>82,777,212</b>	<b>84,374,728</b>	<b>1,597,516</b>
<b>Expenditures</b>			
Instructional services:			
Regular instructional services:			
Regular curricular services		9,103,400	
CTE Curricular services		1,086,889	
Special populations services:			
Children with disabilities curricular services		1,795,400	
Special populations CTE curricular services		31,307	
Pre-K children with disabilities curricular services		86,115	
Speech and language pathology services		239,186	
Audiology services		5,333	
Academically/intellectually gifted curricular services		302,410	
Limited English proficiency services		142,449	
Alternative programs services:			
Attendance and social work services		492,502	
Remedial and supplemental K-12 services		193,113	
Pre-K readiness/remedial and supplemental services		34,692	
Extended day/year instructional services		(351)	
School leadership services		20,358,721	
Co-curricular services		2,572,548	
School-based support services:			
Educational media services		566,318	
Guidance services		937,179	
Health support services		714,778	

**Cumberland County Board of Education  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative) Variance</b>
Safety and security support services		191,008	
Instructional technology services		1,776,368	
Staff development unallocated		5,849	
Parent involvement services		992	
Total instructional services	41,513,124	40,636,206	876,918
System-wide support services:			
Support and development services:			
Regular curricular support and development services		6,250,517	
CTE curricular support and development services		72,000	
Special populations support and development services		160,774	
Alternative programs and services support and development services		8,685	
Technology support services		898,449	
Operational support services:			
Printing and copying services		431,496	
Public utility and energy services		8,993,219	
Custodial/housekeeping services		2,946,609	
Transportation services		1,946,282	
Warehouse and delivery services		848,775	
Facilities planning, acquisition and construction services		91,899	
Maintenance services		10,274,319	
Financial and human resource services:			
Financial services		1,375,136	
Human resources services		1,855,374	
Accountability services:			
Student testing services		634,104	
System-wide pupil support			
Health support services		52,431	
Safety and security support services		15,208	
Instructional technology support services		1,079,901	
Policy, leadership and public relations services:			
Board of education		176,695	
Legal services		423,399	
Audit services		55,000	

**Cumberland County Board of Education  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative) Variance</b>
Leadership services		615,107	
Public relations		83,705	
Total support services	<u>40,459,115</u>	<u>39,289,084</u>	<u>1,170,031</u>
Ancillary services	<u>21,807</u>	<u>21,807</u>	<u>-</u>
Non-programmed charges:			
Payments to other governments	<u>1,684,447</u>	<u>1,684,710</u>	<u>(263)</u>
Debt service			
Principal	<u>603,786</u>	<u>-</u>	<u>603,786</u>
<b>Total expenditures</b>	<u>84,282,279</u>	<u>81,631,807</u>	<u>2,650,472</u>
Revenues over (under) expenditures	(1,505,067)	2,742,921	4,247,988
<b>Fund balance appropriated</b>	<u>1,505,067</u>	<u>-</u>	<u>(1,505,067)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>2,742,921</u>	<u>\$ 2,742,921</u>
<b>Fund balance, beginning of year</b>		<u>33,947,638</u>	
<b>Fund balance, end of year</b>		<u><u>\$ 36,690,559</u></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, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
U.S. Government			
U.S. Department of Education	\$ 40,306,212	\$ 31,416,130	\$ (8,890,082)
<b>Total revenues</b>	<u>40,306,212</u>	<u>31,416,130</u>	<u>(8,890,082)</u>
<b>Expenditures</b>			
Instructional services	37,345,442	28,969,099	8,376,343
System-wide supporting services	2,253,475	1,948,306	305,169
Ancillary services	94,243	80,755	13,488
Non-programmed charges	613,052	417,970	195,082
<b>Total expenditures</b>	<u>40,306,212</u>	<u>31,416,130</u>	<u>8,890,082</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 of year</b>		<u>-</u>	
<b>Fund balance, end of year</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, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative) Variance</b>
<b>Revenues</b>			
State of North Carolina	\$ 1,488,633	\$ 1,650,017	\$ 161,384
U.S. Government	12,273,844	8,083,225	(4,190,619)
Other	4,737,912	4,155,689	(582,223)
<b>Total revenues</b>	<b>18,500,389</b>	<b>13,888,931</b>	<b>(4,611,458)</b>
<b>Expenditures</b>			
Instructional services			
Regular instructional		10,275,164	
Special populations		699,612	
Alternative programs		1,366,119	
School leadership		106,859	
Co-curricular		44,120	
School-based support		1,023,235	
Total instructional services	18,099,219	13,515,109	4,584,110
System-wide support services			
Support and development		218,610	
Special populations support and development		160,906	
Operational support		20,480	
Accountability		6	
Total support services	402,059	400,002	2,057
Non-program charges	-	-	-
<b>Total expenditures</b>	<b>18,501,278</b>	<b>13,915,111</b>	<b>4,586,167</b>
Revenues over (under) expenditures	(889)	(26,180)	(25,291)
<b>Fund balance appropriated</b>	<b>889</b>	<b>-</b>	<b>(889)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>(26,180)</b>	<b>\$ (26,180)</b>
<b>Fund balance, beginning of year</b>		<b>3,127,036</b>	
<b>Fund balance, end of year</b>		<b>\$ 3,100,856</b>	

## **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, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative) Variance</b>
<b>Revenues</b>			
State of North Carolina			
State appropriations - buses	\$ -	\$ -	\$ -
Total State of North Carolina	-	-	-
Cumberland County			
General county revenues	18,581,161	11,029,218	(7,551,943)
Total Cumberland County	18,581,161	11,029,218	(7,551,943)
Other			
Miscellaneous	-	52,253	52,253
Total other	-	52,253	52,253
<b>Total revenues</b>	18,581,161	11,081,471	(7,499,690)
<b>Expenditures</b>			
Capital Outlay			
Land, buildings, and site improvement		6,510,780	
Furnishings and equipment		4,264,207	
Vehicles and other		254,231	
Total capital outlay	19,432,073	11,029,218	8,402,855
Debt services			
Principal	2,517,004	2,517,004	-
<b>Total expenditures</b>	21,949,077	13,546,222	8,402,855
<b>Revenues over (under) expenditures</b>	(3,367,916)	(2,464,751)	903,165
<b>Other financing sources (uses)</b>			
Contributions from DPI	2,517,004	2,517,004	-
<b>Revenues and other financing sources</b>			
Fund balance appropriated	850,912	-	(850,912)
<b>Total other financing sources (uses)</b>	3,367,916	2,517,004	(850,912)
<b>Net change in fund balance</b>	\$ -	52,253	\$ 52,253
<b>Fund balance, beginning of year</b>		2,992,787	
<b>Fund balance, end of year</b>		\$ 3,045,040	

## **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, 2018**

	<u>Individual Schools Fund</u>	<u>Combined Athletics Fund</u>	<u>Combined Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,919,801	\$ 323,803	\$ 3,243,604
<b>Total assets</b>	<u>\$ 2,919,801</u>	<u>\$ 323,803</u>	<u>\$ 3,243,604</u>
<b>Liabilities</b>			
Accounts payable	\$ 66,523	\$ 42,625	\$ 109,148
Unearned revenue	<u>-</u>	<u>323,803</u>	<u>323,803</u>
<b>Total liabilities</b>	<u>66,523</u>	<u>366,428</u>	<u>432,951</u>
<b>Fund balances</b>			
Fund balance - restricted	<u>2,853,278</u>	<u>(42,625)</u>	<u>2,810,653</u>
<b>Total liabilities and fund balance</b>	<u>\$ 2,919,801</u>	<u>\$ 323,803</u>	<u>\$ 3,243,604</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, 2018**

	<b>Individual Schools Fund</b>	<b>Combined Athletics Fund</b>	<b>Totals</b>
<b>Revenues</b>			
Other	\$ 7,804,001	\$ 1,085,673	\$ 8,889,674
<b>Total revenues</b>	<u>7,804,001</u>	<u>1,085,673</u>	<u>8,889,674</u>
<b>Expenditures</b>			
Instructional services			
Co-curricular	7,763,644	1,084,002	8,847,646
System-wide supporting services			
Operational support services	-	44,296	44,296
<b>Total expenditures</b>	<u>7,763,644</u>	<u>1,128,298</u>	<u>8,891,942</u>
<b>Revenues over expenditures</b>	<u>40,357</u>	<u>(42,625)</u>	<u>(2,268)</u>
<b>Net change in fund balance</b>	40,357	(42,625)	(2,268)
<b>Fund balance, beginning of year</b>	<u>2,812,921</u>	<u>-</u>	<u>2,812,921</u>
<b>Fund balance, end of year</b>	<u><u>\$ 2,853,278</u></u>	<u><u>\$ (42,625)</u></u>	<u><u>\$ 2,810,653</u></u>



## **Enterprise Funds**

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

**Cumberland County Board of Education  
School Food Service Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Operating revenues, food sales</b>	<u>\$ 3,217,000</u>	<u>\$ 3,698,105</u>	<u>\$ 481,105</u>
<b>Operating expenditures</b>			
Business support services			
Purchase of food		8,714,480	
Donated commodities		1,937,139	
Salaries and benefits		12,456,741	
Indirect costs		1,433,183	
Repairs and maintenance		516,615	
Materials and supplies		276,956	
Contracted services		1,419,777	
Other		1,578,732	
Equipment purchases		477,884	
<b>Total operating expenditures</b>	<u>30,300,882</u>	<u>28,811,507</u>	<u>1,489,375</u>
Operating loss	<u>(27,083,882)</u>	<u>(25,113,402)</u>	<u>1,970,480</u>
<b>Nonoperating revenues (expenses)</b>			
Federal reimbursements	25,159,382	23,724,274	(1,435,108)
Federal commodities	1,900,000	1,937,139	37,139
State reimbursements	-	28,396	28,396
Interest earned	-	44,786	44,786
Sales tax refund	24,500	41,519	17,019
<b>Total nonoperating revenues</b>	<u>27,083,882</u>	<u>25,776,114</u>	<u>(1,307,768)</u>
<b>Excess of expenditures over revenue</b>	<u>\$ -</u>	<u>662,712</u>	<u>\$ 662,712</u>
<b>Reconciliation of modified accrual to full accrual basis</b>			
Revenues and fund balance appropriated under expenditures		662,712	
Reconciling items			
Depreciation		(300,517)	
Indirect costs not paid			
Equipment purchases, net of contributions		477,884	
Net OPEB asset		23,443	
Net pension liability		664,358	
Net OPEB liability		4,680,060	
Deferred inflows		(4,505,760)	
Deferred outflows		(897,291)	
Compensated absences payable		(143,553)	
Pension expense		-	
Decrease in inventories		47,474	
Change in net position (full accrual)		<u>\$ 708,810</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, 2018

	Budget	Actual	Variance Positive (Negative)
<b>Operating revenues</b>			
Child care fees	\$ 3,219,291	\$ 3,138,372	\$ (80,919)
Other operating revenue	90,000	119,483	29,483
<b>Total operating revenues</b>	<u>3,309,291</u>	<u>3,257,855</u>	<u>(51,436)</u>
<b>Operating expenditures</b>			
Regular community service			
Purchase of food		22,432	
Salaries and benefits		1,671,632	
Indirect costs		1,160,000	
Materials and supplies		105,858	
Contracted services		209,051	
<b>Total operating expenditures</b>	<u>3,759,291</u>	<u>3,168,973</u>	<u>590,318</u>
<b>Operating loss</b>	(450,000)	88,882	(538,882)
<b>Nonoperating revenues</b>			
Interest income	-	10,206	(10,206)
<b>Excess of expenditures over revenues before other financing sources</b>	<u>(450,000)</u>	<u>99,088</u>	<u>(549,088)</u>
<b>Other financing sources</b>			
Fund balance appropriated	450,000	-	450,000
<b>Excess expenditures over revenues and other sources</b>	<u>\$ -</u>	<u>99,088</u>	<u>\$ (99,088)</u>
<b>Reconciliation of modified accrual to full accrual basis</b>			
Revenues and fund balance appropriated under expenditures		99,088	
Reconciling items			
Depreciation		(12,782)	
Change in net position (full accrual)		<u>\$ 86,306</u>	

# **STATISTICAL SECTION**



**CUMBERLAND COUNTY BOARD OF EDUCATION  
STATISTICAL SECTION  
Introduction  
June 30, 2018**

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**

**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.

**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.

**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.

**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.

**Sources of Information**

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

**Schedule**

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

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

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

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



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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 235,078,467	\$ 244,298,958	\$ 251,146,519	\$ 259,623,913	\$ 269,801,915	\$ 276,668,882	\$ 279,624,817	\$ 270,647,358	\$ 261,041,423	\$ 253,370,765
Restricted	10,177,095	9,234,389	9,813,366	8,506,345	5,311,500	5,347,972	5,532,843	10,855,125	2,928,758	2,737,970
Unrestricted	<u>(735,738,718)</u>	<u>(48,807,690)</u>	<u>(46,375,094)</u>	<u>(64,650,700)</u>	<u>9,388,389</u>	<u>16,115,645</u>	<u>28,962,529</u>	<u>19,357,451</u>	<u>24,398,519</u>	<u>11,086,416</u>
Total governmental activities net position	<u>\$ (490,483,156)</u>	<u>\$ 204,725,657</u>	<u>\$ 214,584,791</u>	<u>\$ 203,479,558</u>	<u>\$ 284,501,804</u>	<u>\$ 298,132,499</u>	<u>\$ 314,120,189</u>	<u>\$ 300,859,934</u>	<u>\$ 288,368,700</u>	<u>\$ 267,195,151</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 3,184,941	\$ 3,016,804	\$ 1,956,701	\$ 1,994,042	\$ 2,113,254	\$ 2,194,348	\$ 2,145,122	\$ 2,380,098	\$ 2,066,221	\$ 1,958,001
Restricted	23,443	-	-	-	-	-	-	-	-	-
Unrestricted	<u>(6,764,106)</u>	<u>10,361,385</u>	<u>10,240,489</u>	<u>8,177,230</u>	<u>10,826,835</u>	<u>11,402,958</u>	<u>11,844,577</u>	<u>11,393,701</u>	<u>10,463,496</u>	<u>9,044,128</u>
Total business-type activities net position	<u>\$ (3,555,722)</u>	<u>\$ 13,378,189</u>	<u>\$ 12,197,190</u>	<u>\$ 10,171,272</u>	<u>\$ 12,940,089</u>	<u>\$ 13,597,306</u>	<u>\$ 13,989,699</u>	<u>\$ 13,773,799</u>	<u>\$ 12,529,717</u>	<u>\$ 11,002,129</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 238,263,408	\$ 247,315,762	\$ 253,103,220	\$ 261,617,955	\$ 271,915,169	\$ 278,863,230	\$ 281,769,939	\$ 273,027,456	\$ 263,107,644	\$ 255,328,766
Restricted	10,200,538	9,234,389	9,813,366	8,506,345	5,311,500	5,347,972	5,532,843	10,855,125	2,928,758	2,737,970
Unrestricted	<u>(742,502,824)</u>	<u>(38,446,305)</u>	<u>(36,134,605)</u>	<u>(56,473,470)</u>	<u>20,215,224</u>	<u>27,518,603</u>	<u>40,807,106</u>	<u>30,751,152</u>	<u>34,862,015</u>	<u>20,130,544</u>
Total primary government net position	<u>\$ (494,038,878)</u>	<u>\$ 218,103,846</u>	<u>\$ 226,781,981</u>	<u>\$ 213,650,830</u>	<u>\$ 297,441,893</u>	<u>\$ 311,729,805</u>	<u>\$ 328,109,888</u>	<u>\$ 314,633,733</u>	<u>\$ 300,898,417</u>	<u>\$ 278,197,280</u>

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**

<b>Years Ended June 30,</b>										
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Expenses</b>										
Governmental Activities:										
Instructional services:										
Regular instructional	\$ 220,018,874	\$ 213,120,414	\$ 189,198,534	\$ 186,047,766	\$ 191,947,803	\$ 204,189,972	\$ 205,563,524	\$ 196,209,193	\$ 197,407,850	\$ 207,660,666
Special populations	52,232,489	50,497,424	47,345,798	46,401,352	50,350,971	50,499,490	49,608,160	52,390,966	51,481,795	53,269,215
Alternative programs	27,646,405	24,512,397	23,141,687	25,079,809	25,987,369	26,810,690	29,080,306	32,505,502	29,653,193	25,552,650
School leadership	33,514,499	30,701,359	30,224,277	29,898,693	29,220,118	29,577,572	29,494,171	29,921,721	28,874,473	29,874,703
Co-curricular	12,859,684	12,750,911	12,610,379	12,620,894	13,280,148	13,019,167	13,129,035	13,095,664	16,915,392	13,961,680
School-based support	26,865,033	25,984,298	25,825,547	25,704,687	24,655,443	25,381,906	25,075,397	29,369,091	26,936,649	32,820,250
System-wide support services:										
Support and development	7,563,056	7,254,222	7,174,124	7,006,089	7,897,355	8,263,834	7,760,504	8,546,453	8,246,906	10,209,811
Special populations support and development	1,790,024	1,659,485	1,471,816	1,552,688	1,392,545	1,399,897	1,351,302	795,931	1,060,737	1,068,909
Alternative programs, services support & development	1,005,964	588,262	586,537	585,469	567,106	608,945	691,729	826,762	778,720	772,985
Technology support	1,786,566	2,775,794	2,026,986	2,020,682	2,184,435	1,800,324	1,634,107	1,735,592	2,010,096	1,947,346
Operational support	53,488,488	51,634,980	47,597,930	47,210,238	53,482,787	53,645,786	51,185,132	53,748,930	56,858,787	52,556,430
Financial and human services	3,417,984	3,223,935	3,051,678	3,120,819	3,158,029	3,143,566	3,169,763	3,144,528	3,173,890	1,738,977
Accountability	634,110	684,169	620,478	615,629	636,182	621,771	667,398	697,551	695,331	849,505
System-wide pupil support	1,147,540	913,413	588,906	61,163	68,825	1,408	62,096	1,723,065	2,680,661	1,127,211
Policy, leadership and public relations	4,924,854	4,182,042	3,586,065	3,932,923	3,472,714	3,325,505	3,647,991	1,764,204	1,748,437	1,639,298
Ancillary services	90,331	96,557	101,931	62,468	58,137	70,955	211,378	223,760	1,281,023	104,774
Nonprogram charges	2,102,680	1,913,372	1,761,730	1,359,871	1,107,798	859,363	727,426	304,079		281,763
Unallocated depreciation expense *	3,330,950	3,459,816	3,423,626	3,498,666	3,634,136	3,624,801	3,328,814	2,227,414	4,040,769	2,843,500
Interest expense	-	-	-	-	-	-	-	102,870	115,474	127,613
Total governmental activities expenses (1)	<u>\$ 454,419,531</u>	<u>\$ 435,952,850</u>	<u>\$ 400,338,029</u>	<u>\$ 396,779,906</u>	<u>\$ 413,101,901</u>	<u>\$ 426,844,952</u>	<u>\$ 426,388,233</u>	<u>\$ 429,333,276</u>	<u>\$ 433,960,183</u>	<u>\$ 438,407,286</u>
Business-type activities:										
School food service	28,765,409	26,903,466	25,777,436	25,298,959	25,841,581	26,345,033	25,797,742	24,773,817	24,358,714	25,548,508
Child care	<u>3,181,755</u>	<u>3,227,274</u>	<u>3,426,212</u>	<u>3,653,291</u>	<u>3,997,102</u>	<u>4,267,183</u>	<u>4,349,369</u>	<u>4,469,324</u>	<u>4,386,373</u>	<u>4,022,588</u>
Total business-type activities	<u>31,947,164</u>	<u>30,130,740</u>	<u>29,203,648</u>	<u>28,952,250</u>	<u>29,838,683</u>	<u>30,612,216</u>	<u>30,147,111</u>	<u>29,243,141</u>	<u>28,745,087</u>	<u>29,571,096</u>
Total primary government	<u>486,366,695</u>	<u>466,083,590</u>	<u>429,541,677</u>	<u>425,732,156</u>	<u>442,940,584</u>	<u>457,457,168</u>	<u>456,535,344</u>	<u>458,576,417</u>	<u>462,705,270</u>	<u>467,978,382</u>
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services										
Instruction	7,850,188	7,994,493	8,492,783	8,314,938	8,708,219	8,708,138	8,555,377	9,485,113	9,078,769	9,473,108
Supporting services					-	-	-	104,243	(40,908)	1,174,123
Operating grants and contributions	323,825,147	308,246,594	294,360,172	299,613,319	288,861,407	293,405,301	311,055,627	310,924,419	314,728,483	315,926,288
Capital grants and contributions	2,097,887	2,333,024	-	504,421	-	-	-	6,861,981	3,020,547	1,549,192
Total governmental activities program revenue	<u>\$ 333,773,222</u>	<u>\$ 318,574,111</u>	<u>\$ 302,852,955</u>	<u>\$ 308,432,678</u>	<u>\$ 297,569,626</u>	<u>\$ 302,113,439</u>	<u>\$ 319,611,004</u>	<u>\$ 327,375,756</u>	<u>\$ 326,786,891</u>	<u>\$ 328,122,711</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.  
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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Program revenues (continued):</b>										
Business-type activities										
Charges for services										
School food service	\$ 3,698,105	\$ 4,065,148	\$ 4,753,273	\$ 5,325,185	\$ 6,197,778	\$ 7,182,334	\$ 7,487,313	\$ 7,624,246	\$ 7,838,115	\$ 8,299,404
Child care	3,257,855	3,163,518	3,306,320	3,087,289	3,211,431	3,509,897	3,652,720	4,088,159	4,447,734	3,682,667
Operating grants and contributions	25,731,328	24,010,552	23,123,469	20,242,917	19,734,575	19,489,409	19,160,373	18,119,763	17,410,497	16,113,546
Capital grants and contributions	-	-	-	-	-	-	-	574,877	467,973	56,248
Total business-type activities program revenue	<u>32,687,288</u>	<u>31,239,218</u>	<u>31,183,062</u>	<u>28,655,391</u>	<u>29,143,784</u>	<u>30,181,640</u>	<u>30,300,406</u>	<u>30,407,045</u>	<u>30,164,319</u>	<u>28,151,865</u>
Total primary government program revenue	<u>366,460,510</u>	<u>349,813,329</u>	<u>334,036,017</u>	<u>337,088,069</u>	<u>326,713,410</u>	<u>332,295,079</u>	<u>349,911,410</u>	<u>357,782,801</u>	<u>356,951,210</u>	<u>356,274,576</u>
<b>Net (expense)/revenue</b>										
Governmental activities	(120,646,309)	(117,378,739)	(97,485,074)	(88,347,228)	(115,532,275)	(124,731,513)	(106,777,229)	(101,957,520)	(107,173,292)	(110,284,575)
Business-type activities	740,124	1,108,478	1,979,414	(296,859)	(694,899)	(430,576)	153,295	1,163,904	1,419,232	(1,419,231)
Total primary government net expense	<u>(119,906,185)</u>	<u>(116,270,261)</u>	<u>(95,505,660)</u>	<u>(88,644,087)</u>	<u>(116,227,174)</u>	<u>(125,162,089)</u>	<u>(106,623,934)</u>	<u>(100,793,616)</u>	<u>(105,754,060)</u>	<u>(111,703,806)</u>
<b>General revenues and other changes in net position:</b>										
Governmental activities:										
Unrestricted county appropriations - operating	80,082,412	79,463,109	78,345,062	76,982,883	76,220,676	76,220,676	76,220,676	76,646,227	78,831,036	71,812,043
Unrestricted county appropriations - capital	11,029,218	5,835,448	7,480,550	7,013,334	7,735,529	11,178,683	18,852,519	13,265,645	21,964,872	18,347,140
Unrestricted State appropriations - operating	-	-	-	-	-	-	-	7,645,251	7,997,849	6,809,524
Unrestricted State appropriations - capital	2,517,004	2,590,769	2,372,630	-	184,145	1,443,255	1,074,975	-	-	854,095
Unrestricted U. S. Government	-	-	-	-	-	-	-	9,029,612	7,609,600	8,498,418
Investment earnings, unrestricted	386,588	224,522	207,692	166,939	175,568	112,276	402,790	785,628	859,278	1,430,862
Miscellaneous, unrestricted	17,878,059	19,405,757	20,184,373	20,955,595	17,585,662	19,788,933	23,486,524	7,076,391	11,084,206	19,829,314
Total governmental activities	<u>111,893,281</u>	<u>107,519,605</u>	<u>108,590,307</u>	<u>105,118,751</u>	<u>101,901,580</u>	<u>108,743,823</u>	<u>120,037,484</u>	<u>114,448,754</u>	<u>128,346,841</u>	<u>127,581,396</u>
Business-type activities:										
Investment earnings, unrestricted	54,992	72,521	46,504	-	37,682	38,183	62,605	80,178	108,356	201,223
Total business-type activities	<u>54,992</u>	<u>72,521</u>	<u>46,504</u>	<u>-</u>	<u>37,682</u>	<u>38,183</u>	<u>62,605</u>	<u>80,178</u>	<u>108,356</u>	<u>201,223</u>
Total primary government general revenues	<u>111,948,273</u>	<u>107,592,126</u>	<u>108,636,811</u>	<u>105,118,751</u>	<u>101,939,262</u>	<u>108,782,006</u>	<u>120,100,089</u>	<u>114,528,932</u>	<u>128,455,197</u>	<u>127,782,619</u>
<b>Change in net position, governmental activities</b>	<u>(8,753,028)</u>	<u>(9,859,134)</u>	<u>11,105,233</u>	<u>16,771,523</u>	<u>(13,630,695)</u>	<u>(15,987,690)</u>	<u>13,260,255</u>	<u>12,491,234</u>	<u>21,173,549</u>	<u>17,296,821</u>
<b>Change in net position, business-type activities</b>	<u>795,116</u>	<u>1,180,999</u>	<u>2,025,918</u>	<u>(296,859)</u>	<u>(657,217)</u>	<u>(392,393)</u>	<u>215,900</u>	<u>1,244,082</u>	<u>1,527,588</u>	<u>(1,218,008)</u>
<b>Total primary government</b>	<u>\$ (7,957,912)</u>	<u>\$ (8,678,135)</u>	<u>\$ 13,131,151</u>	<u>\$ 16,474,664</u>	<u>\$ (14,287,912)</u>	<u>\$ (16,380,083)</u>	<u>\$ 13,476,155</u>	<u>\$ 13,735,316</u>	<u>\$ 22,701,137</u>	<u>\$ 16,078,813</u>

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Fund</b>										
Nonspendable:										
Inventories	\$ 475,713	\$ 475,713	\$ 475,713	\$ 475,713	\$ 475,713	\$ 372,375	\$ 372,375	\$ 459,416	\$ 315,281	\$ 299,505
Restricted:										
Stabilization by State Statute	312,832	301,645	636,484	108,002	203,464	273,333	395,741	900,475	791,127	2,016,673
Assigned:										
Subsequent year's expenditures	9,890,014	1,421,308	287,088	3,000,000	7,637,947	12,509,287	14,745,584	8,314,605	9,471,690	1,564,027
Risk Management	3,088,684	3,425,315	3,308,992	3,736,285	3,742,844					
Unassigned:	22,923,316	28,323,657	28,441,184	23,371,510	22,640,043	28,150,619	34,539,567	35,052,981	32,059,171	25,491,782
<b>Total General Fund</b>	<u>\$ 36,690,559</u>	<u>\$ 33,947,638</u>	<u>\$ 33,149,461</u>	<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>
<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
School capital outlay	3,045,040	2,992,787	2,356,587	2,322,850	-	720,079	2,070,130			
Individual Schools	2,810,653	2,812,921	3,135,118	2,947,773	2,740,443	2,827,690	3,066,972	2,950,694	2,922,908	2,757,342
Programs	3,100,856	3,127,036	3,685,177	3,127,720	287,152	255,096				
Unassigned:								(4,106,667)	(14,108,088)	(8,494,722)
<b>Total all other governmental funds</b>	<u>\$ 8,956,549</u>	<u>\$ 8,932,744</u>	<u>\$ 9,176,882</u>	<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>
<b>Total all governmental funds</b>	<u>\$ 45,647,108</u>	<u>\$ 42,880,382</u>	<u>\$ 42,326,343</u>	<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>

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
State of North Carolina	\$ 296,544,435	\$ 284,921,356	\$ 270,825,958	\$ 268,998,402	\$ 258,695,726	\$ 262,064,127	\$ 263,753,731	\$ 264,186,520	\$ 266,412,582	\$ 288,668,324
Cumberland County	92,119,969	84,290,218	85,825,612	83,996,217	83,956,205	87,399,359	95,073,195	83,498,545	104,643,298	99,561,249
U. S. Government	39,499,355	36,963,480	38,093,123	42,091,717	41,754,175	46,225,579	63,638,836	79,240,143	71,108,516	49,283,257
Other	16,413,196	16,577,299	16,698,569	17,960,672	15,065,100	15,168,197	17,182,726	17,667,303	15,677,137	17,019,980
Total revenues	<u>444,576,955</u>	<u>422,752,353</u>	<u>411,443,262</u>	<u>413,047,008</u>	<u>399,471,206</u>	<u>410,857,262</u>	<u>439,648,488</u>	<u>444,592,511</u>	<u>457,841,533</u>	<u>454,532,810</u>
<b>Expenditures (1)</b>										
Instructional programs	353,257,249	338,478,497	327,875,425	336,017,524	325,631,819	335,652,591	341,644,140	347,375,929	343,674,211	356,567,417
Supporting services	72,732,992	70,256,762	67,866,399	69,337,003	71,296,593	70,278,700	69,926,176	76,176,312	71,934,025	74,286,461
Ancillary services	90,331	96,557	101,931	62,468	58,137	70,955	211,378	223,760	1,281,023	108,627
Nonprogram charges	2,102,680	1,913,372	1,761,730	1,359,871	1,107,798	859,363	727,426	528,958	228,449	790,842
Capital outlay	13,207,860	10,591,595	7,519,580	6,988,336	7,868,258	11,362,514	21,362,443	17,921,213	27,424,190	22,671,464
Debt Service										
Principal	2,517,004	3,194,555	3,081,707	504,421	184,145	1,443,255	1,074,975	3,040,787	2,134,145	4,346,389
Interest and fees	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>443,908,116</u>	<u>424,531,338</u>	<u>408,206,772</u>	<u>414,269,623</u>	<u>406,146,750</u>	<u>419,667,378</u>	<u>434,946,538</u>	<u>445,266,959</u>	<u>446,676,043</u>	<u>458,771,200</u>
Revenues over (under) expenditures	668,839	(1,778,985)	3,236,490	(1,222,615)	(6,675,544)	(8,810,116)	4,701,950	(674,448)	11,165,490	(4,238,390)
<b>Other financing sources (uses)</b>										
Installment purchase obligations issued	2,097,887	2,333,024	-	504,421	-	-	-	4,299,893	1,652,749	4,663,683
Total other financing sources (uses)	<u>2,097,887</u>	<u>2,333,024</u>	<u>-</u>	<u>504,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,299,893</u>	<u>1,652,749</u>	<u>4,663,683</u>
Net change in fund balances	<u>\$ 2,766,726</u>	<u>\$ 554,039</u>	<u>\$ 3,236,490</u>	<u>\$ (718,194)</u>	<u>\$ (6,675,544)</u>	<u>\$ (8,810,116)</u>	<u>\$ 4,701,950</u>	<u>\$ 3,625,445</u>	<u>\$ 12,818,239</u>	<u>\$ 425,293</u>
Debt service as a percentage of noncapital expenditures	<u>0.58%</u>	<u>0.77%</u>	<u>0.77%</u>	<u>0.12%</u>	<u>0.05%</u>	<u>0.35%</u>	<u>0.26%</u>	<u>0.71%</u>	<u>0.51%</u>	<u>1.00%</u>

Note: Excludes changes in reserve for inventory

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	Revenue Bonds	Certificates of Participation	Capital Leases	Installment Purchase			
2018	\$ 12,473,758	\$ 67,166,896	\$ -	\$ 3,414,148	\$ 1,054,000	\$ 1,379,000	\$ 20,543,832	-	\$ 1,985,289	\$ 108,016,923	NA	\$ 327
2017	19,457,140	76,156,917	243,850	3,219,813	1,076,000	-	23,020,793	-	2,394,328	125,568,841	NA	388
2016	27,189,102	86,685,373	717,492	4,459,439	1,097,000	-	25,407,754	-	1,332,124	146,888,284	NA	447
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

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2018.

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**

<b>Fiscal Year</b>	<b>Total General Obligation Bonds</b>	<b>Percentage of Personal Income (1)</b>	<b>Percentage of Actual Taxable Value of Property (2)</b>	<b>Per Capita (1)</b>
2018	\$ 13,527,758	NA	0.06%	\$41
2017	20,533,140	NA	0.09%	63
2016	28,286,102	NA	0.13%	86
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

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2018.  
 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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt Limit	\$ 2,139,235	\$ 2,168,537	\$ 2,122,201	\$ 2,093,592	\$ 2,104,340	\$ 2,020,254	\$ 2,098,236	\$ 2,037,270	\$ 1,878,634	\$ 1,509,817
Total net debt applicable to limit	12,984	19,771	27,207	34,857	42,711	49,115	56,830	65,845	73,815	82,295
Legal debt margin	<u>\$ 2,126,251</u>	<u>\$ 2,148,766</u>	<u>\$ 2,094,994</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	0.61%	0.91%	1.28%	1.66%	2.03%	2.43%	2.71%	3.23%	3.93%	5.45%

**Legal Debt Margin Calculation for Fiscal Year 2018**

Assessed Property Value	\$ 22,993,088
Plus : Exempt Property	<u>3,747,353</u>
Total Assessed Value	<u>\$ 26,740,441</u>
Debt Limit (8% of total assessed value)	2,139,235
Debt applicable to limit:	
Total Bonded debt	12,984
Revenue Bonds	1,379
Authorized and unissued debt	<u>3,195</u>
	17,558
Less: Statutory deductions	
Authorized and unissued debt	3,195
Revenue bonds	<u>1,379</u>
	4,574
Total amount of debt applicable to debt limit	<u>12,984</u>
Legal debt margin	<u>\$ 2,126,251</u>

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2018.



**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>
2018	\$ 4,257,304	\$ 1,684,539	\$ 1,026,485	\$ 760,153	\$ 240,559	\$ 245,530	\$ 421,453	NA	\$ 12.91
2017	4,880,072	1,925,716	980,966	989,715	235,681	240,559	665,473	NA	15.07
2016	2,187,587	2,244,799	1,643,759	709,853	230,899	235,681	906,031	NA	6.65
2015	741,226	818,223	823,340	221,608	226,208	230,899	1,141,713	NA	2.25
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

(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 2018			Fiscal Year 2009		
	2017 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2008 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Goodyear Tire & Rubber Co.	\$ 364,772	1	1.59%	\$ 225,896	1	1.35%
Wal-Mart Stores, Inc.	163,186	2	0.71%	105,245	2	0.63%
Cross Creek Mall, LLC	158,662	3	0.69%	85,999	3	0.51%
Duke Energy Progress, Inc.	96,472	4	0.42%			
Fayetteville, VA Co., LLC	91,132	5	0.40%			
Piedmont Natural Gas Co., Inc.	66,613	6	0.29%	49,048	7	0.29%
Purolator Filters, NA LLC	64,341	7	0.28%	51,617	6	0.31%
DAK Americas, LLC	62,930	8	0.27%	39,703	9	0.24%
South River EMC	55,343	9	0.24%			
Cargill	54,807	10	0.24%			
Carolina Telephone				79,922	4	0.48%
Progress Energy				61,869	5	0.37%
South River EMC				32,332	10	0.19%
Centurion Aviation Service				45,110	8	0.27%
	<u>\$ 1,178,258</u>		<u>5.13%</u>	<u>\$ 776,741</u>		<u>4.64%</u>

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2018.



**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
2018	\$ 183,621,079	\$ 182,126,897	99.19%	NA	182,126,897	99.19%
2017	175,933,805	173,906,079	98.85%	\$ 836,892	174,742,971	99.32%
2016	172,307,349	170,999,219	99.24%	924,167	171,923,386	99.78%
2015	170,223,065	168,914,935	99.23%	1,065,331	169,980,266	99.86%
2014	171,641,426	169,217,802	98.59%	1,839,486	171,057,288	99.66%
2013	164,274,193	160,024,057	97.41%	3,287,182	163,311,239	99.41%
2012	159,824,747	155,867,130	97.52%	3,148,681	159,015,811	99.49%
2011	155,671,269	151,707,302	97.45%	3,169,052	154,876,354	99.49%
2010 <sup>1</sup>	158,424,003	154,634,400	97.61%	3,045,093	157,679,493	99.53%
2009	144,914,639	140,776,733	97.14%	3,338,682	144,115,415	99.45%

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 2009 include all collections through 9th prior year.  
Collections for FY 2010 include all collections through 8th prior year.  
Collections for FY 2011 include all collections through 7th prior year.  
Collections for FY 2012 include all collections through 6th prior year.  
Collections for FY 2013 include all collections through 5th prior year.  
Collections for FY 2014 include all collections through 4th prior year.  
Collections for FY 2015 include all collections through 3rd prior year.  
Collections for FY 2016 include all collections through 2nd prior year.  
Collections for FY 2017 include all collections through 1st prior year.

NA - Not Applicable





**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 Assesed 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					
2018	\$ 22,057,995	\$ 439,286	\$ 2,395,619	\$ 1,847,541	\$ 3,747,353	\$ 22,993,088	\$ 0.9615	\$ 23,099,345	99.54%
2017	22,590,259	429,243	2,374,525	1,712,686	3,356,676	23,750,037	0.9025	22,601,863	105.08%
2016	22,340,806	429,285	2,296,048	1,461,372	3,272,888	23,254,623	0.9025	22,241,399	104.56%
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%
<sup>4</sup> 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%
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%

<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, 2018.



**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>
2018	\$ 0.799	\$ 0.050	\$ 0.100	\$ 0.0125	\$ 0.9615
2017	0.740	0.050	0.100	0.0125	0.9025
2016	0.740	0.050	0.100	0.0125	0.9025
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

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, 2018.



**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>
2018	\$ 0.4995	\$ 0.100	\$ 0.460	\$ 0.700	\$ 0.205	\$ 0.150	\$ 0.240	\$ 0.300	\$ 0.320	\$ 0.250
2017	0.4995	0.100	0.460	0.700	0.205	0.150	0.240	0.250	0.320	0.250
2016	0.486	0.100	0.460	0.700	0.205	0.150	0.240	0.250	0.320	0.250
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

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, 2018.



**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>
2018	329,824	NA	NA		5.4%
2017	323,838	NA	NA		5.3%
2016	328,860	\$ 12,376,828,000	\$ 37,835	31.5	6.1%
2015	329,411	12,179,768,000	37,611	NA	6.7%
2014	332,553	11,780,298,000	36,157	NA	6.4%
2013	331,279	11,567,254,000	35,444	NA	8.2%
2012	327,643	11,563,587,000	35,785	NA	10.2%
2011	326,673	11,306,461,000	34,911	NA	9.8%
2010	324,225	13,732,225,650	42,354	NA	9.5%
2009	321,071	13,121,121,789	41,627	NA	8.8%

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, 2018.



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

Employer	Fiscal Year 2018				Fiscal Year 2009			
	Employees	Rank	Percentage of Total County Employment		Employees	Rank	Percentage of Total County Employment	
U.S. Department of Defense-Civilians	14,000	+	1	11.58%	10,618	1	8.73%	
Cape Fear Valley Health System	7,000	+	2	5.81%	4,500	3	3.70%	
Cumberland County Schools	6,500	+	3	5.56%	6,952	2	5.72%	
Wal-Mart Associates Inc.	3,000	+	4	2.78%	4,426	4	3.64%	
Goodyear Tire & Rubber Co.	2,500	+	5	2.04%	2,650	5	2.18%	
Cumberland County Government	2,500	+	6	2.00%	2,399	6	1.97%	
City of Fayetteville	1,500	+	7	1.44%	2,094	7	1.72%	
Veterans Administration	1,000	+	8	1.23%				
Fayetteville Technical Community College	1,000	+	9	1.10%	1,340	9		
Manm & Hummel	1,000	+	10	1.01%				
State of North Carolina					1,429	8	1.17%	
Black & Decker Manufacturing Corp					1,312	10	1.08%	
	<u>40,000</u>			<u>34.55%</u>	<u>37,720</u>		<u>29.91%</u>	

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2018.



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

Position	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Officials, Adm., Mgrs.	6	8	8	8	8	8	9	9	7	7
Principals	86	86	85	86	86	85	83	85	87	84
Asst. Principals, Teaching	-	-	-	8	7	9	6	10	13	8
Asst. Principals, Nonteaching	126	118	119	116	115	116	114	110	112	122
Elementary Teachers	1,604	1,613	1,633	1,772	1,852	1,886	1,866	1,847	1,851	1,872
Secondary Teachers	559	565	596	621	644	682	652	654	655	671
Other Teachers	883	849	851	938	943	932	952	1,032	1,040	1,023
Guidance	137	136	132	133	130	131	135	134	138	148
Psychological	30	26	27	28	30	31	30	33	32	34
Librarian, Audiovisual	77	77	80	80	78	85	85	96	97	98
Consultant, Supervisor	62	56	49	54	53	57	52	52	55	63
Other Professional	196	191	180	191	191	196	196	198	190	179
Teacher Assistants	860	845	847	819	817	939	891	1,036	1,001	1,156
Technicians	18	17	15	19	22	22	24	55	52	55
Clerical, Secretarial	407	405	410	410	427	436	435	450	431	441
Service Workers	736	732	734	763	780	738	728	729	751	764
Skilled Crafts	171	175	170	179	182	186	183	188	181	189
Laborers, Unskilled	84	85	86	89	88	86	90	89	89	88
<b>Total</b>	<b>6,042</b>	<b>5,984</b>	<b>6,022</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>

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of schools										
Elementary	52	52	52	52	52	53	53	53	52	51
Middle	16	16	16	16	16	16	15	15	15	15
Grades 6-12	1	1	1	1	1	1	1	1	1	1
High	15	15	15	15	15	14	14	13	13	14
Alternative	1	1	1	1	1	2	2	2	3	3
Special	1	1	1	1	1	1	1	1	3	3
Total	86	86	86	86	86	87	86	85	87	87
Average Student Teacher Ratio	16:1	16:1	16:1	17:1	15:1	15:1	15:1	15:1	15:1	15:1
Child Nutrition										
Average breakfasts served daily	18,096	17,212	16,766	15,840	15,903	16,234	16,320	15,522	15,338	15,338
Average lunches served daily	32,607	33,097	32,433	32,760	32,416	34,599	37,066	35,698	35,861	35,810
Free & Reduced Lunch percentage (1)	NA	NA	58.49%	61.36%	58.50%	58.45%	57.88%	55.23%	53.73%	53.73%
Before and After School Care										
Number of sites	30	33	33	33	38	41	43	43	43	44
Number of participants	1,370	1,349	1,282	1,304	1,301	1,465	1,394	2,273	2,803	3,010
Exceptional Children's Program										
Number of disabled students	7,343	7,339	7,331	7,273	7,270	7,325	7,335	7,343	7,279	7,474
Number of academically/ Intellectually gifted students	5,061	5,084	5,060	5,058	5,168	4,970	4,706	4,946	4,825	4,563
English as a Second Language Program (ESL)										
Number of students served	1,417	1,186	1,123	1,104	1,001	1,022	964	1,080	1,201	1,245
Number of schools with ESL	86	85	85	85	85	83	79	75	77	77
Number of languages spoken	85	100	85	82	57	46	52	42	67	60
Athletic Programs										
Middle Schools										
Men's sports	6	6	6	6	6	6	6	6	6	6
Women's sports	5	5	5	5	5	5	5	5	5	5
High Schools										
Men's sports	17	17	17	17	17	17	17	17	17	17
Women's sports	16	16	16	16	16	16	16	16	16	16

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

(1) Community Eligibility Provision fully implemented in 2018.



**CUMBERLAND COUNTY SCHOOLS  
CAPITAL ASSET INFORMATION  
Last Ten Fiscal Years  
Unaudited**

	Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>School Buildings</b>										
<u>Elementary Schools</u>										
Number	52	52	52	52	52	53	53	53	52	52
Square feet	3,465,347	3,465,347	3,465,082	3,267,613	3,267,613	3,331,675	3,423,155	3,200,223	3,108,445	3,103,616
Acres	908	908	908	908	920	940	923	912	861	793
Portables	134	138	140	140	138	139	134	149	143	129
Enrollment	23,964	23,968	23,623	23,360	23,828	24,593	24,715	24,943	25,066	25,615
<u>Middle Schools</u>										
Number	18	18	18	18	18	18	17	17	17	17
Square feet	2,025,777	2,025,777	2,090,751	1,854,045	1,896,265	1,811,716	1,636,435	1,845,826	1,708,197	1,572,940
Acres	365	365	372	380	380	370	384	384	375	330
Portables	18	24	27	27	27	27	35	30	33	51
Enrollment	10,650	10,695	10,838	11,420	11,563	11,820	11,771	11,963	11,769	11,767
<u>High Schools</u>										
Number	16	16	16	16	16	16	16	15	18	18
Square feet	2,593,811	2,593,811	2,528,113	2,552,510	2,510,290	2,558,452	2,527,354	2,526,508	2,553,041	2,561,905
Acres	728	728	721	722	711	712	712	712	730	754
Portables	32	32	33	33	32	31	31	25	25	25
Enrollment	14,849	14,934	15,160	15,088	15,200	15,134	15,199	15,098	15,105	15,089
<u>Totals</u>										
Number	86	86	86	86	86	87	86	85	87	87
Square feet	8,084,935	8,084,935	8,083,946	7,674,168	7,674,168	7,701,843	7,586,944	7,572,557	7,369,683	7,238,461
Acres	2,001	2,001	2,001	2,010	2,011	2,022	2,019	2,008	1,966	1,877
Portables	184	194	200	200	197	197	200	204	201	205
Enrollment	49,463	49,597	49,621	49,868	50,591	51,547	51,685	52,004	51,940	52,471
<b>Number of Buses:</b>	434	435	440	444	444	439	444	463	466	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, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated February 5, 2019.

**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.

 Cherry Roubert LLP

Fayetteville, North Carolina  
February 5, 2019

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

Cumberland County Board of Education  
Fayetteville, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the Cumberland County Board of Education (the “Board”), compliance with the types of compliance requirements described in the *OMB 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, 2018. 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 Federal and State statutes, regulations, and the terms and conditions of its federal awards 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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, 2018.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance, which are described in the accompanying Schedule of Findings and Questioned Costs as items **2018-001, 2018-002, 2018-003, and 2018-004**. Our opinion on each major Federal program is not modified with respect to these matters.

The Board's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. 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.

### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

*Cherry R. R. L. P.*

Fayetteville, North Carolina  
February 5, 2019

**Report of Independent Auditor on Compliance for Each Major State Program and  
Internal Control over Compliance in Accordance with OMB Uniform Guidance 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, 2018. 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 State statutes, regulations, contracts, and the terms and conditions of its State awards 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 Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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, 2018.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance, as described in the *Audit Manual for Governmental Auditors in North Carolina*, which are described in the accompanying Schedule of Findings and Questioned Costs as items **2018-005**, **2018-006**, and **2018-007**. Our opinion on each major State program is not modified with respect to these matters.

The Board's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. 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.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Channing R. Smith* LLP

Fayetteville, North Carolina  
February 5, 2019

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2018**

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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, 2018**

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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 2 CFR 200.516(a)?

  X   yes             no

Identification of major federal programs:

CFDA Numbers

Names of Federal Program or Cluster

10.553  
10.555  
10.556  
10.559

Child Nutrition Cluster  
    School Breakfast Program  
    National School Lunch Program  
    Special Milk Program for Children  
    Summer Food Service Program for Children

84.041

Impact Aid

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

\$1,862,559

Auditee qualified as low-risk auditee?

  X   yes             no

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2018**

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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                        X   no
  
- Significant Deficiency(s) identified  
that are not considered to be  
material weakness(es)?                             yes                        X   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

  X   yes                             no

Identification of major State programs:

Program Name

State Public School Fund  
Driver Training  
School Technology  
School Buses

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2018**

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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, 2018**

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

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**Finding 2018-001**

**Non-material noncompliance – Reporting**

**U.S. Department of Agriculture**

**Program Name: Child Nutrition Cluster**

**CFDA # 10.553-CL (10.553, 10.555, 10.559)**

Criteria: In accordance with program requirements, the Board is required to report quarterly year-to-date figures on the use of program funds. These reports are due on March 1<sup>st</sup>, November 15<sup>th</sup>, April 30<sup>th</sup>, and October 1<sup>st</sup>.

Condition and Context: The SFS-FC-1A report for the second quarter ending December 31, 2018, was not submitted until March 9, 2018, a week past the due date. An extension request was not filed.

Questioned Costs: None, as the noncompliance identified related to a reporting deadline and not a reimbursement.

Effect: Noncompliance with reporting deadlines.

Cause: Oversight regarding the required deadline.

Recommendation: Management should ensure that timely extension requests are being filed in case a due date cannot be met.

Views of Responsible Officials: Management acknowledges the finding.

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2018**

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

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**Finding 2018-002**

**Non-material noncompliance –Special Tests and Provisions**

**U.S. Department of Agriculture**

**Program Name: Child Nutrition Cluster**

**CFDA # 10.553-CL (10.553, 10.555, 10.559)**

Criteria: NC General Statute 115-264 and the NC State Board of Education Policy # CHNU-000 establishes regulations regarding competitive foods. Vending machines owned and operated by the school, and not the Child Nutrition program, should operate on timers and are operational only after the end of the designated lunch period.

Condition and Context: During site visits to three schools selected for testing, two schools had vending machines that were not operating on timers. The site visit to one school occurred on September 5, 2018, at 10:25 a.m., when it was noted that three vending machines were not on timers. One was located near the athletics department and two were located in the foyer outside of the main cafeteria. The site visit to one school occurred on September 5, 2018, at 10:54 a.m., when it was noted that one vending machine located in the school's west wing was not on a timer.

Questioned Costs: None.

Effect: Noncompliance with regulations.

Cause: Oversight regarding the requirements related to vending machine timers and operating hours.

Recommendation: The Board should monitor vending machines operated by the schools to ensure they are operating on timers during school hours.

**Views of Responsible**

Officials: Management acknowledges the finding.

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2018**

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

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**Finding 2018-003**

**Non-material noncompliance – Special Tests and Provisions**

**U.S. Department of Agriculture  
Program Name: Child Nutrition Cluster  
CFDA # 10.553-CL (10.553, 10.555, 10.559)**

Criteria:	In accordance with program requirements, Child Nutrition funds may only be used to pay salaries and benefits of employees that are directly involved in the operation of the School Nutrition program.
Condition:	We noted one Prime Time employee was paid from Child Nutrition funds.
Context:	A total of 25 employees paid from child nutrition funds were selected for review. Of the 25 employees, we noted one that was not directly involved in the child nutrition program. The payment was coded to the incorrect general ledger account and should have been paid out of Prime Time funds.
Questioned Costs:	Known questioned costs were \$519. Likely questioned costs of \$22,586 were calculated as an extrapolation of the error rate in the sample to the population of all payments made for the fiscal year.
Effect:	The Board could be using Child Nutrition funding, when the funding should have come from Prime Time funds.
Cause:	Keying error for the budget code for this employee.
Recommendation:	Management should establish controls to assure that only allowable costs are being paid from program funds.
Views of Responsible Officials:	Management acknowledges the finding.



**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2018**

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

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**Finding 2018-004**

**Non-material noncompliance – Activities Allowed or Unallowed**

**U.S. Department of Education  
Program Name: Impact Aid  
CFDA # 84.041**

Criteria:	Payments provided under Section 7003(d) of the Elementary and Secondary Education Act (“ESEA”) must be used for expenses related to conducting programs for the free and appropriate public education of federally connected children with disabilities. Funds provided under Sections 7002 and 7003(b) of the ESEA are available as general aid and can be used for current operating expenses in accordance with State laws.
Condition:	The Board received funds under each section mentioned above and uses all Impact Aid funds for annual supplement payments. We noted one instance where a teacher was paid an incorrect amount.
Context:	A total of 40 employees were selected for testing, comprised of 20 regular teachers and 20 Exceptional Children’s teachers.
Questioned Costs:	Known questioned costs are \$610, which is the difference between supplements earned by the teacher based on time worked during the year and the actual payment. Likely questioned costs of \$52,870 were calculated as an extrapolation of the error rate in the sample to the population of all supplement payments made for the fiscal year.
Effect:	The Board could be using Impact Aid funding, when the funding should have come from local or other funding sources.
Cause:	Employee oversight in the calculation.
Recommendation:	The Board should establish controls to ensure that payments are being calculated properly.
Views of Responsible Officials:	Management acknowledges the finding.

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2018**

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

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**Finding 2018-005**

**Non-material noncompliance – Period of Availability of State Funds**

**N.C. Department of Public Instruction**

**Program Name: Driver Training**

Criteria:	The Board is required to comply with all aspects of State Statute GS115C-441. This Statute requires that all funds obligated in the current year were expended during the year.
Condition:	We noted that two invoices were paid in the current year, but should have been paid with funds in the prior year. They were not listed in accounts payable at year end.
Context:	A total of 20 payroll records and 20 vendor payments were selected for review during the period from July 2017 to June 2018.
Questioned Costs:	Known questioned costs were \$130. Likely questioned costs of \$292 were calculated as an extrapolation of the error rate in the sample to the population of all payments made for the fiscal year.
Effect:	The Board could be using state funding for payments when the funding should have come from local or other funding sources.
Cause:	Employee oversight in the recording the payment in the appropriate period.
Recommendation:	The Board should implement policies and procedures to ensure that expenses are accounted for in the year they occurred and that proper funding sources are used for payment.
Views of Responsible Officials:	Management acknowledges the finding.

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2018**

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

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**Finding 2018-006**

**Non-material noncompliance – Equipment**

**N.C. Department of Public Instruction  
Program Name: Driver Training**

Criteria:	The disposition of cars purchased with Driver Training funds are required to be handled by the Department of Administration, Division of Auxiliary Services, State Surplus Property. Funds from the sale of all car models prior to 1992 are refunded to the North Carolina Department of Public Instruction. Funds received from State Surplus Property from the sale of all 1992 and later car models are recorded as revenue for the Local Education Agencies.
Condition:	Asset purchased with grant funds were not recorded as disposals in the capital asset records in a timely manner.
Context:	Ten driver training cars that were disposed of and sold by State Surplus on May 24, 2017. These property dispositions were not removed from the capital asset records until May 10, 2018.
Questioned Costs:	None, as this noncompliance related to updating records and not a reimbursement.
Effect:	Capital asset records were not updated in a timely manner.
Cause:	The Finance office was unaware of the property disposals.
Recommendation:	The Board should implement policies and procedures to ensure that disposed equipment purchased with grant funds are updated in the capital asset records in the proper period.
Views of Responsible Officials:	Management acknowledges the finding.

**Cumberland County Board of Education  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2018**

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

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**Finding 2018-007**

**Non-material noncompliance – Period of Availability of State Funds**

**N.C. Department of Public Instruction**

**Program Name: School Technology Fund**

Criteria:	The Board is required to comply with all aspects of State Statute GS115C-441. This Statute requires that all funds obligated in the current year were expended during the year.
Condition:	We noted that one invoice was paid in the current year, but should have been paid with funds in the prior year when services were performed. It was not listed accounts payable at the prior year end.
Context:	A total of 23 vendor invoices were selected for review during the period from July 2017 to June 2018.
Questioned Costs:	Known questioned costs were \$54. Likely questioned costs of \$150 were calculated as an extrapolation of the error rate in the sample to the population of all payments made for the fiscal year.
Effect:	Vendor invoice was paid with funds obligated to a different year.
Cause:	Employee oversight in the recording the payment in the appropriate period.
Recommendation:	The Board should implement policies and procedures to ensure that expenses are accounted for in the year they occurred.
Views of Responsible Officials:	Management acknowledges the finding.

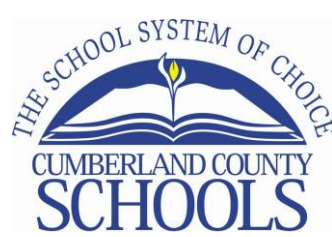
**Cumberland County Board of Education  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2018**

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**Section II – Financial Statement Findings**

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None reported.



## Cumberland County Schools

P.O. Box 2357  
Fayetteville, North Carolina 28302  
910-678-2300

DR. MARVIN CONNELLY, JR.  
SUPERINTENDENT

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

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#### **Finding # 2018-001**

Name of Contact Person: Beth Maynard

Corrective Action Plan: Child Nutrition Services will monitor the FC1A and file by the deadline.

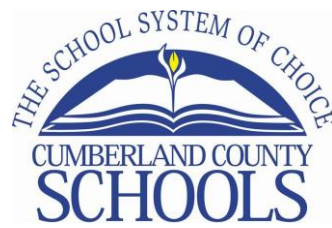
Proposed Completion Date: September 2018

#### **Finding # 2018-002**

Name of Contact Person: Beth Maynard

Corrective Action Plan: Child Nutrition Services has meet with the school and reminded them of policies related to vending machines.  
The school will provide timers for each machine.

Proposed Completion Date: September 2018



## Cumberland County Schools

P.O. Box 2357  
Fayetteville, North Carolina 28302  
910-678-2300

DR. MARVIN CONNELLY, JR.  
SUPERINTENDENT

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

Name of Contact Person: Clyde Locklear, Jr.

Corrective Action Plan: This employee was setup incorrectly and assigned the wrong budget code. Budget code assignments will be monitored by staff moving forward.

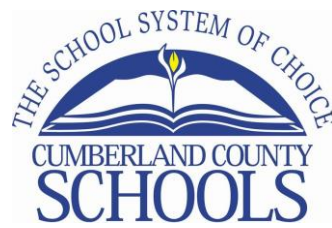
Proposed Completion Date: December 2018

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

Name of Contact Person: Clyde Locklear, Jr.

Corrective Action Plan: An incorrect supplement value was used during calculation resulting in the error. Staff will monitor calculations and work papers to insure accuracy of calculations.

Proposed Completion Date: December 2018



## Cumberland County Schools

P.O. Box 2357  
Fayetteville, North Carolina 28302  
910-678-2300

DR. MARVIN CONNELLY, JR.  
SUPERINTENDENT

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

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#### **Finding # 2018-005**

Name of Contact Person: Clyde Locklear, Jr.

Corrective Action Plan: Year-end invoices will be paid from local funds in subsequent years.

Proposed Completion Date: July 2019

#### **Finding # 2018-006**

Name of Contact Person: Clyde Locklear, Jr.

Corrective Action Plan: Fixed Asset disposal forms will be completed and submitted to Finance prior to the release of the title for execution and forwarded to the buyer.

Proposed Completion Date: December 2018





## Cumberland County Schools

P.O. Box 2357  
Fayetteville, North Carolina 28302  
910-678-2300

DR. MARVIN CONNELLY, JR.  
SUPERINTENDENT

### **Finding # 2018-007**

Name of Contact Person: Clyde Locklear, Jr.

Corrective Action Plan: Year-end invoices will be paid from local funds in subsequent years.

Proposed Completion Date: July 2019

**Cumberland County Board of Education  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2018**

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**Section II – Financial Statement Findings**

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**Finding 2017-001**

Status: Corrected

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

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None reported

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

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None reported

**Cumberland County Board of Education**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2018**

<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>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster:</u>			
<b>Non-Cash Assistance (Commodities)</b>			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	\$ 1,815,079
Non-Cash Assistance			<u>1,815,079</u>
<b>Cash Assistance</b>			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	6,378,828
National School Lunch Program	10.555	PRC 035	17,118,682
Summer Food Service Program for Children	10.559	PRC 035	226,764
Total Cash Assistance			<u>23,724,274</u>
Total Child Nutrition Cluster:			<u>25,539,353</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	PRC 053	80,755
Fresh Fruit and Vegetable Program	10.582	PRC 035	122,060
Total School Nutrition Program (Note 3)			<u>25,742,168</u>
Total U. S. Department of Agriculture			<u>25,742,168</u>
<u>U.S. Department of Education</u>			
Cash Assistance			
Direct Programs:			
Impact Aid (School Assistance in Federally Affected Areas)	84.041	PRC 308	3,606,381
Indian Education - Title IX	84.060	PRC 310	212,080

**Cumberland County Board of Education**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2018**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Expenditures</b>
Passed-through the N.C. Department of Public Instruction: Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	16,745,652
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - School Improvements	84.010	PRC 105	527,895
Total Title I Grants to Local Educational Agencies (Title I)			<u>17,273,547</u>
Title IV, Part A	84.424A	PRC 108	119,599
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060 & 114	10,838,566
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	267,392
IDEA - Targeted Assistance for Preschool Federal Grants	84.173A	PRC 119	4,787
Special Needs Targeted Assistance	84.027A	PRC 118	<u>141,929</u>
Total Special Education Cluster:			<u>11,252,674</u>
Career and Technical Education -- Basic Grants to States	84.048	PRC 058	16,773
Career and Technical Education -- Capacity Building Grant	84.048	PRC 017	<u>703,557</u>
Total Career and Technical Education -- Basic Grants to States			720,330
Education for Homeless Children and Youth Cluster			
Education for Homeless Children and Youth	84.196	PRC 026	29,031
English Language Acquisition Grants	84.365	PRC 104, 111	193,434
State Improvement Grant	84.32A	PRC 082	27,525
Reward School Mini-Grant	84.010A	PRC 100	8,336

**Cumberland County Board of Education**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2018**

<b><u>Grantor/Pass-through Grantor/Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>State/ Pass-through Grantor's Number</u></b>	<b><u>Expenditures</u></b>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	PRC 103	1,710,900
Total U. S. Department of Education			35,153,837
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
ROTC	12.XXX	PRC 301	561,534
Support for Student Achievement at Military Connected Schools/SPED	12.556	PRC 371 & 374	627,763
Total federal assistance			62,085,302
<b>State Grants:</b>			
<b>Cash Assistance</b>			
<b><u>N.C. Department of Public Instruction:</u></b>			
State Public School Fund			\$ 275,969,980
Driver Training - SPSF		PRC 012	906,972
School Technology Fund - SPSF		PRC 015	603,226
Vocational Education			
- State Months of Employment		PRC 013	13,894,351
- Program Support Funds		PRC 014	1,002,258
Breakfast Program		PRC 035	28,396
Lateral Entry		PRC 440	101,248
National Title 1 Distinguished School		PRC 372	175
<b><u>N.C. Department of Health and Human Services:</u></b>			
Division of Child Development and Early Education			
NC Pre-Kindergarten Program (previously reported as More at Four)		PRC 413	1,432,575
Smart Start		PRC 460	111,497

**Cumberland County Board of Education**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2018**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Expenditures</b>
<b>Non-Cash Assistance</b>			
<u>N.C. Department of Public Instruction:</u>			
School Buses Appropriation		PRC 120	2,517,004
Total State assistance			296,567,682
Total federal and State assistance			\$ 358,652,984

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

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards ("SEFSA") includes the federal and State grant activity of Cumberland County Schools under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Cumberland County Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Cumberland County Schools.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Cumberland County Schools has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Cluster of Programs**

The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes:  
School Nutrition Program

**Note 4: Subrecipients**

The Board has not contracted or made awards to subrecipients.