

CUMBERLAND COUNTY BOARD OF EDUCATION

Fayetteville, North Carolina

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2016

Frank Till, Ed. D
Superintendent

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

**CUMBERLAND COUNTY BOARD OF EDUCATION
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JUNE 30, 2016**

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

January 22, 2017

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, 2016. The Superintendent and Associate Superintendent for Business Operations are responsible for the accuracy, completeness, and clarity of the CAFR. The Finance Department has prepared the CAFR in accordance with U.S. Generally Accepted Accounting Principles. The data presented is accurate in all material respects and is presented in a manner which fairly reflects the financial position and results of operation of the Board. All necessary disclosures have been provided to enable the reader to gain a maximum understanding of the Board's financial activity.

Reporting Entity

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

General Statutes. The system is the fifth largest school system in the State providing for the public school needs of the county's three hundred thousand residents over a six hundred square mile area. Enrollment in the system has been fairly constant over the past ten years averaging over fifty one thousand students each year. For the fiscal year ended June 30, 2016, 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

LETTER OF TRANSMITTAL (continued)

entities.

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

Management's Discussion and Analysis

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

Economic Conditions and Outlook

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

Based on information received from the County of Cumberland, North Carolina, the Department of Defense is the County's largest employer, employing more than twenty-three thousand employees over two categories. Cumberland County Schools (CCS) is the largest non-military employer, employing approximately 6,300 full time employees. Cumberland County Hospital System, Inc. doing business as Cape Fear Valley Health System employs over 6,100 employees. Wal-Mart, having five local SuperCenters and one distribution center, employs over 2,800 employees across the County. Goodyear Tire & Rubber Company, employing approximately 2,500 people, is the sixth largest employer and the largest manufacturer. Farming and agricultural businesses also contribute significantly to the County's economy.

Major Initiatives

Student achievement for the Cumberland County Schools (CCS) continued to excel. Assessment results for CCS students reflect continuous improvement. Assessment results for CCS in 2015-2016 from the North Carolina Department of Public Instruction (NCDPI) are as follows:

- 85% of the schools met or exceeded growth
- 92% of the elementary schools met or exceeded growth
- 65% of the middle schools met or exceeded growth
- 87% of the high schools met or exceeded growth

LETTER OF TRANSMITTAL (continued)

NCDPI recognized four high schools for having a 100% graduation rate for 2015-2016: Cross Creek Early College, Cumberland International Early College, Cumberland Polytechnic, (*formerly Howard Health and Life Sciences*), and Reid Ross Classical high schools.

Four schools, Beaver Dam Elementary, Cross Creek Early College, Cumberland Polytechnic High, and Jack Britt High received an “A” grade from NCDPI for academic performance during the 2015-2016 school year.

The 2015-2016 Graduation Rate increased by 0.2 points to 81.9% for the CCS, compared to 81.7% in 2014-2015.

The 2015-2016, district-wide *Reading Rocks!* Walk-A-thon raised over \$210,000 to promote literacy for students and adults in the CCS. This amount excludes the in-kind donations.

Melody Chalmers, principal of Ezekiel Ezra Smith High School, was chosen as the CCS’ 2015-2016 Principal of the Year and went on to win the title of 2016 Sandhills/South Central Regional Principal of the Year title, and the 2016 Wells Fargo North Carolina Principal of the Year.

In partnership with Fayetteville Technical Community College (FTCC), the N.C. Department of Public Instruction granted the CCS additional state funding for Cumberland Polytechnic High School (CPHS), formerly Howard Health & Life Sciences High School. The Board

approved the completed Cooperative Innovative High School Application. Located on FTCC’s campus, CPHS features a diverse curriculum with a career and technical education focus and college transfer program. According to the application, CPHS students will graduate with a high school diploma and a post-secondary credential such as an Associate’s degree, diploma, or certificate from FTCC, and/or industry-based certifications within a career that supports the economic vision of Cumberland County.

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.

LETTER OF TRANSMITTAL (continued)

Budgetary and Internal Controls

Budgetary and internal controls are established and maintained to ensure assets are safeguarded and to provide reasonable assurance of proper recording of financial transactions in accordance with U.S. Generally Accepted Accounting Principles. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. Budgetary controls include an annual balanced budget that must be adopted for all funds except the individual school funds, combined athletic funds and administrative fund in accordance with the North Carolina School Budget and Fiscal Control Act. Also, expenditures cannot legally exceed appropriations at the function level for governmental fund types and budget amendments must be reported to the Board at the next meeting. As an additional control required by State statute, the Board maintains an encumbrance accounting system that is an allocation of budgeted money for purchase orders in process. Outstanding encumbrances at year-end are re-appropriated in the following year's budget. Furthermore, pre-audit procedures are performed in accordance with the North Carolina School Budget and Fiscal Control Act to ensure availability of funds prior to issuance of purchase orders or payment of claims. Internal controls include examination of activity funds of individual schools each year by the internal audit staff for compliance with federal, State, and local Board policy. Additional review procedures include submitting monthly transactions of State and federal funds and details of

disbursements from these funds to the North Carolina Department of Public Instruction. Annually, external auditors perform an audit on the entire school system, as required by State statute, as well as compliance audits for federal and State financial assistance programs.

Financial Reporting Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cumberland County Board of Education for its comprehensive annual financial report for the fiscal year ended June 30, 2015. 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-two consecutive years (fiscal years ended 1993-2015). 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

LETTER OF TRANSMITTAL (continued)

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 1993-2015. The Certificate of Excellence Award is the highest form of recognition in school financial reporting.

The Certificate of Excellence in Financial Reporting for School Systems Program is a voluntary program sponsored by ASBO to foster excellence in the preparation and issuance of school system financial reports. A Certificate of Excellence is awarded to those school systems that have voluntarily submitted their system's Comprehensive Annual Financial Report for review by an ASBO panel. We believe our current report continues to conform to the Certificate of Excellence program requirements, and we are submitting it to ASBO.

Independent Audit

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

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

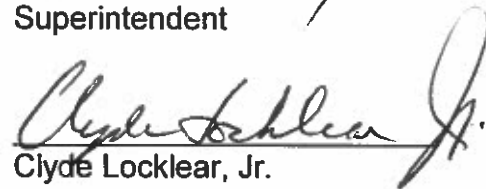
Acknowledgments

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

Respectfully submitted,



Frank Till, Ed.D.
Superintendent



Clyde Locklear, Jr.
Associate Superintendent
Business Operations

BOARD MEMBERS AND SUPERINTENDENT

Dr. Frank Till
Superintendent

Susan B. Williams
Chairman

Carrie Sutton
Vice Chairperson

Alicia S. Chisolm

Macky Hall

James McLauchlin

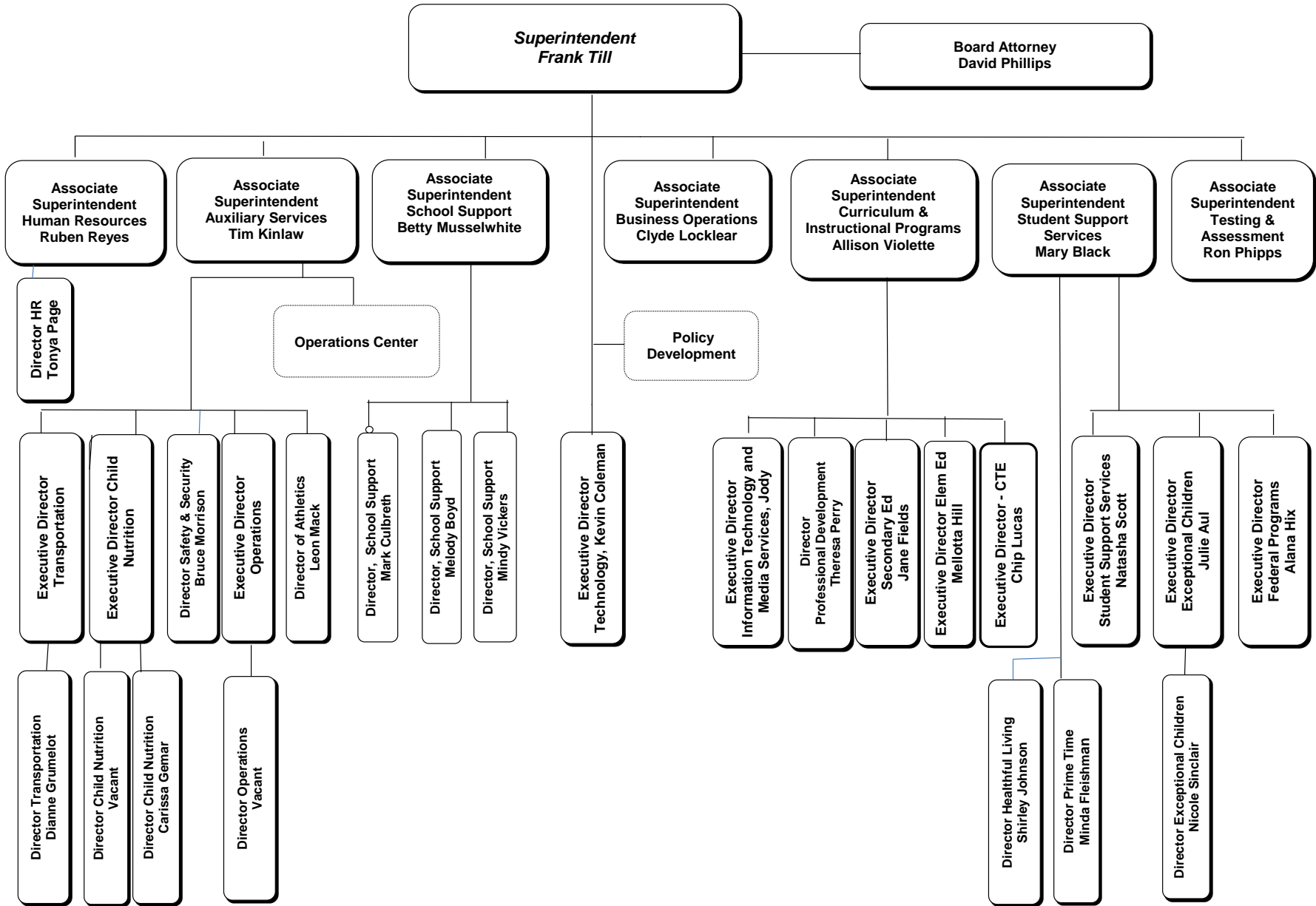
Judy Musgrave

Rudy Tatum

Donna Vann

Gregory West

Organizational Chart





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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Evers". The signature is fluid and cursive.

Executive Director/CEO



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

Cumberland County Board of Education

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.**

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

FINANCIAL SECTION

Report of Independent Auditor

Cumberland County Board of Education
Fayetteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumberland County Board of Education (the “Board”) as of and for the year ended June 30, 2016, 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, 2016, 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.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, the statistical section, and schedule of expenditures of federal and State awards, as required by *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 January 22, 2017 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.

Clayton R. Ricketts LLP

Fayetteville, North Carolina
January 22, 2017

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, 2016. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The student enrollment remained relatively constant from the previous year.
- The Board continues to see positive growth in student achievement and an increased graduation rate of 81.9%
- The Board has experienced budget constraints during the year due to the downturn in the economy. In spite of these budget constraints, the Board has continued to provide students with resources to achieve success.

Overview of the Financial Statements

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

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

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

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

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

Government-wide Statements

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

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

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

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

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

Fund Financial Statements

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

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

Cumberland County Board of Education has three types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide

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

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

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

Financial Analysis of the Schools as a Whole

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Assets exceeded liabilities by \$226,781,981 as of June 30, 2016. The largest component of net position is Net Investment in Capital Assets of \$253,103,220 (net of related debt) which is 111.60% of total net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position
as of June 30, 2016 and 2015
(Amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Current assets	\$ 65,676	\$ 60,055	\$ 12,805	\$ 11,210	\$ 78,481	\$ 71,265
Capital assets	254,455	261,447	1,957	1,994	256,412	263,441
Total assets	320,131	321,502	14,762	13,204	334,893	334,706
Current liabilities	23,351	15,962	462	416	23,813	16,378
Long-term liabilities	99,803	53,660	2,569	1,476	102,372	55,136
Total liabilities	123,154	69,622	3,031	1,892	126,185	71,514
Defer inflow resources	18,451	85,911	488		18,939	85,911
Net Invest. Cap. Assets	251,146	259,624	1,957	1,994	253,103	261,618
Restricted net position	9,814	8,507			9,814	8,507
Unrestricted net position	(46,375)	(64,651)	10,240	8,177	(36,135)	(56,474)
Total net position	\$ 214,585	\$ 203,480	\$ 12,197	\$ 10,171	\$ 226,782	\$ 213,651

Note that net position increased during the year by \$13 million or 6.14% over the previous year. The bulk of this change was related to the governmental activities with increased revenues and a reduction in expenditures for the fiscal year. The business-type activities reflect a slight increase, in nonoperating revenues for the year in the School Food Service Fund. Governmental activities expenditures declined while business type activities remained fairly consistent for the fiscal years.

Table 2A
Condensed Statement of Activities
as of June 30, 2016

	Governmental Activities	Business-type Activities	Total Primary Government
	6/30/2016	6/30/2016	6/30/2016
Revenues:			
Program rev:			
Chg. for svcs.	\$ 8,492,000	\$ 8,059,000	\$ 16,551,000
Op. grants & contr.	294,360,000	23,169,000	317,529,000
General Rev:			
County	85,825,000		85,825,000
State	2,372,000		2,372,000
Other revenues	20,392,000	-	20,392,000
Total revenues	411,441,000	31,228,000	442,669,000
Expenses:			
Govtl activities:			
Instr. programs	328,346,000		328,346,000
Supp. Svcs.	66,704,000		66,704,000
Ancillary Services	101,000		101,000
Nonprog. Chgs.	1,761,000		1,761,000
Depr.	3,423,000		3,423,000
Business-type Activities:			
Food service		25,777,000	25,777,000
Child care		3,426,000	3,426,000
Total expenses	400,335,000	29,203,000	429,538,000
Incr (Dec) net position	11,106,000	2,025,000	13,131,000
Beginning net position	203,479,000	10,172,000	213,651,000
Ending net position	\$ 214,585,000	\$ 12,197,000	\$ 226,782,000

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

	Governmental Activities 6/30/2015	Business-type Activities 6/30/2015	Total Primary Government 6/30/2015
Revenues:			
Program rev:			
Chg. for svcs.	\$ 8,314,000	\$ 8,412,000	\$ 16,726,000
Op. grants & contr.	299,613,000	20,243,000	319,856,000
General Rev:			
County	83,996,000		83,996,000
State	504,000		504,000
Other revenues	21,122,000		21,122,000
Total revenues	<u>413,549,000</u>	<u>28,655,000</u>	<u>442,204,000</u>
Expenses:			
Govtl activities:			
Instr. programs	325,753,000		325,753,000
Supp. Svcs.	66,106,000		66,106,000
Ancillary Services	62,000		62,000
Nonprog. Chgs.	1,359,000		1,359,000
Depr.	3,498,000		3,498,000
Business-type Activities:			
Food service		25,299,000	25,299,000
Child care		3,653,000	3,653,000
Total expenses	<u>396,778,000</u>	<u>28,952,000</u>	<u>425,730,000</u>
Incr (Dec) net position	16,771,000	(297,000)	16,474,000
Beginning net position	186,708,000	10,468,000	197,176,000
Ending net position	<u>\$ 203,479,000</u>	<u>\$ 10,171,000</u>	<u>\$ 213,650,000</u>

Instructional expenses comprised 80.32% of total governmental-type expenses while support services made up 16.62% of expenses. County funding comprised 20.85% of total governmental revenue. Much of the remaining 79.15% of total governmental revenue consisted of restricted state and federal money. Business-type activities generated revenues of \$31.2 million and had expenses of \$29.2 million. Net position increased in the business-type activities by \$2 million primarily as a result of the restatement of pensions as required by GASB 68

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$42.3 million, a \$3.2 million increase from the prior year. The increase was due to a \$3.2 million excess of revenues over expenditures across the Governmental Funds.

The State Public School Fund revenues and expenditures increased only slightly and Capital Projects revenues decreased by \$2.6 million which results primarily from State revenues to support the lease purchase of school buses.

Proprietary Funds: The Board's business-type funds showed an overall increase in net position of \$2.0 million. The School Food Service Fund generated a profit of \$2.1 million, an increase of \$1.8 million from the previous year. A 3.0 million increase in federal reimbursements was offset by declining sales and expenditures which remained steady.

The Before and After School Child Care Fund has a decrease in net position of \$112,000 primarily due to operational losses. Participation in the program is decreasing while state and grant requirements dictate more expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 by a net increase of \$24 million (or 5.8%) over the 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 increased by 2.5 million primarily due to increased fines and forfeitures and miscellaneous revenues over 2015-2016.

The variance between the original budgeted expenditures and the final budgeted expenditures was only .9%, a small percentage spread among various functions.

The actual expenditures from the General Fund were significantly less (\$4.6 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 decreased by \$4.2 million. During the 2015-2016 year, there was a reduction in teachers and other expenditures in regular instructional services for the general fund.

Capital Assets

The capital assets decreased by \$6,991,834 (or 2.7%) from the previous year. The decrease in assets for the governmental funds resulted because depreciation expense exceeded the increase in the capital asset additions. The business-type capital assets changed minimally from the previous year. Details of the current year's activity are located in footnotes to the financials. (See Notes to the Financial Statements, Section II A 4. Capital Assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 3
Summary of Capital Assets
as of June 30, 2016 and 2015

	6/30/2016	6/30/2015
Governmental Activities		
Land	\$ 9,573,526	\$ 9,371,168
Construction in Process	-	-
Blds & Improvements	230,927,425	238,842,376
Furniture & Equipment	4,580,084	3,976,677
Vehicles	9,374,310	9,256,958
Total	\$ 254,455,345	\$ 261,447,179
Business-type Activities		
Blds & Improvements	\$ 7,792	\$ 8,597
Furniture & Equipment	1,942,911	1,977,882
Vehicles	5,998	7,563
Total	\$ 1,956,701	\$ 1,994,042
Total Primary Government		
Land	\$ 9,573,526	\$ 9,371,168
Construction in Process	-	-
Blds & Improvements	230,935,217	238,850,973
Furniture & Equipment	6,522,995	5,954,559
Vehicles	9,380,308	9,264,521
Total	\$ 256,412,046	\$ 263,441,221

Debt Outstanding

During the year the Board's outstanding debt increased by 4.1 million due primarily to additions of installment purchase contracts, an increase in the obligation for compensated absences and the recording of net pension liabilities. The Board is limited by North Carolina General Statutes with regard to the types of debt it can issue

and for what purpose that debt can be used. The County holds all debt issued for school capital construction. Details of the current year's activity are located in the footnotes to the financials. (See Notes to the Financial Statements, Section II. B. 7.)

Risk Management

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

Economic Factors

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.
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
June 30, 2016

	Governmental Activities	Business- Type Activities	Total Primary Government
Assets			
Cash and cash equivalents	\$ 51,343,830	\$ 11,553,494	\$ 62,897,324
Due from other governments	13,563,656	660,414	14,224,070
Receivables	293,332	77,323	370,655
Inventories	475,713	514,034	989,747
Capital assets			
Land and construction in progress	9,573,526	-	9,573,526
Other capital assets, net of depreciation	244,881,819	1,956,701	246,838,520
Total capital assets	<u>254,455,345</u>	<u>1,956,701</u>	<u>256,412,046</u>
Total assets	<u>320,131,876</u>	<u>14,761,966</u>	<u>334,893,842</u>
Deferred outflows of resources - pension	<u>36,057,842</u>	<u>953,425</u>	<u>37,011,267</u>
Liabilities			
Accounts payable	4,114,952	-	4,114,952
Accrued salaries and benefits	13,614,724	283,883	13,898,607
Deferred liability	5,620,512	-	5,620,512
Unearned revenue	-	177,774	177,774
Long-term liabilities			
Due within one year	4,100,026	78,410	4,178,436
Due in more than one year	25,584,336	723,693	26,308,029
Net pension liability	66,810,871	1,766,581	68,577,452
Risk management	3,308,992	-	3,308,992
Total long-term liabilities	<u>99,804,225</u>	<u>2,568,684</u>	<u>102,372,909</u>
Total liabilities	<u>123,154,413</u>	<u>3,030,341</u>	<u>126,184,754</u>
Deferred inflows of resources			
Pension	18,450,514	487,860	18,938,374
	<u>18,450,514</u>	<u>487,860</u>	<u>18,938,374</u>
Net position			
Net investment in capital assets	251,146,519	1,956,701	253,103,220
Restricted for			
Stabilization by state statute	636,484	-	636,484
School capital outlay	2,356,587	-	2,356,587
Individual schools	3,135,118	-	3,135,118
Programs	3,685,177	-	3,685,177
Unrestricted	(46,375,094)	10,240,489	(36,134,605)
Total net position	<u>\$ 214,584,791</u>	<u>\$ 12,197,190</u>	<u>\$ 226,781,981</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, 2016**

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
Primary government							
Governmental activities							
Instructional services							
Regular instructional	\$ 189,198,534	\$ 48,443	\$ 163,406,840	\$ -	\$ (25,743,251)	\$ -	\$ (25,743,251)
Special populations	47,345,798	-	45,621,174	-	(1,724,624)	-	(1,724,624)
Alternative programs	23,141,687	-	20,193,039	-	(2,948,648)	-	(2,948,648)
School leadership	30,224,277	-	11,852,438	-	(18,371,839)	-	(18,371,839)
Co-curricular	12,610,379	8,444,340	-	-	(4,166,039)	-	(4,166,039)
School-based support	25,825,547	-	21,310,553	-	(4,514,994)	-	(4,514,994)
System-wide support services							
Support and development	7,174,124	-	731,883	-	(6,442,241)	-	(6,442,241)
Special populations support and development	1,471,816	-	1,193,216	-	(278,600)	-	(278,600)
Alternative programs and services support and development	586,537	-	575,725	-	(10,812)	-	(10,812)
Technology support	2,026,986	-	854,223	-	(1,172,763)	-	(1,172,763)
Operational support	47,597,930	-	26,699,385	-	(20,898,545)	-	(20,898,545)
Financial and human resource	3,051,678	-	285,691	-	(2,765,987)	-	(2,765,987)
Accountability	620,478	-	-	-	(620,478)	-	(620,478)
System-wide pupil support	588,906	-	-	-	(588,906)	-	(588,906)
Policy, leadership and public relations	3,586,065	-	1,059,249	-	(2,526,816)	-	(2,526,816)
Ancillary services	101,931	-	105,353	-	3,422	-	3,422
Non-programmed charges	1,761,730	-	471,403	-	(1,290,327)	-	(1,290,327)
Unallocated depreciation expense (excludes depreciation allocated to programs)	3,423,626	-	-	-	(3,423,626)	-	(3,423,626)
Total governmental activities	400,338,029	8,492,783	294,360,172	-	(97,485,074)	-	(97,485,074)
Business-type activities							
School food service	25,777,436	4,753,273	23,123,469	-	-	2,099,306	2,099,306
Child care	3,426,212	3,306,320	-	-	-	(119,892)	(119,892)
Total business-type activities	29,203,648	8,059,593	23,123,469	-	-	1,979,414	1,979,414
Total primary government	\$ 429,541,677	\$ 16,552,376	\$ 317,483,641	\$ -	(97,485,074)	1,979,414	(95,505,660)
General revenues							
Unrestricted county appropriations - operating					78,345,062	-	78,345,062
Unrestricted county appropriations - capital					7,480,550	-	7,480,550
Unrestricted State appropriations - capital					2,372,630	-	2,372,630
Investment earnings, unrestricted					207,692	46,504	254,196
Miscellaneous, unrestricted					20,184,373	-	20,184,373
Total general revenues and transfers					108,590,307	46,504	108,636,811
Change in net position					11,105,233	2,025,918	13,131,151
Net position, beginning					203,479,558	10,171,272	213,650,830
Net position, ending					\$ 214,584,791	\$ 12,197,190	\$ 226,781,981

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, 2016**

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Special Revenue	Capital Outlay	Non-Major Funds	
Assets							
Cash and cash equivalents	\$ 37,142,372	\$ -	\$ -	\$ 9,373,124	\$ 1,652,593	\$ 3,175,741	\$ 51,343,830
Due from other governments	-	11,642,741	1,216,921	-	703,994	-	13,563,656
Accounts receivable	247,851	-	-	45,481	-	-	293,332
Inventory	475,713	-	-	-	-	-	475,713
Total assets	\$ 37,865,936	\$ 11,642,741	\$ 1,216,921	\$ 9,418,605	\$ 2,356,587	\$ 3,175,741	\$ 65,676,531
Liabilities							
Accounts payable and accrued liabilities	\$ 4,074,329	\$ -	\$ -	\$ -	\$ -	\$ 40,623	\$ 4,114,952
Accrued salaries and benefits payable	642,146	11,642,741	1,216,921	112,916	-	-	13,614,724
Deferred liability	-	-	-	5,620,512	-	-	5,620,512
Total liabilities	4,716,475	11,642,741	1,216,921	5,733,428	-	40,623	23,350,188
Fund balances							
Nonspendable:							
Inventories	475,713	-	-	-	-	-	475,713
Restricted:							
Stabilization by state statute	636,484	-	-	-	-	-	636,484
School capital outlay	-	-	-	-	2,356,587	-	2,356,587
Individual schools	-	-	-	-	-	3,135,118	3,135,118
Programs	-	-	-	3,685,177	-	-	3,685,177
Assigned:							
Designated for subsequent year's expenditures	5,287,088	-	-	-	-	-	5,287,088
Risk management	3,308,992	-	-	-	-	-	3,308,992
Unassigned	23,441,184	-	-	-	-	-	23,441,184
Total fund balances	33,149,461	-	-	3,685,177	2,356,587	3,135,118	42,326,343
Total liabilities, deferred inflows of resources, and fund balances	\$ 37,865,936	\$ 11,642,741	\$ 1,216,921	\$ 9,418,605	\$ 2,356,587	\$ 3,175,741	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	254,455,345
Deferred outflows of resources related to pensions	36,057,842
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(29,684,362)
Net pension liability	(66,810,871)
Risk management liabilities that are not due and payable in the current period and therefore are not reported in the funds.	(3,308,992)
Deferred inflows of resources related to pensions	(18,450,514)
Net position of governmental activities	<u>\$ 214,584,791</u>

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

Cumberland County Board of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	Major Funds						Total
	General	State Public School	Federal Grants	Special Revenue	Capital Outlay	Non-Major Funds	Governmental Funds
Revenues							
State of North Carolina	\$ -	\$ 266,800,405	\$ -	\$ 1,652,923	\$ 2,372,630	\$ -	\$ 270,825,958
Cumberland County							
Local current expense	78,345,062	-	-	-	-	-	78,345,062
Capital outlay	-	-	-	-	7,480,550	-	7,480,550
U.S. Government	-	-	27,542,232	10,550,891	-	-	38,093,123
Other	2,205,382	17,535	-	4,845,640	33,738	9,596,274	16,698,569
Total revenues	80,550,444	266,817,940	27,542,232	17,049,454	9,886,918	9,596,274	411,443,262
Expenditures							
Current							
Instructional services							
Regular instructional	12,257,315	160,462,182	2,944,658	12,568,109	-	-	188,232,264
Special populations	2,623,181	36,417,736	9,203,438	1,497,678	-	-	49,742,033
Alternative programs	704,561	7,315,236	12,877,803	1,452,103	-	-	22,349,703
School leadership	18,310,929	11,851,368	1,070	60,910	-	-	30,224,277
Co-curricular	2,410,115	-	-	33,855	-	9,374,425	11,818,395
School-based support	3,666,344	20,709,921	600,632	531,856	-	-	25,508,753
System-wide support services							
Support and development	6,229,666	672,740	59,143	212,575	-	-	7,174,124
Special populations support and development	146,626	867,872	325,344	131,974	-	-	1,471,816
Alternative programs and services support and development	10,812	-	575,725	-	-	-	586,537
Technology support	1,172,763	854,223	-	-	-	-	2,026,986
Operational support	23,606,953	26,296,257	403,128	2,937	-	34,504	50,343,779
Financial and human resource	2,765,987	244,832	40,859	-	-	-	3,051,678
Accountability	620,478	-	-	-	-	-	620,478
System-wide pupil support	588,906	-	-	-	-	-	588,906
Policy, leadership and public relations	942,846	1,059,249	-	-	-	-	2,002,095
Ancillary services	35,607	66,324	-	-	-	-	101,931
Non-programmed charges	1,290,327	-	471,403	-	-	-	1,761,730
Debt service							
Principal	709,077	-	-	-	2,372,630	-	3,081,707
Capital outlay							
Land, buildings, and site improvement	-	-	-	-	4,410,500	-	4,410,500
Furniture and equipment	-	-	39,029	-	2,795,305	-	2,834,334
Vehicles and other	-	-	-	-	274,746	-	274,746
Total expenditures	78,092,493	266,817,940	27,542,232	16,491,997	9,853,181	9,408,929	408,206,772
Revenues over expenditures	2,457,951	-	-	557,457	33,737	187,345	3,236,490
Net change in fund balances	2,457,951	-	-	557,457	33,737	187,345	3,236,490
Fund balances, beginning	30,691,510	-	-	3,127,720	2,322,850	2,947,773	39,089,853
Fund balances, ending	\$ 33,149,461	\$ -	\$ -	\$ 3,685,177	\$ 2,356,587	\$ 3,135,118	\$ 42,326,343

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, 2016

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

Net changes in fund balances - total governmental funds	\$ 3,236,490
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.	(6,991,834)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	36,057,842
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	(2,586,721)
Pension expenses	(20,332,403)
Compensated absences	1,294,566
Risk management	427,293
	<hr/>
Total changes in net position of governmental activities	<u><u>\$ 11,105,233</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, 2016

	General Fund				State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 267,550,624	\$ 273,808,186	\$ 266,800,405	\$ (7,007,781)
Cumberland County	77,946,144	78,288,727	78,345,062	56,335	-	-	-	-
U.S. Government	-	-	-	-	-	-	-	-
Other	1,580,000	1,580,000	2,205,382	625,382	-	-	17,535	17,535
Total revenues	<u>79,526,144</u>	<u>79,868,727</u>	<u>80,550,444</u>	<u>681,717</u>	<u>267,550,624</u>	<u>273,808,186</u>	<u>266,817,940</u>	<u>(6,990,246)</u>
Expenditures								
Instructional services	42,450,540	42,020,695	39,972,445	2,048,250	236,402,338	243,635,918	236,756,443	6,879,475
System-wide support services	38,950,604	38,586,814	36,085,037	2,501,777	31,084,604	30,106,263	29,995,173	111,090
Ancillary services	-	47,272	35,607	11,665	63,682	66,005	66,324	(319)
Non-programmed charges	1,125,000	1,293,020	1,290,327	2,693	-	-	-	-
Total expenditures	<u>82,526,144</u>	<u>81,947,801</u>	<u>77,383,416</u>	<u>4,564,385</u>	<u>267,550,624</u>	<u>273,808,186</u>	<u>266,817,940</u>	<u>6,990,246</u>
Revenues over (under) expenditures	(3,000,000)	(2,079,074)	3,167,028	5,246,102	-	-	-	-
Debt service								
Principal	-	709,077	709,077	-	-	-	-	-
Fund balance appropriated	<u>3,000,000</u>	<u>2,788,151</u>	<u>-</u>	<u>(2,788,151)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,457,951</u>	<u>\$ 2,457,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances								
Beginning of year			30,691,510				-	
End of year			<u>\$ 33,149,461</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, 2016

	Federal Grants Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 1,373,698	\$ 1,479,544	\$ 1,652,923	\$ 173,379
Cumberland County	-	-	-	-	-	-	-	-
U.S. Government	29,943,569	35,584,674	27,542,232	(8,042,442)	11,482,000	12,880,133	10,550,891	(2,329,242)
Other	-	-	-	-	3,677,339	4,456,667	4,845,640	388,973
Total revenues	<u>29,943,569</u>	<u>35,584,674</u>	<u>27,542,232</u>	<u>(8,042,442)</u>	<u>16,533,037</u>	<u>18,816,344</u>	<u>17,049,454</u>	<u>(1,766,890)</u>
Expenditures								
Instructional services	27,998,738	32,520,281	25,627,601	6,892,680	16,274,250	18,422,114	16,144,511	2,277,603
System-wide support services	1,504,778	1,712,063	1,404,199	307,864	258,787	394,230	347,486	46,744
Ancillary services	-	83,333	39,029	44,304	-	-	-	-
Non-programmed charges	440,053	1,268,997	471,403	797,594	-	-	-	-
Total expenditures	<u>29,943,569</u>	<u>35,584,674</u>	<u>27,542,232</u>	<u>8,042,442</u>	<u>16,533,037</u>	<u>18,816,344</u>	<u>16,491,997</u>	<u>2,324,347</u>
Revenues over (under) expenditures	-	-	-	-	-	-	557,457	557,457
Debt service								
Principal	-	-	-	-	-	-	-	-
Fund balance appropriated	-	-	-	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	557,457	<u>\$ 557,457</u>
Fund balances								
Beginning of year			-				3,127,720	
End of year			<u>\$ -</u>				<u>\$ 3,685,177</u>	

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

**Cumberland County Board of Education
Statement of Net Position
Proprietary Funds
June 30, 2016**

		Enterprise Funds	
	Major Fund	Non-major Fund	
	School Food		
	Service	Child Care	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 9,283,435	\$ 2,270,059	\$ 11,553,494
Due from other governments	660,414	-	660,414
Receivables (net)	73,799	3,524	77,323
Inventories	514,034	-	514,034
Total current assets	10,531,682	2,273,583	12,805,265
Noncurrent assets			
Capital assets			
Furniture and equipment, net	1,891,550	65,151	1,956,701
Total noncurrent assets	1,891,550	65,151	1,956,701
Total assets	12,423,232	2,338,734	14,761,966
DEFERRED OUTFLOWS OF RESOURCES	953,425	-	953,425
LIABILITIES			
Current liabilities			
Accrued salaries and benefits payable	280,376	3,507	283,883
Compensated absences	78,410	-	78,410
Unearned revenue	177,774	-	177,774
Total current liabilities	536,560	3,507	540,067
Noncurrent liabilities			
Compensated absences	723,693	-	723,693
Net pension liability	1,766,581	-	1,766,581
Total noncurrent liabilities	2,490,274	-	2,490,274
Total liabilities	3,026,834	3,507	3,030,341
DEFERRED INFLOWS OF RESOURCES	487,860	-	487,860
NET POSITION			
Net investment in capital assets	1,891,550	65,151	1,956,701
Unrestricted	7,970,413	2,270,076	10,240,489
Total net position	\$ 9,861,963	\$ 2,335,227	\$ 12,197,190

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, 2016

		Enterprise Funds	
	Major Fund	Non-major Fund	
	School Food Service	Child Care	Total
Operating revenues			
Food sales	\$ 4,753,273	\$ -	\$ 4,753,273
Child care fees	-	3,199,377	3,199,377
Other operating revenues	-	106,943	106,943
Total operating revenues	4,753,273	3,306,320	8,059,593
Operating expenses			
Food cost			
Purchase of food	8,288,959	30,554	8,319,513
Donated commodities	1,910,986	-	1,910,986
Salaries and benefits	11,014,837	1,914,729	12,929,566
Indirect costs	1,456,510	1,160,000	2,616,510
Materials and supplies	122,913	82,507	205,420
Repairs and maintenance	478,946	-	478,946
Depreciation	223,019	18,839	241,858
Contracted services	1,155,306	216,876	1,372,182
Other	1,125,960	2,707	1,128,667
Total operating expenses	25,777,436	3,426,212	29,203,648
Operating income (loss)	(21,024,163)	(119,892)	(21,144,055)
Nonoperating revenues			
Federal reimbursements	21,140,621	-	21,140,621
Federal commodities	1,910,986	-	1,910,986
State reimbursements	44,868	-	44,868
Interest earned	38,804	7,700	46,504
Sales tax refund	26,994	-	26,994
Total nonoperating revenues	23,162,273	7,700	23,169,973
Income before contributions and transfers	2,138,110	(112,192)	2,025,918
Change in net position	2,138,110	(112,192)	2,025,918
Total net position, beginning	7,723,853	2,447,419	10,171,272
Total net position, ending	\$ 9,861,963	\$ 2,335,227	\$ 12,197,190

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, 2016

		Enterprise Funds	
	Major Fund	Non-major Fund	
	School Food Service	Child Care	Total
Cash flows from operating activities			
Cash received from customers	\$ 4,954,146	\$ 3,306,320	\$ 8,260,466
Cash paid for goods and services	(12,509,046)	(1,492,644)	(14,001,690)
Cash paid to employees for services	(11,527,960)	(1,914,703)	(13,442,663)
Net cash provided (used) by operating activities	(19,082,860)	(101,027)	(19,183,887)
Cash flows from noncapital financing activities			
Federal reimbursements	21,140,621	-	21,140,621
State reimbursements	44,868	-	44,868
Sales tax refund	26,994	-	26,994
Net cash provided (used) by noncapital financing activities	21,212,483	-	21,212,483
Cash flows from capital and related financing activities			
Acquisition of capital assets	(207,028)	(610)	(207,638)
Net cash provided (used) by capital and related financing activities	(207,028)	(610)	(207,638)
Cash flows from investing activities			
Interest on investments	38,804	7,700	46,504
Net increase (decrease) in cash and cash equivalents	1,961,399	(93,937)	1,867,462
Cash and cash equivalents, beginning of year	7,322,036	2,363,996	9,686,032
Cash and cash equivalents, end of year	\$ 9,283,435	\$ 2,270,059	\$ 11,553,494

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, 2016

	Major Fund	Enterprise Funds	
	School Food	Non-major Fund	
	Service	Child Care	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (21,024,163)	\$ (119,892)	\$ (21,144,055)
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities			
Depreciation	223,019	18,839	241,858
Loss on disposal	3,121	-	3,121
Donated commodities	1,910,986	-	1,910,986
Changes in assets and liabilities			
Increase in due from other governments	155,321	-	155,321
Decrease in accounts receivable	(1,035)	-	(1,035)
Increase in inventories	118,110	-	118,110
Increase in deferred outflows	6,401	-	6,401
Increase in accounts payable and accrued liabilities	(1,010)	26	(984)
Decrease in unearned revenue	46,587	-	46,587
Increase in net pension liability	1,200,664	-	1,200,664
Decrease in deferred inflows	(1,638,639)	-	(1,638,639)
Decrease in deferred outflows	26,049	-	26,049
Decrease in compensated absences payable	(108,271)	-	(108,271)
Total adjustments	1,941,303	18,865	1,960,168
Net cash provided (used) by operating activities	\$ (19,082,860)	\$ (101,027)	\$ (19,183,887)
Supplemental schedule of non-cash activities:			
Donated commodities	\$ 1,910,986	\$ -	\$ 1,910,986

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, 2016**

	Private-Purpose Trust
Assets	
Cash and cash equivalents	\$ 397,345
Liabilities	
Accounts payable	<u>-</u>
Net Position	
Assets held in trust for private purpose	<u><u>\$ 397,345</u></u>

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

**Cumberland County Board of Education
Statement of Changes in Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016**

	Private-Purpose Trust
Additions	
Contributions and other revenue	\$ 96,545
Deductions	
Instructional costs	<u>80,648</u>
Change in net position	15,897
Net position - beginning of year	<u>381,448</u>
Net position - end of year	<u><u>\$ 397,345</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, 2016

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, 2016

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, 2016

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.

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

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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 meet 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, 2016 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.

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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.

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 Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS) and

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

additions to/deductions from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS. Investments are reported at fair value.

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 \$172,258,448 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):	\$ 469,044,960
Less: Accumulated Depreciation	<u>(214,589,615)</u>
Net Capital Assets	<u>254,455,345</u>
 Pension related deferred outflows of resources	
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	 36,057,842
 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	(5,755,772)
Compensated Absences	(23,928,590)
Risk Management	<u>(3,308,992)</u>
Total	<u>(32,993,354)</u>

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

<u>Description</u>	<u>Amount</u>		
Net Pension Liability	(66,810,871)	Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	36,057,842
Deferred inflows of resources related to pensions		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.	
Differences between expected and actual experience	(7,596,410)		
Difference between projected and actual earnings on plan investments	(7,238,398)		(5,668,428)
Differences between contributions and proportional share of contributions and changes in proportion	<u>(3,615,706)</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.	3,081,707
Total Adjustment	<u>\$ 172,258,448</u>	Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
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.		Pension expense	(20,332,403)
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 \$7,868,743 as follows:		Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	1,294,566
		Risk management expenses are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	
			<u>427,293</u>
		Total Adjustment	<u>\$ 7,868,743</u>
Capital outlay expenditures recorded in the fund statements, but capitalized as assets in the statement of activities.	\$4,426,298		
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.	(11,412,087)		
Loss on disposal of assets	(6,045)		

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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, 2016, the Board had deposits with banks and savings and loans with a carrying amount of \$29,049,844. The bank balances with the financial institutions were \$35,872,949. Of these balances, \$1,323,114 was covered by federal depository insurance and \$34,549,835 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2016, 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</u> <u>Method</u>			
NC Capital Management Trust – Cash Portfolio	Amortized Cost	\$ 998,328	N/A	AAAm
Department of State Treasurer Short Term Investment Fund (STIF)	Fair Value - Level 2	28,183,671	Weighted average maturity of 1.5 years	Unrated
US Government Agencies	Fair Value – Level 1	5,062,826	1-2 years	AA+/A-1+
Total		<u>\$34,244,825</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 83.4% of the Board's total investments.

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3. Accounts Receivable

Receivables at the government-wide level at June 30, 2016, were as follows:

	Due from other <u>governments</u>	<u>Other</u>
Governmental activities:		
General Fund	\$ -	\$ 293,332
Other governmental activities	<u>13,563,656</u>	<u>-</u>
Total	<u>\$ 13,563,656</u>	<u>\$ 293,332</u>
Business-type activities:		
School Food Service	\$ 660,414	\$ 73,799
Child Care	<u>-</u>	<u>3,524</u>
Total	<u>\$ 660,414</u>	<u>\$ 77,323</u>

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	\$11,642,741	Operating funds from DPI
Capital Outlay Fund	703,994	County Appropriations
Federal Grants Fund	<u>1,216,921</u>	Federal grant funds
Total	<u>\$13,563,656</u>	
Business-type activities:		
School Food Service	<u>\$ 660,414</u>	Federal funds
Total	<u>\$ 660,414</u>	

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4. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

Category	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,371,168	\$ 202,358	\$ -	\$ 9,573,526
Total capital assets not being depreciated	9,371,168	202,358	-	9,573,526
Capital assets being depreciated:				
Buildings and Improvements	391,332,770	6,672	-	391,339,442
Furniture and Equipment	24,355,653	2,034,639	196,610	26,193,682
Vehicles	39,755,681	2,182,629	-	41,938,310
Total capital assets being depreciated	455,444,104	4,223,940	196,610	459,471,434
Less accumulated depreciation for:				
Buildings and Improvements	152,490,394	7,921,623	-	160,412,017
Furniture and Equipment	20,378,976	1,425,187	190,565	21,613,598
Vehicles	30,498,723	2,065,277	-	32,564,000
Total accumulated depreciation	203,368,093	\$ 11,412,087	\$ 190,565	214,589,615
Total capital assets being depreciated, net	252,076,011			244,881,819
Governmental Activity capital assets, net	\$ 261,447,179			\$ 254,455,345

Depreciation was charged to governmental functions as follows:

Instructional services – regular	\$ 5,249,560
Instructional services – special populations	228,242
Instructional services – alternative programs	570,604
Instructional services – co-curricular	570,604
Instructional services – school based support services	228,242
Instructional services – school leadership services	1,141,209
Unallocated depreciation	3,423,626
Total	<u>\$ 11,412,087</u>

Category	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and Equipment	\$ 12,838,338	\$ 207,028	337,549	\$ 12,707,817
Vehicles	124,288	-	-	124,288
Total capital assets being depreciated	12,962,626	207,028	337,549	12,832,105
Less accumulated depreciation for:				
Furniture and Equipment	10,927,677	223,020	334,429	10,816,268
Vehicles	124,287	-	-	124,287
Total accumulated depreciation	11,051,964	223,020	334,429	10,940,555
School Food Service capital assets, net	1,910,662			1,891,550
Before and After School Care Fund:				
Capital assets being depreciated:				
Buildings and Improvements	24,701	-	-	24,701
Furniture and Equipment	269,228	610	-	269,838
Vehicles	15,645	-	-	15,645
Total capital assets being depreciated	309,574	610	-	310,184
Less accumulated depreciation for:				
Buildings and Improvements	16,104	805	-	16,909
Furniture and Equipment	202,007	16,469	-	218,476
Vehicles	8,083	1,565	-	9,648
Total accumulated depreciation	226,194	\$ 18,839	\$ -	245,033
Before and After School Care Fund capital assets, net	83,380			65,151
Business-type activities capital assets, net	\$ 1,994,042			\$ 1,956,701

Construction commitments

The Board has no active construction projects as of June 30, 2016.

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Financing commitments

Recent legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. Cumberland County Board of Education has entered into an agreement to purchase 15 buses in this manner. The buses were received in FY 2016-2017 and not recorded as long-term liabilities at June 30, 2016. The term of the financing cannot exceed three years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make the payments to the lender on behalf of the County Board of Education out of funds allocated to the County Board of Education. Because no future resources will be used to fund the payments under the installment agreement, no encumbrances of fund balance at June 30, 2016, has been recorded.

The payments due in the subsequent years are as follows:

Total purchase price, 15 buses	\$ 1,271,415
Total payments due in fiscal year 2016-2017	317,854
Remaining payments in subsequent years	<u>\$ 953,561</u>

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Cumberland County Board of Education contributes to the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS provides retirement benefits to plan members and beneficiaries. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter

schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at 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 LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an

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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 9.15% of annual covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. The contribution requirements of plan members and Cumberland County Board of Education are established by General Statute 135-8 and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2016, 2015, and 2014 were \$37,011,267, \$38,495,602, and \$21,291,312, respectively, equal to the required contributions for each year.

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

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

At June 30, 2016, the Board reported a liability of \$68,577,452 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015 and 2014, the Board's proportion was .02%.

For the year ended June 30, 2016, the Board recognized pension expense of \$16,130,964. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,797,271
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	7,429,792
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	3,711,311
Board Contributions subsequent to the measurement date	<u>37,011,267</u>	<u>-</u>
Total	<u>\$ 37,011,267</u>	<u>\$18,938,374</u>

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A total of \$18,938,374 is reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2017	\$10,150,499
2018	10,150,499
2019	9,690,091
2020	(11,052,715)
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	<u>6.0%</u>	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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

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are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ <u>206,399,293</u>	\$ <u>68,577,452</u>	(\$ <u>48,380,218</u>)

b. Other Postemployment Benefits

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes

premium rates except as may be established by the General Assembly in an appropriations act. The plan's benefit and contributions provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employees making contributions to the Plan.

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

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

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persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expense on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2016, 2015 and 2014, the Board paid all annual required contributions to the Plan for post-employment health care benefits of \$15,143,344, \$15,175,685, and \$14,457,345, respectively. These contributions represented 5.60%, 5.49%, and 5.40% of covered payroll, respectively.

Long-term Disability Benefits

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

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

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the

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Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months. After 36 months of the long-term disability, there will be no further payments from the DIPNC unless the member is approved for and are in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as another postemployment benefit. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid annual required contributions to the DIPNC for disability benefits of \$1,133,339, \$1,216,266, and \$1,178,006, respectively. These contributions represented .41%, .41%, and .44% of covered payroll, respectively.

2. Other Employment Benefits

In addition to providing pension and post employment healthcare benefits, the Board provides disability benefits and death benefits, in accordance with State statutes, to certain employees. Death benefits are provided through the Benefit Plan for members of the Teachers' and State Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of

contributing membership service in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's highest 12 months salary in a row during the 24 months prior to his/her death, with a minimum benefit of \$25,000 and a maximum of \$50,000.

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

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

3. Deferred Liability

Unearned grant revenue of \$5,620,512 has been presented as a deferred liability on the Statement of Net Position because all eligibility requirements other than time requirements have been met.

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4. Accounts Payable

Accounts payable as of June 30, 2016, are as follows:

	<u>Vendors</u>	<u>Salaries & Benefits</u>
Governmental Activities:		
General	\$ 4,074,329	\$ 642,146
Other Governmental	40,623	12,972,578
Total - governmental activities	<u>\$ 4,114,952</u>	<u>\$ 13,614,724</u>
	<u>Salaries & Benefits</u>	
Business-type Activities		
School Food Service	\$ 280,376	
Child Care	3,507	
Total - business-type activities	<u>\$ 283,883</u>	

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The State of North Carolina provides workers' compensation coverage for employees to the extent they are paid from State funds. The Board purchases excess workers' compensation for locally and federally funded employees from Safety National. The Board self insures the first \$400,000 per occurrence.

The claims liability of \$3,308,992 at June 30, 2016 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The claims liability is actuarially determined and includes an estimate for claims incurred but not reported. This entire amount is accrued and reported in the government-wide statements in the governmental activities. Changes in the fund's claims liability amount during fiscal years 2015 and 2016 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>
2014-15	\$3,742,844	\$1,012,192	\$(1,018,751)	\$3,736,285
2015-16	3,736,285	351,627	(778,920)	3,308,992

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.

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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, 2016, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

7. Long-Term Obligations

a. Installment Purchase

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

In May 2012, the Board entered into such contract to reduce the energy costs associated with several schools. The financing contract requires principal payments for twelve years beginning in the fiscal year 2012 with an interest rate of 2.32 percent. Payments are made from the General Fund.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on new financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase buses through special third party financing arrangements by Bank of America Public Capital Corp. at total payments less than the purchase price.

The future minimum payments of the installment purchases as of June 30, 2016 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,187,587	\$ 57,212
2018	1,607,136	36,623
2019	677,617	32,236
2020	203,261	27,638
2021	212,861	22,820
2022-2025	867,310	38,721
Totals	<u>\$ 5,755,772</u>	<u>\$ 215,250</u>

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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, 2016:

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016	Current Portion
Governmental Activities:					
Installment Purchases	\$ 3,169,051	\$ 5,668,428	\$ 3,081,707	\$ 5,755,772	\$ 2,187,587
Net Pension Liability	21,531,510	45,279,361	-	66,810,871	-
Compensated Absences Risk Management	25,223,156	20,235,438	21,530,004	23,928,590	1,912,439
	3,736,285	351,627	778,920	3,308,992	-
Total	<u>\$ 53,660,002</u>	<u>\$ 71,534,854</u>	<u>\$ 25,390,631</u>	<u>\$ 99,804,225</u>	<u>\$ 4,100,026</u>
Business- Type Activities:					
Net Pension Liability	\$ 565,917	\$ 1,200,664	\$ -	\$ 1,766,581	\$ -
Compensated Absences	910,374	800,027	908,298	802,103	78,410
Total	<u>\$ 1,476,291</u>	<u>\$ 2,000,691</u>	<u>\$ 908,298</u>	<u>\$ 2,568,684</u>	<u>\$ 78,410</u>

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	\$ 33,149,461
Less:	
Inventories	475,713
Stabilization by State Statute	636,484
Appropriated fund balance in 2016 budget	5,287,088
Risk management	<u>3,308,992</u>
Remaining fund balance	<u>\$ 23,441,184</u>

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

Encumbrances:

General Fund	\$ 388,633
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CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

III. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

IV. Subsequent Events

The Board has evaluated subsequent events through January 22, 2017, 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 Three Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	1.861%	1.885%	1.941%
County's proportionate share of the net pension liability (asset) \$	\$ 68,577,452	\$ 22,097,439	\$ 117,814,195
County's covered-employee payroll	\$ 241,587,903	\$ 253,094,029	\$ 244,937,120
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.39%	8.73%	48.10%
Plan fiduciary net position as a percentage of the total pension liability	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 Three Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 37,011,267	\$ 38,495,602	\$ 21,291,312
Contributions in relation to the contractually required contribution	37,011,267	38,495,602	21,291,312
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 241,587,903	\$ 253,094,029	\$ 244,937,120
Contributions as a percentage of covered-employee payroll	15.320%	15.210%	8.693%

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

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 (Continued)
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Positive (Negative) Variance
Revenues			
Cumberland County appropriation	\$ 78,288,727	\$ 78,345,062	\$ 56,335
Other			
Fines and forfeitures	1,500,000	1,558,630	58,630
Interest earned on investments	-	207,692	207,692
Rental of school property	80,000	48,443	(31,557)
Miscellaneous	-	390,617	390,617
Total other	1,580,000	2,205,382	625,382
Total revenues	79,868,727	80,550,444	681,717
Expenditures			
Instructional services:			
Regular instructional services:			
Regular curricular services		11,192,498	
CTE Curricular services		1,064,817	
Special populations services:			
Children with disabilities curricular services		1,877,028	
Special populations CTE curricular services		30,706	
Pre-K children with disabilities curricular services		74,012	
Speech and language pathology services		234,785	
Audiology services		2,963	
Academically/intellectually gifted curricular services		281,549	
Limited English proficiency services		122,138	
Alternative programs services:			
Attendance and social work services		483,079	
Remedial and supplemental K-12 services		193,102	
Pre-K readiness/remedial and supplemental services		28,380	
School leadership services		18,310,929	
Co-curricular services		2,410,115	
School-based support services:			
Educational media services		593,299	
Guidance services		870,109	
Health support services		338,918	

**Cumberland County Board of Education
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Safety and security support services		202,270	
Instructional technology services		1,656,218	
Staff development unallocated		3,321	
Parent involvement services		2,209	
Total instructional services	42,020,695	39,972,445	2,048,250
System-wide support services:			
Support and development services:			
Regular curricular support and development services		6,186,794	
CTE curricular support and development services		42,872	
Special populations support and development services		146,626	
Alternative programs and services support and development services		10,812	
Technology support services		1,172,763	
Operational support services:			
Printing and copying services		471,673	
Public utility and energy services		8,576,117	
Custodial/housekeeping services		2,651,555	
Transportation services		1,567,154	
Warehouse and delivery services		789,423	
Facilities planning, acquisition and construction services		86,649	
Maintenance services		9,464,382	
Financial and human resource services:			
Financial services		1,199,889	
Human resources services		1,566,098	
Accountability services:			
Student testing services		602,318	
Planning, research development and program evaluation		18,160	
System-wide pupil support			
Health support services		49,299	
Safety and security support services		9,043	
Instructional technology support services		530,564	
Policy, leadership and public relations services:			
Board of education		152,489	
Legal services		354,979	
Audit services		54,000	

**Cumberland County Board of Education
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Positive (Negative) Variance
Leadership services		309,789	
Public relations		71,589	
Total support services	38,586,814	36,085,037	2,501,777
Ancillary services	47,272	35,607	11,665
Non-programmed charges:			
Payments to other governments	1,293,020	1,290,327	2,693
Debt service			
Principal	709,077	709,077	-
Total expenditures	82,656,878	78,092,493	4,564,385
Revenues over (under) expenditures	(2,788,151)	2,457,951	5,246,102
Fund balance appropriated	2,788,151	-	(2,788,151)
Net change in fund balance	\$ -	2,457,951	\$ 2,457,951
Fund balance, beginning		30,691,510	
Fund balance, ending		\$ 33,149,461	

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, 2016**

	Budget	Actual	Variance Positive (Negative)
Revenues			
U. S. Government			
U. S. Department of Education	\$ 35,584,674	\$ 27,542,232	\$ (8,042,442)
Total revenues	<u>35,584,674</u>	<u>27,542,232</u>	<u>(8,042,442)</u>
Expenditures			
Instructional services	32,520,281	25,627,601	6,892,680
System-wide supporting services	1,712,063	1,404,199	307,864
Ancillary services	83,333	39,029	44,304
Non-programmed charges	1,268,997	471,403	797,594
Total expenditures	<u>35,584,674</u>	<u>27,542,232</u>	<u>8,042,442</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<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, 2016**

	Budget	Actual	Positive (Negative) Variance
Revenues			
State of North Carolina	\$ 1,479,544	\$ 1,652,923	\$ 173,379
U.S. Government	12,880,133	10,550,891	(2,329,242)
Other	4,456,667	4,845,640	388,973
Total revenues	18,816,344	17,049,454	(1,766,890)
Expenditures			
Instructional services			
Regular instructional		12,568,109	
Special populations		1,497,678	
Alternative programs		1,452,103	
School leadership		60,910	
Co-curricular		33,855	
School-based support		531,856	
Total instructional services	18,422,114	16,144,511	2,277,603
System-wide support services			
Support and development		212,575	
Special populations support and development		131,974	
Operational support		2,937	
Accountability		-	
Total support services	394,230	347,486	46,744
Non-program charges	-	-	-
Total expenditures	18,816,344	16,491,997	2,324,347
Revenues over (under) expenditures	-	557,457	557,457
Net change in fund balance	\$ -	557,457	\$ 557,457
Fund balance, beginning		3,127,720	
Fund balance, ending		\$ 3,685,177	

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, 2016**

	Budget	Actual	Positive (Negative) Variance
Revenues			
State of North Carolina			
State appropriations - buses	\$ -	\$ -	\$ -
Total State of North Carolina	-	-	-
Cumberland County			
County bond proceeds	-	1,384	1,384
Qualified school construction bonds	-	-	-
General county revenues	13,232,731	7,479,166	(5,753,565)
Total Cumberland County	13,232,731	7,480,550	(5,752,181)
Other			
Miscellaneous	-	33,738	33,738
Total other	-	33,738	33,738
Total revenues	13,232,731	7,514,288	(5,718,443)
Expenditures			
Capital Outlay			
Land, buildings, and site improvement		4,410,500	
Furnishings and equipment		2,795,305	
Vehicles and other		274,746	
Total capital outlay	13,435,089	7,480,551	5,954,538
Debt services			
Principal	3,168,978	2,372,630	796,348
Total expenditures	16,604,067	9,853,181	6,750,886
Revenues over (under) expenditures	(3,371,336)	(2,338,893)	1,032,443
Other financing sources (uses)			
Contributions from DPI	3,168,978	2,372,630	(796,348)
Total other financing sources (uses)	3,371,336	2,372,630	(998,706)
Net change in fund balance	\$ -	33,737	\$ 33,737
Fund balance, beginning		2,322,850	
Fund balance, ending		\$ 2,356,587	

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, 2016**

	<u>Individual Schools Fund</u>	<u>Combined Athletics Fund</u>	<u>Combined Totals</u>
Assets			
Cash and cash equivalents	\$ 2,796,099	\$ 379,642	\$ 3,175,741
Total assets	<u>\$ 2,796,099</u>	<u>\$ 379,642</u>	<u>\$ 3,175,741</u>
Liabilities			
Accounts payable	\$ 40,623	\$ -	\$ 40,623
Total liabilities	<u>40,623</u>	<u>-</u>	<u>40,623</u>
Fund balances			
Fund balance - restricted	<u>2,755,476</u>	<u>379,642</u>	<u>3,135,118</u>
Total liabilities and fund balance	<u>\$ 2,796,099</u>	<u>\$ 379,642</u>	<u>\$ 3,175,741</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, 2016**

	<u>Individual Schools Fund</u>	<u>Combined Athletics Fund</u>	<u>Totals</u>
Revenues			
Other	\$ 8,444,340	\$ 1,151,934	\$ 9,596,274
Total revenues	<u>8,444,340</u>	<u>1,151,934</u>	<u>9,596,274</u>
Expenditures			
Instructional services			
Co-curricular	8,294,523	1,079,902	9,374,425
System-wide supporting services			
Operational support services	-	34,504	34,504
Total expenditures	<u>8,294,523</u>	<u>1,114,406</u>	<u>9,408,929</u>
Revenues over expenditures	<u>149,817</u>	<u>37,528</u>	<u>187,345</u>
Net change in fund balance	149,817	37,528	187,345
Fund balance, beginning	2,605,659	342,114	2,947,773
Fund balance, ending	<u><u>\$ 2,755,476</u></u>	<u><u>\$ 379,642</u></u>	<u><u>\$ 3,135,118</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, 2016**

	Budget	Actual	Variance Positive (Negative)
Operating revenues, food sales	<u>\$ 7,750,000</u>	<u>\$ 4,753,273</u>	<u>\$ (2,996,727)</u>
Operating expenditures			
Business support services			
Purchase of food		8,170,849	
Donated commodities		1,910,986	
Salaries and benefits		9,536,735	
Indirect costs		1,456,510	
Repairs and maintenance		478,946	
Materials and supplies		122,913	
Contracted services		1,155,306	
Other		1,125,960	
Equipment purchases		207,028	
Total operating expenditures	<u>27,323,000</u>	<u>24,165,233</u>	<u>3,157,767</u>
Operating loss	<u>(19,573,000)</u>	<u>(19,411,960)</u>	<u>161,040</u>
Nonoperating revenues			
Federal reimbursements	18,000,000	21,140,621	3,140,621
Federal commodities	1,550,000	1,910,986	360,986
State reimbursements	-	44,868	44,868
Interest earned	-	38,804	38,804
Sales tax refund	23,000	26,994	3,994
Total nonoperating revenues	<u>19,573,000</u>	<u>23,162,273</u>	<u>3,589,273</u>
Excess of expenditures over revenue	<u>\$ -</u>	<u>3,750,313</u>	<u>\$ 3,750,313</u>
Reconciliation of modified accrual to full accrual basis			
Revenues and fund balance appropriated under expenditures		3,750,313	
Reconciling items			
Depreciation		(223,019)	
Contributions to the pension plan in the current fiscal year		(6,401)	
Equipment purchases, net of contributions		207,028	
Increase in pension liability		1,200,664	
Decrease in deferred inflows		(1,638,639)	
Decrease in deferred outflows		(32,450)	
Decrease in compensated absences payable		(1,001,276)	
Decrease in inventories		(118,110)	
Change in net position (full accrual)		<u>\$ 2,138,110</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, 2016**

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Child care fees	\$ 3,453,823	\$ 3,199,377	\$ (254,446)
Other operating revenue	80,000	106,943	26,943
Total operating revenues	<u>3,533,823</u>	<u>3,306,320</u>	<u>(227,503)</u>
Operating expenditures			
Regular community service			
Purchase of food		30,554	
Salaries and benefits		1,914,729	
Indirect costs		1,160,000	
Materials and supplies		82,507	
Contracted services		216,876	
Equipment purchases		610	
Other		2,707	
Total operating expenditures	<u>3,983,823</u>	<u>3,407,983</u>	<u>575,840</u>
Operating loss	(450,000)	(101,663)	(348,337)
Nonoperating revenues			
Interest income	-	7,700	(7,700)
Excess of expenditures over revenues before other financing sources	<u>(450,000)</u>	<u>(93,963)</u>	<u>(356,037)</u>
Other financing sources			
Fund balance appropriated	450,000	-	450,000
Excess expenditures over revenues and other sources	<u>\$ -</u>	<u>(93,963)</u>	<u>\$ 93,963</u>
Reconciliation of modified accrual to full accrual basis			
Revenues and fund balance appropriated under expenditures		(93,963)	
Reconciling items			
Depreciation		(18,839)	
Equipment purchases, net of contributions		610	
Change in net position (full accrual)		<u>\$ (112,192)</u>	

STATISTICAL SECTION

**CUMBERLAND COUNTY BOARD OF EDUCATION
STATISTICAL SECTION
Introduction
June 30, 2016**

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
Net investment in capital assets	\$ 251,146,519	\$ 259,623,913	\$ 269,801,915	\$ 276,668,882	\$ 279,624,817	\$ 270,647,358	\$ 261,041,423	\$ 253,370,765	\$ 235,558,195	\$ 235,131,593
Restricted	9,813,366	8,506,345	5,311,500	5,347,972	5,532,843	10,855,125	2,928,758	2,737,970	(7,781,489)	3,633,036
Unrestricted	(46,375,094)	(64,650,700)	9,388,389	16,115,645	28,962,529	19,357,451	24,398,519	11,086,416	22,121,624	3,679,279
Total governmental activities net position	<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>	<u>\$ 249,898,330</u>	<u>\$ 242,443,908</u>
Business-type activities										
Net investment in capital assets	\$ 1,956,701	\$ 1,994,042	\$ 2,113,254	\$ 2,194,348	\$ 2,145,122	\$ 2,380,098	\$ 2,066,221	\$ 1,958,001	\$ 2,406,683	\$ 2,610,433
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	10,240,489	8,177,230	10,826,835	11,402,958	11,844,577	11,393,701	10,463,496	9,044,128	9,813,454	9,845,695
Total business-type activities net position	<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>	<u>\$ 12,220,137</u>	<u>\$ 12,456,128</u>
Primary Government										
Net investment in capital assets	\$ 253,103,220	\$ 261,617,955	\$ 271,915,169	\$ 278,863,230	\$ 281,769,939	\$ 273,027,456	\$ 263,107,644	\$ 255,328,766	\$ 237,964,878	\$ 237,742,026
Restricted	9,813,366	8,506,345	5,311,500	5,347,972	5,532,843	10,855,125	2,928,758	2,737,970	(7,781,489)	3,633,036
Unrestricted	(36,134,605)	(56,473,470)	20,215,224	27,518,603	40,807,106	30,751,152	34,862,015	20,130,544	31,935,078	13,524,974
Total primary government net position	<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>	<u>\$ 262,118,467</u>	<u>\$ 254,900,036</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

	Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental Activities:										
Instructional services:										
Regular instructional	\$ 189,198,534	\$ 186,047,766	\$ 191,947,803	\$ 204,189,972	\$ 205,563,524	\$ 196,209,193	\$ 197,407,850	\$ 207,660,666	\$ 201,252,812	
Special populations	47,345,798	46,401,352	50,350,971	50,499,490	49,608,160	52,390,966	51,481,795	53,269,215	49,720,458	
Alternative programs	23,141,687	25,079,809	25,987,369	26,810,690	29,080,306	32,505,502	29,653,193	25,552,650	26,350,996	
School leadership	30,224,277	29,898,693	29,220,118	29,577,572	29,494,171	29,921,721	28,874,473	29,874,703	32,451,609	
Co-curricular	12,610,379	12,620,894	13,280,148	13,019,167	13,129,035	13,095,664	16,915,392	13,961,680	12,758,965	
School-based support	25,825,547	25,704,687	24,655,443	25,381,906	25,075,397	29,369,091	26,936,649	32,820,250	29,524,544	
System-wide support services:										
Support and development	7,174,124	7,006,089	7,897,355	8,263,834	7,760,504	8,546,453	8,246,906	10,209,811	10,841,888	
Special populations support and development	1,471,816	1,552,688	1,392,545	1,399,897	1,351,302	795,931	1,060,737	1,068,909	499,696	
Alternative programs, services support & development	586,537	585,469	567,106	608,945	691,729	826,762	778,720	772,985	303,018	
Technology support	2,026,986	2,020,682	2,184,435	1,800,324	1,634,107	1,735,592	2,010,096	1,947,346	(304,797)	
Operational support	47,597,930	47,210,238	53,482,787	53,645,786	51,185,132	53,748,930	56,858,787	52,556,430	57,010,984	
Financial and human services	3,051,678	3,120,819	3,158,029	3,143,566	3,169,763	3,144,528	3,173,890	1,738,977	1,785,475	
Accountability	620,478	615,629	636,182	621,771	667,398	697,551	695,331	849,505	791,013	
System-wide pupil support	588,906	61,163	68,825	1,408	62,096	1,723,065	2,680,661	1,127,211	1,045,980	
Policy, leadership and public relations	3,586,065	3,932,923	3,472,714	3,325,505	3,647,991	1,764,204	1,748,437	1,639,298	1,769,086	
Ancillary services	101,931	62,468	58,137	70,955	211,378	223,760	1,281,023	104,774	350,842	
Nonprogram charges	1,761,730	1,359,871	1,107,798	859,363	727,426	304,079		281,763	167,898	
Unallocated depreciation expense *	3,423,626	3,498,666	3,634,136	3,624,801	3,328,814	2,227,414	4,040,769	2,843,500	2,714,667	
Interest expense			-	-	-	102,870	115,474	127,613	139,303	
Total governmental activities expenses (1)	<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>	<u>\$ 429,174,437</u>	<u>\$ 404,312,899</u>
Business-type activities:										
School food service	25,777,436	25,298,959	25,841,581	26,345,033	25,797,742	24,773,817	24,358,714	25,548,508	24,215,900	\$ 22,921,524
Child care	3,426,212	3,653,291	3,997,102	4,267,183	4,349,369	4,469,324	4,386,373	4,022,588	3,742,969	3,784,921
Total business-type activities	<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>	<u>27,958,869</u>	<u>26,706,445</u>
Total primary government	<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>	<u>457,133,306</u>	<u>431,019,344</u>
Program Revenues:										
Governmental activities:										
Charges for services										
Instruction	8,492,783	8,314,938	8,708,219	8,708,138	8,555,377	9,485,113	9,078,769	9,473,108	9,478,413	\$ 1,214,887
Supporting services			-	-	-	104,243	(40,908)	1,174,123	1,227,346	1,205,181
Operating grants and contributions	294,360,172	299,613,319	288,861,407	293,405,301	311,055,627	310,924,419	314,728,483	315,926,288	307,846,021	291,857,125
Capital grants and contributions	-	504,421	-	-	-	6,861,981	3,020,547	1,549,192	5,538,152	5,334,731
Total governmental activities program revenue	<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>	<u>\$ 324,089,932</u>	<u>\$ 299,611,924</u>

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

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

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

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

	Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Program revenues (continued):										
Business-type activities										
Charges for services										
School food service	\$ 4,753,273	\$ 5,325,185	\$ 6,197,778	\$ 7,182,334	\$ 7,487,313	\$ 7,624,246	\$ 7,838,115	\$ 8,299,404	\$ 8,291,197	\$ 8,085,948
Child care	3,306,320	3,087,289	3,211,431	3,509,897	3,652,720	4,088,159	4,447,734	3,682,667	3,555,785	3,698,742
Operating grants and contributions	23,123,469	20,242,917	19,734,575	19,489,409	19,160,373	18,119,763	17,410,497	16,113,546	15,555,042	15,318,629
Capital grants and contributions			-	-	-	574,877	467,973	56,248	169,730	
Total business-type activities program revenue	<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>	<u>27,571,754</u>	<u>27,103,319</u>
Total primary government program revenue	<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>	<u>351,661,686</u>	<u>326,715,243</u>
Net (expense)/revenue										
Governmental activities	(97,485,074)	(88,347,228)	(115,532,275)	(124,731,513)	(106,777,229)	(101,957,520)	(107,173,292)	(110,284,575)	(105,084,505)	(104,700,975)
Business-type activities	<u>1,979,414</u>	<u>(296,859)</u>	<u>(694,899)</u>	<u>(430,576)</u>	<u>153,295</u>	<u>1,163,904</u>	<u>1,419,232</u>	<u>(1,419,231)</u>	<u>(387,115)</u>	<u>396,874</u>
Total primary government net expense	<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>	<u>(105,471,620)</u>	<u>(104,304,101)</u>
General revenues and other changes in net assets:										
Governmental activities:										
Unrestricted county appropriations - operating	78,345,062	76,982,883	76,220,676	76,220,676	76,220,676	76,646,227	78,831,036	71,812,043	69,959,192	65,348,540
Unrestricted county appropriations - capital	7,480,550	7,013,334	7,735,529	11,178,683	18,852,519	13,265,645	21,964,872	18,347,140	8,698,988	1,823,292
Unrestricted State appropriations - operating	-	-	-	-	-	7,645,251	7,997,849	6,809,524	6,914,570	7,098,008
Unrestricted State appropriations - capital	2,372,630	-	184,145	1,443,255	1,074,975	-	-	854,095	1,020,904	-
Unrestricted U. S. Government	-	-	-	-	-	9,029,612	7,609,600	8,498,418	9,752,354	5,429,922
Investment earnings, unrestricted	207,692	166,939	175,568	112,276	402,790	785,628	859,278	1,430,862	1,862,934	1,818,577
Miscellaneous, unrestricted	20,184,373	20,955,595	17,585,662	19,788,933	23,486,524	7,076,391	11,084,206	19,829,314	14,329,985	20,799,737
Total governmental activities	<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>	<u>112,538,927</u>	<u>102,318,076</u>
Business-type activities:										
Investment earnings, unrestricted	46,504	-	37,682	38,183	62,605	80,178	108,356	201,223	151,124	316,888
Total business-type activities	<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>	<u>151,124</u>	<u>316,888</u>
Total primary government general revenues	<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>	<u>112,690,051</u>	<u>102,634,964</u>
Change in net position, governmental activities	<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>	<u>7,454,422</u>	<u>(2,382,899)</u>
Change in net position, business-type activities	<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>	<u>(235,991)</u>	<u>713,762</u>
Total primary government	<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>	<u>\$ 7,218,431</u>	<u>\$ (1,669,137)</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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Nonspendable:										
Inventories	\$ 475,713	\$ 475,713	\$ 475,713	\$ 372,375	\$ 372,375	\$ 459,416	\$ 315,281	\$ 299,505	\$ 270,897	\$ 348,852
Restricted:										
Stabilization by State Statute	636,484	108,002	203,464	273,333	395,741	900,475	791,127	2,016,673	2,310,201	1,121,550
Assigned:										
Subsequent year's expenditures	287,088	3,000,000	7,637,947	12,509,287	14,745,584	8,314,605	9,471,690	1,564,027	2,150,501	4,268,956
Risk Management	3,308,992	3,736,285	3,742,844							
Unassigned:	28,441,184	23,371,510	22,640,043	28,150,619	34,539,567	35,052,981	32,059,171	25,491,782	24,352,275	21,011,480
Total General Fund	<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>	<u>\$ 29,083,874</u>	<u>\$ 26,750,838</u>
All other governmental funds										
Restricted:										
Stabilization by State Statute			2,080,441	1,271,774		7,003,956	15,353,791	10,337,258	13,334,571	4,091,499
School capital outlay	2,356,587	2,322,850	-	720,079	2,070,130					
Individual Schools	3,135,118	2,947,773	2,740,443	2,827,690	3,066,972	2,950,694	2,922,908	2,757,342	2,801,687	2,600,547
Programs	3,685,177	3,127,720	287,152	255,096						
Unassigned:						(4,106,667)	(14,108,088)	(8,494,722)	(11,702,168)	(3,059,010)
Total all other governmental funds	<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>	<u>\$ 4,434,090</u>	<u>\$ 3,633,036</u>
Total all governmental funds	<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>	<u>\$ 33,517,964</u>	<u>\$ 30,383,874</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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
State of North Carolina	\$270,825,958	\$268,998,402	\$258,695,726	\$262,064,127	\$263,753,731	\$264,186,520	\$266,412,582	\$288,668,324	\$287,400,409	\$268,836,338
Cumberland County	85,825,612	83,996,217	83,956,205	87,399,359	95,073,195	83,498,545	104,643,298	99,561,249	87,712,271	72,863,503
U. S. Government	38,093,123	42,091,717	41,754,175	46,225,579	63,638,836	79,240,143	71,108,516	49,283,257	45,337,692	40,656,725
Other	16,698,569	17,960,672	15,065,100	15,168,197	17,182,726	17,667,303	15,677,137	17,019,980	18,118,554	18,590,909
Total revenues	<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>	<u>438,568,926</u>	<u>400,947,475</u>
Expenditures (1)										
Instructional programs	327,875,425	336,017,524	325,631,819	335,652,591	341,644,140	347,375,929	343,674,211	356,567,417	343,996,859	
Supporting services	67,866,399	69,337,003	71,296,593	70,278,700	69,926,176	76,176,312	71,934,025	74,286,461	71,221,876	
Ancillary services	101,931	62,468	58,137	70,955	211,378	223,760	1,281,023	108,627	446,357	
Nonprogram charges	1,761,730	1,359,871	1,107,798	859,363	727,426	528,958	228,449	790,842	592,845	
Capital outlay	7,519,580	6,988,336	7,868,258	11,362,514	21,362,443	17,921,213	27,424,190	22,671,464	19,329,343	
Debt Service										
Principal	3,081,707	504,421	184,145	1,443,255	1,074,975	3,040,787	2,134,145	4,346,389	2,134,612	
Interest and fees										
Total expenditures	<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>	<u>437,721,892</u>	<u>404,438,922</u>
Revenues over (under) expenditures	3,236,490	(1,222,615)	(6,675,544)	(8,810,116)	4,701,950	(674,448)	11,165,490	(4,238,390)	847,034	(3,491,447)
Other financing sources (uses)										
Installment purchase obligations issued	-	504,421	-	-	-	4,299,893	1,652,749	4,663,683	2,365,011	1,673,821
Total other financing sources (uses)	<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>	<u>2,365,011</u>	<u>1,673,821</u>
Net change in fund balances	<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>	<u>\$ 3,212,045</u>	<u>\$ (1,817,626)</u>
Debt service as a percentage of noncapital expenditures	<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>	<u>0.51%</u>	<u>0.32%</u>

Note: Excludes changes in reserve for inventory

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

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

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

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds	Certificates of Participation	Capital Leases	Installment Purchase	General Obligation Bonds	Certificates of Participation	Capital Leases	Installment Purchase			
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
2008	92,254,480	57,950,000	3,908,523	49,554,052	1,236,000	43,198,781	-	-	248,101,836	1.92%	783
2007	100,436,598	62,250,000	4,241,761	4,526,143	1,250,000	46,078,781	-	-	218,783,283	1.84%	699

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2016.

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

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

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

NA: Information not available

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

Fiscal Year	Total General Obligation Bonds	Percentage of Personal Income (1)	Percentage of Actual Taxable Value of Property (2)	Per Capita (1)
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
2008	93,490,480	0.72%	0.49%	295
2007	101,686,598	0.85%	0.58%	325

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2016.

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	\$ 2,122,201	\$ 2,093,592	\$ 2,104,340	\$ 2,020,254	\$ 2,098,236	\$ 2,037,270	\$ 1,878,634	\$ 1,509,817	\$ 1,458,735	\$ 1,401,693
Total net debt applicable to limit	27,207	34,857	42,711	49,115	56,830	65,845	73,815	82,295	90,235	98,230
Legal debt margin	<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>	<u>\$ 1,368,500</u>	<u>\$ 1,303,463</u>
Total net debt applicable to the limit as a percentage of debt limit	1.28%	1.66%	2.03%	2.43%	2.71%	3.23%	3.93%	5.45%	6.19%	7.01%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed Property Value	\$ 23,254,623
Plus : Exempt Property	3,272,888
Total Assessed Value	<u>\$ 26,527,511</u>
Debt Limit (8% of total assessed value)	2,122,201
Debt applicable to limit:	
Total Bonded debt	27,207
Authorized and unissued debt	20,126
	<u>47,333</u>
Less: Statutory deductions	
Authorized and unissued debt	20,126
Revenue bonds	-
	<u>20,126</u>
Total amount of debt applicable to debt limit	<u>27,207</u>
Legal debt margin	<u>\$ 2,094,994</u>

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2016.

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

Years Ended June 30	Balance Installment Purchases	Minimum Future Payments Year 1	Minimum Future Payments Year 2	Minimum Future Payments Year 3	Minimum Future Payments Year 4	Minimum Future Payments Year 5	Minimum Future Payments Beyond 5 Years	Debt Percentage of Personal Income (1)	Debt Per Capita (1)
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
2008	4,380,018	1,498,839	443,903	443,903	443,903	443,903	1,775,611	0.0339%	13.83
2007	4,454,220	1,001,843	713,503	443,903	443,903	457,494	2,205,922	0.0374%	14.22

Note (1) Population and income information per the County of Cumberland, North Carolina Annual Financial Report for the year ended June 30, 2016.
(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 2016			Fiscal Year 2007		
	2015 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2006 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Goodyear Tire & Rubber Co.	\$ 326,895	1	1.41%	\$ 155,881	1	0.99%
Cross Creek Mall, LLC	150,848	2	0.65%	85,159	4	0.54%
Wal-Mart Stores, Inc.	126,546	3	0.54%	112,705	3	0.72%
Duke Energy Progress, Inc.	100,049	4	0.43%			
DAK Americas, LLC	64,185	5	0.28%	52,217	8	0.33%
Purolator Filters, NA LLC	63,380	6	0.27%	54,981	6	0.35%
Piedmont Natural Gas Co., Inc.	30,169	7	0.26%	54,140	7	0.34%
Piedmont Natural Gas Co., Inc.	55,910	8	0.24%	124,316	2	0.79%
Carolina Telephone	50,144	9	0.22%			
Cargill	46,998	10	0.20%			
Carolina Power & Light Co.				66,963	5	0.43%
Black & Decker				35,022	10	0.22%
Centurion Aviation Service				50,833	9	0.32%
	<u>\$ 1,015,124</u>		<u>4.50%</u>	<u>\$ 792,217</u>		<u>5.03%</u>

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2016.

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	Collected within the Fiscal Year of the Levy				Total Collections to Date	
	Total Tax Levy	Current Tax Collections	Percent of Net Levy Collected	Collections in Subsequent Years (2)	Total Tax Collections	Percent of Total Tax Collections To Net Levy
2016	\$ 172,307,349	\$ 171,119,929	99.31%	NA	171,119,929	99.31%
2015	170,223,065	168,914,935	99.23%	\$ 852,634	169,767,569	99.73%
2014	171,641,426	169,217,802	98.59%	1,735,271	170,953,073	99.60%
2013	164,274,193	160,024,057	97.41%	3,217,034	163,241,091	99.37%
2012	159,824,747	155,867,130	97.52%	3,116,393	158,983,523	99.47%
2011	155,671,269	151,707,302	97.45%	3,147,763	154,855,065	99.48%
2010 ¹	158,424,003	154,634,400	97.61%	3,029,501	157,663,901	99.52%
2009	144,914,639	140,776,733	97.14%	3,324,082	144,100,815	99.44%
2008	144,435,397	140,172,406	97.05%	3,384,361	143,556,767	99.39%
2007	138,486,845	133,857,005	96.66%	3,678,828	137,535,833	99.31%

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 2007 include all collections through 9th prior year.
Collections for FY 2008 include all collections through 8th prior year.
Collections for FY 2009 include all collections through 7th prior year.
Collections for FY 2010 include all collections through 6th prior year.
Collections for FY 2011 include all collections through 5th prior year.
Collections for FY 2012 include all collections through 4th prior year.
Collections for FY 2013 include all collections through 3rd prior year.
Collections for FY 2014 include all collections through 2nd prior year.
Collections for FY 2015 include all collections through 1st prior year.

NA - Not Applicable

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2016.

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

Fiscal Year Ended June 30	Real Property	Public Service ¹	Personal Property		Less: Tax Exempt Property	Total Assesed Value	Total Direct Tax Rate	Estimated Actual Taxable Value ²	Assessed Value as a Percentage of Actual Value ³
			Motor Vehicle	Other					
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%
2011	21,827,755	348,880	2,050,229	1,239,005	4,463,684	21,002,185	0.9025	21,035,842	99.84%
⁴ 2010	19,873,921	353,743	2,058,957	1,196,304	2,829,620	20,653,305	0.9210	20,676,049	99.89%
2009	15,256,387	313,954	2,126,672	1,175,694	2,051,163	16,821,544	1.0150	20,584,366	81.72%
2008	14,654,940	340,324	2,094,609	1,144,309	1,852,697	16,381,485	1.0350	19,048,238	86.00%
2007	14,054,554	368,900	1,982,534	1,115,176	1,813,350	15,707,814	1.0350	17,521,265	89.65%

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

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

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

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

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

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2016.

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

Taxes Levied By Cumberland County					
Year Ended June 30	County Direct Rate	County Recreation Rate	Fire Protection Districts (1)	Special Fire District (2)	Total Direct Rate
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
2008	0.880	0.050	0.100	0.0050	1.0350
2007	0.880	0.050	0.100	0.0050	1.0350

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

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

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2016.

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

Years Ended June 30	Population (1)	Personal Income	Per Capita Income (2)	Median Age (1)	Unemployment Rate (3)
2016	328,860	NA	NA	32.5	7.4%
2015	329,411	NA	NA	NA	7.8%
2014	332,553	NA	NA	NA	8.2%
2013	331,279	NA	NA	NA	10.6%
2012	327,643	NA	\$ 45,590	NA	10.4%
2011	326,673	NA	44,678	NA	10.3%
2010	324,225	\$ 13,732,225,650	42,354	NA	9.1%
2009	321,071	13,121,121,789	41,627	NA	9.2%
2008	316,662	12,916,959,642	40,791	NA	6.2%
2007	313,138	11,910,830,106	38,037	NA	5.3%

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, 2016.

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

Employer	Fiscal Year 2016			Fiscal Year 2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Department of Defense-Civilians	9,500	1	8.12%	8,857	1	6.27%
Cumberland County Schools	6,314	2	5.39%	6,700	2	4.74%
Cape Fear Valley Health System	6,167	3	5.27%	5,000	3	3.54%
Cumberland County Government	2,947	4	2.52%	2,788	4	1.97%
Wal-Mart Associates Inc.	2,860	5	2.44%			
Goodyear Tire & Rubber Co.	2,500 +	6	2.14%	2,650	5	1.87%
City of Fayetteville	1,770	7	1.51%	1,429	7	1.01%
Veterans Administration	1,000 +	8	0.85%			
Fayetteville Technical Community College	1,000 +	9	0.85%	1,250	10	0.88%
Food Lion	1,000 +	10	0.85%			
State of North Carolina				1,530	6	1.08%
U.S. Postal Service				1,312	8	0.93%
Methodist University				1,300	9	0.92%
	<u>35,058</u>		<u>29.94%</u>	<u>32,816</u>		<u>23.22%</u>

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2016.

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

Position	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Officials, Adm., Mgrs.	8	8	8	8	9	9	7	7	7	7
Principals	85	86	86	85	83	85	87	84	85	87
Asst. Principals, Teaching	-	8	7	9	6	10	13	8	6	5
Asst. Principals, Nonteaching	119	116	115	116	114	110	112	122	126	119
Elementary Teachers	1,633	1,772	1,852	1,886	1,866	1,847	1,851	1,872	1,894	1,905
Secondary Teachers	596	621	644	682	652	654	655	671	668	657
Other Teachers	851	938	943	932	952	1,032	1,040	1,023	927	889
Guidance	132	133	130	131	135	134	138	148	148	141
Psychological	27	28	30	31	30	33	32	34	28	30
Librarian, Audiovisual	80	80	78	85	85	96	97	98	95	93
Consultant, Supervisor	49	54	53	57	52	52	55	63	75	72
Other Professional	180	191	191	196	196	198	190	179	204	190
Teacher Assistants	847	819	817	939	891	1,036	1,001	1,156	1,141	1,069
Technicians	15	19	22	22	24	55	52	55	55	50
Clerical, Secretarial	410	410	427	436	435	450	431	441	455	446
Service Workers	734	763	780	738	728	729	751	764	765	686
Skilled Crafts	170	179	182	186	183	188	181	189	182	181
Laborers, Unskilled	86	89	88	86	90	89	89	88	91	86
Total	6,022	6,314	6,453	6,625	6,531	6,807	6,782	7,002	6,952	6,713

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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Number of schools										
Elementary	52	52	52	53	53	53	52	51	51	53
Middle	16	16	16	16	15	15	15	15	15	15
Grades 6-12	1	1	1	1	1	1	1	1	1	1
High	15	15	15	14	14	13	13	14	14	14
Alternative	1	1	1	2	2	2	3	3	3	3
Special	1	1	1	1	1	1	3	3	3	2
Total	86	86	86	87	86	85	87	87	87	88
Average Student Teacher Ratio	16:1	17:1	15:1	15:1	15:1	15:1	15:1	15:1	15:1	15:1
Child Nutrition										
Average breakfasts served daily	16,766	15,840	15,903	16,234	16,320	15,522	15,338	15,338	15,002	14,939
Average lunches served daily	32,433	32,760	32,416	34,599	37,066	35,698	35,861	35,810	35,371	43,676
Free & Reduced Lunch percentage	58.49%	61.36%	58.50%	58.45%	57.88%	55.23%	53.73%	53.73%	55.69%	55.45%
Before and After School Care										
Number of sites	33	33	38	41	43	43	43	44	44	44
Number of participants	1,282	1,304	1,301	1,465	1,394	2,273	2,803	3,010	3,227	3,403
Exceptional Children's Program										
Number of disabled students	7,331	7,273	7,270	7,325	7,335	7,343	7,279	7,474	7,481	7,631
Number of academically/ intellectually gifted students	5,060	5,058	5,168	4,970	4,706	4,946	4,825	4,563	4,574	4,223
English as a Second Language Program (ESL)										
Number of students served	1,123	1,104	1,001	1,022	964	1,080	1,201	1,245	1,246	1,008
Number of schools with ESL	85	85	85	83	79	75	77	77	77	75
Number of languages spoken	85	82	57	46	52	42	67	60	48	46
Athletic Programs										
Middle Schools										
Men's sports	6	6	6	6	6	6	6	6	6	6
Women's sports	5	5	5	5	5	5	5	5	5	5
High Schools										
Men's sports	17	17	17	17	17	17	17	17	17	17
Women's sports	16	16	16	16	16	16	16	16	16	16

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

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

	Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
School Buildings										
<u>Elementary Schools</u>										
Number	52	52	52	53	53	53	52	52	52	54
Square feet	3,465,082	3,267,613	3,267,613	3,331,675	3,423,155	3,200,223	3,108,445	3,103,616	3,025,759	3,005,577
Acres	908	908	920	940	923	912	861	793	777	794
Portables	140	140	138	139	134	149	143	129	135	134
Enrollment	23,623	23,360	23,828	24,593	24,715	24,943	25,066	25,615	24,631	24,516
<u>Middle Schools</u>										
Number	18	18	18	18	17	17	17	17	17	17
Square feet	2,090,751	1,854,045	1,896,265	1,811,716	1,636,435	1,845,826	1,708,197	1,572,940	1,639,658	1,739,013
Acres	372	380	380	370	384	384	375	330	328	349
Portables	27	27	27	27	35	30	33	51	40	32
Enrollment	10,838	11,420	11,563	11,820	11,771	11,963	11,769	11,767	11,876	12,157
<u>High Schools</u>										
Number	16	16	16	16	16	15	18	18	18	17
Square feet	2,528,113	2,552,510	2,510,290	2,558,452	2,527,354	2,526,508	2,553,041	2,561,905	2,572,759	2,427,181
Acres	721	722	711	712	712	712	730	754	772	735
Portables	33	33	32	31	31	25	25	25	20	27
Enrollment	15,160	15,088	15,200	15,134	15,199	15,098	15,105	15,089	16,405	16,405
<u>Totals</u>										
Number	86	86	86	87	86	85	87	87	87	88
Square feet	8,083,946	7,674,168	7,674,168	7,701,843	7,586,944	7,572,557	7,369,683	7,238,461	7,238,176	7,171,771
Acres	2,001	2,010	2,011	2,022	2,019	2,008	1,966	1,877	1,877	1,878
Portables	200	200	197	197	200	204	201	205	195	193
Enrollment	49,621	49,868	50,591	51,547	51,685	52,004	51,940	52,471	52,912	53,078
Number of Buses:	440	444	444	439	444	463	466	492	492	504

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, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated January 22, 2017.

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.

 Cheryl R. Smith LLP

Fayetteville, North Carolina
January 22, 2017

**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 U.S. Office of Management and Budget (“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, 2016. The Board’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Board’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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, 2016.

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 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.

 Cheryl R. Smith LLP

Fayetteville, North Carolina
January 22, 2017

**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, 2016. The Board’s major State programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Board’s major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of 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, 2016.


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.

 LLP

Fayetteville, North Carolina
January 22, 2017

**Cumberland County Board of Education
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial
statements noted? ____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ____ yes X no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses ____ yes X 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, 2016**

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

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

___ yes

X no

Identification of major federal programs:

CFDA Numbers

Names of Federal Program or Cluster

84.027	Special Education Cluster
84.173	Special Education - Grants to States (IDEA, Part B)
84.173A	Special Education - Preschool Grants (IDEA Preschool)
84.027A	IDEA VI-B Preschool Targeted Assistance
84.027A	IDEA VI-B Targeted Assistance
84.367	Improving Teacher Quality

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

\$1,699,306

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, 2016**

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

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

____ yes X no

Identification of major State programs:

Program Name

State Public School Fund

Career and Technical Education

- State Months of Employment

- Program Support Funds

More at Four

**Cumberland County Board of Education
Schedule of Findings and Questioned Costs (concluded)
For the Fiscal Year Ended June 30, 2016**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

**Cumberland County Board of Education
Corrective Action Plan
For the Fiscal Year Ended June 30, 2016**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

**Cumberland County Board of Education
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

Finding 2015-001
Status: Corrected

Section IV – State Award Findings and Questioned Costs

Finding 2015-002
Status: Corrected

**Cumberland County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (commodities):			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	\$ 1,837,454
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	5,642,099
National School Lunch Program	10.555	PRC 035	15,360,832
Passed-through the N.C. Department of Health and Human Services:			
Division of Public Health:			
Summer Food Service Program for Children	10.559	PRC 035	139,993
Total Cash Assistance			21,142,924
Total Child Nutrition Cluster			22,980,378
Child Nutrition Discretionary Grants Limited Availability	10.579	PRC 053	39,029
Total U.S. Department of Agriculture			23,019,407

**Cumberland County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<u>U.S. Department of Education</u>			
Direct Programs:			
Impact Aid (School Assistance in Federally Affected Areas)	84.041	PRC 308	4,332,426
Indian Education - Title IX	84.060	PRC 310	183,196
Passed-through the N.C. Department of Public Instruction:			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	PRC 050	13,794,432
Title I Grants to Local Education Agencies (Title I, Part A of ESEA) - School Improvement	84.010	PRC 105	320,229
Total Title I, Part A Cluster			<u>14,114,661</u>
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060, PRC 114	9,545,965
Special Education - Preschool Grants	84.173	PRC 049	304,814
IDEA - Targeted Assistance for Preschool Federal Grants	84.173A	PRC 119	7,738
Special Needs Targeted Assistance	84.027A	PRC 118	21,287
Total Special Education Cluster			<u>9,879,804</u>
Education of Homeless Children and Youth Cluster:			
Education of Homeless Children and Youth	84.196	PRC 026	78,246
Total Education of Homeless Children and Youth Cluster			<u>78,246</u>

**Cumberland County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Title III, English Language Acquisition Grant	84.365	PRC 104, 111	300,937
Foreign Language Assistance Program (FLAP)	84.293	PRC 359, 360	
Special Education - State Personnel Development	84.323A	PRC 082	10,763
Mathematics and Science Partnership, Title II-B	84.366B	PRC 112	16,167
Teacher Quality Enhancement	84.367	PRC 103	2,464,568
Passed-through the N.C. Department of Public Instruction: Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990: Basic Grants to States - Program Development	84.048	PRC 017	638,057
Total U.S. Department of Education			<u>32,018,825</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	12.xxx	PRC 301	661,210
Support for Student Achievement at Military Connected Schools/SPED	12.556	PRC 301	236,712
Total U.S. Department of Education			<u>897,922</u>
<u>U.S. Department of Labor</u>			
WorkForce Innovation & Opportunity Act Cluster: Passed through the County of Cumberland, North Carolina: WIA/WIOA Youth Activities	17.259		707,371
Total Federal Assistance			<u>56,643,525</u>

**Cumberland County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			251,152,798
Driver Training - SPSF		PRC 012	804,491
Vocational Education:			
State Months of Employment		PRC 013	13,456,090
Program Support Funds		PRC 014	816,280
School Technology Fund - SPSF		PRC 015	570,747
Breakfast Program		PRC 035	44,868
Lateral Entry		PRC 440	111,258
National Title I Distinguished School		PRC 372	12,500
			<hr/>
Total N.C. Department of Public Instruction			266,969,032
<u>N.C. Department of Health and Human Services</u>			
N.C. Pre-Kindergarten Program		PRC 413	1,459,397
NC Health Department		PRC 460	82,268
			<hr/>
Total N.C. Department of Health and Human Services			1,541,665

**Cumberland County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Non-Cash Assistance:			
<u>N.C. Department of Public Instruction</u> School Financed Buses		PRC 120	<u>2,372,630</u>
Total Non-Cash Assistance			<u>2,372,630</u>
Total State Assistance			<u>270,883,327</u>
Total Federal and State Assistance			<u>\$ 327,526,852</u>

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, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. 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% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Cluster of Programs

The following are clustered by the N.C. 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.