

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2014



One Vision. One Durham.

In collaboration with our community and parents, the mission of Durham Public Schools is to provide all students with an outstanding education that motivates them to reach their full potential and enables them to discover their interests and talents, pursue their goals and dreams, and succeed in college, in the workforce and as engaged citizens.

Durham, North Carolina

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
of the
**DURHAM PUBLIC SCHOOLS
BOARD OF EDUCATION**
For the Year Ended June 30, 2014



One Vision. One Durham.

Prepared by

**Aaron Beaulieu
Chief Financial Officer**

INTRODUCTORY SECTION



One Vision. One Durham.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

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Durham Public Schools Board of Education

P. O. Box 30002 • Durham, NC 27702 • Telephone: 919-560-2000

Letter of Transmittal

November 21, 2014

To the Members of the Durham Public Schools Board of Education and Citizens of Durham County, North Carolina:

We are pleased to present the Comprehensive Annual Financial Report of the Durham Public Schools (DPS) Board of Education for the year ended June 30, 2014. The Finance Department of Durham Public Schools has prepared this report, which includes the audited financial statements. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Board. To the best of our knowledge, the enclosed financial information is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the various funds of the Board. All disclosures necessary to enable the reader to gain an understanding of the Board's financial activities are included.

The Report consists of four sections: Introductory, Financial, Statistical and Compliance. The Introductory Section, of which this transmittal letter is a part, includes a list of the Board members and principal officials, the Board's organizational chart, and the Certificate of Achievement for Excellence in Financial Reporting awarded by the Governmental Finance Officers Association and the Certificate of Excellence in Financial Reporting awarded by the Association of School Business Officials International for the fiscal year ending June 30, 2013 Comprehensive Annual Financial Report. The Financial Section includes the independent auditors' report, management's discussion and analysis, the combined financial statements and the individual fund schedules arranged by fund type. The Statistical Section includes various tables of unaudited data providing financial history of the Board as well as demographic and other informative statistics of Durham County. The Compliance Section includes the compliance and internal control reports, the single audit reports, the schedule of findings and questioned costs, the corrective action plan, the schedule of prior year audit findings and the schedule of expenditures of federal and State awards.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Durham Public Schools Board of Education's MD&A can be found immediately following the report of the independent auditors.

The Durham Public Schools Board of Education's financial statements have been audited by Rives and Associates, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Durham Public Schools Board of Education for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence

Durham Public Schools Board of Education, North Carolina
Letter of Transmittal (Continued)

supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that the Durham Public Schools Board of Education's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Durham Public Schools Board of Education is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and North Carolina State law for State funds. Information related to this single audit, including the schedule of financial assistance, findings and questioned costs, and the independent auditors' report on the internal control structure and compliance with applicable laws and regulations are presented in the Compliance Section of this report. For the fiscal year ended June 30, 2014, there were no compliance findings or questioned costs.

REPORTING ENTITY

Durham City Schools and Durham County Schools merged on July 1, 1992 to become the Durham Public Schools. Durham Public Schools Board of Education has total authority over non-charter public education in Durham County. The seven-member Board of Education is elected by the citizens of the County and is accountable to the citizenry for the educational and fiscal operations of the system's 56 schools. For 2013-14, the school system served 33,263 students from kindergarten through 12th grade in 30 elementary schools, 11 middle schools, 2 secondary schools, 9 high schools, and 4 special/optional schools. The Board is charged with the responsibility of providing a free and appropriate education for all students of Durham Public Schools. As defined by the Governmental Accounting Standards Board, the Durham Public Schools Board of Education is a separate reporting entity. These statements cover all financial resources of Durham Public Schools -- State, Federal, Local, Child Nutrition and Grants, as well as funds received at each school.

ECONOMIC CONDITION AND OUTLOOK

Durham Public Schools serves the diverse needs of the entire county of Durham, North Carolina, a 299-square-mile area with an approximate population of 284,437. Our enrollment of 33,263 students mirrors the diversity of the community, speaking more than 105 languages.

Durham is home to the Research Triangle Park (RTP), a 7,000-acre business tract established in 1959 by local businesses, academia, and industry. Located near Duke University in Durham, the University of North Carolina in Chapel Hill, and North Carolina State University in Raleigh, a major focus of the park is research. Even though it was established as a regional research park, approximately 95 percent of its corporate enterprises are located in Durham County. The park is home to industry leading firms such as IBM, GlaxoSmithKline, Ericsson, Cisco Systems, Research Triangle Institute and the U.S. Environmental Protection Agency, employing approximately 39,500 full time employees and an estimated 4,000 contract employees. When

Durham Public Schools Board of Education, North Carolina
Letter of Transmittal (Continued)

one thinks of the computer industry, they typically think of Silicon Valley, but RTP is recognized as one of the hottest markets in the United States for “high tech” industries.

The City of Durham is the only municipality in Durham County and is known as the “City of Medicine” because of the importance that biotechnology, health care, and medical-related industries play in the city’s economy. More than 300 medical and health related companies are located in Durham County including Duke University Medical Center, which was ranked the ninth Best Hospital in the US by *US News and World Report, July, 2011*. The ongoing medical research and expanding clinical opportunities attract medical doctors. Durham County has one of the nation’s top five concentrations of physicians per capita and nearly one third of the labor work force works in a health or medical related industry. The metropolitan area of Raleigh-Durham-Chapel Hill is consistently ranked among the top U.S. metropolitan areas in economic performance. Our local economy has remained stable because of our diverse industrial base including medicine, research, education, “high-tech,” telecommunications, and manufacturing.

Durham is home to the world-renowned Duke University and North Carolina Central University. Durham Technical Community College operates a successful industry-training program, which offers new and expanding companies with industrial, technical, and occupational classes specifically designed to meet their needs. Also located in Durham County is the Museum of Life and Science and the innovative North Carolina School of Science and Mathematics, a statewide residential high school for gifted students. Its strategic location, an excellent quality of life, and its ability to attract and retain quality businesses and industries bolster Durham County’s economy.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Graduation Rate and Academic Highlights

For the sixth year in a row, the four-year graduation rate rose in Durham Public Schools, with 81.5 percent of DPS students who entered ninth grade in 2010 graduating in 2013-14. Three DPS high schools, City of Medicine Academy, Josephine Dobbs Clement Early College at North Carolina Central University and Hillside New Tech High School, achieved 100 percent graduation rates in 2013-14.

Three DPS schools met 100 percent of their academic performance targets (Annual Measurable Objectives or AMOs): Mangum Elementary, Pearsontown Elementary and Middle College High School at Durham Technical Community College. DPS saw significant gains in academic proficiency in fifth grade science and Math I, and 73.6 percent of all DPS schools met or exceeded state academic growth expectations.

Gifted Teacher of the Year

Carrington Middle School teacher Jeff Whitt was named the 2014 Outstanding Teacher of the Gifted by the North Carolina Association for the Gifted and Talented. The award is presented to teachers exhibiting a strong commitment to gifted education through professional experiences, professional organizations and service.

Durham Public Schools Board of Education, North Carolina
Letter of Transmittal (Continued)

DPS Literacy Summit

Volunteers, tutors and community groups convened in May 2014 for a literacy summit sponsored by the Superintendent's Closing the Achievement Gap Task Force. The guests learned strategies to boost elementary students' reading and writing skills in the context of aligning community efforts to meet State reading standards. Volunteers were asked to commit to supporting DPS students during the summer reading camps offered due to the State's Read to Achieve legislation and throughout the following school year.

School Food Service

School Food Service launched a pilot Universal Free Breakfast program in 22 schools allowing all students to eat breakfast without being stigmatized as receiving free or reduced-price meals. By increasing student breakfast participation, the schools were able to make the most of federal breakfast funds. Due to the success of the pilot, the program has been expanded to all schools for 2014-15.

DPS Family Academy

Durham Public Schools began offering services through the DPS Family Academy in fall 2013. The program partners with other organizations to offer parent education and family support to link families with community agencies, provide access to supplemental resources outside the classroom and empower families with the training, information and support needed to become full partners in education. Classes are held in schools, libraries and other locations across Durham County. The program is offered through the Community Education department.

Alliance for a Healthier Generation Healthy Schools Program

Eleven schools received Bronze National Recognition Awards from the Alliance for a Healthier Generation for improving their nutrition services and physical activity programs to meet stringent standards. The schools included Northern High, Southern School of Energy and Sustainability, Brogden Middle, Carrington Middle, Hope Valley Elementary, Little River Elementary, Lucas Elementary, Mangum Elementary, R.N. Harris Elementary, Sandy Ridge Elementary and Southwest Elementary.

Second Chance Academy

The Second Chance Academy program, piloted in 2012-13 at the Emily K. Center, was expanded to serve all DPS middle schools and relocated to the W.G. Pearson Middle School campus. The program serves students that would otherwise have been short-term suspended for one to 10 days for violations of the student code of conduct. Program offerings include regular academic support and support for exceptional children.

Durham Public Schools Board of Education, North Carolina
Letter of Transmittal (Continued)

FINANCIAL AND BUDGETARY CONTROLS

The State of North Carolina is the primary funding source for public education in North Carolina. Minimum program criteria are determined by the State Board of Education and funds are distributed to each school system by the Department of Public Instruction. Once minimum programs are established, the remaining funds are allocated on a per-pupil basis. Local funds are appropriated in varying amounts by each county to supplement the basic educational programs. These local monies are derived primarily from the general tax levy of the county. Federal funds are received through the State operating as a conduit to address the needs of identified categorical groups of students qualifying for federal funding.

The management of the school system is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school system are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year. Our budget resolution is adopted at the functional level for the General and Special Revenue Funds. The Capital Outlay Fund budget is adopted at the project level. The Enterprise Fund budget is adopted at the functional level. By statute, the Fiduciary Fund is not a part of the budget resolution adopted by the Board of Education. The objective of these budgetary controls is to ensure compliance with legal provisions of the adopted resolution.

An encumbrance accounting system is used to record outstanding purchase commitments. Open encumbrances at year end are either canceled or are included as a reservation of fund balance in the subsequent year.

Durham Public Schools uses a fund accounting system. Each fund is a self-balancing set of accounts, segregated for the purpose of accounting for specific activities in accordance with law, sound accounting practice, special regulation or other limitations. There are three categories of funds, Governmental, Proprietary, and Fiduciary. The Governmental Funds have now been expanded to include the school activity funds. Further explanation of these funds has been detailed in the Management's Discussion and Analysis section within the Financial Section of this report.

The Governmental Funds use the modified accrual basis of accounting, while the Proprietary and Fiduciary use the full accrual basis of accounting.

Durham Public Schools Board of Education, North Carolina
Letter of Transmittal (Continued)

ADDITIONAL INFORMATION

Certificates – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** and the Association of School Business Officials (ASBO) awarded a **Certificate of Excellence in Financial Reporting** to Durham Public Schools for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 19th consecutive year that the government has achieved these prestigious awards. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA and ASBO to determine its eligibility for another certificate.

Acknowledgment - The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of Durham Public Schools and the independent audit firm. Separate acknowledgment goes to the finance department for their contributions. We would like to express our appreciation to all of the employees who contributed to the development of this report and to the Durham County government, Durham City government, and the Durham Chamber of Commerce for providing statistical data.

Respectfully submitted,



Hugh Osteen
Interim Superintendent



Aaron Beaulieu
Chief Financial Officer

*Durham Public Schools Board of Education, North Carolina
Board of Education Members*

LIST OF PRINCIPAL OFFICIALS

June 30, 2014

BOARD OF EDUCATION

Heidi Carter, Chair

Minnie Forte-Brown, Vice Chair

Natalie Beyer
Leigh Bordley
Pastor Fredrick Davis
Omega Curtis Parker
Nancy Cox

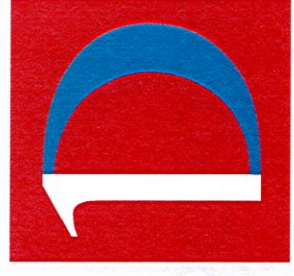
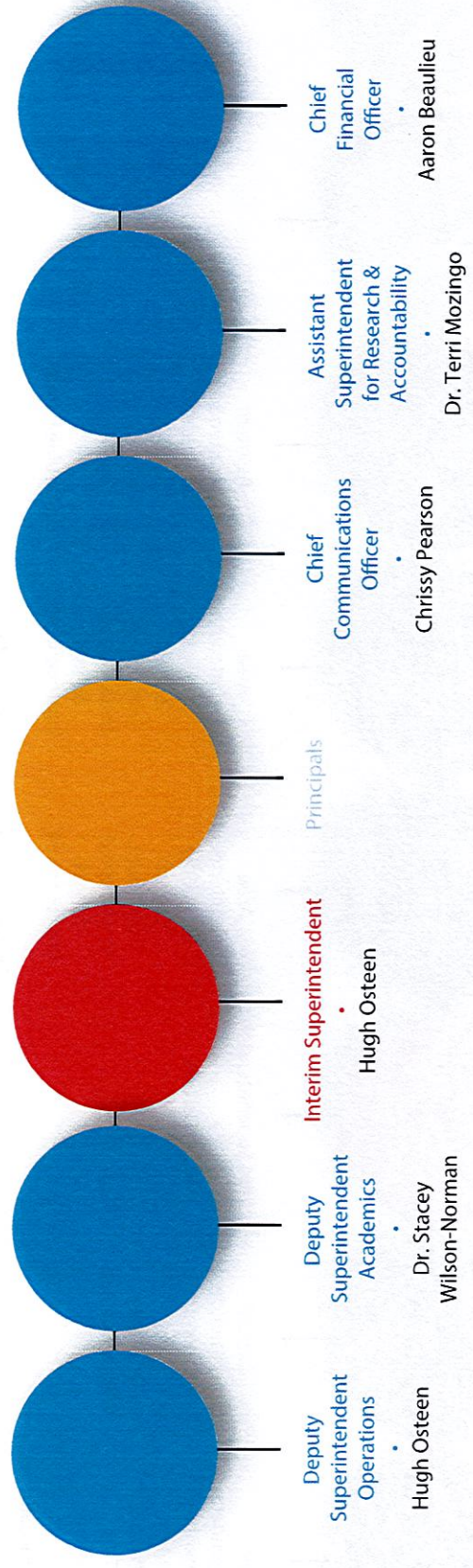
INTERIM SUPERINTENDENT

Hugh Osteen

CHIEF FINANCIAL OFFICER

Aaron Beaulieu

Organizational Leadership



One Vision. One Durham.



Government Finance Officers Association

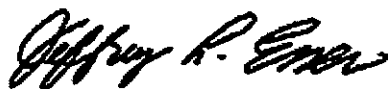
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Durham Public Schools
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013



Executive Director/CEO

Association of School Business Officials International



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

Durham Public Schools

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

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



A handwritten signature in black ink, reading "Terrie S. Simmons", written over a horizontal line.

Terrie S. Simmons, RSBA, CSBO
President

A handwritten signature in black ink, reading "John D. Musso", written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

FINANCIAL SECTION



One Vision. One Durham.



Member:
American Institute of
Certified Public Accountants

Rives & Associates, LLP
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

Independent Auditors' Report

To the Durham Public Schools Board
of Education, North Carolina
Durham, 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 the Durham Public Schools Board of Education, North Carolina, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Durham Public Schools Board of Education, North Carolina'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.

Auditors' 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 of 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 entity'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 entity'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 present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Durham Public Schools Board of Education, North Carolina as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the Local Current Expense Fund and State Public School Fund for the year 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 on pages 4 through 13 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 Durham Public Schools Board of Education, North Carolina's basic financial statements. The combining and individual fund statements and schedules - budget and actual, other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules – budget and actual, other schedules, and the accompanying 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 statements and schedules – budget and actual, other schedules, and the schedule of expenditures of federal and State awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014, on our consideration of the Durham Public Schools Board of Education, North Carolina'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 the 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 Durham Public Schools Board of Education, North Carolina's internal control over financial reporting and compliance.

Rives & Associates, LLP

Lexington, North Carolina
November 21, 2014

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

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

Financial Highlights

- Durham Public Schools continues to see consistent and slow growth in over all average daily membership. The charter school membership numbers also continue to increase. Despite the impact of economic recession, the inward migration from other states into Durham County continued to increase. Durham's population is 284,437. The Board continues to meet enrollment projections in the current school year 2014-15. It should be noted that funding from the State is based on Average Daily Membership (ADM) figures which are typically lower than enrollment.
- The assets of the Board exceeded its liabilities at the close of the fiscal year by \$414,615,835. Assets decreased by \$975,653 due to a decrease in cash and cash equivalents.
- The State of North Carolina provided an increase in appropriations to fund salary increases for teachers and all other personnel. The 2014-15 State planning allotments vs. conference budget proposal increased funding to Durham Public Schools by \$4,316,338. The additional appropriations were added to line items to pay teacher and other personnel salary increases. The State reallocated funds away from teacher assistants, central office, transportation and at-risk student services.
- A local ¼ cent sales tax increase was approved by Durham County voters creating revenue to replace the expiring Education Jobs funding. This has provided an additional \$6.8 million in funding.
- As of the close of the current fiscal year, the Board's Local Current Expense Fund reported an ending fund balance of \$30,194,203. The total fund balance decreased by \$2,467,720.
- Total governmental funds non-spendable fund balance consisting of inventories and prepaid expenses totaled \$1,412,411. Restricted fund balance consisting of items restricted by State statute totaled \$3,252,946, school capital outlay \$2,872,104, grants and scholarships \$3,609,421 and individual schools \$1,901,847. Committed fund balance totaled \$16,712,463 and consisted of \$11,469,511 approved for teacher and staff salaries, increase in charter school enrollment and teacher assistant reduction, and \$5,242,952 to cover one time expenditures including bonuses, arts programs and other contractual obligations. Assigned fund balance of \$3,056,908 was for the Board's self-insurance reserve and \$1,232,649 for use by the Local Special Expense Fund.
- Unassigned fund balance in the Local Current Expense Fund totaled \$8,474,324.
- The Board will pay 37 charter schools in 2014-15 with a membership of over 5,200. The appropriations to charters will exceed \$16 million and will be an annual increase of over \$1.4 million dollars.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

Overview of the Financial Statements

The audited financial statements of the Durham Public Schools Board of Education consist of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Requires supplemental section that presents combining and budgetary statements for non-major 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, liabilities, and deferred inflows of resources. 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, deferred inflows or resources, 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 statement 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 statements 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 financial statements, a reconciliation from the governmental fund financial statements to the government-wide financial statements is required. The government-wide financial 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 Financial Statements

The government-wide financial statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Board's assets, deferred inflows of resources, 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 financial statements report the Board's net position and how it has changed. Net position - the difference between the Board's assets and the total of liabilities and deferred inflows – is one way to measure the Board'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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

Government-Wide Financial Statements (continued)

- To assess the Board's overall health, one should 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 Board'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 cover the costs of certain services it provides. School food service is included here.

The government-wide statements are shown as Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds. 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 establishes other funds, such as the Federal Grants Fund, to control and manage money for a particular purpose or to show that it is properly using certain revenues.

Durham Public Schools 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 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, a reconciliation following the governmental funds statements, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the Local Current Expense Fund, the State Public School Fund, the Capital Outlay Fund, the Grant and Community Schools Special Revenue Fund, the Federal Grants Fund, the Local Special Expense Fund, and the School Activity Funds.

The governmental fund statements are shown as Exhibits 3, 4, 5, and 6 of this report.

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. Durham Public Schools Board of Education has one proprietary fund - the School Food Service Fund.

The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Durham Public Schools Board of Education has one fiduciary fund - the Della Bradsher Hedgepeth Memorial Scholarship Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

The fiduciary fund statements are shown as Exhibits 10 and 11 of this report.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities and deferred inflows of resources by \$414,615,835 as of June 30, 2014. The largest component of net position is net investment in capital assets, of \$393,402,568. It comprises 94.88% of total net position.

Following is a summary of the Statement of Net Position:

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total Primary Government</u> | |
|----------------------------------|--------------------------------|-----------------------|---------------------------------|---------------------|---------------------------------|-----------------------|
| | <u>6/30/2014</u> | <u>6/30/2013</u> | <u>6/30/2014</u> | <u>6/30/2013</u> | <u>6/30/2014</u> | <u>6/30/2013</u> |
| Current assets | \$ 62,666,287 | \$ 64,123,842 | \$ 4,542,877 | \$ 5,046,928 | \$ 67,209,164 | \$ 69,170,770 |
| Capital assets | 394,796,955 | 393,763,077 | 594,143 | 642,068 | 395,391,098 | 394,405,145 |
| Total assets | <u>457,463,242</u> | <u>457,886,919</u> | <u>5,137,020</u> | <u>5,688,996</u> | <u>462,600,262</u> | <u>463,575,915</u> |
| Current liabilities | 32,907,365 | 32,400,224 | 600,695 | 470,093 | 33,508,060 | 32,870,317 |
| Long-term liabilities | 12,600,228 | 14,515,546 | - | 28,731 | 12,600,228 | 14,544,277 |
| Total liabilities | <u>45,507,593</u> | <u>46,915,770</u> | <u>600,695</u> | <u>498,824</u> | <u>46,108,288</u> | <u>47,414,594</u> |
| Deferred inflows of resources | <u>1,778,090</u> | <u>2,058,890</u> | <u>98,049</u> | <u>99,900</u> | <u>1,876,139</u> | <u>2,158,790</u> |
| Net investment in capital assets | 392,808,425 | 390,271,923 | 594,143 | 642,068 | 393,402,568 | 390,913,991 |
| Restricted net position | 11,636,318 | 10,491,824 | - | - | 11,636,318 | 10,491,824 |
| Unrestricted net position | 5,732,816 | 8,148,512 | 3,844,133 | 4,448,204 | 9,576,949 | 12,596,716 |
| Total net position | <u>\$ 410,177,559</u> | <u>\$ 408,912,259</u> | <u>\$ 4,438,276</u> | <u>\$ 5,090,272</u> | <u>\$ 414,615,835</u> | <u>\$ 414,002,531</u> |

Note that net position increased during the year, indicating an improvement in the financial condition of the Board. The increase in net position (.15%) was largely because of an increase in capital assets in the governmental activities due to building improvements completed during the year. Unrestricted net position decreased in the business-type activities primarily because of a decrease in current assets in the School Food Service Fund.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

The following table shows the revenues and expenses for the Board for the current fiscal year.

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|-----------------------|--------------------------|---------------------|--------------------------|-----------------------|
| | 6/30/2014 | 6/30/2013 | 6/30/2014 | 6/30/2013 | 6/30/2014 | 6/30/2013 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,687,323 | \$ 3,592,237 | \$ 2,155,867 | \$ 2,308,001 | \$ 5,843,190 | \$ 5,900,238 |
| Operating grants and contributions | 215,524,348 | 213,360,014 | 13,140,308 | 12,373,727 | 228,664,656 | 225,733,741 |
| Capital grants and contributions | 930,169 | 3,787 | - | - | 930,169 | 3,787 |
| General revenues: | | | | | | |
| Other revenues | 143,264,626 | 149,741,250 | 11,410 | 12,240 | 143,276,036 | 149,753,490 |
| Total revenues | <u>363,406,466</u> | <u>366,697,288</u> | <u>15,307,585</u> | <u>14,693,968</u> | <u>378,714,051</u> | <u>381,391,256</u> |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| Instructional services | 251,596,848 | 253,940,630 | - | - | 251,596,848 | 253,940,630 |
| System-wide support services | 75,411,074 | 82,147,274 | - | - | 75,411,074 | 82,147,274 |
| Ancillary services | 4,322,900 | 4,335,383 | - | - | 4,322,900 | 4,335,383 |
| Non-programmed charges | 15,266,378 | 13,734,133 | - | - | 15,266,378 | 13,734,133 |
| Interest on long-term debt | 46,330 | 85,733 | - | - | 46,330 | 85,733 |
| Depreciation | 15,374,840 | 14,991,658 | - | - | 15,374,840 | 14,991,658 |
| Business-type activities: | | | | | | |
| Food service | - | - | 16,082,377 | 14,635,200 | 16,082,377 | 14,635,200 |
| Total expenses | <u>362,018,370</u> | <u>369,234,811</u> | <u>16,082,377</u> | <u>14,635,200</u> | <u>378,100,747</u> | <u>383,870,011</u> |
| Increase (decrease) in net position before transfers | 1,388,096 | (2,537,523) | (774,792) | 58,768 | 613,304 | (2,478,755) |
| Transfers in (out) | (122,796) | (174,454) | 122,796 | 174,454 | - | - |
| Increase (decrease) in net position | 1,265,300 | (2,711,977) | (651,996) | 233,222 | 613,304 | (2,478,755) |
| Net position, beginning | 408,912,259 | 411,624,236 | 5,090,272 | 4,857,050 | 414,002,531 | 416,481,286 |
| Net position, ending | <u>\$ 410,177,559</u> | <u>\$ 408,912,259</u> | <u>\$ 4,438,276</u> | <u>\$ 5,090,272</u> | <u>\$ 414,615,835</u> | <u>\$ 414,002,531</u> |

Total governmental activities generated revenues of \$363.4 million while expenses in this category totaled \$362.0 million for the year ended June 30, 2014. Comparatively, revenues were \$366.7 and expenses totaled \$369.2 million for the year ended June 30, 2013. After transfers to the business-type activities, the increase in net position stands at \$1.3 million at June 30, 2014, compared to a \$2.7 million decrease in 2013. Instructional services expenses comprised 69.50% of total governmental activities expenses while system-wide support services made up 20.83% of those expenses for 2014. County funding comprised 38.46% of total governmental revenue while unrestricted City funding added another 0.42% for 2014. In 2013, County funding was 39.95% and unrestricted City funding added 0.42%. Much of the remaining 61.12% of total governmental revenue for 2014 consists of restricted State and federal money. This revenue represented 59.63% of total revenue in 2013. Business-type activities generated revenue of \$15.3 million and expenses of \$16.1 million. Net position decreased in the business-type activities by \$651,996, after transfers from the governmental activities of \$122,796.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

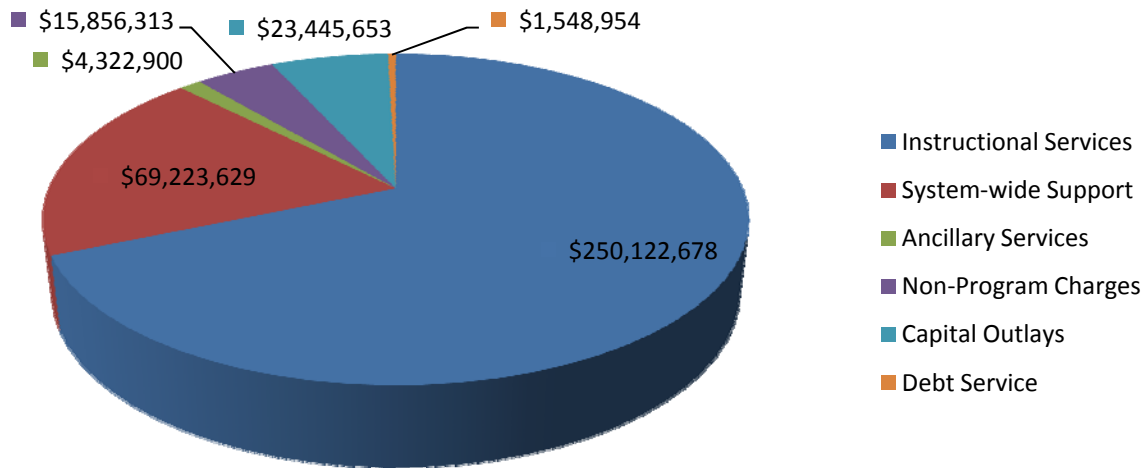
Financial Analysis of the Board's Funds

Governmental Funds: The focus of Durham Public Schools 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 \$42,525,073, a decrease of \$108,876 from the previous year. Of the Board's governmental funds, the Capital Outlay Fund, Grant and Community Schools Special Revenue Fund, Local Special Expense Fund, and School Activity Funds had revenues and other financing sources that exceeded expenditures and other uses. Funding from the State increase approximately \$5.6 million while federal and County funding decreased approximately \$3.5 million and \$6.8 million, respectively. Expenditures decreased as well, and included over \$15.2 million decrease in capital outlay.

Proprietary Funds: The Board's business-type activities, the School Food Service Fund, reflected a decrease in net position over last year. Operating revenues decreased \$162,444 while operating expenses increased \$1,447,177 from the previous year. Nonoperating revenues increased \$776,061 with increases in federal reimbursements and donated commodities. The Board has aggressively sought federal reimbursements by improving the free and reduced lunch application approval process, fully utilized federal donated commodities, and carefully controlled costs while serving healthy and nutritious meals.

**Categorization of Expenditures
for Governmental Funds**



Expenditures presented on modified accrual basis of accounting

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

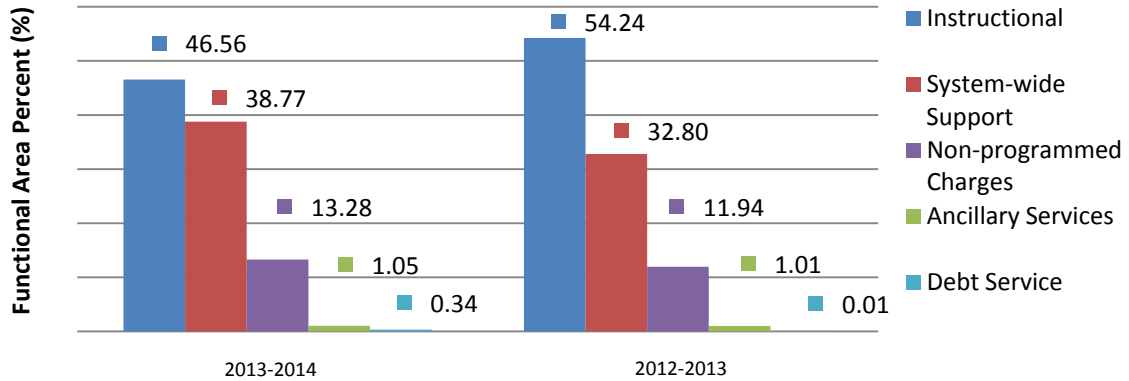
General Fund Revenues

Since the merger of the city and county school systems in 1992-93, General Fund revenues have increased 157.5% from a total of \$46.3 million to \$119.2 million. These revenues have increased \$2.3 million from the prior year. County appropriations and late property filings increased \$2.4 million while fines and forfeitures decreased \$0.1 million.

General Fund Expenditures

Counties are charged by statute with providing the funding for operations of local school systems. Most counties provide additional funds beyond the operations allocation to supplement the instructional programs. General Fund expenditures decreased 0.9% in 2013-14 from the prior year to a total of \$113,017,485. The percentage of expenditures by function to total expenditures remained relatively consistent with prior years and slightly decreased in the areas of instructional services and increased in system-wide support. Expenditures for instruction services decreased by 7.68% due to a reallocation of resources to maximize funding received.

General Fund Expenditures



DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

Federal and State Special Revenue Funds

Substantially all State and federal revenues are accounted for in the State Public School Fund (\$179,018,263) and the Federal Grants Fund (\$24,511,595). This State and federal funding is primarily provided to the local education agencies on a per pupil basis. State Public School Fund funding increased from the prior year by approximately \$5.5 million. Federal Grants Fund funding decreased from the prior year by \$3.2 million due to the expiration of federal ARRA grants. Expenditures of these funds provide the basic instructional programs for all school systems in North Carolina. Salaries and benefits account for 91.8% of all expenditures in these funds.

Capital Outlay Fund

As the school building construction program (supported by the 2001, 2003, and 2007 voter-approved County bond referendum) approaches completion, the Board realized \$20,316,476 in revenue from general obligation bonds issued by Durham County, and \$1,370,000 from the County's general appropriation. Additionally, the State provided \$2,303,113 for installment financing related to the purchase of yellow buses and for public school building capital needs. Miscellaneous other local sources provided \$1,284,648. During the 2013-14 school year, Durham Public Schools opened the School for Creative Studies and substantial improvements were made at Neal Middle School, the City of Medicine Academy, Lakeview Secondary School, and to the Bacon Street building.

| Durham Public Schools Board of Education | | | | | | |
|--|-------------------------|-----------------------|--------------------------|-------------------|--------------------------|-----------------------|
| Schedule of Capital Assets (Net of Depreciation) | | | | | | |
| as of June 30, 2014 | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 6/30/2014 | 6/30/2013 | 6/30/2014 | 6/30/2013 | 6/30/2014 | 6/30/2013 |
| Land | \$ 22,163,934 | \$ 22,222,934 | \$ - | \$ - | \$ 22,163,934 | \$ 22,222,934 |
| Construction in Progress | 56,251,404 | 48,675,723 | - | - | 56,251,404 | 48,675,723 |
| Buildings | 208,848,347 | 218,422,973 | - | - | 208,848,347 | 218,422,973 |
| Building Improvements | 102,299,894 | 97,468,090 | - | - | 102,299,894 | 97,468,090 |
| Furniture and Equipment | 2,224,514 | 2,740,237 | 594,143 | 638,382 | 2,818,657 | 3,378,619 |
| Vehicles | 3,008,862 | 4,233,120 | - | 3,686 | 3,008,862 | 4,236,806 |
| Total | \$ 394,796,955 | \$ 393,763,077 | \$ 594,143 | \$ 642,068 | \$ 395,391,098 | \$ 394,405,145 |

Additional information about capital asset activities can be found in the notes of the financial statements: Note III) A) – 4) and 5).

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

School Activity Funds

Due to the implementation of GASB Statement No. 34, the School Activity Funds are now being treated as a governmental fund type. This fund consists of the revenues and expenditures of the activity funds of the 56 individual schools operated by the Board. The individual school principals exercise significant authority over revenues and expenditures. The activities of the schools that generate revenue consist of picture sales, field trips, athletic events, club fundraising, and other school functions.

Proprietary Fund

The proprietary fund operation consists of the School Food Service Fund. The School Food Service Fund operates as an enterprise fund and provides meals to students and staff. The School Food Service Fund reflected a decrease in net position of \$651,996 in the current year. Total net position is \$4,438,276, of which \$3,315,003 is cash and cash equivalents. This financial position allows Durham Public Schools to maintain a strong Child Nutrition Program.

Fiduciary Fund

The private-purpose trust fund, the Della Bradsher Hedgepeth Memorial Scholarship Fund, is used to award scholarships based on established criteria. An independent committee advises us when a scholarship is awarded to a student.

General Fund Budgetary Highlights

Over the course of the year, the Board, as is normal, revised the budget several times to account for changes in revenue expectations and align categorical expenditures appropriately. Additional information related to budget activity is included in Note I) D) in the Notes to the Financial Statements. A positive budget to actual variance of \$6,218,379 prior to transfer to other funds was accomplished for the year due to increased funding from the County of Durham, maximization of federal and State funding, and prepaid expenditures.

Debt Outstanding

During the year, the Board's outstanding debt decreased \$1,502,624, with an ending balance of \$1,988,530. The debt for installment purchases decreased due to continued payments on the purchase of 38 school buses and a computer server during the year. Future debt service payments to retire the debt for the school buses will be funded by State revenues allotted for repayment of lease purchase contracts as authorized under G. S. 115C-528(a), Session Law 2003-284, Section 7.25. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used.

Additional information on the Board's long-term debt can be found in Note III) B) 6) b) of this report.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

Economic Factors

The Board experienced an increase in enrollment of 858 students in the 2013-14 school year. As our local housing market rebounds we continue to see an influx of families as is evidenced by meeting enrollment projections in last school year and the current school year 2014-15. Over the next several years the Board will need continued increases in classroom space, teachers, and equipment. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the School Board.

The following factors have affected the economic outlook of Durham County.

- The County's unemployment rate decreased from 7.5% in June, 2013 to 5.3% in June, 2014. The County's unemployment rate continues to decrease and compares favorably to the State's rate of 6.4% and the national average of 6.1%.
- Retail sales increased 11.7% despite the current economic environment. 2014 and 2013 retail sales for the County were approximately \$5,501,325,000 and \$4,925,320,533, respectively.
- The population in Durham County continues to grow. The population increased 2.47% in 2014.

These factors, as well as the State's budget situation and increased utility costs, were considered in preparing the Board's budget for the 2014-15 fiscal year. The 2015 fiscal year budget was created to maintain the offsetting effect of such economic factors, by cutting expenditures and reducing or eliminating services, while attempting to protect core instructional programs and the personnel associated with them.

Requests for Information

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

Aaron Beaulieu, Chief Financial Officer
Durham Public Schools Board of Education
Post Office Box 30002
Durham, North Carolina 27702

BASIC FINANCIAL STATEMENTS
(Government-wide)

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 1

Statement of Net Position

June 30, 2014

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 51,611,362 | \$ 3,315,003 | \$ 54,926,365 |
| Other receivable, net | 430,615 | 8,051 | 438,666 |
| Due from other governments | 9,211,899 | 679,821 | 9,891,720 |
| Inventories | 167,968 | 540,002 | 707,970 |
| Prepaid items | 1,244,443 | - | 1,244,443 |
| | <u>62,666,287</u> | <u>4,542,877</u> | <u>67,209,164</u> |
| Capital assets: | | | |
| Land and construction in progress | 78,415,338 | - | 78,415,338 |
| Other capital assets, net of depreciation | 316,381,617 | 594,143 | 316,975,760 |
| Total capital assets | <u>394,796,955</u> | <u>594,143</u> | <u>395,391,098</u> |
| Total assets | <u>457,463,242</u> | <u>5,137,020</u> | <u>462,600,262</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 3,893,072 | 245,926 | 4,138,998 |
| Accrued salaries and wages payable | 14,125,349 | - | 14,125,349 |
| Long-term liabilities: | | | |
| Due within one year | 14,888,944 | 354,769 | 15,243,713 |
| Due in more than one year | 12,600,228 | - | 12,600,228 |
| Total liabilities | <u>45,507,593</u> | <u>600,695</u> | <u>46,108,288</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>1,778,090</u> | <u>98,049</u> | <u>1,876,139</u> |
| NET POSITION | | | |
| Net investment in capital assets | 392,808,425 | 594,143 | 393,402,568 |
| Restricted for: | | | |
| Stabilization by State statute | 3,252,946 | - | 3,252,946 |
| School capital outlay | 2,872,104 | - | 2,872,104 |
| Grants and scholarships | 3,609,421 | - | 3,609,421 |
| Individual schools | 1,901,847 | - | 1,901,847 |
| Unrestricted | <u>5,732,816</u> | <u>3,844,133</u> | <u>9,576,949</u> |
| Total net position | <u>\$ 410,177,559</u> | <u>\$ 4,438,276</u> | <u>\$ 414,615,835</u> |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2014

| <u>Functions / Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---|-----------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary government: | | | | |
| Governmental activities: | | | | |
| Instructional services: | | | | |
| Regular instructional | \$ 125,292,037 | \$ 3,375,227 | \$ 92,640,189 | \$ - |
| Special populations | 51,659,556 | - | 45,814,793 | - |
| Alternative programs | 24,945,623 | - | 21,590,324 | - |
| School leadership | 20,878,832 | - | 11,527,841 | - |
| Co-curricular | 6,585,358 | - | 4,992,503 | - |
| School-based support | 22,235,442 | - | 14,881,023 | - |
| System-wide support services: | | | | |
| Support and development | 2,638,277 | - | 749,964 | - |
| Special population support and development | 1,739,679 | - | 1,123,591 | - |
| Alternative programs and services support and development | 780,581 | - | 342,896 | - |
| Technology support | 5,410,419 | - | 218,210 | - |
| Operational support | 50,551,477 | 312,096 | 17,214,601 | 930,169 |
| Financial and human resource | 6,628,997 | - | 1,727,063 | - |
| Accountability | 1,365,595 | - | 280,098 | - |
| System-wide pupil support | 1,723,748 | - | 312,345 | - |
| Policy, leadership and public relations | 4,572,301 | - | 1,392,545 | - |
| Ancillary services | 4,322,900 | - | 164,913 | - |
| Non-programmed charges | 15,312,708 | - | 551,449 | - |
| Unallocated depreciation expense, excluding direct depreciation expense | 15,374,840 | - | - | - |
| Total governmental activities | <u>362,018,370</u> | <u>3,687,323</u> | <u>215,524,348</u> | <u>930,169</u> |
| Business-type activities: | | | | |
| Food services | 16,082,377 | 2,155,867 | 13,140,308 | - |
| Total business-type activities | <u>16,082,377</u> | <u>2,155,867</u> | <u>13,140,308</u> | <u>-</u> |
| Total primary government | <u>\$ 378,100,747</u> | <u>\$ 5,843,190</u> | <u>\$ 228,664,656</u> | <u>\$ 930,169</u> |
| General revenues: | | | | |
| Unrestricted County appropriations - operating | | | | |
| Unrestricted County appropriations - capital | | | | |
| Unrestricted City appropriations - capital | | | | |
| Unrestricted other County revenues - capital | | | | |
| Investment earnings, unrestricted | | | | |
| Miscellaneous, unrestricted | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position - beginning | | | | |
| Net position - ending | | | | |

| Net (Expenses) Revenue and Changes in Net Position Primary Government | | |
|--|-------------------------------------|-----------------------|
| Governmental Activities | Business-type Activities | Total |
| \$ (29,276,621) | \$ - | \$ (29,276,621) |
| (5,844,763) | - | (5,844,763) |
| (3,355,299) | - | (3,355,299) |
| (9,350,991) | - | (9,350,991) |
| (1,592,855) | - | (1,592,855) |
| (7,354,419) | - | (7,354,419) |
| (1,888,313) | - | (1,888,313) |
| (616,088) | - | (616,088) |
| (437,685) | - | (437,685) |
| (5,192,209) | - | (5,192,209) |
| (32,094,611) | - | (32,094,611) |
| (4,901,934) | - | (4,901,934) |
| (1,085,497) | - | (1,085,497) |
| (1,411,403) | - | (1,411,403) |
| (3,179,756) | - | (3,179,756) |
| (4,157,987) | - | (4,157,987) |
| (14,761,259) | - | (14,761,259) |
| (15,374,840) | - | (15,374,840) |
| (141,876,530) | - | (141,876,530) |
| - | (786,202) | (786,202) |
| - | (786,202) | (786,202) |
| (141,876,530) | (786,202) | (142,662,732) |
| 118,073,439 | - | 118,073,439 |
| 1,370,000 | - | 1,370,000 |
| 1,528,267 | - | 1,528,267 |
| 20,316,477 | - | 20,316,477 |
| 226,413 | 11,410 | 237,823 |
| 1,750,030 | - | 1,750,030 |
| (122,796) | 122,796 | - |
| 143,141,830 | 134,206 | 143,276,036 |
| 1,265,300 | (651,996) | 613,304 |
| 408,912,259 | 5,090,272 | 414,002,531 |
| <u>\$ 410,177,559</u> | <u>\$ 4,438,276</u> | <u>\$ 414,615,835</u> |

The accompanying notes to the financial statements are an integral part of these statements

FUND FINANCIAL STATEMENTS

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 3
Balance Sheet - Governmental Funds
June 30, 2014

| | Major Funds | | | Non-major Funds | Total Governmental Funds |
|--|----------------------------------|--------------------------------|---------------------------|--------------------------------|--------------------------------|
| | Local Current Expense Fund | State Public School Fund | Capital Outlay Fund | Other Governmental Funds | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 37,278,841 | \$ - | \$ 5,447,512 | \$ 8,885,009 | \$ 51,611,362 |
| Due from other governments | 234,635 | 6,070,059 | 2,436,121 | 471,084 | 9,211,899 |
| Other receivable, net | 303,462 | - | - | 127,153 | 430,615 |
| Due from other funds | - | - | - | 143,505 | 143,505 |
| Inventories | 167,968 | - | - | - | 167,968 |
| Prepaid items | 1,244,443 | - | - | - | 1,244,443 |
| Total assets | <u>\$ 39,229,349</u> | <u>\$ 6,070,059</u> | <u>\$ 7,883,633</u> | <u>\$ 9,626,751</u> | <u>\$ 62,809,792</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Accounts payable and accrued expenses | \$ 1,316,656 | \$ - | \$ 2,550,493 | \$ 25,923 | \$ 3,893,072 |
| Due to other funds | 142,861 | - | - | 644 | 143,505 |
| Accrued salaries and wages payable | 7,376,475 | 6,060,735 | - | 688,139 | 14,125,349 |
| Total liabilities | <u>8,835,992</u> | <u>6,060,735</u> | <u>2,550,493</u> | <u>714,706</u> | <u>18,161,926</u> |
| Deferred inflows of resources | <u>199,154</u> | <u>9,324</u> | <u>24,915</u> | <u>1,889,400</u> | <u>2,122,793</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Inventories | 167,968 | - | - | - | 167,968 |
| Prepaid expenses | 1,244,443 | - | - | - | 1,244,443 |
| Restricted: | | | | | |
| Stabilization by State statute | 538,097 | - | 2,436,121 | 278,728 | 3,252,946 |
| School capital outlay | - | - | 2,872,104 | - | 2,872,104 |
| Grants and scholarships | - | - | - | 3,609,421 | 3,609,421 |
| Individual schools | - | - | - | 1,901,847 | 1,901,847 |
| Committed: | | | | | |
| Teacher and staff salaries | 11,469,511 | - | - | - | 11,469,511 |
| One-time funding | 5,242,952 | - | - | - | 5,242,952 |
| Assigned: | | | | | |
| Special revenue | - | - | - | 1,232,649 | 1,232,649 |
| Self-insurance | 3,056,908 | - | - | - | 3,056,908 |
| Unassigned | <u>8,474,324</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,474,324</u> |
| Total fund balances | <u>30,194,203</u> | <u>-</u> | <u>5,308,225</u> | <u>7,022,645</u> | <u>42,525,073</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 39,229,349</u> | <u>\$ 6,070,059</u> | <u>\$ 7,883,633</u> | <u>\$ 9,626,751</u> | <u>\$ 62,809,792</u> |

Reconciliation of the balance sheet to the statement of net position:

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

| | |
|--|-----------------------|
| Total fund balance - governmental funds | \$ 42,525,073 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | |
| Cost of capital assets | \$ 642,048,079 |
| Accumulated depreciation | <u>(247,251,124)</u> |
| Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of: | |
| Installment purchases | (1,988,530) |
| Claims liability for retained risk | (3,535,000) |
| Compensated absences payable | <u>(21,965,642)</u> |
| Sales tax receivable deferred in the governmental funds | <u>344,703</u> |
| Net position of governmental activities | <u>\$ 410,177,559</u> |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA **Exhibit 4**
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

| | Major Funds | | | Non-major Funds | Total Governmental Funds |
|--|----------------------------------|--------------------------------|---------------------------|--------------------------------|--------------------------------|
| | Local Current Expense Fund | State Public School Fund | Capital Outlay Fund | Other Governmental Funds | |
| REVENUES | | | | | |
| State of North Carolina | \$ - | \$ 179,018,263 | \$ 2,303,113 | \$ - | \$ 181,321,376 |
| Durham County | 117,818,481 | - | 21,686,476 | 414,830 | 139,919,787 |
| City of Durham | - | - | - | 254,958 | 254,958 |
| U.S. Government | - | - | - | 25,993,585 | 25,993,585 |
| Other | 1,417,383 | - | 1,284,648 | 14,564,186 | 17,266,217 |
| Total revenues | <u>119,235,864</u> | <u>179,018,263</u> | <u>25,274,237</u> | <u>41,227,559</u> | <u>364,755,923</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instructional services: | | | | | |
| Regular instructional | 28,901,190 | 85,412,587 | - | 10,244,142 | 124,557,919 |
| Special populations | 5,443,625 | 40,056,630 | - | 5,856,615 | 51,356,870 |
| Alternative programs | 3,037,695 | 7,932,053 | - | 13,829,712 | 24,799,460 |
| School leadership | 6,464,825 | 11,224,813 | - | 3,066,859 | 20,756,497 |
| Co-curricular | 1,578,328 | - | - | 4,968,445 | 6,546,773 |
| School-based support | 7,189,104 | 12,777,507 | - | 2,138,548 | 22,105,159 |
| System-wide support services: | | | | | |
| Support and development | 1,866,190 | 595,951 | - | 160,678 | 2,622,819 |
| Special population support and development | 605,895 | 347,291 | - | 776,300 | 1,729,486 |
| Alternative programs and services | | | | | |
| support and development | 433,111 | 57,015 | - | 285,881 | 776,007 |
| Technology support | 5,160,508 | 218,210 | - | - | 5,378,718 |
| Operational support | 25,300,873 | 16,391,820 | - | 2,816,999 | 44,509,692 |
| Financial and human resource | 4,863,093 | 1,727,063 | - | - | 6,590,156 |
| Accountability | 1,077,495 | 280,098 | - | - | 1,357,593 |
| System-wide pupil support | 1,358,063 | 312,345 | - | 43,240 | 1,713,648 |
| Policy, leadership and public relations | 3,152,683 | 1,392,545 | - | 282 | 4,545,510 |
| Ancillary services | 1,191,748 | 138,781 | - | 2,992,371 | 4,322,900 |
| Non-programmed charges | 15,013,052 | - | - | 843,261 | 15,856,313 |
| Capital outlay | - | - | 23,445,653 | - | 23,445,653 |
| Debt service: | | | | | |
| Principal repayments | 346,769 | 29,105 | 833,791 | 292,959 | 1,502,624 |
| Interest | 33,238 | 1,653 | - | 11,439 | 46,330 |
| Total expenditures | <u>113,017,485</u> | <u>178,895,467</u> | <u>24,279,444</u> | <u>48,327,731</u> | <u>364,520,127</u> |
| Revenues over (under) expenditures | <u>6,218,379</u> | <u>122,796</u> | <u>994,793</u> | <u>(7,100,172)</u> | <u>235,796</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers to other funds | (8,681,975) | (122,796) | - | 8,681,975 | (122,796) |
| Net change in fund balance | (2,463,596) | - | 994,793 | 1,581,803 | 113,000 |
| FUND BALANCES | | | | | |
| Beginning of year | 32,661,923 | - | 4,313,432 | 5,440,842 | 42,416,197 |
| Decrease in reserve for inventories | (4,124) | - | - | - | (4,124) |
| End of year | <u>\$ 30,194,203</u> | <u>\$ -</u> | <u>\$ 5,308,225</u> | <u>\$ 7,022,645</u> | <u>\$ 42,525,073</u> |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA **Exhibit 4**
Statement of Revenues, Expenditures and Changes in Fund Balances **(Continued)**
Governmental Funds
For the Year Ended June 30, 2014

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

| | | |
|---|-------------------|--------------------------------|
| Net changes in fund balances - total governmental funds | \$ | 113,000 |
| Change in fund balances due to change in reserve for inventory | | (4,124) |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.</p> | | |
| Depreciation expense | \$ (16,820,468) | |
| Capital outlays | <u>17,077,980</u> | 257,512 |
| Gain on disposal of capital assets | | 776,366 |
| <p>In the statement of activities, certain operating expenses - compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid.</p> | | |
| This year, vacation used was less than the amounts earned | | (1,881,555) |
| Estimated liabilities for retained risks increased during the year | | 543,000 |
| <p>The issuance of long-term debt provides current financial resources to governmental 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. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> | | |
| Repayment of debt | | 1,502,624 |
| Decrease in deferred revenues for sales tax receivable reported in the governmental funds | | <u>(41,523)</u> |
| Total changes in net position of governmental activities | \$ | <u><u>1,265,300</u></u> |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 5
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Local Current Expense Fund
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|--------------------|--------------------|----------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Durham County | \$ 117,818,481 | \$ 117,818,481 | \$ 117,818,481 | \$ - |
| Other: | | | | |
| Fines and forfeitures | 1,500,000 | 1,500,000 | 1,417,383 | (82,617) |
| Total revenues | <u>119,318,481</u> | <u>119,318,481</u> | <u>119,235,864</u> | <u>(82,617)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instructional services: | | | | |
| Regular instructional | 29,279,445 | 31,995,741 | 28,901,190 | 3,094,551 |
| Special populations | 5,854,214 | 5,892,344 | 5,443,625 | 448,719 |
| Alternative programs | 2,890,936 | 3,742,226 | 3,037,695 | 704,531 |
| School leadership | 6,578,198 | 6,803,653 | 6,464,825 | 338,828 |
| Co-curricular | 2,559,406 | 1,595,301 | 1,578,328 | 16,973 |
| School-based support | 6,739,720 | 7,581,380 | 7,189,104 | 392,276 |
| System-wide support services: | | | | |
| Support and development | 2,274,283 | 1,866,955 | 1,866,190 | 765 |
| Special population support and development | 632,882 | 605,948 | 605,895 | 53 |
| Alternative programs and services support and development | 588,521 | 448,359 | 433,111 | 15,248 |
| Technology support | 5,521,940 | 5,160,551 | 5,160,508 | 43 |
| Operational support | 29,120,580 | 26,069,391 | 25,300,873 | 768,518 |
| Financial and human resource | 4,917,501 | 5,323,532 | 4,863,093 | 460,439 |
| Accountability | 1,381,661 | 1,077,574 | 1,077,495 | 79 |
| System-wide pupil support | 1,352,652 | 1,415,724 | 1,358,063 | 57,661 |
| Policy, leadership, and public relations | 3,109,705 | 3,152,982 | 3,152,683 | 299 |
| Ancillary services | 1,225,853 | 1,193,761 | 1,191,748 | 2,013 |
| Non-programmed charges | 14,944,215 | 15,013,052 | 15,013,052 | - |
| Debt service on capital leases: | | | | |
| Principal | 346,769 | 346,769 | 346,769 | - |
| Interest | - | 33,238 | 33,238 | - |
| Total expenditures | <u>119,318,481</u> | <u>119,318,481</u> | <u>113,017,485</u> | <u>6,300,996</u> |
| Revenues over expenditures | <u>-</u> | <u>-</u> | <u>6,218,379</u> | <u>6,218,379</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers to other funds | - | - | (8,681,975) | (8,681,975) |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(2,463,596)</u> | <u>\$ (2,463,596)</u> |
| FUND BALANCE | | | | |
| Beginning of year | | | 32,661,923 | |
| Decrease in reserve for inventories | | | <u>(4,124)</u> | |
| End of year | | | <u>\$ 30,194,203</u> | |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 6

Statement of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

State Public School Fund

For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|----------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| State of North Carolina | \$ 174,042,911 | \$ 183,935,772 | \$ 179,018,263 | \$ (4,917,509) |
| Total revenues | 174,042,911 | 183,935,772 | 179,018,263 | (4,917,509) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instructional services: | | | | |
| Regular instructional | 86,199,087 | 87,916,384 | 85,412,587 | 2,503,797 |
| Special populations | 37,934,447 | 40,835,818 | 40,056,630 | 779,188 |
| Alternative programs | 8,022,541 | 8,899,598 | 7,932,053 | 967,545 |
| School leadership | 11,130,311 | 11,398,221 | 11,224,813 | 173,408 |
| School-based support | 12,625,996 | 13,163,000 | 12,777,507 | 385,493 |
| System-wide support services: | | | | |
| Support and development | 603,686 | 595,955 | 595,951 | 4 |
| Special population support and development | 230,408 | 347,294 | 347,291 | 3 |
| Alternative programs and services support and development | - | 57,015 | 57,015 | - |
| Technology support | 261,691 | 218,212 | 218,210 | 2 |
| Operational support | 12,917,820 | 16,448,202 | 16,391,820 | 56,382 |
| Financial and human resource | 1,722,929 | 1,727,073 | 1,727,063 | 10 |
| Accountability | 499,440 | 280,101 | 280,098 | 3 |
| System-wide pupil support | 257,874 | 312,347 | 312,345 | 2 |
| Policy, leadership, and public relations | 1,352,383 | 1,392,551 | 1,392,545 | 6 |
| Ancillary services | 133,157 | 138,785 | 138,781 | 4 |
| Debt service: | | | | |
| Principal repayments | 29,105 | 29,105 | 29,105 | - |
| Interest | 1,653 | 1,653 | 1,653 | - |
| Total expenditures | 173,922,528 | 183,761,314 | 178,895,467 | 4,865,847 |
| Revenues over (under) expenditures | 120,383 | 174,458 | 122,796 | (51,662) |
| Other financing sources (uses): | | | | |
| Transfers to other funds | (120,383) | (174,458) | (122,796) | 51,662 |
| Net change in fund balance | \$ - | \$ - | - | \$ - |
| FUND BALANCE | | | | |
| Beginning of year | | | - | |
| End of year | | | \$ - | |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 7

Statement of Net Position

Proprietary Fund

June 30, 2014

| | Major Fund School Food Service Fund |
|---------------------------------------|--|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 3,315,003 |
| Accounts receivable, net | 8,051 |
| Due from other governments | 679,821 |
| Inventories | 540,002 |
| Total current assets | 4,542,877 |
| Noncurrent assets: | |
| Furniture and equipment, net | 594,143 |
| Total assets | 5,137,020 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and accrued expenses | 245,926 |
| Compensated absences | 354,769 |
| Total current liabilities | 600,695 |
| Total liabilities | 600,695 |
| DEFERRED INFLOWS OF RESOURCES | 98,049 |
| NET POSITION | |
| Net investment in capital assets | 594,143 |
| Unrestricted: | |
| Designated | 750,000 |
| Undesignated | 3,094,133 |
| Total net position | \$ 4,438,276 |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 8
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

| | Major Fund School Food Service Fund |
|-------------------------------------|--|
| OPERATING REVENUES | |
| Food sales | \$ 2,145,557 |
| Total operating revenues | 2,145,557 |
| OPERATING EXPENSES | |
| Food costs: | |
| Purchase of food | 5,249,525 |
| Donated commodities | 926,372 |
| Salaries and benefits | 7,983,143 |
| Indirect costs | 801,936 |
| Materials and supplies | 547,482 |
| Repairs and maintenance | 419,336 |
| Depreciation | 75,879 |
| Contracted services | 1,324 |
| Other | 77,380 |
| Total operating expenses | 16,082,377 |
| Operating loss | (13,936,820) |
| NONOPERATING REVENUES | |
| Federal reimbursements | 12,134,235 |
| Federal commodities | 956,710 |
| Fresh fruits and vegetables program | 25,022 |
| State reimbursements | 24,341 |
| Interest earned | 11,410 |
| Other | 10,310 |
| Total nonoperating revenues | 13,162,028 |
| Loss before transfers | (774,792) |
| Transfers from other funds | 122,796 |
| Change in net position | (651,996) |
| NET POSITION | |
| Beginning of year | 5,090,272 |
| End of year | \$ 4,438,276 |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 9

**Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014**

| | Major Fund School Food Service Fund |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 2,149,842 |
| Cash paid for goods and services | (7,020,292) |
| Cash paid to employees for services | (7,867,109) |
| | (12,737,559) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Federal reimbursements | 11,858,640 |
| State reimbursements | 24,341 |
| Other nonoperating revenue | 10,310 |
| | 11,893,291 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | (27,954) |
| | (27,954) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | 11,410 |
| | 11,410 |
| Net decrease in cash and cash equivalents | (860,812) |
| Cash and cash equivalents - beginning of year | 4,175,815 |
| Cash and cash equivalents - end of year | \$ 3,315,003 |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA **Exhibit 9**
Statement of Cash Flows **(Continued)**
Proprietary Fund
For the Year Ended June 30, 2014

| | Major Fund |
|---|---------------------|
| | School Food |
| | Service Fund |
| Reconciliation of operating loss to net cash | |
| used by operating activities: | |
| Operating loss | \$ (13,936,820) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation | 75,879 |
| Donated commodities consumed | 956,710 |
| Salaries paid by other fund | 122,796 |
| Changes in assets, liabilities, and deferred inflows of resources: | |
| (Increase) decrease in: | |
| Accounts receivable | 6,136 |
| Inventories | (29,622) |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | 108,633 |
| Due to other funds | (32,658) |
| Compensated absences | (6,762) |
| Deferred inflows of resources | (1,851) |
| Total adjustments | 1,199,261 |
| Net cash used by operating activities | \$ (12,737,559) |

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$122,796 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit 8.

The School Food Service Fund received donated commodities with a value of \$956,710 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The fund recorded the consumption of \$926,372 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 10
Statement of Fiduciary Net Position
Private-Purpose Trust
June 30, 2014

| | <u>Della Bradsher Hedgepeth Memorial Scholarship Fund</u> |
|--------------------------------|--|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 36,139</u> |
| Total assets | <u><u>\$ 36,139</u></u> |
| NET POSITION | |
| Held in trust for scholarships | \$ 15,000 |
| Unrestricted | <u>21,139</u> |
| Total net position | <u><u>\$ 36,139</u></u> |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 11
Statement of Changes in Fiduciary Net Position
Private-Purpose Trust
For the Year Ended June 30, 2014

| | Della Bradsher Hedgepeth Memorial Scholarship Fund |
|-------------------------|---|
| | Fund |
| ADDITIONS | |
| Interest on investments | \$ 3 |
| DEDUCTIONS | |
| Scholarships awarded | 1,000 |
| Change in net position | (997) |
| NET POSITION | |
| Beginning of year | 37,136 |
| End of year | \$ 36,139 |

The accompanying notes to the financial statements are an integral part of these statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Durham Public Schools Board of Education, North Carolina 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 Durham Public Schools Board of Education, North Carolina (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 Durham County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

The Board is governed by a seven-member governing body elected by the citizens of Durham County. The County provides approximately 37% of the total funding for the Board and has the authority to control how this funding is spent. However, beyond this, the County does not have legal authority over the Board's budget. Accordingly, the Board is not considered to be a component unit of Durham County.

B) Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities present information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. 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 fund. 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 of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The fiduciary fund is 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

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.

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) and is reported as a capital projects fund. It is mandated by State law [G.S.115C-426]. Capital projects are funded by Durham County appropriations, restricted sales tax monies, proceeds of Durham County bonds issued for public school construction, lottery proceeds, as well as certain State assistance.

The Board reports the following major enterprise fund:

School Food Service Fund: The School Food Service Fund is used to account for the food service program within the school system and is reported as an enterprise fund.

The Board reports the following fiduciary fund:

Private-Purpose Trust: The Board has one Private-Purpose Trust, the Della Bradsher Hedgepeth Memorial Scholarship Fund. Interest earned on the principal is to be used to award scholarships according to the criteria set forth in the scholarship fund agreement.

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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Measurement Focus and Basis of Accounting (Continued)

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 North Carolina General Statutes. Annual budgets are adopted for all funds, except for the school activity funds and private-purpose trust fund, as required by North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at fiscal year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level within funds for all annually budgeted funds. The Finance Officer, with the approval of the Superintendent, is authorized by the governing Board to transfer appropriations within a fund. Such transfers must be reported to the governing board at its next regular meeting. Transfers between funds require governing board approval. Amendments which alter the County appropriation or transfer monies between the Local Current Expense Fund and the Capital Outlay Fund require the approval of the Durham County Board of Commissioners. During the year, significant amendments to the budget were necessary and were appropriately approved by the Board.

A budget calendar is included in G.S. 115C, Article 31, and prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date each is required to be completed.

- | | |
|---------------|--|
| May 1 | The Superintendent must submit the budget request along with a copy of the budget message to the Board of Education not later than May 1. |
| May 15 | The Board of Education should make changes, if necessary, to the budget request as submitted by the Superintendent and forward an approved budget request to the Board of County Commissioners not later than May 15, unless the County Commissioners have established a later date. |
| July 1 | The Board of County Commissioners must complete its actions on the school budget not later than July 1, unless a later date is agreed upon between the Board of Education and the County Commissioners. |
| Month of July | The Board of Education must adopt its balanced budget resolution after the Board of County Commissioners has decided upon the amount of appropriations to be provided by the County or after the appeal procedures as set forth in State law [G.S. 115C-431]. |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Budgetary Data (Continued)

As required by State law, the Board maintains encumbrance accounts which are considered to be “budgetary accounts.” Encumbrances outstanding at year end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts-in-process at year end are completed. Encumbrances outstanding at year end do not constitute expenditures or liabilities. If any, these encumbrances outstanding are reported as restricted within “Stabilization by State Statute” in the fund balance section of the balance sheet – governmental funds. Encumbrances are reappropriated in the subsequent fiscal year since appropriations lapse at year end. At June 30, 2014, the Board has no outstanding encumbrances.

E) Assets, Liabilities, Deferred Inflows, and Fund Equity

1) Deposits and Investments

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

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

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

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

2) Cash and Cash Equivalents

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Inflows, and Fund Equity (Continued)

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 Local Current Expense Fund consist of expendable materials and supplies, which are recorded as expenditures when purchased. The Local Current Expense 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4) Prepaid Items

Regular expenses to the Board are recognized in the period in which they incur. Prepaid expenses include insurance, services not yet received, and operating supplies when payment is made before the end of the fiscal year. Revenues are recognized when the corresponding liabilities and expenses are incurred.

5) Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items, which are purchased and used in large quantities such as student desks, including library books and materials are capitalized. The library collections consist of large numbers of books with modest values; the composite depreciation method has been used as discussed GASB 35, para 163-166. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Durham County holds title to certain properties which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Inflows, and Fund Equity (Continued)

5) Capital Assets (Continued)

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-------------------------|----------------|
| Buildings | 20 to 50 years |
| Building improvements | 20 years |
| Equipment and furniture | 5 to 20 years |
| Vehicles | 8 years |

Land and construction in progress are not depreciated.

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.

6) Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 items that meet this criterion consisting of grants and scholarships receivable in the Grant and Community Schools Special Revenue Fund, and prepaid meals and sales tax receivable in the School Food Service Fund.

7) 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.

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

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but 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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Inflows, and Fund Equity (Continued)

9) Net Position/Fund Balances

Net Position

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

Prepaid Expenses - portion of fund balance that is not an available resource because it represents the year-end balance of assets held for prepaid items, which are not spendable resources.

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

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

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

Restricted for Grants and Scholarships - revenue sources restricted for distribution as described per their original intent from the source for which they were received.

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Inflows, and Fund Equity (Continued)

9) Net Position/Fund Balances (Continued)

Committed Fund Balance - portion of fund balance that can only be used for a specific purpose imposed by a resolution passed by majority vote by quorum of the Board of Education's governing body (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.

Teacher and Staff Salaries – portion of fund balance approved by resolution of the Board of Education to maintain staffing levels equivalent to the 2013-14 fiscal year.

One-Time Funding – portion of fund balance approved by resolution of the Board of Education to fund expenditures for summer programs, equipment, and staff bonuses.

Assigned Fund Balance - portion of fund balance that Durham Public Schools Board of Education intends to use for specific purposes.

Special Revenue – portion of fund balance that will be used by Local Special Expense Fund activities as determined by the governing body.

Subsequent Year's Expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the Chief Finance Officer to recommend modifications of the appropriations within funds for approval by the governing body.

Unassigned Fund Balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Durham Public Schools Board of Education, North Carolina has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Chief Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Chief Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Inflows, and Fund Equity (Continued)

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 funds balance sheet includes a reconciliation between total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$367,652,486 consists of several elements as follows:

| Description | |
|--|----------------|
| 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) | \$ 642,048,079 |
| Less: Accumulated depreciation | (247,251,124) |
| Net capital assets | 394,769,955 |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements: | |
| Installment purchases | (1,988,530) |
| Claims liability for retained risk | (3,535,000) |
| Compensated absences | (21,965,642) |
| Sales tax receivable, deferred | 344,703 |
| | (26,124,472) |
| Total adjustment | \$ 367,652,486 |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Inflows, and Fund Equity (Continued)

10) Reconciliation of Government-wide and Fund Financial Statements (Continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a 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 \$1,152,300 as follows:

| Description | |
|---|---------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities | \$ 17,077,980 |
| 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 | (16,820,468) |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements | 1,502,624 |
| 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: | |
| Difference in compensated absences that are accrued in the government-wide statements but not in the fund statements because they do not use current resources | (1,881,555) |
| Gain on disposal of assets | 776,366 |
| Estimated liabilities for retained risks increased during the year | 543,000 |
| Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements: | |
| Decrease in deferred revenue for sales tax receivable reported in the governmental funds | (41,523) |
| Adjustment due to the use of the consumption method of recording inventory in the government-wide statements | (4,124) |
| Total adjustment | \$ 1,152,300 |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

II) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2014, the Board reported expenditures within the School Food Service Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$23,500. Necessary year end adjustments to depreciation expense and donated commodities were recorded after final budget approvals were made. Management will continue to monitor budgets and make necessary amendments to avoid expenditures in excess of appropriations.

III) 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 agent in the Board'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 Board's agent in the Board'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 risk for deposits.

At June 30, 2014, the Board had deposits with banks with a carrying amount of \$16,019,970 and with the State Treasurer of \$0. The bank balances with financial institutions and the State Treasurer were \$17,748,881 and \$460,757, respectively. Of these balances, \$501,586 was covered by federal depository insurance and \$17,708,052 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2) Investments

At June 30, 2014, the Board of Education had \$3,706,849 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$35,235,685 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2014. The Board has no policy for managing interest rate risk or credit risk.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

3) Accounts Receivable

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

| | Net Due from (to) Other Funds (Internal Balances) | Due from Other Governments | Other | Total |
|-------------------------------|---|----------------------------------|-------------------|---------------------|
| Governmental activities: | | | | |
| Local Current Expense Fund | \$ (142,861) | \$ 234,635 | \$ 303,462 | \$ 395,236 |
| Other governmental activities | <u>142,861</u> | <u>8,977,264</u> | <u>127,153</u> | <u>9,247,278</u> |
| Total | <u>\$ -</u> | <u>\$ 9,211,899</u> | <u>\$ 430,615</u> | <u>\$ 9,642,514</u> |
| Business-type activities: | | | | |
| School Food Service Fund | <u>\$ -</u> | <u>\$ 679,821</u> | <u>\$ 8,051</u> | <u>\$ 687,872</u> |

Due from other governments consists of the following:

Governmental activities:

| | | |
|-----------------------------|---------------------|---|
| Local Current Expense Fund | \$ 234,635 | Net sales tax revenue from State |
| State Public School Fund | 9,324 | Net sales tax revenue from State |
| | 6,060,735 | 11 th and 12 th installments due from NCDPI |
| Capital Outlay Fund | 24,915 | Net sales tax revenue from State |
| | 2,411,206 | Appropriations from County |
| Grant and Community Schools | | |
| Special Revenue Fund | 7,998 | Sales tax revenue from State |
| Federal Grants Fund | 395,254 | 11 th and 12 th installments due from NCDPI |
| | 67,760 | Sales tax revenue from State |
| Local Special Expense Fund | <u>72</u> | Sales tax revenue from State |
| Total | <u>\$ 9,211,899</u> | |

Business-type activities:

| | | |
|--------------------------|-------------------|----------------------------------|
| School Food Service Fund | \$ 668,259 | USDA and Summer Feeding programs |
| | <u>11,562</u> | Sales tax revenue from State |
| Total | <u>\$ 679,821</u> | |

All receivables are expected to be collected within one year.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

4) Capital Assets

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

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Disposals/ Transfers</u> | <u>Ending Balances</u> |
|---|-------------------------------|-------------------|---------------------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 22,222,934 | \$ - | \$ (59,000) | \$ 22,163,934 |
| Construction in progress | <u>48,675,723</u> | <u>16,963,123</u> | <u>(9,387,442)</u> | <u>56,251,404</u> |
| Total capital assets not being depreciated | <u>70,898,657</u> | <u>16,963,123</u> | <u>(9,446,442)</u> | <u>78,415,338</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 395,456,887 | - | 713,801 | 396,170,688 |
| Building improvements | 118,015,922 | 125,646 | 8,403,864 | 126,545,432 |
| Furniture and equipment | 11,367,587 | 677,084 | (73,540) | 11,971,131 |
| Vehicles | <u>28,844,867</u> | <u>221,370</u> | <u>(120,747)</u> | <u>28,945,490</u> |
| Total capital assets being depreciated | <u>553,685,263</u> | <u>1,024,100</u> | <u>8,923,378</u> | <u>563,632,741</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 177,033,914 | 10,317,016 | (28,589) | 187,322,341 |
| Building improvements | 20,547,832 | 3,867,120 | (169,414) | 24,245,538 |
| Furniture and equipment | 8,627,350 | 1,190,704 | (71,437) | 9,746,617 |
| Vehicles | <u>24,611,747</u> | <u>1,445,628</u> | <u>(120,747)</u> | <u>25,936,628</u> |
| Total accumulated depreciation | <u>230,820,843</u> | <u>16,820,468</u> | <u>(390,187)</u> | <u>247,251,124</u> |
| Total capital assets being depreciated, net | <u>322,864,420</u> | | | <u>316,381,617</u> |
| Governmental activity capital assets, net | <u>\$393,763,077</u> | | | <u>\$394,796,955</u> |

Depreciation was charged to governmental functions as follows:

| | |
|------------------------------|---------------------|
| Unallocated depreciation | \$15,374,840 |
| Operational support services | <u>1,445,628</u> |
| Total | <u>\$16,820,468</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

4) Capital Assets (Continued)

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Business-type activities: | | | | |
| School Food Service Fund | | | | |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | \$ 3,301,562 | \$ 27,954 | \$ - | \$ 3,329,516 |
| Vehicles | <u>193,626</u> | <u>-</u> | <u>-</u> | <u>193,626</u> |
| Total capital assets being depreciated | <u>3,495,188</u> | <u>\$ 27,954</u> | <u>\$ -</u> | <u>3,523,142</u> |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | 2,663,180 | \$ 72,193 | \$ - | 2,735,373 |
| Vehicles | <u>189,940</u> | <u>3,686</u> | <u>-</u> | <u>193,626</u> |
| Total accumulated depreciation | <u>2,853,120</u> | <u>\$ 75,879</u> | <u>\$ -</u> | <u>2,928,999</u> |
| School Food Service Fund capital assets, net | <u>\$ 642,068</u> | | | <u>\$ 594,143</u> |

5) Construction Commitments

The Board has entered into several planned construction projects for school construction and improvements as of June 30, 2014. These projects with a cumulative value of approximately \$330,746,174 are evidenced by contractual commitments with various contractors on approved budgeted amounts. As of June 30, 2014, the total remaining commitments under these contracts are approximately \$22,160,712. The projects are commitments of the Capital Outlay Fund which will be funded primarily from the proceeds of County-issued general obligation bonds, as well as other general County and State revenues.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities

1) Pension Plan and Other Postemployment Obligations

a) Teachers' and State Employees' Retirement System

Plan Description. The Durham Public Schools Board of Education contributes to the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.69% of annual covered payroll. The contribution requirements of plan members and the Durham Public Schools Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2014, 2013, and 2012, were \$16,721,511, \$14,918,550, and \$12,656,502, respectively, equal to the required contributions for each year.

b) Other Postemployment Benefits

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution 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 employers 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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

Healthcare Benefits (Continued)

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish 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 of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total 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, 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 expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2014, 2013, and 2012, the Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$10,390,813, \$9,491,995, and \$8,505,714 respectively. These contributions represented 5.40%, 5.30%, and 5.00% of covered payroll, respectively.

Long-term Disability Benefits

Plan Description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees of 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 and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. 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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

Long-term Disability Benefits (Continued)

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.

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

Long-term Disability Benefits (Continued)

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 an other postemployment benefit. For the fiscal years ended June 30, 2014, 2013, and 2012, the Board paid all annual required contributions to the DIPNC for disability benefits of \$846,659, \$788,015, and \$884,594, respectively. These contributions represented 0.44%, 0.44%, and 0.52% of covered payroll, respectively.

2) Accounts Payable

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

| | <u>Vendors</u> | <u>Salaries and benefits</u> | <u>Total</u> |
|-------------------------------|---------------------|----------------------------------|----------------------|
| Governmental activities: | | | |
| Local Current Expense Fund | \$ 1,316,656 | \$ 7,376,475 | \$ 8,693,131 |
| Other governmental | 2,576,416 | 6,748,874 | 9,325,290 |
| Total governmental activities | <u>\$ 3,893,072</u> | <u>\$ 14,125,349</u> | <u>\$ 18,018,421</u> |
| Business-type activities: | | | |
| School Food Service Fund | <u>\$ 254,926</u> | <u>\$ -</u> | <u>\$ 254,926</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3) Deferred Inflows of Resources

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

| | <u>Unearned Revenue</u> |
|---|-----------------------------|
| Governmental activities: | |
| Grants and scholarships (Grant and Community Schools Special Revenue Fund) | <u>\$ 1,778,090</u> |
| Business-type activities: | |
| Prepaid meals (School Food Service Fund) | \$ 86,487 |
| Sales tax refund (School Food Service Fund) | <u>11,562</u> |
| Total business-type activities | <u><u>\$ 98,049</u></u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

4) 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 Board protects itself from potential loss through a combination of the purchase of commercial insurance from primary and/or excess liability coverage and self-funded risk retention.

The Board is self insured for general liability claims up to \$75,000 per claim and maintains excess commercial insurance coverage of \$1,000,000 per occurrence with a \$2,000,000 annual aggregate. The Board also carries commercial errors and omissions coverage with a \$75,000 deductible amount per claim and a \$3,000,000 annual aggregate.

The Board is self-insured for workers' compensation claims for employees paid from local and federal funds and carries excess workers' compensation coverage for claims over \$400,000. The State of North Carolina provides workers' compensation coverage for employees to the extent they are paid from State funds.

Tangible property assets of the Board are insured through commercially purchased insurance coverage up to \$800,000,000. Deductibles range from \$1,000 to \$50,000 per occurrence. Umbrella coverage in the amount of \$4,000,000 applies as excess over the general liability, automobile liability and employer's liability.

Changes in the claims liability for retained risks were as follows:

| | <u>Beginning Balances</u> | <u>Current Year Claims</u> | <u>Claims Payments</u> | <u>Ending Balances</u> |
|-------------------------|-------------------------------|--------------------------------|----------------------------|----------------------------|
| Governmental activities | | | | |
| 2012-2013 | \$ 3,269,000 | \$ 1,499,467 | \$ 690,467 | \$ 4,078,000 |
| 2013-2014 | \$ 4,078,000 | \$ 561,790 | \$ 1,104,790 | \$ 3,535,000 |

The Board also 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 up to a \$5 million 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 Chief Finance Officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

5) Contingent Liabilities

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

6) Long-Term Obligations

a) Installment Purchase

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 monies for the payments on financing contracts entered into pursuant to G.S. 115-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Mercedes Benz Financial Services USA LLC at total payments less than the purchase price. In August 2012, the Board entered into an installment purchase contract to finance the purchase of 38 school buses. The financing contract requires only principal payments of \$791,514 due at the beginning of each contract year.

The Board is authorized by State law [G.S. 115C-528(a)] to enter into installment purchase contracts to finance the purchase of computer equipment. In July 2012, the Board entered into such a contract to purchase a computer network for the schools. The financing contracts require principal payments for five years beginning in the fiscal year 2013 with an interest rate of 2.65 percent.

The future minimum payments of the installment purchases as of June 30, 2014, including \$44,428 of interest, are as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> | |
|-----------------------------|--------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2015 | \$ 1,279,136 | \$ 25,474 |
| 2016 | 365,626 | 14,382 |
| 2017 | <u>343,768</u> | <u>4,572</u> |
| Total | <u>\$ 1,988,530</u> | <u>\$ 44,428</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

6) Long-Term Obligations (Continued)

b) Long-Term Obligation Activity

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|---------------------------------------|------------------------------|---------------------|---------------------|---------------------------|----------------------------|
| Governmental activities: | | | | | |
| Installment purchases | \$ 3,491,154 | \$ - | \$ 1,502,624 | \$ 1,988,530 | \$ 1,279,136 |
| Compensated absences | 20,084,087 | 14,507,661 | 12,626,106 | 21,965,642 | 12,626,100 |
| Claims liability for retained risk | <u>4,078,000</u> | <u>561,790</u> | <u>1,104,790</u> | <u>3,535,000</u> | <u>983,708</u> |
| | <u>\$27,653,241</u> | <u>\$15,069,451</u> | <u>\$15,233,520</u> | <u>\$27,489,172</u> | <u>\$14,888,944</u> |
| Business-type activities: | | | | | |
| Compensated absences | <u>\$ 361,531</u> | <u>\$ 423,895</u> | <u>\$ 430,657</u> | <u>\$ 354,769</u> | <u>\$ 354,769</u> |

Compensated absences are paid by the Local Current Expense Fund and the School Food Service Fund when leave is taken.

C) Interfund Balances and Activity

Transfers to/from other funds and interfund balances at June 30, 2014, consist of the following:

| | |
|--|---------------------|
| From the Local Current Expense Fund to the School Activity Fund for portion of sales tax refund and temporary investments | <u>\$ 142,861</u> |
| From the Local Special Expense Fund to the School Activity Fund for investment interest | <u>\$ 644</u> |
| From the State Public School Fund to the School Food Service Fund for administrative costs | <u>\$ 122,796</u> |
| From the Local Current Expense Fund to the Local Special Expense Fund for operational costs | <u>\$ 8,681,975</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III) DETAIL NOTES ON ALL FUNDS (Continued)

D) Fund Balance

The Board of Education has a revenue spending policy that provides policy for programs with multiple revenue sources. The Chief Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-Board of Education funds, Board of Education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Chief Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

The following schedule provides management and citizens with information on the portion of the General Fund balance that is available for appropriation, as of June 30, 2014.

| | Local Current Expense Fund |
|-----------------------------------|----------------------------------|
| Total fund balance | \$ 30,194,203 |
| Less: Inventories | (167,968) |
| Prepaid expense | (1,244,443) |
| Stabilization by State Statute | (538,097) |
| Committed funds | (16,712,463) |
| Assigned for self-insurance | (3,056,908) |
| | \$ 8,474,324 |
| Remaining unassigned fund balance | \$ 8,474,324 |

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Board has no encumbrances as of June 30, 2014.

IV) SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Program

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 monies 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 monies.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

V) SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Date of Management's Review

Management has evaluated subsequent events through November 21, 2014, which is the date the financial statements were available to be issued, and no events have occurred that required recognition or disclosure for the year ended June 30, 2014.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Local Current Expense Fund
For the Year Ended June 30, 2014**

| | Budget | Actual | Variance Positive (Negative) |
|---|----------------|----------------|------------------------------------|
| REVENUES | | | |
| Durham County: | | | |
| Appropriation from general revenues | \$ 117,818,481 | \$ 117,818,481 | \$ - |
| Other : | | | |
| Fines and forfeitures | 1,500,000 | 1,417,383 | (82,617) |
| Total revenues | 119,318,481 | 119,235,864 | (82,617) |
| EXPENDITURES | | | |
| Current: | | | |
| Instructional services: | | | |
| Regular instructional: | | | |
| Regular curricular | | 27,947,454 | |
| CTE curricular | | 953,736 | |
| Total regular instructional | 31,995,741 | 28,901,190 | 3,094,551 |
| Special populations: | | | |
| Children with disabilities curricular | | 2,979,168 | |
| Special populations CTE curricular | | 73,832 | |
| Pre-K children with disabilities curricular | | 201,435 | |
| Speech and language pathology | | 431,027 | |
| Audiology | | 31,035 | |
| Academically / intellectually gifted curricular | | 899,378 | |
| Limited English proficiency | | 827,750 | |
| Total special populations | 5,892,344 | 5,443,625 | 448,719 |
| Alternative programs: | | | |
| Alternative instructional services K-12 | | 277,645 | |
| Attendance and social work | | 563,209 | |
| Remedial and supplemental K-12 | | 1,476,671 | |
| Pre-K readiness/remedial and supplemental | | 19,496 | |
| Extended day/year instructional | | 700,674 | |
| Total alternative programs | 3,742,226 | 3,037,695 | 704,531 |
| School leadership | 6,803,653 | 6,464,825 | 338,828 |
| Co-curricular | 1,595,301 | 1,578,328 | 16,973 |
| School-based support: | | | |
| Educational media | | 1,848,475 | |
| Student accounting | | 988,931 | |
| Guidance | | 2,559,695 | |
| Health support | | 109,743 | |
| Safety and security support | | 305,388 | |
| Instructional technology | | 931,567 | |
| Staff development unallocated | | 325,264 | |
| Parent involvement | | 65,538 | |
| Volunteer | | 54,503 | |
| Total school-based support | 7,581,380 | 7,189,104 | 392,276 |
| System-wide support services: | | | |
| Support and development: | | | |
| Regular curricular support and development | | 1,860,044 | |
| CTE curricular support and development | | 6,146 | |
| Total support and development | 1,866,955 | 1,866,190 | 765 |
| Special population support and development | 605,948 | 605,895 | 53 |
| Alternative programs and services support and development | 448,359 | 433,111 | 15,248 |
| Technology support | 5,160,551 | 5,160,508 | 43 |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

Schedule 1

Schedule of Revenues, Expenditures and Changes

(Continued)

in Fund Balance - Budget and Actual

Local Current Expense Fund

For the Year Ended June 30, 2014

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|---------------|---------------|------------------------------------|
| EXPENDITURES (Continued) | | | |
| Current: | | | |
| System-wide support services (Continued): | | | |
| Operational support: | | | |
| Communication | | \$ 24,336 | |
| Printing and copying | | 167,288 | |
| Public utility and energy | | 9,638,395 | |
| Custodial/housekeeping | | 5,625,128 | |
| Transportation | | 1,417,347 | |
| Warehouse and delivery | | 1,077,497 | |
| Facilities planning, acquisitions and construction | | 234,810 | |
| Maintenance | | 7,116,072 | |
| Total operational support | \$ 26,069,391 | 25,300,873 | \$ 768,518 |
| Financial and human resource: | | | |
| Financial | | 2,897,443 | |
| Human resources | | 1,965,650 | |
| Total financial and human resources | 5,323,532 | 4,863,093 | 460,439 |
| Accountability: | | | |
| Student testing | | 716,791 | |
| Planning, research development and program evaluation | | 360,704 | |
| Total accountability | 1,077,574 | 1,077,495 | 79 |
| System-wide pupil support: | | | |
| Educational media support | | 150,242 | |
| Student accounting support | | 565,975 | |
| Guidance support | | 8,623 | |
| Health support | | 2,606 | |
| Safety and security support | | 507,429 | |
| Instructional technology support | | 123,188 | |
| Total system-wide pupil support | 1,415,724 | 1,358,063 | 57,661 |
| Policy, leadership and public relations: | | | |
| Board of education | | 207,078 | |
| Legal | | 564,021 | |
| Audit | | 88,613 | |
| Leadership | | 1,715,059 | |
| Public relations and marketing | | 577,912 | |
| Total policy, leadership and public relations | 3,152,982 | 3,152,683 | 299 |
| Ancillary services: | | | |
| Community | | 1,099,507 | |
| Nutritional | | 92,241 | |
| Total ancillary services | 1,193,761 | 1,191,748 | 2,013 |
| Non-programmed charges: | | | |
| Payments to other governmental units | 15,013,052 | 15,013,052 | - |
| Debt service: | | | |
| Principal | 346,769 | 346,769 | - |
| Interest | 33,238 | 33,238 | - |
| Total debt service | 380,007 | 380,007 | - |
| Total expenditures | 119,318,481 | 113,017,485 | 6,300,996 |
| Revenues over expenditures | - | 6,218,379 | 6,218,379 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers to other funds | - | (8,681,975) | (8,681,975) |
| Net change in fund balance | \$ - | (2,463,596) | \$ (2,463,596) |
| FUND BALANCE | | | |
| Beginning of year | | 32,661,923 | |
| Decrease in reserves for inventories | | (4,124) | |
| End of year | | \$ 30,194,203 | |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 2
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Capital Outlay Fund
For the Year Ended June 30, 2014

| | Budget | Actual | Variance Positive (Negative) |
|--|-------------------|---------------------|------------------------------------|
| REVENUES | | | |
| State of North Carolina: | | | |
| Public School Building Capital Fund | \$ 3,494,497 | \$ 1,469,322 | \$ (2,025,175) |
| State appropriations - school buses | 833,791 | 833,791 | - |
| Total State of North Carolina | <u>4,328,288</u> | <u>2,303,113</u> | <u>(2,025,175)</u> |
| Durham County: | | | |
| Annual appropriation | 1,370,000 | 1,370,000 | - |
| General obligation bonds | 44,368,014 | 20,316,476 | (24,051,538) |
| Total Durham County | <u>45,738,014</u> | <u>21,686,476</u> | <u>(24,051,538)</u> |
| Other: | | | |
| Tower site lease | 1,240,061 | 237,891 | (1,002,170) |
| Other revenues | 668,370 | 1,046,757 | 378,387 |
| Total other | <u>1,908,431</u> | <u>1,284,648</u> | <u>(623,783)</u> |
| Total revenues | <u>51,974,733</u> | <u>25,274,237</u> | <u>(26,700,496)</u> |
| EXPENDITURES | | | |
| Capital outlay: | | | |
| School construction and renovation: | | | |
| Instructional services | 4,739,470 | 2,818,870 | 1,920,600 |
| Transportation services | 1,796,401 | 454,238 | 1,342,163 |
| Construction of new building and additions | 44,853,940 | 20,169,214 | 24,684,726 |
| Contingency | 893,081 | 3,331 | 889,750 |
| Total capital outlay | <u>52,282,892</u> | <u>23,445,653</u> | <u>28,837,239</u> |
| Debt service: | | | |
| Principal | 833,791 | 833,791 | - |
| Total expenditures | <u>53,116,683</u> | <u>24,279,444</u> | <u>28,837,239</u> |
| Revenues over (under) expenditures | (1,141,950) | 994,793 | 2,136,743 |
| Appropriated fund balance | <u>1,141,950</u> | - | <u>(1,141,950)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>994,793</u> | <u>\$ 994,793</u> |
| FUND BALANCE | | | |
| Beginning of year | | <u>4,313,432</u> | |
| End of year | | <u>\$ 5,308,225</u> | |

Combining Statements for Non-major Funds

Grant and Community Schools Special Revenue Fund

The Grant and Community Schools Special Revenue Fund includes grants received by the Board as well as fiscal agency monies.

Federal Grants Fund

The Federal Grants Fund is used to account for funds provided by the federal government under various federal programs.

Local Special Expense Fund

The Local Special Expense Fund accounts for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal grants restricted as to use, federal appropriations made directly to local school administrative units, and special programs and appropriated fund balances (revenues accruing to a school administrative unit in prior years but not yet expended).

School Activity Funds

The School Activity Funds includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 3
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2014

| | Grant and Community Schools Special Revenue Fund | Federal Grants Fund | Local Special Expense Fund | School Activity Funds | Total Non-major Governmental Funds |
|--|---|------------------------------------|---|--------------------------------------|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 5,432,684 | \$ - | \$ 1,514,996 | \$ 1,937,329 | \$ 8,885,009 |
| Due from other governments | 7,998 | 463,014 | 72 | - | 471,084 |
| Other receivable, net | 112,710 | - | 14,443 | - | 127,153 |
| Due from other funds | - | - | - | 143,505 | 143,505 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>143,505</u> | <u>143,505</u> |
| Total assets | <u>\$ 5,553,392</u> | <u>\$ 463,014</u> | <u>\$ 1,529,511</u> | <u>\$ 2,080,834</u> | <u>\$ 9,626,751</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 24,655 | \$ - | \$ 1,268 | \$ - | \$ 25,923 |
| Due to other funds | - | - | 644 | - | 644 |
| Accrued salaries and wages payable | 12,522 | 395,254 | 280,363 | - | 688,139 |
| | <u>37,177</u> | <u>395,254</u> | <u>282,275</u> | <u>-</u> | <u>714,706</u> |
| Total liabilities | <u>37,177</u> | <u>395,254</u> | <u>282,275</u> | <u>-</u> | <u>714,706</u> |
| Deferred inflows of resources | <u>1,786,086</u> | <u>67,760</u> | <u>72</u> | <u>35,482</u> | <u>1,889,400</u> |
| Fund balances: | | | | | |
| Restricted: | | | | | |
| Stabilization by State statute | 120,708 | - | 14,515 | 143,505 | 278,728 |
| Grants and scholarships | 3,609,421 | - | - | - | 3,609,421 |
| Individual schools | - | - | - | 1,901,847 | 1,901,847 |
| Assigned: | | | | | |
| Special revenue | - | - | 1,232,649 | - | 1,232,649 |
| | <u>-</u> | <u>-</u> | <u>1,232,649</u> | <u>-</u> | <u>1,232,649</u> |
| Total fund balances | <u>3,730,129</u> | <u>-</u> | <u>1,247,164</u> | <u>2,045,352</u> | <u>7,022,645</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 5,553,392</u> | <u>\$ 463,014</u> | <u>\$ 1,529,511</u> | <u>\$ 2,080,834</u> | <u>\$ 9,626,751</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 4
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2014

| | <u>Grant and Community Schools Special Revenue Fund</u> | <u>Federal Grants Fund</u> | <u>Local Special Expense Fund</u> | <u>School Activity Funds</u> | <u>Total Non-major Governmental Funds</u> |
|--|---|------------------------------------|---|--------------------------------------|---|
| REVENUES | | | | | |
| Durham County | \$ 414,830 | \$ - | \$ - | \$ - | \$ 414,830 |
| City of Durham | - | - | 254,958 | - | 254,958 |
| U.S. Government | 69,060 | 24,511,595 | 1,412,930 | - | 25,993,585 |
| Other | 4,804,534 | - | 4,827,745 | 4,931,907 | 14,564,186 |
| | <u>5,288,424</u> | <u>24,511,595</u> | <u>6,495,633</u> | <u>4,931,907</u> | <u>41,227,559</u> |
| Total revenues | | | | | |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instructional services: | | | | | |
| Regular instructional | 317,500 | 1,372,133 | 8,554,509 | - | 10,244,142 |
| Special populations | 548,875 | 4,890,727 | 417,013 | - | 5,856,615 |
| Alternative programs | 438,669 | 13,160,043 | 231,000 | - | 13,829,712 |
| School leadership | - | 303,028 | 2,763,831 | - | 3,066,859 |
| Co-curricular | 60,596 | - | - | 4,907,849 | 4,968,445 |
| School-based support | 229,813 | 1,908,735 | - | - | 2,138,548 |
| System-wide support services: | | | | | |
| Support and development | 2,901 | 151,112 | 6,665 | - | 160,678 |
| Special population support and development | - | 776,300 | - | - | 776,300 |
| Alternative programs and services support and development | - | 285,881 | - | - | 285,881 |
| Operational support | 7,148 | 815,633 | 1,994,218 | - | 2,816,999 |
| System-wide pupil support | 43,240 | - | - | - | 43,240 |
| Policy, leadership and public relations | - | - | 282 | - | 282 |
| Ancillary services | 2,992,371 | - | - | - | 2,992,371 |
| Non-programmed charges | 299,656 | 543,605 | - | - | 843,261 |
| Debt service: | | | | | |
| Principal repayments | - | 292,959 | - | - | 292,959 |
| Interest | - | 11,439 | - | - | 11,439 |
| | <u>4,940,769</u> | <u>24,511,595</u> | <u>13,967,518</u> | <u>4,907,849</u> | <u>48,327,731</u> |
| Total expenditures | | | | | |
| Revenues over (under) expenditures | <u>347,655</u> | <u>-</u> | <u>(7,471,885)</u> | <u>24,058</u> | <u>(7,100,172)</u> |
| OTHER FINANCING SOURCES | | | | | |
| Transfers from other funds | - | - | 8,681,975 | - | 8,681,975 |
| Net change in fund balance | 347,655 | - | 1,210,090 | 24,058 | 1,581,803 |
| FUND BALANCES | | | | | |
| Beginning of year | <u>3,382,474</u> | <u>-</u> | <u>37,074</u> | <u>2,021,294</u> | <u>5,440,842</u> |
| End of year | <u>\$ 3,730,129</u> | <u>\$ -</u> | <u>\$ 1,247,164</u> | <u>\$ 2,045,352</u> | <u>\$ 7,022,645</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 5
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Grant and Community Schools Special Revenue Fund
For the Year Ended June 30, 2014

| | Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|------------|------------|------------------------------------|
| REVENUES | | | |
| Durham County: | | | |
| Pre Kindergarten Program Support | \$ 414,830 | \$ 414,830 | \$ - |
| State of North Carolina: | | | |
| Fresh Fruit and Vegetable Grant | 11,155 | - | (11,155) |
| U.S. Government: | | | |
| Contingency Grant | 369,382 | - | (369,382) |
| History Link | 69,060 | 69,060 | - |
| Job Creation Grant | 3,000 | - | (3,000) |
| National Science Foundation Grant | 3,435 | - | (3,435) |
| Total U.S. Government | 444,877 | 69,060 | (375,817) |
| Other : | | | |
| Community education | 3,942,849 | 3,382,107 | (560,742) |
| Reading Academy | 18,679 | 13,851 | (4,828) |
| Responsive Classrooms | 20,000 | 19,950 | (50) |
| Watts Afterschool Reading | 18,679 | 14,121 | (4,558) |
| Student Science | 44,951 | 41,858 | (3,093) |
| Stars Grant | 99,422 | 83,466 | (15,956) |
| Harvard Project Reads Grant | 254,411 | 213,211 | (41,200) |
| Target School Award | 29,502 | 26,454 | (3,048) |
| New Voices Project | 68,829 | 68,829 | - |
| SOS-Middle School/After School | - | 25,850 | 25,850 |
| Arts Spotlight | 80,098 | 10,647 | (69,451) |
| Football Program | 11,335 | 11,260 | (75) |
| Preschool Program | 646,607 | 672,719 | 26,112 |
| Other | 1,311,430 | 220,211 | (1,091,219) |
| Total other | 6,546,792 | 4,804,534 | (1,742,258) |
| Total revenues | 7,417,654 | 5,288,424 | (2,129,230) |
| EXPENDITURES | | | |
| Current: | | | |
| Instructional services: | | | |
| Regular instructional | 736,562 | 317,500 | 419,062 |
| Special populations | 614,321 | 548,875 | 65,446 |
| Alternative programs | 727,665 | 438,669 | 288,996 |
| School leadership | 500 | - | 500 |
| Co-curricular | 73,921 | 60,596 | 13,325 |
| School-based support | 263,819 | 229,813 | 34,006 |
| Total instructional services | 2,416,788 | 1,595,453 | 821,335 |

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Grant and Community Schools Special Revenue Fund
For the Year Ended June 30, 2014**

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|-----------|--------------|------------------------------------|
| EXPENDITURES (Continued) | | | |
| System-wide support services: | | | |
| Support and development | \$ 43,767 | \$ 2,901 | \$ 40,866 |
| Operational support | 17,495 | 7,148 | 10,347 |
| System-wide pupil support | 100,087 | 43,240 | 56,847 |
| Total system-wide support services | 161,349 | 53,289 | 108,060 |
| Ancillary services: | | | |
| Community | 3,220,587 | 2,991,862 | 228,725 |
| Nutrition | 8,718 | 509 | 8,209 |
| Total ancillary services | 3,229,305 | 2,992,371 | 236,934 |
| Non-programmed charges: | | | |
| Indirect costs | 538,484 | 299,656 | 238,828 |
| Unbudgeted funds | 1,070,728 | - | 1,070,728 |
| Scholarships | 1,000 | - | 1,000 |
| Total non-programmed charges | 1,610,212 | 299,656 | 1,310,556 |
| Total expenditures | 7,417,654 | 4,940,769 | 2,476,885 |
| Revenues over expenditures | \$ - | 347,655 | \$ 347,655 |
| FUND BALANCE | | | |
| Beginning of year | | 3,382,474 | |
| End of year | | \$ 3,730,129 | |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 6
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Federal Grants Fund
For the Year Ended June 30, 2014

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|-------------------|-------------------|------------------------------------|
| REVENUES | | | |
| U.S. Government | \$ 32,423,182 | \$ 24,511,595 | \$ (7,911,587) |
| Total revenues | <u>32,423,182</u> | <u>24,511,595</u> | <u>(7,911,587)</u> |
| EXPENDITURES | | | |
| Instructional services | 27,248,916 | 21,634,666 | 5,614,250 |
| System-wide support services | 2,151,412 | 2,028,926 | 122,486 |
| Non-programmed charges | 2,718,456 | 543,605 | 2,174,851 |
| Debt service | <u>304,398</u> | <u>304,398</u> | <u>-</u> |
| Total expenditures | <u>32,423,182</u> | <u>24,511,595</u> | <u>7,911,587</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| FUND BALANCE | | | |
| Beginning of year | | <u>-</u> | |
| End of year | | <u>\$ -</u> | |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 7
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Local Special Expense Fund
For the Year Ended June 30, 2014

| | Budget | Actual | Variance Positive (Negative) |
|---|-------------|-------------|------------------------------------|
| REVENUES | | | |
| City of Durham: | | | |
| Holton Center Project | \$ 190,927 | \$ 254,958 | \$ 64,031 |
| U.S. Government: | | | |
| ROTC | 150,000 | 173,888 | 23,888 |
| Medicaid | 1,650,000 | 1,239,042 | (410,958) |
| Total U.S. Government | 1,800,000 | 1,412,930 | (387,070) |
| Other : | | | |
| Community education | 10,000 | 18,065 | 8,065 |
| Rental of school property | 303,000 | 312,096 | 9,096 |
| E-Rate revenue | 1,500,000 | 1,121,179 | (378,821) |
| Indirect cost allocated | 1,500,000 | 1,694,160 | 194,160 |
| Interest earned on investments | 245,000 | 198,024 | (46,976) |
| Other | 962,618 | 1,484,221 | 521,603 |
| Total other | 4,520,618 | 4,827,745 | 307,127 |
| Total revenues | 6,511,545 | 6,495,633 | (15,912) |
| EXPENDITURES | | | |
| Current: | | | |
| Instructional services: | | | |
| Regular instructional | 8,554,509 | 8,554,509 | - |
| Special populations | 417,013 | 417,013 | - |
| Alternative programs | 231,000 | 231,000 | - |
| School leadership | 2,763,833 | 2,763,831 | 2 |
| Total instructional services | 11,966,355 | 11,966,353 | 2 |
| System-wide support services: | | | |
| Support and development | 6,665 | 6,665 | - |
| Operational | 1,994,218 | 1,994,218 | - |
| Policy, leadership and public relations | 282 | 282 | - |
| Total system-wide support services | 2,001,165 | 2,001,165 | - |
| Total expenditures | 13,967,520 | 13,967,518 | 2 |
| Revenues under expenditures | (7,455,975) | (7,471,885) | (15,910) |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 7
Schedule of Revenues, Expenditures and Changes (Continued)
in Fund Balance - Budget and Actual
Local Special Expense Fund
For the Year Ended June 30, 2014

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|--------------------------------|---------------|---------------------|------------------------------------|
| OTHER FINANCING SOURCES | | | |
| Transfers from other funds | \$ 7,455,975 | \$ 8,681,975 | \$ 1,226,000 |
| Net change in fund balance | <u>\$ -</u> | <u>1,210,090</u> | <u>\$ 1,210,090</u> |
| FUND BALANCE | | | |
| Beginning of year | | <u>37,074</u> | |
| End of year | | <u>\$ 1,247,164</u> | |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 8
Detailed Schedule of Revenues, Expenditures
and Changes in Fund Balances
School Activity Funds
For the Year Ended June 30, 2014

| | Elementary Schools | Middle Schools | Senior High Schools | Total School Activity Funds |
|-----------------------------|-----------------------|-------------------|------------------------|-----------------------------------|
| REVENUES | | | | |
| General | \$ 101,040 | \$ 53,864 | \$ 406,990 | \$ 561,894 |
| Athletic funds | 560 | 147,794 | 780,648 | 929,002 |
| Instructional services | 617,629 | 413,536 | 876,500 | 1,907,665 |
| Student activities | 11,827 | 20,417 | 128,096 | 160,340 |
| Contributions | 468,645 | 199,408 | 704,953 | 1,373,006 |
| Total revenues | 1,199,701 | 835,019 | 2,897,187 | 4,931,907 |
| EXPENDITURES | | | | |
| Co-curricular instructional | 1,188,327 | 828,153 | 2,891,369 | 4,907,849 |
| Revenues over expenditures | 11,374 | 6,866 | 5,818 | 24,058 |
| FUND BALANCES | | | | |
| Beginning of year | 573,231 | 306,637 | 1,141,426 | 2,021,294 |
| End of year | \$ 584,605 | \$ 313,503 | \$ 1,147,244 | \$ 2,045,352 |

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

| | Budget | Actual | Variance Positive (Negative) |
|--|--------------|--------------|------------------------------------|
| OPERATING REVENUES | | | |
| Food sales | \$ 3,289,551 | \$ 2,145,557 | \$ (1,143,994) |
| OPERATING EXPENDITURES | | | |
| Food cost: | | | |
| Purchase of food | | 5,279,147 | |
| Donated commodities | | 926,372 | |
| Salaries and benefits | | 7,976,381 | |
| Indirect costs | | 801,936 | |
| Material and supplies | | 547,482 | |
| Repairs and maintenance | | 419,336 | |
| Contracted services | | 1,324 | |
| Other | | 77,380 | |
| Capital outlay | | 27,954 | |
| Total operating expenditures | 16,033,812 | 16,057,312 | (23,500) |
| Operating loss | (12,744,261) | (13,911,755) | (1,167,494) |
| NONOPERATING REVENUES | | | |
| Federal reimbursements | 10,759,609 | 12,134,235 | 1,374,626 |
| Federal commodities | 642,142 | 956,710 | 314,568 |
| Fresh fruits and vegetables program | 35,167 | 25,022 | (10,145) |
| State reimbursements | 20,440 | 24,341 | 3,901 |
| Interest earned | 14,107 | 11,410 | (2,697) |
| Other | - | 10,310 | 10,310 |
| Total nonoperating revenues | 11,471,465 | 13,162,028 | 1,690,563 |
| Revenues over (under) expenditures before other financing sources | (1,272,796) | (749,727) | 523,069 |
| OTHER FINANCING SOURCES | | | |
| Transfers from other funds | 122,796 | 122,796 | - |
| Revenues and other financing sources over (under) expenditures before fund balance appropriation | (1,150,000) | (626,931) | 523,069 |
| APPROPRIATED FUND BALANCE | 1,150,000 | - | (1,150,000) |
| Revenues and other financing sources over expenditures | \$ - | (626,931) | \$ (626,931) |
| Reconciliation of modified accrual to full accrual basis: | | | |
| Depreciation | | (75,879) | |
| Capital outlay | | 27,954 | |
| Increase in inventory | | 29,622 | |
| Decrease in accrued vacation pay | | (6,762) | |
| Net income - full accrual (page 22) | | \$ (651,996) | |

STATISTICAL SECTION



One Vision. One Durham.

Statistical Section

This section of the Durham Public School's Comprehensive Annual Financial Report presents detailed information for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Board's overall financial position.

Contents:

Financial Trends

These tables contain trend information to help the reader understand how the Board's financial position has changed over time.

Revenue Capacity

Since the Board's revenues are primarily provided by Durham County, these tables contain information to help the reader access Durham County's major revenue sources.

Debt Capacity

Since the Board's construction funding is primarily provided by Durham County, these tables present information to help the reader access the affordability of Durham County's current levels of outstanding debt and their ability to issue additional debt in the future.

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.

Operating Information

These tables contain select operating statistics to help the reader understand how the information in the Board's financial report related to the services the Board provides and the activities it performs.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
NET POSITION BY COMPONENT
Last Ten Fiscal Years Ending June 30, 2014

Table 1

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 263,186,310 | \$ 270,467,057 | \$ 270,367,774 | \$ 275,702,774 | \$ 298,497,927 | \$ 305,378,332 | \$ 364,841,047 | \$ 386,381,988 | \$ 390,271,923 | \$ 392,808,425 |
| Restricted | 3,804,724 | 3,225,651 | 2,748,856 | 4,287,800 | 4,691,584 | 5,181,893 | 10,388,736 | 10,543,358 | 10,491,824 | 11,636,318 |
| Unrestricted | (3,261,120) | (5,490,861) | (3,403,804) | (6,238,397) | (10,131,399) | (2,986,565) | 11,855,558 | 14,698,890 | 8,148,512 | 5,732,816 |
| | <u>\$ 263,729,914</u> | <u>\$ 268,201,847</u> | <u>\$ 269,712,826</u> | <u>\$ 273,752,177</u> | <u>\$ 293,058,112</u> | <u>\$ 307,573,660</u> | <u>\$ 387,085,341</u> | <u>\$ 411,624,236</u> | <u>\$ 408,912,259</u> | <u>\$ 410,177,559</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 683,835 | \$ 573,202 | \$ 591,205 | \$ 513,953 | \$ 486,927 | \$ 454,205 | \$ 418,232 | \$ 549,951 | \$ 642,068 | \$ 594,143 |
| Unrestricted | 2,464,736 | 2,658,645 | 2,348,012 | 2,070,663 | 2,164,776 | 3,111,563 | 4,352,498 | 4,307,099 | 4,448,204 | 3,844,133 |
| | <u>\$ 3,148,571</u> | <u>\$ 3,231,847</u> | <u>\$ 2,939,217</u> | <u>\$ 2,584,616</u> | <u>\$ 2,651,703</u> | <u>\$ 3,565,768</u> | <u>\$ 4,770,730</u> | <u>\$ 4,857,050</u> | <u>\$ 5,090,272</u> | <u>\$ 4,438,276</u> |
| District-wide | | | | | | | | | | |
| Net investment in capital assets | \$ 263,870,145 | \$ 271,040,259 | \$ 270,958,979 | \$ 276,216,727 | \$ 298,984,854 | \$ 305,832,537 | \$ 365,259,279 | \$ 386,931,939 | \$ 390,913,991 | \$ 393,402,568 |
| Restricted | 3,804,724 | 3,225,651 | 2,748,856 | 4,287,800 | 4,691,584 | 5,181,893 | 10,388,736 | 10,543,358 | 10,491,824 | 11,636,318 |
| Unrestricted | (796,384) | (2,832,216) | (1,055,792) | (4,167,734) | (7,966,623) | 124,998 | 16,208,056 | 19,005,989 | 12,596,716 | 9,576,949 |
| | <u>\$ 266,878,485</u> | <u>\$ 271,433,694</u> | <u>\$ 272,652,043</u> | <u>\$ 276,336,793</u> | <u>\$ 295,709,815</u> | <u>\$ 311,139,428</u> | <u>\$ 391,856,071</u> | <u>\$ 416,481,286</u> | <u>\$ 414,002,531</u> | <u>\$ 414,615,835</u> |

Note: This table is a ten-year schedule.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
CHANGES IN NET POSITION
Last Ten Fiscal Years Ending June 30, 2014

Table 2
Page 1 of 2

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Instructional programs | \$ 176,840,044 | \$ 183,464,731 | \$ 197,361,081 | \$ 239,812,185 | \$ 249,930,621 | \$ 225,210,682 | \$ 228,269,412 | \$ 252,812,921 | \$ 253,940,630 | \$ 251,596,848 |
| Support services | 72,725,991 | 76,713,152 | 81,127,871 | 63,429,498 | 65,080,679 | 62,913,423 | 62,691,265 | 75,585,737 | 82,147,274 | 75,411,074 |
| Community services | 3,988,587 | 4,216,967 | 3,907,337 | 3,960,838 | 4,129,830 | 3,725,081 | 3,984,105 | 4,600,655 | 4,335,383 | 4,322,900 |
| Non-program charges | 4,216,142 | 4,639,124 | 6,005,539 | 8,291,224 | 9,314,233 | 11,366,345 | 11,170,948 | 11,686,197 | 13,734,133 | 15,266,378 |
| Interest on long-term debt | 7,944 | 15,538 | 13,291 | 4,020 | 28,813 | - | - | - | 85,733 | 46,330 |
| Depreciation expense | 11,064,219 | 10,337,807 | 12,102,901 | 9,988,185 | 9,845,429 | 9,960,861 | 11,253,657 | 14,003,381 | 14,991,658 | 15,374,840 |
| Total governmental activities | 268,842,927 | 279,387,319 | 300,518,020 | 325,485,950 | 338,329,605 | 313,176,392 | 317,369,387 | 358,688,891 | 369,234,811 | 362,018,370 |
| Business-type activities: | | | | | | | | | | |
| School food service | 10,173,742 | 10,738,464 | 11,565,098 | 12,132,950 | 13,386,066 | 12,862,212 | 12,981,507 | 14,151,627 | 14,635,200 | 16,082,377 |
| Total district-wide | \$ 279,016,669 | \$ 290,125,783 | \$ 312,083,118 | \$ 337,618,900 | \$ 351,715,671 | \$ 326,038,604 | \$ 330,350,894 | \$ 372,840,518 | \$ 383,870,011 | \$ 378,100,747 |
| Program Revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | \$ 9,426,233 | \$ 8,784,061 | \$ 9,146,530 | \$ 4,158,758 | \$ 3,933,321 | \$ 3,593,740 | \$ 3,590,883 | \$ 3,810,061 | \$ 3,592,237 | \$ 3,687,323 |
| Operating grants and contributions | 162,498,629 | 172,794,460 | 184,951,079 | 210,264,462 | 215,065,379 | 205,360,536 | 209,280,266 | 216,312,932 | 213,360,014 | 215,524,348 |
| Capital grants | - | - | - | 43,488 | 129,698 | - | 8,755 | 15,528 | 3,787 | 930,169 |
| Total governmental activities | 171,924,862 | 181,578,521 | 194,097,609 | 214,466,708 | 219,128,398 | 208,954,276 | 212,879,904 | 220,138,521 | 216,956,038 | 220,141,840 |
| Business-type activities: | | | | | | | | | | |
| Charges for services - School Food Service Fund | 3,726,781 | 3,736,771 | 3,552,393 | 3,336,431 | 3,628,656 | 3,307,918 | 2,955,052 | 2,712,070 | 2,308,001 | 2,155,867 |
| Operating grants and contributions - USDA grant | 6,430,229 | 7,002,227 | 7,614,453 | 8,354,339 | 9,783,996 | 10,365,136 | 11,216,035 | 11,504,918 | 12,373,727 | 13,140,308 |
| Total business-type activities | 10,157,010 | 10,738,998 | 11,166,846 | 11,690,770 | 13,412,652 | 13,673,054 | 14,171,087 | 14,216,988 | 14,681,728 | 15,296,175 |
| Total district-wide | \$ 182,081,872 | \$ 192,317,519 | \$ 205,264,455 | \$ 226,157,478 | \$ 232,541,050 | \$ 222,627,330 | \$ 227,050,991 | \$ 234,355,509 | \$ 231,637,766 | \$ 235,438,015 |
| Net (Expense) Revenue | | | | | | | | | | |
| Governmental activities | \$ (96,918,065) | \$ (97,808,798) | \$ (106,420,411) | \$ (111,019,242) | \$ (119,201,207) | \$ (104,222,116) | \$ (104,489,483) | \$ (138,550,370) | \$ (152,278,773) | \$ (141,876,530) |
| Business-type activities | (16,732) | 534 | (398,252) | (442,180) | 26,586 | 810,842 | 1,189,580 | 65,361 | 46,528 | (786,202) |
| Total district-wide | \$ (96,934,797) | \$ (97,808,264) | \$ (106,818,663) | \$ (111,461,422) | \$ (119,174,621) | \$ (103,411,274) | \$ (103,299,903) | \$ (138,485,009) | \$ (152,232,245) | \$ (142,662,732) |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
CHANGES IN NET POSITION
Last Ten Fiscal Years Ending June 30, 2014

Table 2
Page 2 of 2

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Unrestricted county appropriations - operating | \$ 79,399,928 | \$ 84,127,705 | \$ 89,127,705 | \$ 95,727,705 | \$ 102,654,263 | \$ 100,996,102 | \$ 107,214,112 | \$ 108,971,662 | \$ 115,572,760 | \$ 118,073,439 |
| Unrestricted county appropriations - capital | - | 1,500,000 | 2,740,000 | 2,370,000 | 8,229,858 | 3,340,906 | 1,649,332 | 1,440,981 | 1,370,000 | 1,370,000 |
| Unrestricted city appropriations - capital | 1,893,486 | 1,465,735 | 1,386,219 | 470,080 | 7,003,740 | 945,679 | 1,014,991 | 5,860,947 | 1,538,793 | 1,528,267 |
| Unrestricted other county revenues - capital | 20,357,320 | 10,967,181 | 8,156,468 | 11,729,046 | 16,782,957 | 13,394,396 | 70,906,098 | 43,802,250 | 29,554,012 | 20,316,477 |
| Unrestricted state appropriations - capital | 2,118,326 | 4,029,828 | 2,272,012 | 16,346 | - | 707,678 | 1,128,798 | - | - | - |
| Unrestricted other state revenues - operating | 528,600 | - | - | - | - | - | - | - | - | - |
| Investment earnings, unrestricted | 342,437 | 555,952 | 981,790 | 1,270,536 | 672,429 | 406,126 | 412,175 | 391,167 | 275,925 | 226,413 |
| Gain (loss) on disposal of fixed assets | 400,709 | (83,490) | (55,148) | - | - | - | - | - | - | - |
| Miscellaneous, unrestricted | 1,269,578 | 1,461,820 | 3,322,344 | 3,527,087 | 3,163,895 | 1,362,500 | 1,675,658 | 2,622,258 | 1,429,760 | 1,750,030 |
| Transfers and capital contributions | - | - | - | - | - | (82,491) | - | - | (174,454) | (122,796) |
| Total governmental activities | <u>106,310,384</u> | <u>104,024,731</u> | <u>107,931,390</u> | <u>115,110,800</u> | <u>138,507,142</u> | <u>121,070,896</u> | <u>184,001,164</u> | <u>163,089,265</u> | <u>149,566,796</u> | <u>143,141,830</u> |
| Business-type activities: | | | | | | | | | | |
| Investment earnings, unrestricted | 40,122 | 82,742 | 105,622 | 87,579 | 40,501 | 20,732 | 15,382 | 20,959 | 12,240 | 11,410 |
| Gain (loss) on disposal of fixed assets | - | - | - | - | - | - | - | - | - | - |
| Transfers and capital contributions | - | - | - | - | - | 82,491 | - | - | 174,454 | 122,796 |
| Total business-type activities | <u>40,122</u> | <u>82,742</u> | <u>105,622</u> | <u>87,579</u> | <u>40,501</u> | <u>103,223</u> | <u>15,382</u> | <u>20,959</u> | <u>186,694</u> | <u>134,206</u> |
| Total district-wide | <u>\$ 106,350,506</u> | <u>\$ 104,107,473</u> | <u>\$ 108,037,012</u> | <u>\$ 115,198,379</u> | <u>\$ 138,547,643</u> | <u>\$ 121,174,119</u> | <u>\$ 184,016,546</u> | <u>\$ 163,110,224</u> | <u>\$ 149,753,490</u> | <u>\$ 143,276,036</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 9,392,319 | \$ 6,215,933 | \$ 1,510,979 | \$ 4,091,558 | \$ 19,305,935 | \$ 16,848,780 | \$ 79,511,681 | \$ 24,538,895 | \$ (2,711,977) | \$ 1,265,300 |
| Business-type activities | 23,390 | 83,276 | (292,630) | (354,601) | 67,087 | 914,065 | 1,204,962 | 86,320 | 233,222 | (651,996) |
| Total district-wide | <u>\$ 9,415,709</u> | <u>\$ 6,299,209</u> | <u>\$ 1,218,349</u> | <u>\$ 3,736,957</u> | <u>\$ 19,373,022</u> | <u>\$ 17,762,845</u> | <u>\$ 80,716,643</u> | <u>\$ 24,625,215</u> | <u>\$ (2,478,755)</u> | <u>\$ 613,304</u> |

Note: This table is a ten-year schedule.

Source: Durham Public Schools Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
GOVERNMENTAL FUNDS
FUND BALANCE
Last Ten Fiscal Years Ending June 30, 2014

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|------------------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| General fund | | | | | |
| Nonspendable | \$ 1,556,765 | \$ 1,061,955 | \$ 1,382,381 | \$ 1,307,594 | \$ 265,573 |
| Restricted | 1,022,034 | 753,455 | 1,031,721 | 993,500 | 605,882 |
| Committed | - | - | - | - | - |
| Assigned | 2,557,570 | 4,830,055 | 3,807,570 | 2,807,570 | 7,709,453 |
| Unassigned | 638,823 | 948,816 | 2,854,518 | 4,125,689 | 805,634 |
| Total General Fund | <u>5,775,192</u> | <u>7,594,281</u> | <u>9,076,190</u> | <u>9,234,353</u> | <u>9,386,542</u> |
| All other governmental funds | | | | | |
| Restricted | 5,953,941 | 3,720,476 | 3,019,378 | 5,310,948 | 4,430,504 |
| Assigned | - | 255,295 | 1,323,033 | 1,365,711 | 1,365,711 |
| Unassigned | <u>(2,149,217)</u> | <u>(750,120)</u> | 215,174 | <u>(2,388,859)</u> | <u>(1,104,631)</u> |
| Total all other governmental funds | <u>3,804,724</u> | <u>3,225,651</u> | <u>4,557,585</u> | <u>4,287,800</u> | <u>4,691,584</u> |
| Total all governmental funds | <u>\$ 9,579,916</u> | <u>\$ 10,819,932</u> | <u>\$ 13,633,775</u> | <u>\$ 13,522,153</u> | <u>\$ 14,078,126</u> |

Note: GASB Statement No. 54, presenting restated Fund Balances, was implemented for the year ended June 30, 2011.

Table 3

| <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 1,234,557 | \$ 1,195,663 | \$ 1,331,656 | \$ 1,387,010 | \$ 1,412,411 |
| 1,201,028 | 2,459,570 | 8,648,572 | 686,153 | 538,097 |
| - | 6,442,119 | 5,408,660 | 7,455,975 | 16,712,463 |
| 5,556,908 | 6,696,190 | 4,497,568 | 3,385,031 | 3,056,908 |
| 6,049,121 | 12,827,309 | 9,895,228 | 19,747,754 | 8,474,324 |
| <u>14,041,614</u> | <u>29,620,851</u> | <u>29,781,684</u> | <u>32,661,923</u> | <u>30,194,203</u> |
| 8,982,810 | 13,023,081 | 13,939,259 | 9,805,671 | 11,098,221 |
| 1,365,711 | 975,651 | 4,179,132 | - | 1,232,649 |
| <u>(5,166,628)</u> | <u>(3,609,996)</u> | <u>(2,220,505)</u> | <u>(51,397)</u> | <u>-</u> |
| <u>5,181,893</u> | <u>10,388,736</u> | <u>15,897,886</u> | <u>9,754,274</u> | <u>12,330,870</u> |
| <u>\$ 19,223,507</u> | <u>\$ 40,009,587</u> | <u>\$ 45,679,570</u> | <u>\$ 42,416,197</u> | <u>\$ 42,525,073</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
GOVERNMENTAL FUNDS
CHANGES IN FUND BALANCES
Last Ten Fiscal Years Ending June 30, 2014

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|-----------------------|---------------------|---------------------|--------------------|
| Revenues | | | | |
| State of North Carolina | \$144,205,845 | \$154,217,728 | \$163,447,232 | \$180,752,537 |
| Durham County | 99,757,252 | 96,594,886 | 100,024,173 | 109,826,751 |
| City of Durham | - | - | - | 470,080 |
| U.S. Government | 19,077,317 | 21,053,176 | 23,642,599 | 22,181,948 |
| Other | 16,367,337 | 16,992,604 | 17,072,668 | 17,844,318 |
| Total revenues | <u>279,407,751</u> | <u>288,858,394</u> | <u>304,186,672</u> | <u>331,075,634</u> |
| Expenditures | | | | |
| Instructional programs | 178,380,588 | 183,206,062 | 196,326,146 | 238,788,373 |
| Support services | 69,542,725 | 76,555,851 | 81,687,024 | 61,716,022 |
| Community services | 3,974,213 | 4,165,813 | 3,906,701 | 3,960,838 |
| Non-program charges | 5,222,652 | 5,722,840 | 7,187,502 | 8,291,224 |
| Capital outlay | 26,519,342 | 17,286,879 | 12,536,314 | 18,449,768 |
| Debt service - principal | 1,678,679 | 1,576,304 | 1,930,283 | 1,179,376 |
| Debt service - interest | 7,944 | 15,538 | 13,884 | 4,020 |
| Total expenditures | <u>285,326,143</u> | <u>288,529,287</u> | <u>303,587,854</u> | <u>332,389,621</u> |
| Revenues over (under) expenditures | (5,918,392) | 329,107 | 598,818 | (1,313,987) |
| Other financing sources (uses) | | | | |
| Installment purchase obligations issued | 1,892,735 | 808,606 | 2,193,345 | 1,159,341 |
| Capital leases | 370,777 | 49,065 | - | 86,815 |
| Increase (decrease) in reserve for inventories | (105,694) | 53,238 | 21,680 | 8,416 |
| Transfers in (out) | - | - | - | - |
| Other | - | - | - | - |
| Net change in fund balance | <u>\$ (3,760,574)</u> | <u>\$ 1,240,016</u> | <u>\$ 2,813,843</u> | <u>\$ (59,415)</u> |
| Ratio of debt service to non-capital expenditures | <u>0.66%</u> | <u>0.59%</u> | <u>0.67%</u> | <u>0.38%</u> |

Source: Durham Public Schools Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014

Table 4

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------|---------------------|----------------------|---------------------|-----------------------|--------------------|
| \$181,491,906 | \$162,824,820 | \$163,204,852 | \$171,743,913 | \$175,674,111 | \$181,321,376 |
| 127,667,078 | 116,587,638 | 179,308,287 | 153,909,202 | 146,305,844 | 139,919,787 |
| 7,003,740 | 1,143,766 | 374,032 | 234,710 | 190,928 | 254,958 |
| 23,632,816 | 35,881,228 | 39,470,884 | 35,819,632 | 29,467,024 | 25,993,585 |
| 19,830,583 | 15,543,451 | 15,847,274 | 23,125,460 | 16,249,973 | 17,266,217 |
| <u>359,626,123</u> | <u>331,980,903</u> | <u>398,205,329</u> | <u>384,832,917</u> | <u>367,887,880</u> | <u>364,755,923</u> |
| 246,851,238 | 227,017,268 | 226,953,898 | 250,231,115 | 250,850,391 | 250,122,678 |
| 64,178,239 | 63,484,308 | 60,695,006 | 65,352,876 | 66,832,194 | 69,223,629 |
| 4,129,830 | 3,725,081 | 3,984,105 | 4,600,655 | 4,335,383 | 4,322,900 |
| 9,314,233 | 11,366,345 | 12,085,088 | 12,378,157 | 14,420,218 | 15,856,313 |
| 33,642,435 | 18,391,623 | 74,274,614 | 46,270,479 | 36,226,962 | 23,445,653 |
| 1,804,652 | 782,504 | 1,175,084 | 1,181,892 | 3,203,389 | 1,502,624 |
| 2,207 | - | - | 47,233 | 85,733 | 46,330 |
| <u>359,922,834</u> | <u>324,767,129</u> | <u>379,167,795</u> | <u>380,062,407</u> | <u>375,954,270</u> | <u>364,520,127</u> |
| (296,711) | 7,213,774 | 19,037,534 | 4,770,510 | (8,066,390) | 235,796 |
| 861,349 | 162,614 | 1,771,157 | 949,858 | 4,915,999 | - |
| - | 128,553 | - | - | - | - |
| (8,665) | (26,328) | (22,611) | (50,385) | 30,469 | (4,124) |
| - | - | - | - | (174,454) | (122,796) |
| - | - | - | - | 31,003 | - |
| <u>\$ 555,973</u> | <u>\$ 7,478,613</u> | <u>\$ 20,786,080</u> | <u>\$ 5,669,983</u> | <u>\$ (3,263,373)</u> | <u>\$ 108,876</u> |
| <u>0.56%</u> | <u>0.26%</u> | <u>0.39%</u> | <u>0.37%</u> | <u>0.98%</u> | <u>0.46%</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
ASSESSED VALUE OF TAXABLE PROPERTY FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | Tax Year Ended December 31, | Real Property | Personal Property | Public Service Companies | Registered Vehicles ⁽³⁾ |
|---|--|--------------------------|------------------------------|-------------------------------------|---|
| 2014 | 2013 | \$ 25,254,108,336 | \$ 3,300,458,222 | \$ 489,915,862 | \$ 2,980,521,352 |
| 2013 | 2012 | 24,909,554,030 | 3,304,053,564 | 494,110,311 | 1,739,032,299 |
| 2012 | 2011 | 24,580,465,174 | 3,166,306,877 | 471,720,126 | 1,623,871,164 |
| 2011 | 2010 | 24,353,954,146 | 3,074,419,178 | 501,907,483 | 1,530,317,547 |
| 2010 | 2009 | 23,976,021,000 | 2,905,267,206 | 524,524,630 | 1,627,078,510 |
| 2009 | 2008 | 23,508,752,957 | 2,824,338,529 | 517,202,960 | 1,690,561,506 |
| 2008 | 2007 | 18,068,249,108 | 2,837,548,386 | 514,897,106 | 1,715,889,532 |
| 2007 | 2006 | 17,319,467,597 | 2,518,003,626 | 517,286,245 | 1,680,614,666 |
| 2006 | 2005 | 16,769,216,308 | 2,465,434,636 | 515,456,602 | 1,530,608,393 |
| 2005 | 2004 | 16,281,035,800 | 2,323,311,138 | 523,810,967 | 1,473,351,385 |

- Notes:
- (1) All taxable property is assessed at one hundred percent (100%) of its estimated market value. Revaluation of taxable property occurred on January 1, 1985, 1993, 2001, and 2008.
 - (2) This does not include valuations of property owned by the State of North Carolina, United States Government, eleemosynary institutions, etc., not subject to taxation. Assessed valuation equals estimated actual value.
 - (3) Effective July 1, 1993, registered vehicles were separated from personal property. The taxes on registered vehicles now coincide with the Department of Motor Vehicles renewals.
 - (4) Per \$100 of assessed value

Source: Durham County, North Carolina (as of October, 2014)

Table 5

| Total Assessed Value ⁽¹⁾⁽²⁾ | County-wide Tax Rate ⁽⁴⁾ | Special Tax Districts Tax Rate ⁽⁴⁾ | Average County Tax Rate ⁽⁴⁾ |
|---|--|--|---|
| \$ 32,025,003,772 | 0.7740 | 0.0600-0.1518 | 0.8047 |
| 30,446,750,204 | 0.7444 | 0.0599-0.1524 | 0.7734 |
| 29,842,363,341 | 0.7459 | 0.0599-0.2500 | 0.7745 |
| 29,460,598,354 | 0.7459 | 0.0360-0.2500 | 0.8359 |
| 29,032,891,346 | 0.7081 | 0.0360-0.2500 | 0.8359 |
| 28,540,855,952 | 0.7081 | 0.0361-0.2500 | 0.7981 |
| 23,136,584,132 | 0.8340 | 0.0187-0.2500 | 0.9190 |
| 22,035,372,134 | 0.8090 | 0.0187-0.2500 | 0.8765 |
| 21,280,715,939 | 0.8090 | 0.0187-0.2500 | 0.7990 |
| 20,601,509,290 | 0.7900 | 0.0187-0.2000 | 0.7690 |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING
GOVERNMENTS FOR DURHAM COUNTY
PER \$100 OF ASSESSED VALUE ⁽¹⁾
Last Ten Fiscal Years Ending June 30, 2014

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008²</u> |
|-------------------------------------|---------------|---------------|---------------|-------------------------|
| County direct rate | | | | |
| Operating rate | 0.7019 | 0.7144 | 0.7536 | 0.7801 |
| Capital rate | 0.0881 | 0.0946 | 0.0554 | 0.0539 |
| Total general fund direct rate | <u>0.7900</u> | <u>0.8090</u> | <u>0.8090</u> | <u>0.8340</u> |
| Fire district rates | 0.0600-0.1100 | 0.0570-0.1100 | 0.0570-0.1100 | 0.0570-0.1150 |
| Other special district rates | 0.1287-0.2000 | 0.1287-0.2500 | 0.1287-0.2500 | 0.1474-0.2500 |
| Municipality Rates | | | | |
| City of Durham | 0.5830 | 0.5830 | 0.6030 | 0.6180 |
| City of Durham BID | - | - | - | - |
| Town of Chapel Hill | 0.5750 | 0.5220 | 0.5220 | 0.5220 |
| City of Raleigh | 0.3950 | 0.3950 | 0.4350 | 0.4350 |
| Town of Morrisville | - | - | - | - |

Notes:

- (1) All taxable property is subject to the County direct rate. Most property in unincorporated areas is also subject to one of the seven fire district taxes.
- (2) A revaluation of real property is required by N. C. General Statutes at least every eight years. Revaluation of taxable property occurred on January 1, 2008.

Source: Durham County, North Carolina (as of October, 2014)

Table 6

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 0.6594 | 0.6604 | 0.6911 | 0.6865 | 0.6850 | 0.6850 |
| 0.0487 | 0.0477 | 0.0548 | 0.0594 | 0.0594 | 0.0894 |
| <u>0.7081</u> | <u>0.7081</u> | <u>0.7459</u> | <u>0.7459</u> | <u>0.7444</u> | <u>0.7744</u> |
| 0.0570-0.1100 | 0.0570-0.1100 | 0.0599-0.1100 | 0.0599-0.1125 | 0.0599-0.1150 | 0.0600-0.1300 |
| 0.1461-0.2500 | 0.1461-0.2500 | 0.1460-0.2500 | 0.1474-0.2500 | 0.1374-0.1524 | 0.1518-0.1668 |
| 0.5400 | 0.5400 | 0.5519 | 0.5575 | 0.5675 | 0.5675 |
| - | - | - | - | 0.6375 | 0.6375 |
| 0.5810 | 0.4940 | 0.4940 | 0.4940 | 0.4940 | 0.5140 |
| 0.3735 | 0.3735 | 0.3735 | 0.3735 | 0.3826 | 0.3826 |
| - | - | - | 0.3665 | 0.3665 | 0.3900 |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
TEN LARGEST TAXPAYERS FOR DURHAM COUNTY
Year Ended June 30, 2014 and 2005

| <u>Taxpayer</u> | <u>Type of Enterprise</u> | <u>Fiscal Year 2014</u> | | |
|--------------------------------|---------------------------|---------------------------|-------------|---|
| | | <u>Assessed Valuation</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Valuation</u> |
| International Business Machine | Manufacturer | \$ 561,513,886 | 1 | 1.93% |
| Cree Inc | Manufacturer | 375,675,811 | 2 | 1.29% |
| GlaxoSmithKline | Manufacturer | 355,899,743 | 3 | 1.23% |
| AW North Carolina Inc | Manufacturer | 290,193,302 | 4 | 1.00% |
| Merck Sharp & Dohme Corp | Bio Tech | 231,107,258 | 5 | 0.80% |
| Duke Energy Corp | Utility | 200,234,727 | 6 | 0.69% |
| SouthPoint Mall LLC | Retail | 171,969,004 | 7 | 0.59% |
| EMC Corporation | Manufacturer | 168,490,898 | 8 | 0.58% |
| EISAI Inc | Pharmaceutical | 114,111,026 | 9 | 0.39% |
| Highwoods/Forsyth Limited Part | Real Estate | 107,458,678 | 10 | 0.37% |
| Verizon South Inc | Communications | - | - | - |
| State Street Bank & Trust | Finance | - | - | - |
| Vac Ltd Partnership | Real Estate | - | - | - |
| | | <u>\$ 2,576,654,333</u> | | <u>8.87%</u> |

Source: Durham County, North Carolina (as of October, 2014)

Table 7

| Fiscal Year 2005 | | |
|-------------------------------|-------------|---|
| Assessed Valuation | Rank | Percentage of Total Taxable Assessed Valuation |
| \$ 541,112,647 | 2 | 2.63% |
| 119,489,018 | 6 | 0.58% |
| 568,256,555 | 1 | 2.76% |
| 225,450,525 | 4 | 1.09% |
| - | - | - |
| 166,542,350 | 5 | 0.81% |
| 82,926,225 | 9 | 0.40% |
| - | - | - |
| - | - | - |
| 100,250,001 | 7 | 0.49% |
| 229,779,772 | 3 | 1.12% |
| 83,584,221 | 8 | 0.41% |
| 66,579,533 | 10 | 0.32% |
| <u>\$ 2,183,970,847</u> | | <u>10.61%</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | Tax Year Ended December 31, | Adjusted Tax Levy | Current Year Levy Collections | Percent of Levy Collected |
|---|--|------------------------------|--|--|
| 2014 | 2013 | \$ 387,633,332 | \$ 385,068,858 | 99.34% |
| 2013 | 2012 | 368,162,207 | 364,152,559 | 98.91% |
| 2012 | 2011 | 356,876,076 | 352,704,112 | 98.83% |
| 2011 | 2010 | 363,164,888 | 358,623,043 | 98.75% |
| 2010 | 2009 | 343,120,176 | 338,558,945 | 98.67% |
| 2009 | 2008 | 337,224,715 | 331,357,242 | 98.26% |
| 2008 | 2007 | 317,413,489 | 313,396,710 | 98.73% |
| 2007 | 2006 | 289,156,326 | 285,179,105 | 98.62% |
| 2006 | 2005 | 276,254,924 | 271,744,257 | 98.37% |
| 2005 | 2004 | 260,809,549 | 255,882,258 | 98.11% |

Source: Durham County, North Carolina (as of October, 2014)

Table 8

| Collections in Subsequent Years | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes | Percent of Delinquent Taxes to Tax Levy |
|--|----------------------------------|---|---|--|
| \$ - | \$ 385,068,858 | 99.34% | \$ 5,130,862 | 1.32% |
| 2,669,340 | 366,821,899 | 99.64% | 6,530,429 | 1.77% |
| 3,118,383 | 355,822,495 | 99.70% | 6,555,562 | 1.84% |
| 2,465,889 | 361,088,932 | 99.43% | 7,165,866 | 1.97% |
| 3,417,043 | 341,975,988 | 99.67% | 7,997,259 | 2.33% |
| 4,676,027 | 336,033,269 | 99.65% | 8,686,871 | 2.58% |
| 2,948,261 | 316,344,971 | 99.66% | 8,642,528 | 2.72% |
| 3,076,804 | 288,255,909 | 99.69% | 7,439,573 | 2.57% |
| 3,517,987 | 275,262,244 | 99.64% | 8,498,119 | 3.08% |
| 4,021,830 | 259,904,088 | 99.65% | 8,644,800 | 3.31% |

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2014**

| Fiscal Year Ended June 30, | Population Estimate (1) | Total Assessed Value | Debt Limit | Gross Bonded Debt |
|---|------------------------------------|---------------------------------|-------------------|------------------------------|
| 2014 | 284,437 | \$ 32,025,003,772 | \$ 2,562,000,302 | \$ 295,905,000 |
| 2013 | 277,588 | 30,446,750,204 | 2,435,740,016 | 273,900,000 |
| 2012 | 275,960 | 29,842,363,341 | 2,387,389,067 | 298,585,000 |
| 2011 | 272,156 | 29,460,598,354 | 2,356,847,868 | 272,680,000 |
| 2010 | 267,849 | 29,032,891,346 | 2,322,631,308 | 233,930,000 |
| 2009 | 265,670 | 28,540,855,952 | 2,283,268,476 | 255,335,000 |
| 2008 | 261,206 | 23,136,584,132 | 1,850,926,731 | 275,570,001 |
| 2007 | 254,902 | 22,035,372,134 | 1,762,829,771 | 247,445,003 |
| 2006 | 249,654 | 21,280,715,939 | 1,702,457,275 | 265,660,004 |
| 2005 | 246,924 | 20,601,509,290 | 1,648,120,743 | 221,945,003 |

Note 1: Estimate from Durham City/County Planning Department.

Source: Durham County, North Carolina (as of October, 2014)

Table 9

| Net Bonded Debt | Debt to Taxable Property Assessed Value | Net Bonded Debt Per Capita |
|----------------------------|--|---|
| \$ 295,905,000 | 0.92% | \$ 1,040 |
| 273,900,000 | 0.90% | 987 |
| 298,585,000 | 1.00% | 1,082 |
| 272,680,000 | 0.93% | 1,002 |
| 233,930,000 | 0.81% | 873 |
| 255,335,000 | 0.89% | 961 |
| 275,570,001 | 1.2% | 1,037 |
| 247,445,003 | 1.1% | 950 |
| 265,660,004 | 1.2% | 1,041 |
| 221,945,003 | 1.0% | 873 |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL EXPENDITURES FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | Principal | Interest | Other Expenditures |
|---|------------------|-----------------|-------------------------------|
| 2014 | \$ 34,261,816 | \$ 2,335,411 | \$ 644,769 |
| 2013 | 39,155,769 | 19,669,554 | 244,735 |
| 2012 | 109,738,120 | 16,642,611 | 540,070 |
| 2011 | 53,158,145 | 15,794,753 | 683,053 |
| 2010 | 25,431,125 | 16,349,362 | 231,637 |
| 2009 | 27,266,955 | 14,372,730 | 3,350 |
| 2008 | 25,249,056 | 13,254,045 | 3,350 |
| 2007 | 25,321,777 | 13,441,166 | 3,350 |
| 2006 | 23,344,788 | 12,613,290 | 3,500 |
| 2005 | 21,476,140 | 13,440,112 | - |

Notes: (1) General expenditures are taken from all General Government Fund types Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

Source: Durham County, North Carolina (as of October, 2014)

Table 10

| <u>Total Debt Service</u> | <u>Total General Expenditures ⁽¹⁾</u> | <u>Ratio of Debt Service to Total General Expenditures</u> |
|-------------------------------|--|--|
| \$ 58,260,746 | \$ 435,141,587 | 13.39% |
| 59,070,058 | 331,823,530 | 17.80% |
| 126,920,801 | 329,489,901 | 38.52% |
| 69,635,951 | 323,275,838 | 21.54% |
| 42,012,124 | 314,831,306 | 13.34% |
| 41,643,035 | 374,809,528 | 11.11% |
| 38,506,451 | 373,328,462 | 10.31% |
| 38,766,293 | 356,860,759 | 10.86% |
| 35,961,578 | 342,123,072 | 10.51% |
| 34,916,252 | 406,585,461 | 8.59% |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA **Table 11**
RATIOS OF OUTSTANDING DEBT BY TYPE - DURHAM PUBLIC SCHOOLS
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | Capital Lease Obligation | Installment Purchases | Total Governmental Activities | Business- Type Activities | Total Primary Government | Percentage of Personal Income | Per Capita |
|---|---|----------------------------------|--|--|---|--|-----------------------|
| 2014 | \$ - | \$ 1,988,530 | \$ 1,988,530 | \$ - | \$ 1,988,530 | 0.017% | \$ 6.99 |
| 2013 | - | 3,491,154 | 3,491,154 | - | 3,491,154 | 0.031% | 12.58 |
| 2012 | 17,022 | 1,761,522 | 1,778,544 | - | 1,778,544 | 0.016% | 6.44 |
| 2011 | 34,045 | 1,976,533 | 2,010,578 | - | 2,010,578 | 0.019% | 7.39 |
| 2010 | 80,831 | 409,075 | 489,906 | - | 489,906 | 0.005% | 1.83 |
| 2009 | 26,604 | 954,139 | 980,743 | - | 980,743 | 0.010% | 3.69 |
| 2008 | 53,210 | 1,890,456 | 1,943,666 | - | 1,943,666 | 0.019% | 7.44 |
| 2007 | 36,073 | 1,840,813 | 1,876,886 | - | 1,876,886 | 0.020% | 7.36 |
| 2006 | 174,307 | 1,439,517 | 1,613,824 | - | 1,613,824 | 0.019% | 6.46 |
| 2005 | 273,068 | 2,059,389 | 2,332,457 | - | 2,332,457 | 0.028% | 9.45 |

Notes: Details regarding the school system's outstanding debt can be found in the notes to the financial statements.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 12
DEMOGRAPHIC STATISTICS FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | Population Estimate | Student Average Daily Membership | Unemployment Rate | Per Capita Personal Income | Retail Sales |
|---|--------------------------------|---|------------------------------|---|-------------------------|
| 2014 | 284,437 | 33,263 | 5.30% | * | \$ 5,501,325,000 |
| 2013 | 277,588 | 32,405 | 7.50% | * | 4,925,320,533 |
| 2012 | 275,960 | 32,569 | 8.20% | 40,963 | 4,434,078,534 |
| 2011 | 272,156 | 32,118 | 8.40% | 38,795 | 4,163,246,000 |
| 2010 | 267,849 | 31,956 | 7.80% | 40,116 | 4,022,518,000 |
| 2009 | 265,670 | 32,313 | 7.30% | 37,308 | 3,630,249,000 |
| 2008 | 261,206 | 32,749 | 4.10% | 38,923 | 3,703,207,039 |
| 2007 | 254,902 | 31,981 | 3.80% | 36,388 | 3,796,970,577 |
| 2006 | 249,654 | 31,343 | 3.90% | 34,212 | 3,707,313,563 |
| 2005 | 246,924 | 30,191 | 4.60% | 34,212 | 5,085,955,806 |

*Data not available.

Source: Durham County, North Carolina (as of October, 2014) and North Carolina Department of Public Instruction.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
TEN LARGEST EMPLOYERS FOR DURHAM COUNTY
Year Ended June 30, 2014 and 2005

| <u>Employer</u> | <u>2014</u> | | |
|--|------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total County Employment</u> |
| Duke University & Health System | 35,998 | 1 | 19.47% |
| International Business Machine | 7,000 | 2 | 3.79% |
| Durham Public Schools | 4,600 | 3 | 2.49% |
| GlaxoSmithKline | 3,700 | 4 | 2.00% |
| Blue Cross Blue Shield of North Carolina | 3,200 | 5 | 1.73% |
| Durham City Government | 2,401 | 6 | 1.30% |
| Fidelity Investments | 2,400 | 7 | 1.30% |
| Research Trinangle Institute | 2,300 | 8 | 1.24% |
| Quintiles Transnational Corp. | 2,300 | 9 | 1.24% |
| Veteran Affairs (VA) Medical Center | 2,162 | 10 | 1.17% |
| Nortel Networks | - | - | - |
| Lenovo Group, Ltd. | - | - | - |
| Durham County Government | - | - | - |
| | <u>66,061</u> | | <u>35.73%</u> |

Source: Durham Chamber of Commerce and Bureau of Labor Statistics

Table 13

| 2005 | | |
|------------------|-------------|--|
| <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total County Employment</u> |
| 26,324 | 1 | 15.54% |
| 11,527 | 2 | 6.81% |
| 5,076 | 4 | 3.00% |
| 5,179 | 3 | 3.06% |
| - | - | - |
| 2,202 | 7 | 1.30% |
| - | - | - |
| 2,003 | 9 | 1.18% |
| - | - | - |
| 2,086 | 8 | 1.23% |
| 2,600 | 5 | 1.54% |
| 2,300 | 6 | 1.36% |
| 1,774 | 10 | 1.05% |
| <u>61,071</u> | | <u>36.07%</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years Ending June 30, 2014

Table 14

| Function | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Instructional Programs | 3,298 | 3,432 | 3,322 | 3,208 | 3,127 | 2,827 | 2,753 | 2,765 | 2,813 | 2,881 |
| Support Services | 1,211 | 1,266 | 1,237 | 1,235 | 1,345 | 1,364 | 1,330 | 1,438 | 1,459 | 1,431 |
| Community Services | 124 | 125 | 125 | 125 | 125 | 121 | 121 | 121 | 142 | 142 |
| Food Services | 233 | 237 | 237 | 173 | 177 | 167 | 178 | 181 | 190 | 204 |
| Total | 4,866 | 5,060 | 4,921 | 4,741 | 4,774 | 4,479 | 4,382 | 4,505 | 4,604 | 4,658 |

Note: This table is a ten-year schedule.

Source: Finance Department of Durham Public Schools

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
SCHOOL BUILDING DATA-HIGH SCHOOLS
Year Ended June 30, 2014

Table 15

| School | Site Acreage | Building Square Feet | Capacity | 2013-14 Day 20 Enrollment | Percentage Over/(Under) Capacity | Year Constructed | Years Renovations/ Additions |
|-----------------------------------|-----------------|-------------------------|----------|---------------------------------|--|---------------------|--|
| City of Medicine | 7.20 | 40,519 | 320 | 330 | 3.13% | 2011 | |
| Durham PLC/ARC @ Holton | 7.00 | 104,869 | 350 | 243 | -30.57% | 1933 | 2009 |
| School for Creative Studies * | 54.96 | 124,250 | 100 | 84 | -16.00% | 1974 | 2005,06,2009,2013 |
| Durham School. of Arts ** | 11.70 | 304,550 | 916 | 943 | 2.95% | 1921 | 1928,49,55,62,76, 1988,2008,2011 |
| Hillside | 63.04 | 299,943 | 1,535 | 1,250 | -18.57% | 1995 | 2005,2009 |
| Jordan | 55.74 | 266,477 | 1,810 | 1,776 | -1.88% | 1963 | 1979,80,91,94,2008,2012, 2014 |
| Northern | 39.89 | 258,659 | 1,790 | 1,396 | -22.01% | 1953 | 1954,55,57,66,75, 1981,83,84,88, 1992,94 |
| Riverside | 63.29 | 282,845 | 1,540 | 1,843 | 19.68% | 1991 | 1992,2013 |
| Southern | 84.09 | 284,000 | 1,540 | 971 | -36.95% | 1993 | |
| J D Clement Early College (1) | | Leased | 350 | 339 | -3.14% | | |
| Hospital School (2) | | Leased | 28 | 35 | 25.00% | | |
| Lakeview (3) *** | 7.16 | 28,169 | 64 | 49 | -23.44% | 1964 | 2005,2010 |
| Middle College High School (4) | | Leased | 100 | 126 | 26.00% | | |
| Southern School of Engineering(5) | | | 160 | 274 | 71.25% | | 2013 |
| Hillside New Tech High (5) | | | 210 | 326 | 55.24% | | |

* School for Creative Studies has both middle and high school students.

** Durham School of Arts has both middle and high school students.

*** Lakeview has both middle and high school students

(1) J D Clement Early College uses facilities at NC Central University

(2) Hospital School is located on Duke University's campus

(3) Lakeview is an alternative school housed in two separate facilities: Lakewood School & School for Creative Studies (both middle and high school students)

(4) Middle College High School is located on the campus of Durham Technical Community College

(5) Southern School of Engineering and Hillside New Tech High School are small schools within existing high schools.

Source: Durham Public Schools' Long Range Facilities Plan

SCHOOL BUILDING DATA-ELEMENTARY & MIDDLE SCHOOLS

Year Ended June 30, 2014

| School | Site Acreage | Building Square Feet | Capacity | 2013-14 Day 20 Enrollment | Percentage Over/(Under) Capacity | Year Constructed | Years Renovations/ Additions |
|-------------------------------|--------------|----------------------|----------|---------------------------|----------------------------------|------------------|--|
| Elementary: | | | | | | | |
| Bethesda | 43.92 | 85,432 | 712 | 674 | -5.34% | 1982 | 1989,2003,2014 |
| Burton | 7.14 | 71,360 | 376 | 380 | 1.06% | 1949 | 1954,76,92,2014 |
| Club Boulevard | 5.50 | 45,099 | 492 | 526 | 6.91% | 1949 | 1955,90,92,95,2010,11 |
| Creekside | 37.11 | 94,673 | 764 | 870 | 13.87% | 2004 | 2010 |
| Easley | 18.97 | 71,170 | 522 | 563 | 7.85% | 1989 | 2013 |
| Eastway | 14.58 | 78,000 | 544 | 618 | 13.60% | 1995 | |
| Eno Valley | 62.27 | 88,550 | 596 | 626 | 5.03% | 1977 | 1993,2014 |
| Fayetteville Street | 7.91 | 62,797 | 408 | 246 | -39.71% | 1959 | 1960,61,2008,2014 |
| Forest View | 21.95 | 85,890 | 659 | 682 | 3.49% | 1993 | |
| Glenn | 34.28 | 80,330 | 591 | 664 | 12.35% | 1981 | 1993,2014 |
| Harris | 21.36 | 70,343 | 376 | 365 | -2.93% | 1968 | 2003,2013 |
| Hillandale | 42.07 | 85,890 | 689 | 693 | 0.58% | 1993 | |
| Holt | 23.61 | 98,208 | 585 | 572 | -2.22% | 1958 | 1984,92,2014 |
| Hope Valley | 16.48 | 79,228 | 628 | 648 | 3.18% | 1967 | 1999 |
| Lakewood | 12.57 | 60,264 | 428 | 455 | 6.31% | 1962 | 1963,64,2005 |
| Little River | 23.23 | 83,620 | 658 | 393 | -40.27% | 1993 | |
| Mangum | 22.03 | 54,838 | 408 | 369 | -9.56% | 1925 | 1939,62,83,2009,2014 |
| Merrick-Moore | 16.39 | 103,075 | 648 | 698 | 7.72% | 1951 | 1953,58,81,2012 |
| Morehead | 4.98 | 40,861 | 222 | 254 | 14.41% | 1958 | 2009 |
| Oak Grove | 15.72 | 96,061 | 710 | 565 | -20.42% | 1981 | 1993 |
| Parkwood | 22.59 | 79,063 | 648 | 547 | -15.59% | 1967 | 1983,89,92,2005,2013 |
| Pearson | 40.50 | 82,474 | 586 | 556 | -5.12% | 2006 | |
| Pearsontown | 25.50 | 108,471 | 836 | 840 | 0.48% | 1954 | 1958,64,92, 2014 |
| Powe | 5.50 | 99,384 | 404 | 399 | -1.24% | 1926 | 1950,67,91,94,2001, 2013,14 |
| Sandy Ridge | 25.07 | 98,638 | 628 | 596 | -5.10% | 2011 | |
| Smith | 5.30 | 46,311 | 408 | 395 | -3.19% | 1967 | 2014 |
| Southwest | 21.91 | 91,170 | 585 | 623 | 6.50% | 1989 | 1991 |
| Spaulding | 9.96 | 69,486 | 325 | 263 | -19.08% | 1954 | 1960,76,91,2008 |
| Spring Valley | 35.82 | 79,921 | 638 | 588 | -7.84% | 2008 | |
| Watts | 3.98 | 65,841 | 340 | 399 | 17.35% | 1919 | 1926,94,2014 |
| Middle: | | | | | | | |
| Brogden | 29.35 | 156,380 | 681 | 680 | -0.15% | 1959 | 1976,2000,2014 |
| Carrington | 66.14 | 207,804 | 1,168 | 1,243 | 6.42% | 1964 | 1984,2005,2010,14 |
| School for Creative Studies * | 54.96 | 124,250 | 852 | 179 | -78.99% | 1974 | 2005,06,09,2013 |
| Durham School of Arts ** | 8.80 | 133,847 | 722 | 645 | -10.66% | 1921 | 1928,49,55,62,76,88 1990, 92, 2007,08,11 |
| Githens | 38.28 | 133,859 | 852 | 994 | 16.67% | 1988 | 2005,06 |
| Lakewood Montessori | 7.37 | 71,278 | 300 | 291 | -3.00% | 1965 | 2011 |
| Lowe's Grove | 28.07 | 122,504 | 774 | 697 | -9.95% | 1975 | 2009,2014 |
| Lucas | 31.83 | 153,593 | 644 | 617 | -4.19% | 2012 | |
| Neal | 49.12 | 129,403 | 810 | 875 | 8.02% | 1966 | 1988, 2011 |
| Rogers-Herr | 23.50 | 167,902 | 644 | 644 | 0.00% | 1967 | 2005,2013 |
| Shepard | 22.53 | 96,870 | 546 | 528 | -3.30% | 1964 | 1966,2001,2010 |
| WG Pearson Middle | 5.92 | 54,057 | 306 | 80 | -73.86% | 1928 | 1950,57,76,91,92 2007,2014 |
| Lakeview (1) | 4.75 | 12,600 | 30 | 49 | 63.33% | 1964 | 2005, 2010 |

* School for Creative Studies has both middle and high school students.

** Durham School of Arts has both middle and high school students.

(1) Lakeview is an alternative school housed in two separate facilities: Lakewood School and School for Creative Studies It has both middle and high school students.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 17
OPERATING STATISTICS
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | Expenses | Student Average Daily Membership | Cost Per Pupil | Percentage Change In Per Pupil Cost | Teaching Staff | Pupil/ Teacher Ratio | Student Attendance Percentage |
|---|-----------------|---|---------------------------|--|---------------------------|-------------------------------------|--|
| 2014 | \$ 371,578,594 | 33,263 | \$ 11,171 | -3.95% | 2,290 | 14.5 | 95.26% |
| 2013 | 376,887,237 | 32,405 | 11,631 | 1.60% | 2,252 | 14.4 | 96.60% |
| 2012 | 372,840,518 | 32,569 | 11,448 | 11.30% | 2,241 | 14.5 | 96.53% |
| 2011 | 330,350,894 | 32,118 | 10,286 | 0.81% | 2,311 | 13.9 | 95.92% |
| 2010 | 326,038,604 | 31,956 | 10,203 | -6.27% | 2,293 | 13.9 | 94.21% |
| 2009 | 351,715,671 | 32,313 | 10,885 | 5.59% | 2,432 | 13.3 | 94.28% |
| 2008 | 337,618,900 | 32,749 | 10,309 | 5.65% | 2,368 | 13.8 | 94.65% |
| 2007 | 312,083,118 | 31,981 | 9,758 | 5.42% | 2,329 | 13.7 | 94.22% |
| 2006 | 290,125,783 | 31,343 | 9,256 | 0.54% | 2,368 | 13.2 | 94.44% |
| 2005 | 279,016,669 | 30,191 | 9,206 | 4.82% | 2,134 | 14.2 | 94.61% |

Source: NC Department of Public Instruction, Student Accounting Section and Finance Department of Durham Public Schools

TEACHER SALARIES
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | Minimum | | Maximum | | Average | |
|---|----------------|--------|----------------|--------|----------------|--------|
| 2014 | \$ | 34,650 | \$ | 73,710 | \$ | 43,565 |
| 2013 | | 34,650 | | 77,917 | | 45,057 |
| 2012 | | 34,234 | | 80,854 | | 46,343 |
| 2011 | | 34,234 | | 88,126 | | 45,031 |
| 2010 | | 34,234 | | 88,967 | | 45,466 |
| 2009 | | 34,234 | | 88,967 | | 45,466 |
| 2008 | | 33,469 | | 73,463 | | 41,062 |
| 2007 | | 32,074 | | 70,280 | | 39,349 |
| 2006 | | 29,542 | | 65,723 | | 38,119 |
| 2005 | | 28,470 | | 63,596 | | 37,522 |

The above tabulation represents total salaries including both State base salary including the State salary differential for National Board Certification and system-wide local supplement. It does not include longevity payments (ranging from 1.5% to 4.5% of the annual salary to teachers for 10 or more years of service), bonus payments, or payments for performing extra duties.

Source: Finance Department of Durham Public Schools

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
GOVERNMENTAL FUND REVENUES BY SOURCE
Last Ten Fiscal Years Ending June 30, 2014⁽¹⁾

| Fiscal Year Ended June 30, | State Public School Fund | State Public School Building Bond Fund | State Facilities Fund | Other State | County Appropriation | Durham City Appropriation |
|---|-------------------------------------|---|--------------------------------------|------------------------|---------------------------------|--------------------------------------|
| 2014 | \$ 179,018,263 | \$ 1,469,322 | \$ - | \$ 833,791 | \$ 119,603,311 | \$ 254,958 |
| 2013 | 173,503,774 | 102,473 | - | 2,066,466 | 116,751,832 | 190,928 |
| 2012 | 171,045,245 | 172,946 | - | 525,722 | 110,106,952 | 234,710 |
| 2011 | 160,586,816 | 1,036,766 | - | 1,128,798 | 108,402,189 | 192,109 |
| 2010 | 160,894,234 | 1,063,268 | 414,500 | 867,318 | 103,193,242 | 1,143,766 |
| 2009 | 178,493,867 | - | 721,100 | 2,276,939 | 110,884,121 | 7,003,740 |
| 2008 | 177,180,642 | - | 2,293,199 | 1,278,696 | 98,582,664 | 470,080 |
| 2007 | 160,423,279 | (16,448) | 496,411 | 1,792,049 | 89,127,705 | - |
| 2006 | 147,973,330 | 95,749 | 2,505,601 | 1,428,478 | 84,127,705 | - |
| 2005 | 140,266,668 | 391,759 | 276,302 | 3,271,116 | 77,899,932 | - |

Notes: (1) Includes General, Special Revenue, Capital Projects and School Activity Funds. Prior to 2002, School Activity Funds were reported as Expendable Trust Funds and therefore not included in Governmental Fund expenditures.

Source: Durham Public Schools' Finance Department

Table 19

| General Obligation Bond Funds | Fines and Forfeitures | Interest | Tuition and Fees | Other Local Funds | Federal | Total |
|--|----------------------------------|-----------------|-----------------------------|------------------------------|----------------|----------------|
| \$ 20,316,476 | \$ 1,417,383 | \$ 198,024 | \$ 3,404,975 | \$ 13,727,825 | \$ 24,511,595 | \$ 364,755,923 |
| 29,554,012 | 1,538,793 | 250,925 | 3,220,048 | 13,000,632 | 27,707,997 | 367,887,880 |
| 43,802,250 | 5,860,947 | 391,088 | 3,294,404 | 16,050,453 | 33,348,200 | 384,832,917 |
| 70,906,098 | 1,014,991 | 430,131 | 3,297,708 | 13,253,373 | 37,956,350 | 398,205,329 |
| 13,394,396 | 945,679 | 356,937 | 3,232,580 | 10,593,755 | 35,881,228 | 331,980,903 |
| 16,782,957 | 847,154 | 672,429 | 3,601,908 | 14,709,092 | 23,632,816 | 359,626,123 |
| 11,244,087 | 1,160,849 | 1,270,536 | 3,697,076 | 11,715,857 | 22,181,948 | 331,075,634 |
| 8,156,468 | 1,386,219 | 904,655 | 3,411,378 | 15,428,932 | 21,216,755 | 302,327,403 |
| 10,967,181 | 1,465,735 | 509,574 | 3,545,444 | 16,147,223 | 20,092,374 | 288,858,394 |
| 20,357,320 | 1,893,486 | 342,437 | 3,224,083 | 12,407,331 | 19,077,317 | 279,407,751 |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
GOVERNMENTAL FUND EXPENDITURES BY FUNCTION
PER AVERAGE DAILY MEMBERSHIP ⁽¹⁾ AND IN TOTAL ⁽²⁾
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | Average Daily Membership | Regular Instructional | Special Instructional | Other Instructional | Pupil Support | Instructional Support | General Administration |
|-----------------------------------|---------------------------------|------------------------------|------------------------------|----------------------------|----------------------|------------------------------|-------------------------------|
| 2014 | 33,263 | \$ 124,557,919 | \$ 51,356,870 | \$ 53,451,392 | \$ 4,336,467 | \$ 9,241,804 | \$ 4,545,510 |
| 2013 | 32,405 | 129,921,528 | 48,148,403 | 49,616,044 | 4,210,193 | 9,379,656 | 4,019,049 |
| 2012 | 32,569 | 133,016,687 | 47,048,122 | 49,334,190 | 3,766,986 | 8,069,436 | 3,586,774 |
| 2011 | 32,118 | 114,362,660 | 44,010,448 | 50,045,606 | 3,223,542 | 7,176,724 | 3,413,113 |
| 2010 | 31,956 | 118,328,744 | 43,337,483 | 46,047,333 | 3,918,338 | 8,106,634 | 3,767,853 |
| 2009 | 32,313 | 133,019,137 | 44,832,337 | 48,524,545 | 4,302,185 | 7,254,755 | 3,875,481 |
| 2008 | 32,749 | 128,625,270 | 43,414,525 | 46,641,394 | 3,573,050 | 6,201,595 | 3,712,956 |
| 2007 | 31,981 | 91,991,634 | 29,744,594 | 74,590,085 | 217,260 | 6,276,976 | 3,842,906 |
| 2006 | 31,343 | 86,107,196 | 28,086,343 | 69,012,523 | 164,210 | 6,623,197 | 3,982,796 |
| 2005 | 30,191 | 86,924,230 | 27,366,425 | 64,089,933 | 288,987 | 3,945,962 | 3,666,352 |

Notes: (1) Includes General and Special Revenue Funds. Capital Outlay Fund expenditures are reported in Table 3. Prior to 2002, School Activity Funds were reported as Expendable Trust Funds and therefore not included in Governmental Fund expenditures.

(2) Expenditures per average daily membership.

Source: Durham Public Schools' Finance Department

Table 20

| School Administration | Business Support | Central Support | Other Support Services | Community Services | Other | Total |
|------------------------------|-------------------------|------------------------|-------------------------------|---------------------------|---------------|----------------|
| 624 | 1,338 | 198 | - | 130 | 477 | 10,208 |
| \$ 20,756,497 | \$ 44,509,692 | \$ 6,590,156 | \$ - | \$ 4,335,383 | \$ 15,856,313 | \$ 339,538,003 |
| 715 | 1,330 | 189 | - | 134 | 445 | 10,382 |
| 23,164,416 | 43,097,441 | 6,125,855 | - | 4,335,383 | 14,420,218 | 336,438,186 |
| 640 | 1,346 | 187 | - | 141 | 380 | 10,211 |
| 20,832,116 | 43,849,838 | 6,079,842 | - | 4,600,655 | 12,378,157 | 332,562,803 |
| 577 | 1,293 | 167 | - | 124 | 376 | 9,456 |
| 18,535,184 | 41,518,413 | 5,363,214 | - | 3,984,105 | 12,085,088 | 303,718,097 |
| 604 | 1,314 | 178 | - | 117 | 356 | 9,563 |
| 19,303,708 | 42,002,968 | 5,688,515 | - | 3,725,081 | 11,366,345 | 305,593,002 |
| 634 | 1,320 | 188 | - | 128 | 288 | 10,042 |
| 20,475,219 | 42,659,661 | 6,086,157 | - | 4,129,830 | 9,314,233 | 324,473,540 |
| 614 | 1,275 | 197 | - | 121 | 253 | 9,550 |
| 20,107,184 | 41,767,952 | 6,460,469 | - | 3,960,838 | 8,291,224 | 312,756,457 |
| 451 | 1,147 | 179 | 454 | 122 | 225 | 9,040 |
| 14,421,428 | 36,692,716 | 5,718,173 | 14,517,565 | 3,906,701 | 7,187,502 | 289,107,540 |
| 437 | 1,093 | 167 | 433 | 133 | 183 | 8,635 |
| 13,704,933 | 34,267,017 | 5,243,790 | 13,569,908 | 4,165,813 | 5,722,840 | 270,650,566 |
| 444 | 1,048 | 157 | 394 | 132 | 173 | 8,516 |
| 13,393,876 | 31,628,615 | 4,736,101 | 11,882,832 | 3,974,213 | 5,222,652 | 257,120,178 |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 21
CAPITAL OUTLAY FUND EXPENDITURES
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | Sites and Building Improvements | Furniture and Equipment | Vehicles | Total |
|---|--|--|-----------------|---------------|
| 2014 | \$ 20,172,545 | \$ 2,818,870 | \$ 454,238 | \$ 23,445,653 |
| 2013 | 22,796,337 | 13,267,264 | 163,361 | 36,226,962 |
| 2012 | 40,678,771 | 5,312,686 | 279,022 | 46,270,479 |
| 2011 | 71,314,915 | 861,678 | 2,098,021 | 74,274,614 |
| 2010 | 17,161,520 | 1,032,913 | 197,190 | 18,391,623 |
| 2009 | 31,950,516 | 569,565 | 1,122,354 | 33,642,435 |
| 2008 | 16,679,140 | 298,982 | 225,490 | 17,203,612 |
| 2007 | 9,442,821 | 578,358 | 2,095,024 | 12,116,203 |
| 2006 | 15,841,436 | 210,183 | 377,589 | 16,429,208 |
| 2005 | 21,238,748 | 2,705,920 | 1,761,427 | 25,706,095 |

Source: Durham Public Schools' Finance Department

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
SCHOOL FOOD SERVICE FUND EXPENSES
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | Purchased Food | Donated Commodities | Salaries and Benefits |
|---|---------------------------|--------------------------------|--------------------------------------|
| 2014 | \$ 5,249,525 | \$ 926,372 | \$ 7,983,143 |
| 2013 | 5,072,231 | 730,231 | 7,347,414 |
| 2012 | 4,609,755 | 856,145 | 6,648,054 |
| 2011 | 4,480,572 | 617,629 | 6,206,286 |
| 2010 | 4,617,991 | 651,865 | 5,970,717 |
| 2009 | 4,859,146 | 733,192 | 5,926,945 |
| 2008 | 4,228,105 | 607,096 | 5,778,290 |
| 2007 | 3,809,407 | 625,432 | 5,250,973 |
| 2006 | 3,485,107 | 541,898 | 4,885,860 |
| 2005 | 3,383,779 | 477,050 | 4,707,808 |

Source: Durham Public Schools' Finance Department

Table 22

| Materials and Supplies | Indirect Costs | Other | Total |
|---------------------------------------|---------------------------|--------------|---------------|
| \$ 547,482 | \$ 801,936 | \$ 573,919 | \$ 16,082,377 |
| 521,678 | 763,708 | 423,461 | 14,858,723 |
| 933,492 | 815,624 | 288,557 | 14,151,627 |
| 540,571 | 866,646 | 269,803 | 12,981,507 |
| 469,627 | 832,878 | 319,134 | 12,862,212 |
| 548,266 | 1,005,171 | 313,346 | 13,386,066 |
| 484,904 | 685,756 | 348,799 | 12,132,950 |
| 485,404 | 833,452 | 560,430 | 11,565,098 |
| 481,500 | 760,488 | 459,564 | 10,614,417 |
| 344,986 | 694,591 | 323,659 | 9,931,873 |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
SCHOOL FOOD SERVICE REVENUES AND OPERATING TRANSFERS IN BY SOURCES
Last Ten Fiscal Years Ending June 30, 2014

| Fiscal Year Ended June 30, | USDA | | | |
|---|-------------------|----------------|----------------------|----------------|
| | Food Sales | | Reimbursement | |
| | Amount | Percent | Amount | Percent |
| 2014 | \$ 2,145,557 | 14.0% | \$12,134,235 | 79.3% |
| 2013 | 2,308,001 | 15.7% | 11,537,008 | 78.5% |
| 2012 | 2,712,070 | 19.0% | 10,746,241 | 75.5% |
| 2011 | 2,955,052 | 20.8% | 10,382,931 | 73.2% |
| 2010 | 3,307,918 | 24.2% | 9,546,103 | 69.7% |
| 2009 | 3,628,656 | 27.0% | 9,162,082 | 68.1% |
| 2008 | 3,336,431 | 28.4% | 7,673,178 | 65.1% |
| 2007 | 3,552,393 | 31.5% | 7,022,026 | 62.3% |
| 2006 | 3,736,771 | 34.5% | 6,474,298 | 59.8% |
| 2005 | 3,726,781 | 36.5% | 5,953,179 | 58.4% |

Source: Durham Public Schools' Finance Department

Table 23

| Donated Commodities | | Other | | Total | |
|--------------------------------|----------------|---------------|----------------|---------------|----------------|
| Amount | Percent | Amount | Percent | Amount | Percent |
| \$ 956,710 | 6.2% | \$ 71,083 | 0.5% | \$15,307,585 | 100.0% |
| 811,715 | 5.5% | 37,244 | 0.3% | 14,693,968 | 100.0% |
| 739,882 | 5.2% | 39,754 | 0.3% | 14,237,947 | 100.0% |
| 813,104 | 5.7% | 35,382 | 0.3% | 14,186,469 | 100.0% |
| 795,410 | 5.8% | 44,355 | 0.3% | 13,693,786 | 100.0% |
| 621,914 | 4.6% | 40,501 | 0.3% | 13,453,153 | 100.0% |
| 681,161 | 5.8% | 87,579 | 0.7% | 11,778,349 | 100.0% |
| 592,427 | 5.3% | 105,622 | 0.9% | 11,272,468 | 100.0% |
| 527,929 | 4.9% | 82,742 | 0.8% | 10,821,740 | 100.0% |
| 477,050 | 4.7% | 40,122 | 0.4% | 10,197,132 | 100.0% |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 24
PROPERTY VALUE AND CONSTRUCTION
FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2014

| <u>Fiscal Year Ended June 30,</u> | <u>Building Value of Permits Issued ⁽¹⁾</u> | <u>Assessed Valuation ⁽²⁾</u> |
|-----------------------------------|--|--|
| 2014 | \$ 1,107,015,215 | \$ 30,796,658,950 |
| 2013 | 912,531,665 | 30,446,750,204 |
| 2012 | 782,358,521 | 29,842,363,341 |
| 2011 | 918,447,009 | 29,460,598,354 |
| 2010 | 854,185,593 | 29,032,891,346 |
| 2009 | 832,707,556 | 28,540,855,952 |
| 2008 | 937,163,464 | 23,136,584,132 |
| 2007 | 908,064,082 | 22,035,372,939 |
| 2006 | 833,845,052 | 21,280,715,939 |
| 2005 | 897,110,133 | 20,601,509,290 |

(1) Source: City of Durham/Durham County Inspections Department

(2) Last revalutaion of taxable property occurred on January 1, 2008

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MISCELLANEOUS STATISTICS
Year Ended June 30, 2014

Table 25

| | | |
|---------------------------------|-----------------|------------------|
| Area: | Durham County | 299 square miles |
| Population: | Durham County | 284,437 |
| Average Daily Membership: | | 33,263 |
| Schools: | Elementary | 30 |
| | Middle | 11 |
| | Secondary | 2 |
| | Senior/High | 9 |
| | Hospital School | 1 |
| | Alternative | 3 |
| School Personnel (approximate): | | 4,658 |

Sources: Durham County CAFR, Durham Public Schools' Finance Department

SINGLE AUDIT SECTION



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**Independent Auditors' Report 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***

To the Durham Public Schools Board
of Education, North Carolina
Durham, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Durham Public Schools Board of Education, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Durham Public Schools Board of Education, North Carolina's basic financial statements, and have issued our report thereon dated November 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Durham Public Schools Board of Education, North Carolina'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Durham Public Schools Board of Education, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Durham Public Schools Board of Education, North Carolina'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 2014-001, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Durham Public Schools Board of Education, North Carolina'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 matter that are required to be reported under *Government Auditing Standards*.

Durham Public Schools Board of Education, North Carolina's Response to Findings

The Durham Public Schools Board of Education's response to the finding identified in our audit is described in the accompany schedule of findings and questioned costs. The Durham Public Schools Board of Education, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rives & Associates, LLP

Lexington, North Carolina
November 21, 2014



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Independent Auditors' Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

To the Durham Public Schools Board
of Education, North Carolina
Durham, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Durham Public Schools Board of Education, North Carolina's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Durham Public Schools Board of Education, North Carolina's major federal programs for the year ended June 30, 2014. The Durham Public Schools Board of Education, North Carolina's major federal programs are identified in the summary of auditors' 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 federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Durham Public Schools Board of Education, North Carolina'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Durham Public Schools Board of Education, North Carolina'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 of the Durham Public Schools Board of Education, North Carolina's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Durham Public Schools Board of Education, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to. In planning and performing our audit of compliance, we considered the Durham Public Schools Board of Education, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Durham Public Schools Board of Education, North Carolina'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Rives & Associates, LLP

Lexington, North Carolina
November 21, 2014



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Independent Auditors' Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

To the Durham Public Schools Board
of Education, North Carolina
Durham, North Carolina

Report on Compliance for Each Major State Program

We have audited the Durham Public Schools Board of Education, North Carolina's 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 Durham Public Schools Board of Education, North Carolina's major State programs for the year ended June 30, 2014. The Durham Public Schools Board of Education, North Carolina's major State programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Durham Public Schools Board of Education, North Carolina'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; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Durham Public Schools Board of Education, North Carolina'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 of the Durham Public Schools Board of Education, North Carolina's compliance.

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the Durham Public Schools Board of Education, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to. In planning and performing our audit of compliance, we considered the Durham Public Schools Board of Education, North Carolina'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 with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Durham Public Schools Board of Education, North Carolina'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Rives & Associates, LLP

Lexington, North Carolina
November 21, 2014

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 10
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | | | | |
|--|----------------|------------|----------------|---------------|
| Type of auditors' report issued: | | Unmodified | | |
| Internal control over financial reporting: | | | | |
| Material weaknesses identified? | _____ | yes | _____ <u>X</u> | no |
| Significant deficiencies identified that are not considered to be material weaknesses? | _____ <u>X</u> | yes | _____ | none reported |
| Noncompliance material to financial statements noted | _____ | yes | _____ <u>X</u> | no |

Federal Awards

| | | | | |
|--|-------|-----|----------------|---------------|
| Internal control over major federal programs: | | | | |
| Material weaknesses identified? | _____ | yes | _____ <u>X</u> | no |
| Significant deficiencies identified that are not considered to be material weaknesses? | _____ | yes | _____ <u>X</u> | none reported |
| Type of auditors' report issued on compliance for major federal programs: | | | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | _____ | yes | _____ <u>X</u> | no |

Identification of major federal programs:

CFDA Numbers Names of Federal Program or Cluster

| | |
|-----------------------------|--|
| Child Nutrition Cluster: | |
| 10.555 | National School Lunch Program |
| 10.553 | School Breakfast Program |
| 10.559 | Summer Food Service Program for Children |
| School Improvement Cluster: | |
| 84.377 | School Improvements Grant |
| 84.388 | ARRA-School Improvements Grants, Recovery Act |
| 84.010 | Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) |
| 84.395 | ARRA-Race to the Top Grant |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 10
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,135,205

Auditee qualified as low-risk auditee? _____ yes X no

State Awards

Internal control over major State programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' 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 |
| Driver Training - SPSF |
| Public School Building Capital Fund |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 10
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2014-001 School Food Service Fund expenditures exceed approved budget

Significant Deficiency

Criteria: Expenditures exceeded amounts appropriated in the budget ordinance.

Condition: The Board reported expenditures within the School Food Service Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$23,500.

Effect: The Board did not expend funds in accordance with the approved budget.

Recommendation: Budget amendments should be adopted to ensure that amounts expended do not exceed those amounts appropriated within the budget ordinance.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2014

Finding 2013-001

Description: Internal controls over credit cards were not properly followed to ensure items of a personal nature were billed to the individual and not paid for with school funding. Proper receipts and documentation was not maintained and local funding was used to pay for personal items charged to the Board's credit card.

Status: Corrected.

Corrective Action Plan
For the Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2014-001

Name of contact person: Aaron Beaulieu - Chief Financial Officer

Corrective action: Management will review a budget-to-actual report and budget amendments will be approved as necessary.

Proposed completion date: Immediately

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 13
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

| 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: | | | |
| Passed through the N.C. Department of Agriculture: | | | |
| Non-Cash Assistance (Commodities): | | | |
| National School Lunch Program | 10.555 | - | \$ 926,372 |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | - | 2,694,875 |
| National School Lunch Program | 10.555 | - | 8,878,005 |
| Passed through the N. C. Department of Health and Human Services: | | | |
| Summer Food Service Program for Children | 10.559 | - | 561,355 |
| Total Cash Assistance | | | <u>12,134,235</u> |
| Total Child Nutrition Cluster | | | <u>13,060,607</u> |
| Passed through the N.C. Department of Agriculture: | | | |
| Fresh Fruits and Vegetables Program | 10.582 | - | 25,022 |
| Total U.S. Department of Agriculture | | | <u>13,085,629</u> |
| <u>U.S. Department of Education:</u> | | | |
| Direct programs: | | | |
| History Link | NONE | - | 69,060 |
| Passed through the N. C. Department of Public Instruction: | | | |
| Special Education Cluster: | | | |
| Special Education - Grants to the States (IDEA, Part B) - Education of the Handicapped | 84.027 | PRC 060 | 5,945,008 |
| Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped | 84.173 | PRC 049 | 130,033 |
| Special Education - Coordinated Early Intervening Services | 84.027 | PRC 070 | 700,781 |
| Children With Disabilities - Risk Pool | 84.027 | PRC 114 | 133,686 |
| Special Needs Targeted Assistance | 84.027 | PRC 118 | 12,368 |
| Preschool Targeted Assistance | 84.173 | PRC 119 | 1,145 |
| Total Special Education Cluster | | | <u>6,923,021</u> |
| Title I, Part A Cluster: | | | |
| Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) | 84.010 | PRC 050 | 9,671,913 |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 13
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2014

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/Pass- Through Grantor's Number | Expenditures |
|--|---------------------------|---|-------------------|
| Federal Grants (Continued): | | | |
| <u>U.S. Department of Education (Continued):</u> | | | |
| Passed through the N. C. Department of Public Instruction (Continued): | | | |
| School Improvement Cluster: | | | |
| School Improvements Grants | 84.377 | PRC 117 | \$ 1,547,760 |
| ARRA-School Improvements Grants, Recovery Act | 84.388 | PRC143 | 1,993,546 |
| Total School Improvement Cluster | | | <u>3,541,306</u> |
| Title I School Improvement Grant | 84.010 | PRC 105 | <u>567,234</u> |
| Education for Homeless Children and Youth Cluster: | | | |
| Education for Homeless Children and Youth | 84.196 | PRC 026 | <u>50,616</u> |
| Career and Technical Education - Basic Grants to States | 84.048 | PRC 017 | <u>468,942</u> |
| Career and Technical Education - Capacity Building Grant | 84.048A | PRC 058 | <u>3,000</u> |
| Special Education-State Personnel Development Grant | 84.323 | PRC 082 | <u>225</u> |
| Improving Teacher Quality | 84.367 | PRC 103 | <u>1,346,767</u> |
| English Language Acquisitions Grant | 84.365 | PRC 104 | <u>541,407</u> |
| Math and Science Partnerships | 84.366 | PRC 112 | <u>76,055</u> |
| ARRA-Race to the Top Grant | 84.395 | PRC 156 | <u>1,082,211</u> |
| ARRA-RttT-Recruitment Incentives-Low Achieving Schools | 84.395 | PRC 158 | <u>147,851</u> |
| ARRA-RttT-STEM | 84.395 | PRC 159 | <u>91,047</u> |
| Total U.S. Department of Education | | | <u>24,580,655</u> |
| <u>U.S. Department of Defense:</u> | | | |
| Direct program: | | | |
| ROTC | NONE | - | <u>173,888</u> |
| Total federal awards | | | <u>37,840,172</u> |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 13
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2014

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/Pass- Through Grantor's Number | Expenditures |
|---|---------------------------|---|------------------------------|
| State Grants: | | | |
| Cash Assistance: | | | |
| <u>North Carolina Department of Public Instruction:</u> | | | |
| State Public School Fund | | | \$ 168,976,197 |
| Driver Training - SPSF | - | 012 | 638,583 |
| Vocational Education | | | |
| State Months of Employment | - | 013 | 7,403,703 |
| Program Support Funds | - | 014 | 1,002,652 |
| School Technology Fund - SPSF | - | 015 | 628,135 |
| State breakfast reimbursement | | | <u>24,341</u> |
| Total North Carolina Department of Public Instruction | | | <u>178,673,611</u> |
| <u>Office of the Governor:</u> | | | |
| Passed through Durham County: | | | |
| Public School Building Capital Fund | - | 074 | <u>1,469,322</u> |
| Total cash assistance | | | <u>180,142,933</u> |
| Non-Cash Assistance: | | | |
| <u>North Carolina Department of Public Instruction:</u> | | | |
| Textbooks | - | 130 | 368,993 |
| State Buses Appropriations | NONE | - | <u>833,791</u> |
| Total non-cash assistance | | | <u>1,202,784</u> |
| Total State awards | | | <u>181,345,717</u> |
| Total federal and State awards | | | <u><u>\$ 219,185,889</u></u> |

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

Basis of Presentation

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



One Vision. One Durham.

Durham Public Schools
P. O. Box 30002
Durham, North Carolina 27702
Telephone (919) 560-3544 Fax (919) 560-2373