

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

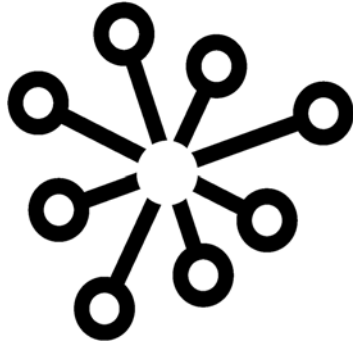
For the year ended June 30, 2019



Durham Public Schools embraces, educates and empowers every student
to innovate, serve and lead.

Durham, North Carolina

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
DURHAM PUBLIC SCHOOLS
BOARD OF EDUCATION
North Carolina
For the Year Ended June 30, 2019**



**DURHAM
PUBLIC SCHOOLS**

**Prepared by
Paul LeSieur
Financial Officer**

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

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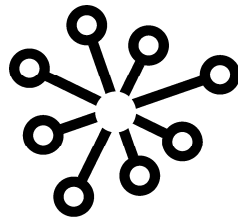
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INTRODUCTORY SECTION



DURHAM
PUBLIC SCHOOLS

Durham Public Schools Board of Education

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

Letter of Transmittal

December 12, 2019

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, 2019. 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, 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, 2019 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.

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

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, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence 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, 2019 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 Title 2 US Code of Federal Regulations Part 200 Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the North Carolina Single Audit Implementation Act. 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, 2019, there were no compliance findings or questioned costs.

REPORTING ENTITY

Durham City Schools and Durham County Schools merged on July 1, 1992, to become Durham Public Schools. The Durham Public Schools Board of Education has total authority over non-charter public education in Durham County. The seven-member is elected by the citizens of the County and is accountable to the citizens for the educational and fiscal operations of the system's 53 schools. For 2018-19, the school system served 32,520 students from kindergarten through 12th grade in 30 elementary schools, 10 middle schools, 2 secondary schools, 7 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, and funds received at each school.

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

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 320,639. Our current enrollment of 33,024 students mirrors the diversity of the community, speaking more than 105 languages. This is the first year of enrollment growth after seeing a drop in enrollment for three consecutive years.

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 approximately 200 industry-leading firms such as IBM, GlaxoSmithKline, Ericsson, Cisco Systems, Research Triangle Institute and the U.S. Environmental Protection Agency, employing approximately 50,000 employees. When 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 19th in The Best Hospitals Honor Roll by *US News and World Report, for 2018-19*. 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.

In August of 2018 administration began working toward updating the districts long range facility plan. Part of that process involved having a good understanding of where growth is coming in the county and how potential growth will affect the district's school capacity calculations. The district worked with the Institute for Transportation Research and Education (ITRE), a branch of the Operational Research and Education Laboratory at NC State University (ORED) on school planning issues. The 10-year projections developed were used to deliver a comprehensive facility needs assessment of the school buildings in the district. The DPS has 23 of the 53 schools that are over 50 years of age and in need of major repairs. The facility needs assessment developed by Cumming Corporation included a Capital and Maintenance component, prioritizing the need for repair and funding. The new Capital needs required is \$218.5M, and the Maintenance needs are \$508.7M, for a total need of \$727.2M. The DPS Board of Education is working in conjunction with the Durham Board of County Commissioner's to develop a plan of action to obtain the bond funding for the needed construction and maintenance over the next 10 years.

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

MAJOR INITIATIVES AND ACCOMPLISHMENTS

- DPS's K-12 enrollment grew by approximately 500 students year-over-year on the 20th day, seeing an increase in enrollment for the first time since 2014-15.
- J.D. Clement Early College High School was named a National Blue Ribbon School, one of only two in the state, by the U.S. Department of Education.
- Club Boulevard Elementary Assistant Principal Gregory Mitchell was named the **2020 North Carolina Outstanding Elementary Assistant Principal of the Year** by the North Carolina Principals and Assistant Principals' Association.
- DPS's overall four-year graduation rate climbed to 82.9 percent in 2019 from 81.5 percent in 2018. Three of DPS's four specialty high schools maintained an astounding 100-percent graduation rate: City of Medicine Academy, J.D. Clement Early College High, and New Tech High School. The fourth, Middle College High at Durham Tech, had a graduation rate of 97.9 percent. Durham School of the Arts had a graduation rate of 95 percent.
- Eighty-four percent of DPS schools either met or exceeded academic growth expectations set by the state (compared to 75 percent of schools statewide), with 11 of those schools having especially strong academic growth (more than five percentage points) and 12 schools had very high proficiency gains (more than five points).
- The number of DPS schools earning an "A" or "B" School Performance Grade rose to 11 from 8, while the total number of schools receiving a "low-performing" designation from the state declined by three for the second year in a row to only one.
- After being targeted for potential takeover by the state's Innovative School District, Lakewood Elementary gained an impressive 16 percentage points, improving its State Performance Grade from an "F" to a "C."
- The following schools exited "low-performing" status, through higher overall school performance or faster year-to-year academic growth, including:
 - Brogden Middle
 - Eastway Elementary
 - Eno Valley Elementary
 - Githens Middle
 - Lakewood Elementary
 - Lucas Middle
 - Y.E. Smith Elementary
- DPS graduates were offered more than \$76 million in scholarships; \$32 million from Hillside High alone.
- The teacher turnover rate declined to 17 percent from 18.5 percent in 2017-18. Northern High School, Sandy Ridge Elementary, Carrington Middle, Spring Valley Elementary, Merrick-Moore Elementary and Pearsontown Elementary all decreased their teacher turnover rates to at or below the state average.
- Ten Durham Public Schools magnet programs were identified as among the best in the nation by Magnet Schools of America. The School for Creative Studies, Club Boulevard Humanities Magnet Elementary, Holt Elementary Language Academy and Lowe's Grove STEM School of Technology Middle school were named Magnet Schools of Excellence. Burton International Baccalaureate Elementary School, George Watts Montessori Elementary School, City of Medicine Academy, Middle College at Durham Tech, Morehead Montessori Elementary School and WG Pearson STEAM Elementary School were all named Magnet Schools of Distinction.
- Burton Magnet Elementary received a *Capturing Kids' Hearts National Showcase Schools* award for the second consecutive year from the Flippen Group.
- DPS School Nutrition Services Department received both an Outstanding and Gold designation

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

in the first-ever Farm to School of NC Awards from the Farm to School Coalition for their achievements in expanding and enhancing farm-to-school initiatives in the state.

- DPS and Durham Technical Community College launched a partnership, funded with a \$450,000 grant from the A.J. Fletcher Foundation, to train students to fulfill the need for skilled trade workers in the area.
- Riverside High School was recognized as a Project Lead The Way (PLTW) Distinguished School for the second year in a row, for providing broad access to transformative learning opportunities for students through PLTW Engineering. It is one of only 64 high schools across the U.S. to receive this honor and one of only six high schools in the state to receive this national distinction.
- DPS Career and Technical Education department launched the 3-2-1 Work-Based Learning initiative at every high school. All high school students will participate in three career awareness activities each year, two career exposure activities each year and one career experience during their high school career.
- Thirty-four DPS students representing eight schools were selected to attend the Governor's School of North Carolina for the 2019 session.

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 included as a reservation of fund balance in the subsequent year.

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

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 Funds use the full accrual basis of accounting.

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**, 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, 2018. DPS has received the GFOA and ASBO awards for the last 25 years. In order to be awarded a Certificate of Achievement or Excellence, 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,



Dr. Pascal Mubenga
Superintendent



Paul LeSieur
Chief Financial Officer

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

LIST OF PRINCIPAL OFFICIALS

June 30, 2019

BOARD OF EDUCATION

Mike Lee, Chair

Steve Unruhe, Vice Chair

Natalie Beyer

Xavier Cason

Ms. Minnie Forte-Brown

Matt Sears

Bettina Umstead

SUPERINTENDENT

Dr. Pascal Mubenga

CHIEF FINANCIAL OFFICER

Paul LeSieur



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, 2018

Christopher P. Morvill

Executive Director/CEO



The Certificate of Excellence in Financial Reporting
is presented to

Durham Public Schools

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.

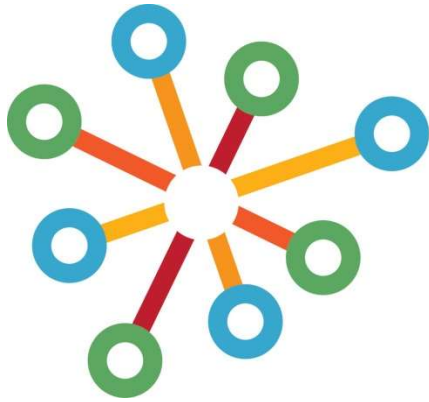


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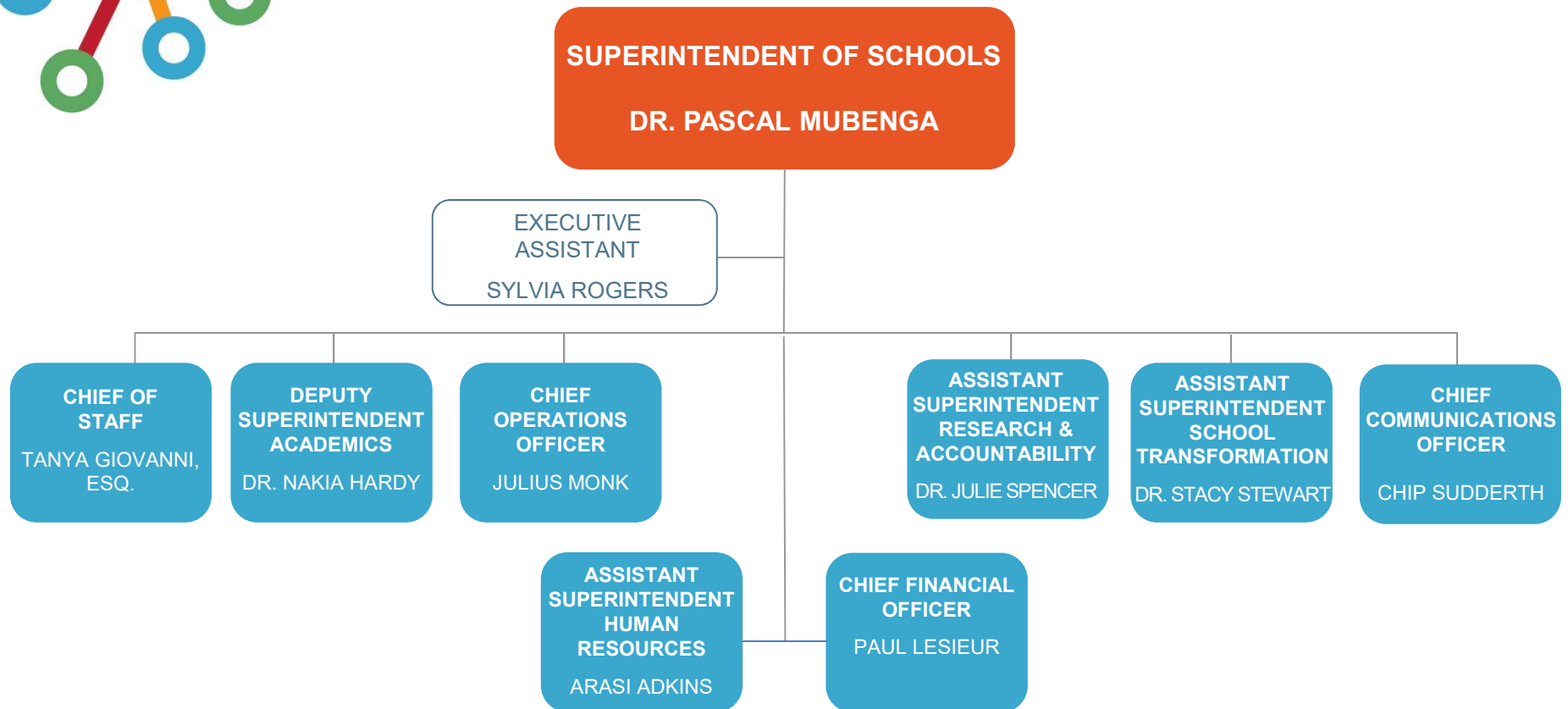
Tom Wohlleber, CSRM
President

A handwritten signature in black ink, reading 'Siobhán McMahon'.

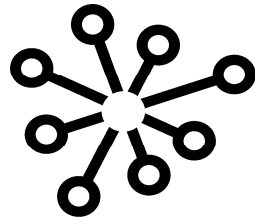
Siobhán McMahon, CAE
Chief Operating Officer



OFFICE OF THE SUPERINTENDENT



FINANCIAL SECTION



DURHAM
PUBLIC SCHOOLS



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
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 of 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, 2019, and the related notes to the financial statements, which collectively comprise the Durham Public Schools Board of Education'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Durham Public Schools Board of Education, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the Local Current Expense Fund, Grant and Community Schools Special Revenue Fund, and State Public School Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and analysis on pages 4 through 13 and the Schedule of the Board's Proportionate share of the Net Pension and OPEB Liabilities and the Schedule of Board Contributions on pages 63 through 68, respectively, 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's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section, as well as the accompanying schedule of expenditures of federal and state awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements 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 non-major fund financial statements and the accompanying schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 12, 2019 on our consideration of Durham Public Schools Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of these reports are 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Durham Public Schools Board of Education's internal control over financial reporting and compliance.

Rives & Associates LLP

Lexington, North Carolina
December 12, 2019

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

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, 2019. 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 overall 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 320,639. The Board has seen a drop in enrollment in the school year 2018-19, for the fourth consecutive year. The 2019-20 enrollment results reflect an increase above the projections and 2018-19 enrollment. It should be noted that funding from the State is based on Average Daily Membership (ADM) figures are typically lower than enrollment.
- The net position of the Board has seen a increase at the close of the fiscal year to negative \$284,345,694 from a negative \$294,212,078.
- A local ¼ cent sales tax increase was approved by Durham County voters creating revenue to replace the expiring Education Jobs funding. This continues to provid an additional \$9.9 million in funding
- The State of North Carolina has not passed a full budget as of October and have allowed for continuation funding of the levels of 2018-19. Through mini bills they have provided Teachers and instructional support personnel a years of experience step, that for most increases and individuals pay by \$100 per month. Continued appropriations are being provided for textbooks and digital materials, school connectivity, bonuses for (CTE, AP/IB, and 3rd through 5th grade reading teachers, and math teacher bonuses for grades 3 through 8 grades meeting the requirements. The major changes is the salary schedules for Principals pay. Many Principals are receiving an increase from \$1,500 to \$7,000 depending on the size of their schools.
- As of the close of the current fiscal year, the Board's Local Current Expense Fund reported an ending fund balance of \$14,043,468. The total fund balance increased by \$4,931,446. This is primarily due to the use of Non-major Funds for eligible expenditures in the 2018-19 fiscal year instead of using the Local Current Expense Fund.
- Total governmental funds non-spendable fund balance consisting of inventories and prepaid expenses totaled \$227,302. Restricted fund balance consisting of items restricted by State statute totaled \$3,103,180, school capital outlay \$2,736,388 grants and scholarships \$3,795,246 and individual schools \$2,357,159. The Committed fund balance totaled \$1,750,000 consisted of \$750,000 approved for teacher and staff salaries, an additional \$1,000,000 to support the Exceptional Children's program. Assigned fund balance consists of Local Special Expense Fund \$3,056,908 is for the Board's self-insurance reserve and \$891,105 of non-major funds.
- Unassigned fund balance in the Local Current Exense Fund totaled \$8,439,706.
- The Board will pay 46 charter schools in 2019-20 with a membership of over 7,244. The appropriations to charters will exceed \$26.1 million and will be an annual increase of over \$2 million dollars.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

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 and pension fund information (required supplementary information)*
- *Basic Financial Statements*
- *Required 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 financial 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, deferred outflows of resources, 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 type of financial statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary funds, and fiduciary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary and fiduciary 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 Position includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 total assets and deferred outflows of resources 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, 2019**

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, 6, and 7 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 8, 9, and 10 of this report.

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019**

Fund Financial Statements (Continued)

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 11 and 12 of this report.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$284,345,694 as of June 30, 2019. The largest component of net position is a deficit in unrestricted net position, of \$661,424,463.

Following is a summary of the Statement of Net Position:

**Table 1
Condensed Statement of Net Position
as of June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current assets	\$ 52,815,583	\$ 52,383,581	\$ 3,345,710	\$ 3,321,696	\$ 56,161,293	\$ 55,705,277
Capital assets	363,752,924	362,341,133	496,483	583,000	364,249,407	362,924,133
Total assets	<u>416,568,507</u>	<u>414,724,714</u>	<u>3,842,193</u>	<u>3,904,696</u>	<u>420,410,700</u>	<u>418,629,410</u>
Deferred outflows of resources	109,371,202	88,305,845	2,409,157	1,995,447	111,780,359	90,301,292
Current liabilities	25,477,273	17,739,491	136,097	278,362	25,613,370	18,017,853
Long-term liabilities	554,090,120	602,635,864	12,011,174	13,416,071	566,101,294	616,051,935
Total liabilities	<u>579,567,393</u>	<u>620,375,355</u>	<u>12,147,271</u>	<u>13,694,433</u>	<u>591,714,664</u>	<u>634,069,788</u>
Deferred inflows of resources	219,976,590	165,336,875	4,845,499	3,736,117	224,822,089	169,072,992
Net investment in capital assets	362,745,516	360,525,971	496,483	583,000	363,241,999	361,108,971
Restricted net position	13,797,010	13,511,239	39,760	34,610	13,836,770	13,545,849
Unrestricted net position	<u>(650,146,800)</u>	<u>(656,718,881)</u>	<u>(11,277,663)</u>	<u>(12,148,017)</u>	<u>(661,424,463)</u>	<u>(668,866,898)</u>
Total net position	<u>\$ (273,604,274)</u>	<u>\$ (282,681,671)</u>	<u>\$ (10,741,420)</u>	<u>\$ (11,530,407)</u>	<u>\$ (284,345,694)</u>	<u>\$ (294,212,078)</u>

During the year ended June 30, 2018, the Board adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the Board to recognize its proportionate share of the net pension asset or liability, deferred outflows and deferred inflows of resources, and related expenses from its participation in the North Carolina Retiree Health Benefit Fund and Disability Income Plan. The results of this statement include recognizing a net pension liability or asset for the plans and related deferred outflows and deferred inflows of resources. The cumulative effect of implementing this before restatement resulted in to a adjustment of beginning net position for the governmental activities and business-type activities of \$576,153,920 and \$13,019,347, respectively.

The net position of the Board decreased a total of \$617,486,943 during the year ended June 30, 2018. Of this amount, \$589,173,267 (95%) was due to the implementation of GASB 75 as previously stated. The remaining change was due to expenditures exceeding revenue sources in both governmental and business-type activities.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019**

Financial Analysis of the Board as a Whole (Continued)

The following table shows the revenues and expenses for the Board:

**Table 2
Condensed Statement of Activities
For the Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenues:						
Program revenues:						
Charges for services	\$ 10,786,401	\$ 10,228,955	\$ 2,498,039	\$ 2,395,969	\$ 13,284,440	\$ 12,624,924
Operating grants and contributions	246,330,660	234,743,300	14,192,296	14,121,489	260,522,956	248,864,789
Capital contributions	669,677	668,717	-	-	669,677	668,717
General revenues:						
Local government	158,282,507	143,745,809	-	-	158,282,507	143,745,809
Unrestricted State	1,322,406	1,088,886	-	-	1,322,406	1,088,886
Unrestricted Federal	-	2,437,871	-	-	-	2,437,871
Other	3,755,099	3,843,367	4,680	2,613	3,759,779	3,845,980
Total revenues	421,146,750	396,756,905	16,695,015	16,520,071	437,841,765	413,276,976
Expenses:						
Governmental activities:						
Instructional services	292,344,253	303,801,232	-	-	292,344,253	303,801,232
System-wide support	72,923,554	75,896,907	-	-	72,923,554	75,896,907
Ancillary services	4,016,860	3,886,477	-	-	4,016,860	3,886,477
Non-programmed charges	23,983,830	21,734,101	-	-	23,983,830	21,734,101
Interest on long-term debt	17,834	-	-	-	17,834	-
Depreciation	18,633,976	19,222,740	-	-	18,633,976	19,222,740
Business-type activities:						
School food service	-	-	16,055,074	17,049,195	16,055,074	17,049,195
Total expenses	411,920,307	424,541,457	16,055,074	17,049,195	427,975,381	441,590,652
Change in net position before transfers	9,226,443	(27,784,552)	639,941	(529,124)	9,866,384	(28,313,676)
Transfers in (out)	(149,046)	(242,192)	149,046	242,192	-	-
Change in net position	9,077,397	(28,026,744)	788,987	(286,932)	9,866,384	(28,313,676)
Net Position						
Beginning of year	(282,681,671)	321,498,993	(11,530,407)	1,775,872	(294,212,078)	323,274,865
Restatement to net position	-	(576,153,920)	-	(13,019,347)	-	(589,173,267)
Net position, ending	\$ (273,604,274)	\$ (282,681,671)	\$ (10,741,420)	\$ (11,530,407)	\$ (284,345,694)	\$ (294,212,078)

Total governmental activities generated revenues of \$421.1 million while expenses in this category totaled \$411.9 million for the year ended June 30, 2019. Comparatively, revenues were \$396.8 million and expenses totaled \$424.5 million for the year ended June 30, 2018. After transfers to the business-type activities, the increase in net position stands at \$9.1 million at June 30, 2019, compared to a \$28 million decrease in 2018. Instructional services expenses comprised 70.97% of total governmental activities expenses while system-wide support services made up 17.70% of those expenses for 2019. County funding comprised 37.58% of total governmental revenue. In 2018, County funding was 33.39% of total governmental revenue. Much of the remaining 62.42% of total governmental revenue for 2019 consists of restricted State and federal money. This revenue represented 65.22% of total revenue in 2018. Business-type activities generated revenue of \$16.7 million and expenses of \$16 million. Net position increased in the business-type activities by \$788,987, after transfers from the governmental activities of \$149,046.

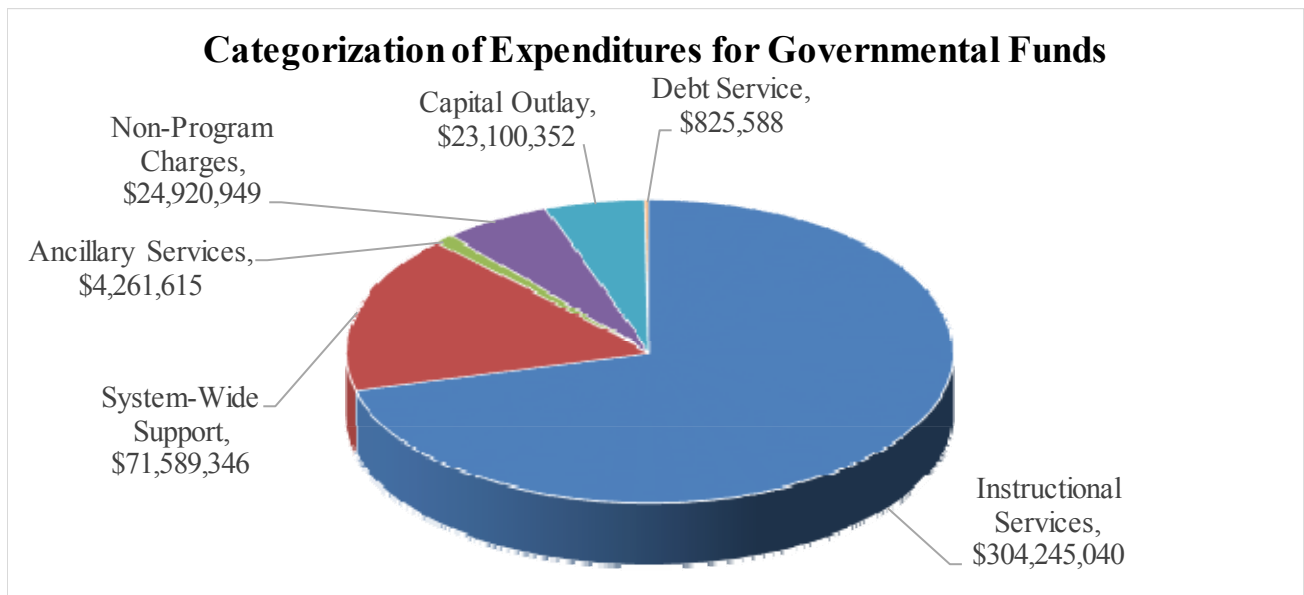
**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019**

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 \$26,356,994, a decrease of \$6,472,627 from the previous year. Of the Board’s governmental funds, the School Activity Fund, Grants and Community Schools Special Revenue Fund, and Local Current Expense Fund had revenues and other financing sources that exceeded expenditures and other uses. Funding from the County and Federal government increased approximately \$14.4 million and \$2.5 million, respectively, while State funding increased approximately \$8.5 million. Expenditures increased for the State Public School Fund and Federal Grants Fund.

Proprietary Funds: The Board’s business-type activities, the School Food Service Fund, reflected a increase in net position over last year. Operating revenues increased \$102,070 while operating expenses decreased \$994,121 from the previous year. Nonoperating revenues increased \$72,874 with a increase in federal reimbursements. 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.



Expenditures presented on modified accrual basis of accounting

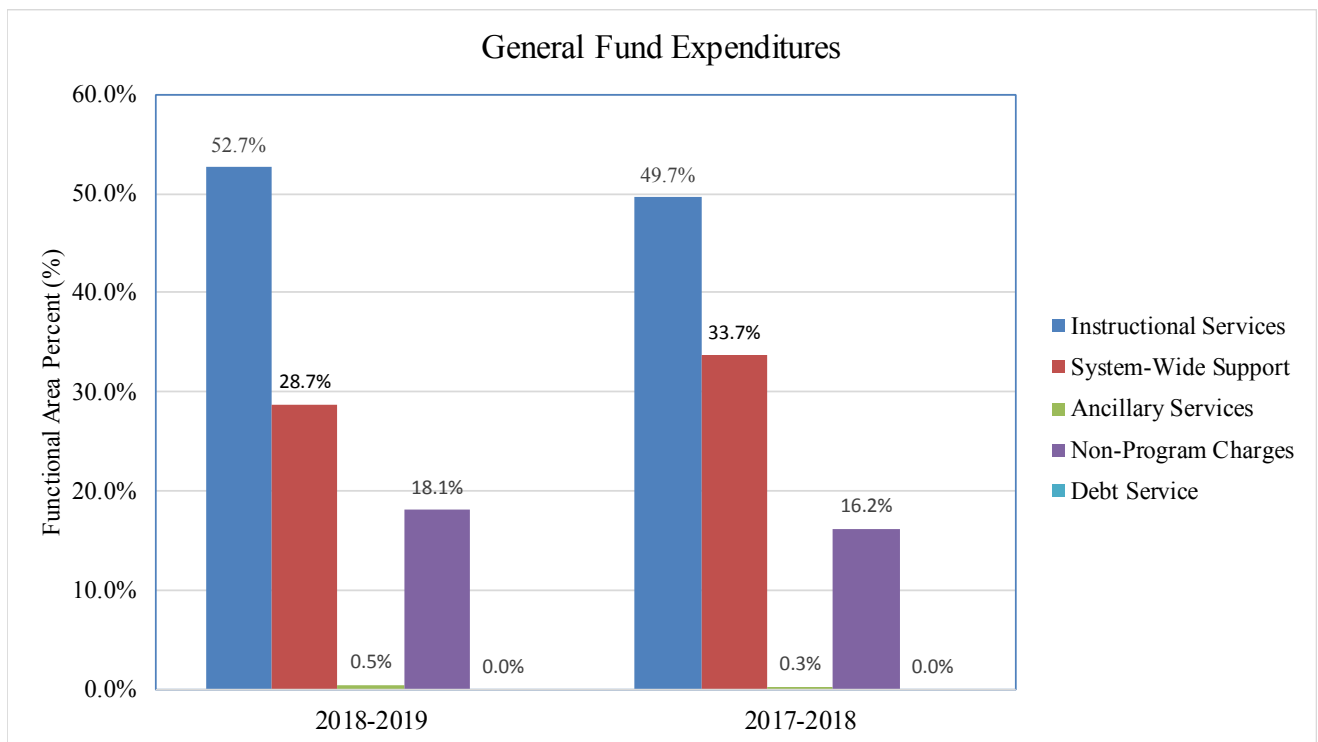
**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019**

General Fund Revenues

Since the merger of the city and county school systems in 1992-93, General Fund revenues have increased 192.3% from a total of \$46.3 million to \$138.1 million. These revenues have increased \$4.5 million from the prior year. County appropriations increased \$4.69 million and late property filings and fines and forfeitures decreased approximately \$244 thousand.

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 4.24% in 2018-19 from the prior year to a total of \$133,180,234. 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 and non-programmed charges. Changes in expenditures were due to reallocations of resources to maximize funding received.



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019**

Federal and State Special Revenue Funds

Substantially all State and federal revenues are accounted for in the State Public School Fund (\$211,223,128) and the Federal Grants Fund (\$29,885,532). 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 \$7.2 million. Federal Grants Fund funding increased from the prior year by \$2.7 million. Expenditures of these funds provide the basic instructional programs for all school systems in North Carolina. Salaries and benefits account for 94.7% of all expenditures in these funds.

Capital Outlay Fund

In November of 2016, voters approved new construction funding as part of a county bond referendum that will continue what the 2001, 2003, and 2007 bond accomplished. During FY 2018-19, the Board realized \$19,823,881 in revenue from general obligation bonds issued by Durham County, and \$1,370,000 from the County's general appropriation. Additionally, the State provided \$807,754 for installment financing related to the purchase of yellow buses and for public school building capital needs. Miscellaneous other local sources provided \$495,113. During the 2018-19 school year, Durham Public Schools continued facility upgrades at schools throughout the district. The work includes renovation projects affecting multiple school's core infrastructure, security vestibules, roof replacements, security cameras, and kitchen freezers and cooler replacements, and boiler and chiller replacements.

**Table 3
Summary of Capital Assets
as of June 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Land	\$ 22,163,934	\$ 22,163,934	\$ -	\$ -	\$ 22,163,934	\$ 22,163,934
Construction in progress	22,389,629	5,710,757	-	-	22,389,629	5,710,757
Buildings and improvements	313,912,540	328,303,798	-	-	313,912,540	328,303,798
Furniture and equipment	2,476,090	2,447,817	496,483	583,000	2,972,573	3,030,817
Vehicles	2,810,731	3,714,827	-	-	2,810,731	3,714,827
Total	<u>\$ 363,752,924</u>	<u>\$ 362,341,133</u>	<u>\$ 496,483</u>	<u>\$ 583,000</u>	<u>\$ 364,249,407</u>	<u>\$ 362,924,133</u>

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019**

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 53 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 increase in net position of \$788,987 in the current year.

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 \$2,748,737 prior to transfer to other funds was accomplished for the year due to increased funding from the County of Durham and maximization of federal and State funding.

Debt Outstanding

During the year, the Board's outstanding debt decreased \$807,754, with an ending balance of \$1,007,408. The debt for installment purchases decreased due to continued payments on the purchase of 31 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 II) B) 6) of this report.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019**

Economic Factors

The Board experienced an increase in enrollment of 504 students in the 2019-20 school year. This is the first time in 5 years of declining enrollment. The local housing market continues to grow as evidenced by the counties' population growth and construction of new homes and apartments across the county. The students of charter, private and home schools continued to grow as well. The Board has reduced dependency on fund balance in 2019-20. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the School Board. With an increase in student enrollment, it has reduced the urgency to reduce annual funding commitments compromising educational outcomes as laid out in the strategic plan. The Board is in the midst of some redistricting because of overcrowding in some schools in addition to the state mandated class size reduction in grades K-3 by the beginning of fiscal year 2021-22.

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

- The County's unemployment rate increased slightly from 3.8% to 4%. The County's unemployment rate has fluctuated up, but compares favorably to the State's rate of 4.2%, and remains above the national average of 3.7%.
- Retail sales increased 8% over the previous year. 2019 and 2018 retail sales for the County were approximately \$7,771,144 and \$7,195,550,000, respectively.
- The population in Durham County continues to grow. The population increased 4% in 2019.

These factors, as well as the State's budget situation, and increased utility costs, were included in preparing the Board's budget for the 2019-20 fiscal year. The 2020 fiscal year budget was developed by maintaining offsetting effect of such economic factors, and utilized \$1.75 million fund balance to balance the budget. The Superintendent include \$7.6 million in expenditures for the strategic plan as part of the budget request to the county commissioners in the development of the 2019-20 budget.

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:

Paul LeSieur, 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, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 40,915,959	\$ 1,875,591	\$ 42,791,550
Other receivable, net	356,105	167,891	523,996
Due from other governments	10,869,293	702,645	11,571,938
Internal balances	39,920	(39,920)	-
OPEB asset	407,004	8,965	415,969
Inventories	85,851	630,538	716,389
Prepaid items	141,451	-	141,451
	<u>52,815,583</u>	<u>3,345,710</u>	<u>56,161,293</u>
Capital assets:			
Land and construction in progress	44,553,563	-	44,553,563
Other capital assets, net of depreciation	319,199,361	496,483	319,695,844
Total capital assets	<u>363,752,924</u>	<u>496,483</u>	<u>364,249,407</u>
Total assets	<u>416,568,507</u>	<u>3,842,193</u>	<u>420,410,700</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>109,371,202</u>	<u>2,409,157</u>	<u>111,780,359</u>
LIABILITIES			
Accounts payable and accrued expenses	3,781,780	29,862	3,811,642
Accrued salaries and wages payable	17,000,150	-	17,000,150
Unearned revenue	4,695,343	106,235	4,801,578
Long-term liabilities:			
Due within one year	3,488,954	382,724	3,871,678
Due in more than one year:			
Net pension liability	148,592,115	3,273,089	151,865,204
Net OPEB liability	379,317,717	8,355,361	387,673,078
Other	22,691,334	-	22,691,334
Total liabilities	<u>579,567,393</u>	<u>12,147,271</u>	<u>591,714,664</u>
DEFERRED INFLOWS OF RESOURCES	<u>219,976,590</u>	<u>4,845,499</u>	<u>224,822,089</u>
NET POSITION			
Net investment in capital assets	362,745,516	496,483	363,241,999
Restricted for:			
Stabilization by State statute	3,103,180	-	3,103,180
School capital outlay	2,736,388	-	2,736,388
DIPNC OPEB plan	1,805,037	39,760	1,844,797
Grants and scholarships	3,795,246	-	3,795,246
Individual schools	2,357,159	-	2,357,159
Unrestricted	<u>(650,146,800)</u>	<u>(11,277,663)</u>	<u>(661,424,463)</u>
Total net position	<u>\$ (273,604,274)</u>	<u>\$ (10,741,420)</u>	<u>\$ (284,345,694)</u>

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA **Exhibit 2**

**Statement of Activities
For the Year Ended June 30, 2019**

<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	\$ 139,903,973	\$ 3,588,726	\$ 107,057,499	\$ -
Special populations	60,385,317	-	55,370,365	-
Alternative programs	40,340,690	-	33,847,114	-
School leadership	23,532,997	-	12,961,501	-
Co-curricular	6,690,896	-	2,310	-
School-based support	21,490,380	5,284,312	13,393,817	-
System-wide support services:				
Support and development	2,252,823	-	694,943	-
Special population support and development	1,475,107	-	919,089	-
Alternative programs and services support and development	1,140,966	-	393,858	-
Technology support	3,856,721	-	154,075	-
Operational support	49,725,246	1,913,363	17,447,038	669,677
Financial and human resource Accountability	7,032,421	-	1,689,958	-
System-wide pupil support	891,177	-	56,778	-
Policy, leadership and public relations	1,369,779	-	501,323	-
Ancillary services	5,179,314	-	1,771,119	-
Non-programmed charges	4,016,860	-	69,873	-
Interest on long-term debt	23,983,830	-	-	-
Unallocated depreciation expense, excluding direct depreciation expense	17,834	-	-	-
Total governmental activities	<u>411,920,307</u>	<u>10,786,401</u>	<u>246,330,660</u>	<u>669,677</u>
Business-type activities:				
Food services	<u>16,055,074</u>	<u>2,498,039</u>	<u>14,192,296</u>	<u>-</u>
Total business-type activities	<u>16,055,074</u>	<u>2,498,039</u>	<u>14,192,296</u>	<u>-</u>
Total primary government	<u>\$ 427,975,381</u>	<u>\$ 13,284,440</u>	<u>\$ 260,522,956</u>	<u>\$ 669,677</u>
General revenues:				
Unrestricted Local appropriations - operating				
Unrestricted Local appropriations and bond proceeds - capital				
Unrestricted State grants - capital				
Unrestricted Federal grants - operating				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

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

Net (Expenses) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (29,257,748)	\$ -	\$ (29,257,748)
(5,014,952)	-	(5,014,952)
(6,493,576)	-	(6,493,576)
(10,571,496)	-	(10,571,496)
(6,688,586)	-	(6,688,586)
(2,812,251)	-	(2,812,251)
(1,557,880)	-	(1,557,880)
(556,018)	-	(556,018)
(747,108)	-	(747,108)
(3,702,646)	-	(3,702,646)
(29,695,168)	-	(29,695,168)
(5,342,463)	-	(5,342,463)
(834,399)	-	(834,399)
(868,456)	-	(868,456)
(3,408,195)	-	(3,408,195)
(3,946,987)	-	(3,946,987)
(23,983,830)	-	(23,983,830)
(17,834)	-	(17,834)
(18,633,976)	-	(18,633,976)
(154,133,569)	-	(154,133,569)
-	635,261	635,261
-	635,261	635,261
(154,133,569)	635,261	(153,498,308)
136,978,626	-	136,978,626
21,303,881	-	21,303,881
1,322,406	-	1,322,406
-	-	-
421,572	4,680	426,252
3,333,527	-	3,333,527
(149,046)	149,046	-
163,210,966	153,726	163,364,692
9,077,397	788,987	9,866,384
(282,681,671)	(11,530,407)	(294,212,078)
\$ (273,604,274)	\$ (10,741,420)	\$ (284,345,694)

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, 2019

	Major Funds				Non-major Funds	
	Local Current Expense Fund	Grant and Community Schools Special Revenue Fund	State Public School Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 23,849,288	\$ 8,825,529	\$ -	\$ 4,949,259	\$ 3,291,883	\$ 40,915,959
Due from other governments	536,475	-	7,643,703	2,100,904	588,211	10,869,293
Other receivable, net	59,076	109,176	-	-	187,853	356,105
Due from other funds	-	9,566	27,698	-	153,733	190,997
Inventories	85,851	-	-	-	-	85,851
Prepaid items	115,452	16,658	-	-	9,341	141,451
Total assets	<u>\$ 24,646,142</u>	<u>\$ 8,960,929</u>	<u>\$ 7,671,401</u>	<u>\$ 7,050,163</u>	<u>\$ 4,231,021</u>	<u>\$ 52,559,656</u>
LIABILITIES AND FUND BALANCES						
Accounts payable and accrued expenses	\$ 1,384,055	\$ 198,868	\$ -	\$ 2,188,348	\$ 10,509	\$ 3,781,780
Due to other funds	151,077	-	-	-	-	151,077
Accrued salaries and wages payable	8,682,144	79,610	7,643,703	-	594,693	17,000,150
Unearned revenue	385,398	4,751,805	27,698	24,523	80,231	5,269,655
Total liabilities	<u>10,602,674</u>	<u>5,030,283</u>	<u>7,671,401</u>	<u>2,212,871</u>	<u>685,433</u>	<u>26,202,662</u>
Fund balances:						
Nonspendable:						
Inventories	85,851	-	-	-	-	85,851
Prepaid items	115,452	16,658	-	-	9,341	141,451
Restricted:						
Stabilization by State statute	595,551	118,742	-	2,100,904	287,983	3,103,180
School capital outlay	-	-	-	2,736,388	-	2,736,388
Grants and scholarships	-	3,795,246	-	-	-	3,795,246
Individual schools	-	-	-	-	2,357,159	2,357,159
Committed:						
Teacher salaries	1,750,000	-	-	-	-	1,750,000
Strategic plan funding	-	-	-	-	-	-
Other committed balances	-	-	-	-	-	-
Assigned:						
Special revenue	-	-	-	-	891,105	891,105
Self-insurance	3,056,908	-	-	-	-	3,056,908
Unassigned	8,439,706	-	-	-	-	8,439,706
Total fund balances	<u>14,043,468</u>	<u>3,930,646</u>	<u>-</u>	<u>4,837,292</u>	<u>3,545,588</u>	<u>26,356,994</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,646,142</u>	<u>\$ 8,960,929</u>	<u>\$ 7,671,401</u>	<u>\$ 7,050,163</u>	<u>\$ 4,231,021</u>	<u>\$ 52,559,656</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						\$ 26,356,994
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.						
Cost of capital assets					\$ 700,982,991	
Accumulated depreciation					(337,230,067)	363,752,924
Net OPEB asset						407,004
Deferred outflows of resources related to pensions						82,957,702
Deferred outflows of resources related OPEB						26,413,500
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					(1,007,408)	
Claims liability for retained risk					(4,232,647)	
Compensated absences payable					(20,940,233)	
Net OPEB liability					(379,317,717)	
Net pension liability					(148,592,115)	(554,090,120)
Deferred inflows of resources related to pensions						(4,899,844)
Deferred inflows of resources related to OPEB						(215,076,746)
Sales tax receivable deferred in the governmental funds						574,312
Net position of governmental activities						<u>\$ (273,604,274)</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, 2019

	<u>Major Funds</u>				<u>Non-major Funds</u>	
	<u>Local Current Expense Fund</u>	<u>Grant and Community Schools Special Revenue Fund</u>	<u>State Public School Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
State of North Carolina	\$ -	\$ -	\$ 211,223,128	\$ 1,992,083	\$ -	\$ 213,215,211
Durham County	137,274,898	1,941,375	-	21,193,881	-	160,410,154
City of Durham	23,026	-	-	110,000	136,049	269,075
U.S. Government	-	-	-	-	30,054,691	30,054,691
Other	821,224	4,637,722	-	385,113	12,833,587	18,677,646
Total revenues	<u>138,119,148</u>	<u>6,579,097</u>	<u>211,223,128</u>	<u>23,681,077</u>	<u>43,024,327</u>	<u>422,626,777</u>
EXPENDITURES						
Current:						
Instructional services:						
Regular instructional	35,261,799	365,258	103,108,704	-	6,800,922	145,536,683
Special populations	6,307,757	1,064,839	46,945,184	-	8,715,507	63,033,287
Alternative programs	8,007,662	1,183,325	14,855,821	-	17,978,596	42,025,404
School leadership	11,186,278	214,750	12,540,850	-	667,809	24,609,687
Co-curricular	1,672,165	2,087	-	-	5,030,530	6,704,782
School-based support	7,701,452	14,929	12,487,987	-	2,130,829	22,335,197
System-wide support services:						
Support and development	1,652,505	40,500	517,679	-	132,427	2,343,111
Special population support and development	594,648	-	406,017	-	545,328	1,545,993
Alternative programs and services support and development	787,955	-	67,284	-	326,574	1,181,813
Technology support	3,225,972	-	154,075	-	587,369	3,967,416
Operational support	20,790,441	70,255	16,765,825	-	9,956,850	47,583,371
Financial and human resource	5,470,101	-	1,689,958	-	87,755	7,247,814
Accountability	867,616	-	-	-	56,778	924,394
System-wide pupil support	906,802	17,539	501,323	-	-	1,425,664
Policy, leadership and public relations	3,976,546	-	1,033,375	-	359,849	5,369,770
Ancillary services	644,611	3,603,522	-	-	13,482	4,261,615
Non-programmed charges	24,125,924	100	-	-	794,925	24,920,949
Capital outlay	-	-	-	23,100,352	-	23,100,352
Debt service:						
Principal repayments	-	-	-	807,754	-	807,754
Interest	-	-	-	17,834	-	17,834
Total expenditures	<u>133,180,234</u>	<u>6,577,104</u>	<u>211,074,082</u>	<u>23,925,940</u>	<u>54,185,530</u>	<u>428,942,890</u>
Revenues over (under) expenditures	<u>4,938,914</u>	<u>1,993</u>	<u>149,046</u>	<u>(244,863)</u>	<u>(11,161,203)</u>	<u>(6,316,113)</u>
OTHER FINANCING SOURCES (USES)						
Transfers to other funds	-	-	(149,046)	-	-	(149,046)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(149,046)</u>	<u>-</u>	<u>-</u>	<u>(149,046)</u>
Net change in fund balance	4,938,914	1,993	-	(244,863)	(11,161,203)	(6,465,159)
FUND BALANCES						
Beginning of year	9,112,022	3,928,653	-	5,082,155	14,706,791	32,829,621
Decrease in reserve for inventories	(7,468)	-	-	-	-	(7,468)
End of year	<u>\$ 14,043,468</u>	<u>\$ 3,930,646</u>	<u>\$ -</u>	<u>\$ 4,837,292</u>	<u>\$ 3,545,588</u>	<u>\$ 26,356,994</u>

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

Exhibit 4

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

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		\$ (6,465,159)
Change in fund balances due to change in reserve for inventory		(7,468)
<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	\$ (19,866,466)	
Capital outlays	<u>21,278,257</u>	1,411,791
Contributions to the pension plan in the current fiscal year and not included on the statement of activities		27,695,490
Contributions to the OPEB plans in the current fiscal year not included on the statement of activities		14,444,922
<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>		
Proceeds from the issuance of debt		-
Repayment of debt		807,754
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense	(33,013,080)	
OPEB expenses	7,037,124	
Compensated absences	(1,461,492)	
Claim liability for retained risk	<u>(962,172)</u>	(28,399,620)
Decrease in unearned revenue for sales tax receivable reported in the governmental funds		<u>(410,313)</u>
Total changes in net position of governmental activities		<u><u>\$ 9,077,397</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Durham County	\$ 137,692,577	\$ 137,692,577	\$ 137,274,898	\$ (417,679)
City of Durham	30,000	30,000	23,026	(6,974)
Other	650,000	650,000	821,224	171,224
Total revenues	138,372,577	138,372,577	138,119,148	(253,429)
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	45,480,616	36,298,840	35,261,799	1,037,041
Special populations	8,376,515	6,846,151	6,307,757	538,394
Alternative programs	3,949,557	8,289,839	8,007,662	282,177
School leadership	11,613,323	11,273,454	11,186,278	87,176
Co-curricular	1,806,169	1,694,458	1,672,165	22,293
School-based support	7,615,810	7,807,157	7,701,452	105,705
System-wide support services:				
Support and development	2,221,434	1,699,636	1,652,505	47,131
Special population support and development	620,687	596,840	594,648	2,192
Alternative programs and services support and development	786,198	791,742	787,955	3,787
Technology support	3,359,581	3,222,092	3,225,972	(3,880)
Operational support	29,361,744	21,161,221	20,790,441	370,780
Financial and human resource	5,507,671	5,508,527	5,470,101	38,426
Accountability	967,017	938,862	867,616	71,246
System-wide pupil support	983,602	912,371	906,802	5,569
Policy, leadership, and public relations	4,150,923	4,010,641	3,976,546	34,095
Ancillary services	764,980	915,102	644,611	270,491
Non-programmed charges	24,919,363	24,215,467	24,125,924	89,543
Total expenditures	152,485,190	136,182,400	133,180,234	3,002,166
Revenues under expenditures	(14,112,613)	2,190,177	4,938,914	2,748,737
OTHER FINANCING SOURCES				
Transfers from(to) other funds	4,829,307	(2,190,177)	-	2,190,177
Appropriated fund balance	9,283,306	-	-	-
Net change in fund balance	\$ -	\$ -	4,938,914	\$ 4,938,914
FUND BALANCE				
Beginning of year			9,112,022	
Change in reserve for inventories			(7,468)	
End of year			\$ 14,043,468	

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
Grant and Community Schools Special Revenue Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Durham County:				
Pre Kindergarten Program Support	\$ 2,169,251	\$ 2,169,251	\$ 1,941,375	\$ (227,876)
State of North Carolina:				
Northeast Leadership Academy	-	-	-	-
Natural and Cultural Resources	-	-	-	-
N.C. Pre-K	-	-	-	-
Total State of North Carolina	-	-	-	-
U.S. Government:				
Fresh Fruit and Vegetable Grant	54	54	-	(54)
N.C. Quest	-	-	-	-
C.D.C. H.I.V (1308)	4,375	4,375	-	(4,375)
Innovative Approaches	-	-	-	-
Job Creation Grant	3,000	3,000	-	(3,000)
National Science Foundation Grant	3,435	3,435	-	(3,435)
Total U.S. Government	10,864	10,864	-	(10,864)
Other :				
Community education	3,554,848	3,606,363	3,586,702	(19,661)
Reading Academy	3,353	3,353	-	(3,353)
Education Workforce and Innovation	224,602	384,602	94,180	(290,422)
Community Liaisons for Students	7,783	7,783	997	(6,786)
Watts Afterschool Reading	16,424	25,857	18,921	(6,936)
Duke Neighborhood Foundation	31,156	30,456	27,535	(2,921)
Arts Spotlight	47,931	57,801	10,214	(47,587)
Grow Program	8,548	11,548	7,385	(4,163)
Durham Public Schools Farm	43,226	69,426	37,487	(31,939)
Singapore American School Math	30,540	30,540	10,750	(19,790)
United Way Social Innovation	4,509	4,509	1,384	(3,125)
Other	2,213,886	2,731,676	842,167	(1,889,509)
Total other	6,186,806	6,963,914	4,637,722	(2,326,192)
Total revenues	8,366,921	9,144,029	6,579,097	(2,564,932)
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	477,382	1,054,560	365,258	689,302
Special populations	967,969	1,139,239	1,064,839	74,400
Alternative programs	1,544,238	1,533,556	1,183,325	350,231
School leadership	214,954	214,913	214,750	163
Co-curricular	9,373	10,903	2,087	8,816
School-based support	29,977	45,997	14,929	31,068
Total instructional services	3,243,893	3,999,168	2,845,188	1,153,980

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Grant and Community Schools Special Revenue Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
System-wide support services:				
Support and development	\$ 105,148	\$ 105,148	\$ 40,500	\$ 64,648
Alternative programs and services support and development	-	-	-	-
Operational support	101,050	84,114	70,255	13,859
System-wide pupil support	41,243	90,609	17,539	73,070
Total system-wide support services	<u>247,441</u>	<u>279,871</u>	<u>128,294</u>	<u>151,577</u>
Ancillary services:				
Community	3,548,792	3,548,792	3,602,138	(53,346)
Nutrition	7,028	7,028	1,384	5,644
Total ancillary services	<u>3,555,820</u>	<u>3,555,820</u>	<u>3,603,522</u>	<u>(47,702)</u>
Non-programmed charges:				
Indirect costs	711,212	1,309,170	100	1,309,070
Unbudgeted funds	608,555	-	-	-
Total non-programmed charges	<u>1,319,767</u>	<u>1,309,170</u>	<u>100</u>	<u>1,309,070</u>
Total expenditures	<u>8,366,921</u>	<u>9,144,029</u>	<u>6,577,104</u>	<u>2,566,925</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	1,993	<u>\$ 1,993</u>
FUND BALANCE				
Beginning of year			<u>3,928,653</u>	
End of year			<u>\$ 3,930,646</u>	

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

**Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
State Public School Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State of North Carolina	\$ 211,143,083	\$ 216,113,029	\$ 211,223,128	\$ (4,889,901)
Total revenues	211,143,083	216,113,029	211,223,128	(4,889,901)
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	110,002,986	106,579,845	103,108,704	3,471,141
Special populations	44,862,255	47,106,604	46,945,184	161,420
Alternative programs	9,190,014	15,765,089	14,855,821	909,268
School leadership	12,327,229	12,627,232	12,540,850	86,382
School-based support	13,226,424	12,698,436	12,487,987	210,449
System-wide support services:				
Support and development	514,908	517,679	517,679	-
Special population support and development	406,219	406,027	406,017	10
Alternative programs and services support and development	66,083	67,284	67,284	-
Technology support	232,447	154,076	154,075	1
Operational support	17,041,945	16,784,359	16,765,825	18,534
Financial and human resource	1,697,875	1,689,962	1,689,958	4
System-wide pupil support	291,761	501,325	501,323	2
Policy, leadership, and public relations	1,027,255	1,066,065	1,033,375	32,690
Ancillary services	-	-	-	-
Total expenditures	210,887,401	215,963,983	211,074,082	4,889,901
Revenues over expenditures	255,682	149,046	149,046	-
Other financing sources (uses):				
Transfers to other funds	(255,682)	(149,046)	(149,046)	-
Total other financing sources (uses)	(255,682)	(149,046)	(149,046)	-
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

Statement of Net Position

Proprietary Fund

June 30, 2019

	Major Fund
	School Food
	Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,875,591
Accounts receivable, net	167,891
Due from other governments	702,645
Due from other funds	4,448
Inventories	630,538
OPEB asset	8,965
Total current assets	3,390,078
Noncurrent assets:	
Furniture and equipment, net	496,483
Total assets	3,886,561
DEFERRED OUTFLOWS OF RESOURCES	2,409,157
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	29,862
Due to other funds	44,368
Unearned revenue	106,235
Compensated absences	382,724
Total current liabilities	563,189
Noncurrent liabilities:	
Net pension liability	3,273,089
Net OPEB liability	8,355,361
Total noncurrent liabilities	11,628,450
Total liabilities	12,191,639
DEFERRED INFLOWS OF RESOURCES	4,845,499
NET POSITION	
Net investment in capital assets	496,483
DIPNC OPEB plan	39,760
Unrestricted	(11,277,663)
Total net position	\$ (10,741,420)

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 Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Major Fund
	School Food
	Service Fund
OPERATING REVENUES	
Food sales	\$ 2,436,212
Other	61,827
Total operating revenues	2,498,039
OPERATING EXPENSES	
Food costs:	
Purchase of food	5,293,206
Donated commodities	1,124,169
Salaries and benefits	7,872,114
Indirect costs	947,851
Materials and supplies	592,386
Repairs and maintenance	49,003
Depreciation	86,517
Other	89,828
Total operating expenses	16,055,074
Operating loss	(13,557,035)
NONOPERATING REVENUES	
Federal reimbursements	12,080,429
Federal commodities	1,031,503
Federal summer feeding program	738,802
Fresh fruits and vegetables program	323,668
State reimbursements	17,894
Interest earned	4,680
Total nonoperating revenues	14,196,976
Income before transfers	639,941
Transfers from other funds	149,046
Change in net position	788,987
NET POSITION	
Beginning of year	(11,530,407)
End of year	\$ (10,741,420)

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 Cash Flows

Proprietary Fund

For the Year Ended June 30, 2019

	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,454,783
Cash paid for goods and services	(7,273,178)
Cash paid to employees for services	<u>(9,541,675)</u>
Net cash used by operating activities	<u>(13,360,070)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	13,035,206
State reimbursements	<u>17,894</u>
Net cash provided by noncapital financing activities	<u>13,053,100</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net cash used in capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>4,680</u>
Net cash provided from investing activities	<u>4,680</u>
Net decrease in cash and cash equivalents	(302,290)
Cash and cash equivalents - beginning of year	<u>2,177,881</u>
Cash and cash equivalents - end of year	<u>\$ 1,875,591</u>

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

**Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019**

	Major Fund
	School Food
	Service Fund
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (13,557,035)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	86,517
Donated commodities consumed	1,031,503
Salaries paid by other fund	149,046
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) decrease in:	
Accounts receivable	(150,527)
OPEB asset	9,787
Inventories	(87,914)
Deferred outflows of resources	(413,710)
Increase (decrease) in:	
Accounts payable and accrued expenses	(140,154)
Unearned revenue	(2,111)
Due to/from other funds	10,043
Compensated absences	29,331
Net pension liability	552,717
Net OPEB liability	(1,986,945)
Deferred inflows of resources	1,109,382
Total adjustments	196,965
Net cash used by operating activities	\$ (13,360,070)

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$149,046 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 9.

The School Food Service Fund received donated commodities with a value of \$1,031,503 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The fund recorded the consumption of \$1,124,169 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 9.

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 Fiduciary Net Position

Private-Purpose Trust

June 30, 2019

	Della Bradsher Hedgepeth Memorial Scholarship Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 34,480
	<u> </u>
Total assets	<u><u>\$ 34,480</u></u>
NET POSITION	
Held in trust for scholarships	\$ 15,000
Unrestricted	19,480
	<u> </u>
Total net position	<u><u>\$ 34,480</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 12

Statement of Changes in Fiduciary Net Position

Private-Purpose Trust

For the Year Ended June 30, 2019

	Della Bradsher Hedgepeth Memorial Scholarship Fund
ADDITIONS	
Donations	\$ 1,000
Interest on investments	720
Total additions	<u>1,720</u>
DEDUCTIONS	
Scholarships awarded	<u>1,000</u>
Change in net position	720
NET POSITION	
Beginning of year	<u>33,760</u>
End of year	<u><u>\$ 34,480</u></u>

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 Basic Financial Statements
For the Year Ended June 30, 2019

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 36% 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. Interfund services provided and used are not eliminated in the process of consolidation. 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 Basic Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

The Board reports the following major governmental funds:

Local Current Expense Fund: The general operating fund (General 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 mandated by State law [G.S. 115C-426].

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.

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 Basic Financial Statements
For the Year Ended June 30, 2019

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 Basic Financial Statements
For the Year Ended June 30, 2019

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, 2019, the Board has no outstanding encumbrances.

E) Assets, Deferred Outflows, 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 Government Portfolio (CMTGP), 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 CMTGP Cash Portfolio’s securities are valued at fair value, which is the CMTGP’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 Basic Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, 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.

4) Prepaid Items

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. Regular expenses to the Board are recognized in the period in which they incur. Prepaid items 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 recorded at their acquisition 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 Basic Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, 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 Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – a pension and OPEB related deferral and contributions made to the pension and OPEB plans in the current fiscal year. The statement of financial position also reports 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 several items that meet this criterion including pension and OPEB related deferrals, unearned grants and scholarships in the Grant and Community Schools Special Revenue Fund, and sales tax refunds receivable in all governmental funds and 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, 2019 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 Basic Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, 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 Items - 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 by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS.

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 Basic Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, 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.

Teachers Salaries – portion of fund balance approved by resolution of the Board of Education to maintain staffing levels equivalent to the 2018-19 fiscal year and make payments to area charter schools for attending students from the district.

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.

Self-insurance – portion of fund balance that will be used by Local Current Expense Fund for covered insurance claims.

Unassigned Fund Balance - portion of Local Current Expense Fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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 Basic Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, 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 \$299,961,268 consists of several elements as follows:

Description	Amount
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)	\$ 700,982,991
Less: Accumulated depreciation	(337,230,067)
Net capital assets	363,752,924
Net OPEB asset	407,004
Deferred outflows of resources:	
Deferred outflows of resources related to pensions	82,957,702
Deferred outflows of resources related OPEB	26,413,500
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	(1,007,408)
Claims liability for retained risk	(4,232,647)
Compensated absences	(20,940,233)
Net pension liability	(148,592,115)
Net OPEB liability	(379,317,717)
Deferred inflows of resources:	
Deferred inflows of resources related to pensions	(4,899,844)
Deferred inflows of resources related to OPEB	(215,076,746)
Sales tax receivable, deferred	574,312
Total adjustment	\$ (299,961,268)

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, 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 \$15,542,556 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 21,278,257
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	(19,866,466)
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	807,754
Contributions to the pension and OPEB plans in the current fiscal year are not included on the statement of activities:	
Pension plan	27,695,490
OPEB plans	14,444,922
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(33,013,080)
OPEB expense	7,037,124
Compensated absences	(1,461,492)
Estimated liabilities for retained risks increased during the year	(962,172)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in unearned revenues for sales tax receivable reported in the governmental funds	(410,313)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	(7,468)
Total adjustment	\$ 15,542,556

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11) Defined Benefit Pension Plan and OPEB Plans

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

II) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2019, the Board reported expenditures within the Grant and Community Schools Special Revenue Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$47,702. The project is funded by a grant and reimbursement for the expenditures was received subsequent to year-end. Management will amend procedures to ensure compliance with pre-audit requirements.

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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

1) Deposits (Continued)

At June 30, 2019, the Board had deposits with banks with a carrying amount of \$23,445,601 and with the State Treasurer of \$0. The bank balances with financial institutions and the State Treasurer were \$24,752,826 and \$3,402,028, respectively. Of these balances, \$2,924,882 was covered by federal depository insurance and \$25,229,972 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2) Investments

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

Investment Type	Measurement Method	Value	Maturity	Rating
North Carolina Capital Management Trust - Government Portfolio	Amortized Cost	\$ 3,660,529	N/A	AAAm
Short Term Investment Fund	Fair Value - Level 2	\$ 15,719,900	Duration of 1.4 years	Unrated

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices

Interest Rate Risk. The Board does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The STIF had a weighted average maturity of 1.4 years at June 30, 2019.

Credit risk. The Board's investments in the CMTGP, carried a credit rating of AAAm by Standard and Poor's as of June 30, 2019. The STIF is unrated and is authorized under North Carolina General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries and agencies, and money market instruments. The Board has no policy on credit risk.

Concentration of Credit Risk. The Board places no limit on the amount the Board may invest in any one issuer. More than five percent of the Board's investments are in the State Treasurer's Short Term Investment Fund. This investment is 81% of the Board's total investments.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

3) Accounts Receivable

Receivables at the government-wide level at June 30, 2019, were as follows:

	Net Due from (to) Other Funds (Internal Balances)	Due from Other Governments	Other	Total
Governmental activities:				
Local Current Expense Fund	\$ (151,077)	\$ 536,475	\$ 59,076	\$ 444,474
Other governmental activities	190,997	10,332,818	297,029	10,820,844
Total	<u>\$ 39,920</u>	<u>\$ 10,869,293</u>	<u>\$ 356,105</u>	<u>\$ 11,265,318</u>
Business-type activities:				
School Food Service Fund	<u>\$ (39,920)</u>	<u>\$ 702,645</u>	<u>\$ 167,891</u>	<u>\$ 830,616</u>

Due from other governments consist of the following:

Governmental activities:		
Local Current Expense Fund	\$ 536,475	Sales tax revenue from State
State Public School Fund	7,643,703	11 th and 12 th installments due from NCDPI
Capital Outlay Fund	24,523	Sales tax revenue from State
Capital Outlay Fund	2,076,381	Appropriations and bond proceeds from County
Federal Grants Fund	574,897	11 th and 12 th installments due from NCDPI
Local Special Expense Fund	<u>13,314</u>	Sales tax revenue from State
Total	<u>\$ 10,869,293</u>	
Business type activities:		
School Fund Service Fund	<u>\$ 702,645</u>	USDA and Summer Feeding programs
	<u>\$ 702,645</u>	

All receivables are expected to be collected within one year.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

4) Capital Assets

All receivables are expected to be collected within one year.

Capital asset activity for the governmental activities for the year ended June 30, 2019 was as follows:

	Beginning Balances	Additions	Transfers	Disposals	Ending Balances
Capital assets not being depreciated:					
Land	\$ 22,163,934	\$ -	\$ -	\$ -	\$ 22,163,934
Construction in progress	5,710,757	20,322,782	(3,643,910)	-	22,389,629
Total capital assets not being depreciated	<u>27,874,691</u>	<u>20,322,782</u>	<u>(3,643,910)</u>	<u>-</u>	<u>44,553,563</u>
Capital assets being depreciated:					
Buildings	396,789,042	-	-	-	396,789,042
Building improvements	206,183,874	-	3,643,910	-	209,827,784
Furniture and equipment	15,793,267	627,081	-	29,428	16,390,920
Vehicles	33,093,288	328,394	-	-	33,421,682
Total capital assets being depreciated	<u>651,859,471</u>	<u>955,475</u>	<u>3,643,910</u>	<u>29,428</u>	<u>656,429,428</u>
Less accumulated depreciation for:					
Buildings	227,849,364	9,610,508	-	-	237,459,872
Building improvements	46,819,754	8,424,660	-	-	55,244,414
Furniture and equipment	13,345,450	598,808	-	29,428	13,914,830
Vehicles	29,378,461	1,232,490	-	-	30,610,951
Total accumulated depreciation	<u>317,393,029</u>	<u>19,866,466</u>	<u>-</u>	<u>29,428</u>	<u>337,230,067</u>
Total capital assets being depreciated, net	<u>334,466,442</u>				<u>319,199,361</u>
Governmental activity capital assets, net	<u>\$ 362,341,133</u>				<u>\$363,752,924</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 18,633,976
Operational support services	<u>1,232,490</u>
Total	<u>\$ 19,866,466</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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	\$ 3,653,707	\$ -	\$ -	\$ 3,653,707
Vehicles	193,626	-	-	193,626
Total capital assets being depreciated	<u>3,847,333</u>	<u>-</u>	<u>-</u>	<u>3,847,333</u>
Less accumulated depreciation for:				
Furniture and equipment	3,070,707	86,517	-	3,157,224
Vehicles	193,626	-	-	193,626
Total accumulated depreciation	<u>3,264,333</u>	<u>86,517</u>	<u>-</u>	<u>3,350,850</u>
School Fund Service capital assets, net	<u>\$ 583,000</u>			<u>\$ 496,483</u>

5) Construction Commitments

The Board has entered into several planned construction projects for school construction and improvements as of June 30, 2019. These projects with a cumulative value of approximately \$394,594,676 are evidenced by contractual commitments with various contractors on approved budgeted amounts. As of June 30, 2019, the total remaining commitments under these contracts are approximately \$54,810,929. 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 Basic Financial Statements
For the Year Ended June 30, 2019

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 Board is a participating employer in 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 membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2019, was 12.29% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$28,305,548, \$23,018,840, and \$20,869,025, for the years ended June 30, 2019, 2018 and 2017, respectively.

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

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

At June 30, 2019, the Board reported a liability of \$151,865,204 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2018 and at June 30, 2017, the Board's proportion was 1.53% and 1.55%, respectively.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

For the year ended June 30, 2019, the Board recognized pension expense of \$33,679,949. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 448,047	\$ 3,483,706
Difference between projected and actual experience	11,083,224	1,524,069
Changes in assumptions	30,475,441	-
Difference between projected and actual earnings on plan investments	14,472,780	-
Pension contributions subsequent to the measurement date	28,305,548	-
Total	<u>\$ 84,785,040</u>	<u>\$ 5,007,775</u>

\$28,305,548 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2020	\$ 31,093,220
2021	18,805,084
2022	1,839,173
2023	(265,760)
2024	-
Thereafter	-
	<u>\$ 51,471,717</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease █ (6.00%)	Decrease Rate (7.00%)	1% Increase █ (8.00%)
Board's proportionate share of the net pension liability (asset)	\$ 289,632,680	\$ 151,865,204	\$ 36,264,647

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b) Other Postemployment Benefits

1) Healthcare Benefits

Plan Description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135.7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1) Healthcare Benefits (Continued)

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan. The financial statements and other required disclosures for the plan are presented in the State of North Carolina’s CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

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

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees’ Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan’s noncontributory premium.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1) Healthcare Benefits (Continued)

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state - supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2019, 2018 and 2017, the Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$14,440,666, \$12,918,737, and \$12,147,277, respectively. These contributions represented 6.27%, 6.05%, and 5.81% of covered payroll, respectively.

At June 30, 2019, Board reported a liability of \$387,673,078 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2018 and 2017, the Board's proportion was 1.36% and 1.43 %, respectively.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1) Healthcare Benefits (Continued)

\$14,440,666 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years ended June 30:</u>	
2020	\$ (47,387,392)
2021	(47,387,392)
2022	(47,387,392)
2023	(47,345,939)
2024	(19,180,373)
Thereafter	-

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

Inflation	2.75%
Salary increases	3.5-8.10%, including 3.5% inflation and productivity 1
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-7.25%
Healthcare cost trend rate - Medicare advantage	4.00-5.00%
Healthcare cost trend rate - administrative	3.00%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.87%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1) Healthcare Benefits (Continued)

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease █ (2.87%)	Discount Rate █ (3.87%)	1% Increase █ (4.87%)
Net OPEB liability	\$ 458,039,654	\$ 387,673,078	\$ 331,266,719

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease (Medical - 5.50%, Pharmacy - 6.25%, Administrative - 2.00%)	Healthcare Trend Rates (Medical - 6.50%, Pharmacy - 7.25%, Administrative - 3.00%)	1% increase (Medical - 7.50%, Pharmacy - 8.25%, Administrative - 4.00%)
Net OPEB liability	\$ 319,820,198	\$ 387,673,078	\$ 476,750,620

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

2) Disability Benefits

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Disability Benefits (Continued)

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. For the fiscal years ended June 30, 2019, 2018, and 2017 the Board paid all annual required contributions to the DIPNC for disability benefits of \$322,439, \$298,946, and \$794,163, respectively. These contributions represented 0.14%, 0.14%, and 0.38% of covered payroll, respectively.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Disability Benefits (Continued)

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.

OPEB Asset, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB

At June 30, 2019, Board reported an asset of \$415,969 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017. The total OPEB asset was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2018 and 2017, the Board's proportion was 1.37% and 1.39%, respectively.

\$322,439 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years ended June 30:</u>	
2020	\$ 267,764
2021	267,722
2022	200,397
2023	154,590
2024	107,976
Thereafter	107,935

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

Inflation	3.00%
Salary increases	3.5-8.10%, including 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan investment expense, including inflation

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Disability Benefits (Continued)

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	\$ 318,728	\$ 415,969	\$ 509,252

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic Fixed Income	7.0%	6.0%
Inflation Sensitive	6.0%	4.0%
Total	100%	

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Disability Benefits (Continued)

Total OPEB Expense, OPEB Liabilities (Assets), and Deferred Outflows and Inflows of Resources of Related to OPEB

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense	\$ (7,545,128)	\$ 16,287	\$ (7,528,841)
OPEB liability (asset)	387,673,078	(415,969)	387,257,109
Proportionate share (%) of the net OPEB liability (asset)	1.36%	1.37%	

Deferred outflows of resources

Change in proportion and difference between employer contributions and proportionate share of OPEB contributions

Difference between the OPEB plan expected and actual experience

Changes in assumptions

Difference between projected and actual earning on OPEB plan investments

OPEB contributions subsequent to the measurement date

\$ 11,062,396	\$ -	\$ 11,062,396
-	725,618	725,618
-	78,549	78,549
41,692	323,959	365,651
14,440,666	322,439	14,763,105
<u>\$ 25,544,754</u>	<u>\$ 1,450,565</u>	<u>\$ 26,995,319</u>

Deferred inflow of resources:

Change in proportion and difference between employer contributions and proportionate share of OPEB contributions

Difference between the OPEB plan expected and actual experience

Changes in assumptions

Difference between projected and actual earning on OPEB plan investments

\$ 25,332,855	\$ 21,737	\$ 25,354,592
26,510,795	-	26,510,795
167,948,927	-	167,948,927
-	-	-
<u>\$ 219,792,577</u>	<u>\$ 21,737</u>	<u>\$ 219,814,314</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2) Accounts Payable

Accounts payable as of June 30, 2019, are as follows:

	Vendors	Salaries and benefits	Total
Governmental activities:			
Local Current Expense Fund	\$ 1,384,055	\$ 8,682,144	\$ 10,066,199
Other governmental	2,397,725	8,318,006	10,715,731
Total governmental activities	\$ 3,781,780	\$ 17,000,150	\$ 20,781,930
 Business-type activities:			
School Food Service Fund	\$ 29,862	\$ -	\$ 29,862

3) Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities:		
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 11,262,363	\$ 28,216,758
Difference between projected and actual experience	11,554,331	27,430,640
Changes in assumptions	29,895,472	164,329,192
Difference between projected and actual earnings on plan investments	14,518,624	-
Pension and OPEB contributions subsequent to the measurement date	42,140,412	-
Total governmental activities	\$ 109,371,202	\$ 219,976,590
 Business-type activities:		
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 248,080	\$ 621,540
Difference between projected and actual experience	254,511	604,224
Changes in assumptions	658,518	3,619,735
Difference between projected and actual earnings on plan investments	319,807	-
Pension and OPEB contributions subsequent to the measurement date	928,241	-
Total governmental activities	\$ 2,409,157	\$ 4,845,499

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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 approximately \$890 million. Deductibles range from \$1,000 to \$25,000 per occurrence. Umbrella coverage in the amount of \$4,000,000 applies as excess over the general liability, automobile liability and employer's liability.

Governmental activities changes in the claims liability for retained risks were as follows:

	Beginning Balances	Claims	Claim Payments	Ending Balance
2017-2018	\$ 2,633,600	\$ 1,328,029	\$ 691,154	\$ 3,270,475
2018-2019	\$ 3,270,475	\$ 2,438,678	\$ 1,476,506	\$ 4,232,647

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. 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 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 Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

5) Contingent Liabilities

At June 30, 2019, 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 accepted the bid to purchase Thomas Built Buses and Blue Bird Buses through a special third party financing arrangement at total payments less than the purchase price.

During the year ended June 30, 2017, the Board entered into an installment purchase contracts to finance the purchase of 12 school buses for \$1,109,401. The financing contract requires only principal payments of \$277,350 upon delivery of the buses and \$277,350 annually, beginning November 15, 2017, with the final payment due on November 15, 2019.

During the year ended June 30, 2018, the Board entered into an installment purchase contract to finance the purchase of 8 school buses for \$413,676. The financing contract requires only principal payments of \$103,419 upon delivery of the buses and \$103,419 annually, beginning November 15, 2019, with the final payment due on November 15, 2021.

The Board is authorized by State law [G.S. 115C-528(a)] to enter into installment purchase contracts to finance the purchase of activity buses. In January 2018, the Board entered into such a contract to purchase eight activity buses at a total cost of \$725,184. The financing contracts require principal payments for five years with an interest rate of 2.46 percent.

The future minimum payments of the installment purchases as of June 30, 2019, including \$36,533 of interest, are as follows:

Years Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 458,354	\$ 14,438
2021	248,370	10,959
2022	148,516	7,394
2023	152,168	3,742
2024	-	-
Total	\$ 1,007,408	\$ 36,533

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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, 2019:

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
Governmental activities:					
Installment purchases	\$ 1,815,162	\$ -	\$ 807,754	\$ 1,007,408	\$ 458,354
Net pension liability	120,386,447	28,205,668	-	148,592,115	-
Net OPEB liability	457,685,039	-	78,367,322	379,317,717	-
Compensated absences	19,478,741	16,766,943	15,305,451	20,940,233	1,530,600
Claims liability for retained risk	3,270,475	962,172	-	4,232,647	1,500,000
	<u>\$ 602,635,864</u>	<u>\$ 45,934,783</u>	<u>\$ 94,480,527</u>	<u>\$ 554,090,120</u>	<u>\$ 3,488,954</u>
Business-type activities:					
Net pension liability	\$ 2,720,372	\$ 552,717	\$ -	\$ 3,273,089	\$ -
Net OPEB liability	10,342,306	-	1,986,945	8,355,361	-
Compensated absences	353,393	410,060	380,729	382,724	382,724
	<u>\$ 13,416,071</u>	<u>\$ 962,777</u>	<u>\$ 2,367,674</u>	<u>\$ 12,011,174</u>	<u>\$ 382,724</u>

Compensated absences related to governmental activities and net pension obligations are typically liquidated by the General and other governmental funds.

C) Interfund Balances and Activity

Interfund balances at June 30, 2019, consisted of the following:

From the Local Current Expense Fund to the School Activity Fund for portion of sales tax refund	<u>\$ 42,448</u>
From the School Food Service Fund to the Local Special Expense Fund for indirect costs	<u>\$ 44,368</u>
From the Local Current Expense Fund to the School Food Service Fund for a portion of sales tax refund	<u>\$ 4,448</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

C) Interfund Balances and Activity (continued)

Interfund balances at June 30, 2019, consisted of the following (continued):

From the Local Current Expense Fund to the State Fund for portion of sales tax refund	<u>\$ 27,698</u>
From the Local Current Expense Fund to the Federal Fund for portion of sales tax refund	<u>\$ 66,917</u>
From the Local Current Expense Fund to the Grant and Community Schools Fund for a portion of sales tax refund	<u>\$ 9,566</u>

Transfers to/from other funds for the year ended June 30, 2019, consisted of the following:

From the State Public School Fund to the School Food Service Fund For administrative costs	<u>\$ 149,046</u>
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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, 2019.

	<u>Local Current Expense Fund</u>
Total fund balance	\$ 14,043,468
Less: Inventories	(85,851)
Prepaid expense	(115,452)
Stablized by State Statue	(595,551)
Committed funds	(1,750,000)
Assigned for subsequent year's expenditures	-
Assigned for self-insurance	<u>(3,056,908)</u>
	<u>\$ 8,439,706</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Board had no encumbrances as of June 30, 2019.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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.

V) SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Date of Management's Review

Management has evaluated subsequent events through December 12, 2019, 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, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System

Schedule of Board Contributions
Teachers' and State Employees' Retirement System

Schedule of the Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund

Schedule of Board Contributions
Retiree Health Benefit Fund

Schedule of the Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina

Schedule of Board Contributions
Disability Income Plan of North Carolina

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of the Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
Last Six Fiscal Years*

Schedule 1

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability	1.53%	1.55%	1.58%	1.54%	1.48%	1.51%
Board's proportionate share of the net pension liability	\$ 151,865,204	\$ 123,106,819	\$ 145,085,971	\$ 56,785,953	\$ 17,425,928	\$ 91,453,830
Board's covered payroll	\$ 216,701,075	\$ 211,659,875	\$ 208,774,054	\$ 208,168,480	\$ 195,358,256	\$ 191,051,990
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	70.08%	58.16%	69.49%	27.28%	8.92%	47.87%
Plan fiduciary net position as a percentage of the total pension liability*	92.01%	89.51%	87.32%	94.64%	98.24%	90.60%

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

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Six Fiscal Years*

Schedule 2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 28,305,548	\$ 23,018,840	\$ 20,869,025	\$ 18,822,977	\$ 18,758,192	\$ 16,690,949
Contributions in relation to the contractually required contribution	<u>28,305,548</u>	<u>23,018,840</u>	<u>20,869,025</u>	<u>18,822,977</u>	<u>18,758,192</u>	<u>16,690,949</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 253,109,123	\$ 216,701,075	\$ 211,659,875	\$ 208,774,054	\$ 208,168,480	\$ 195,358,256
Contributions as a percentage of covered payroll	11.18%	10.62%	9.86%	9.02%	9.01%	8.54%

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

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of the Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund
Last Three Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	1.36%	1.43%	1.39%
Board's proportionate share of the net OPEB liability	\$ 387,673,078	\$ 468,027,345	\$ 603,001,942
Board's covered payroll	\$ 216,701,075	\$ 211,659,875	\$ 208,774,054
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	178.90%	221.12%	288.83%
Plan fiduciary net position as a percentage of the total OPEB	4.40%	3.52%	2.41%

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

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Board Contributions
Retiree Health Benefit Fund
Last Three Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 14,440,666	\$ 12,918,737	\$ 12,147,277
Contributions in relation to the contractually required contribution	<u>14,440,666</u>	<u>12,918,737</u>	<u>12,147,277</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 253,109,123	\$ 216,701,075	\$ 211,659,875
Contributions as a percentage of covered payroll	5.71%	5.96%	5.74%

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

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of the Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina
Last Three Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	1.37%	1.39%	1.43%
Board's proportionate share of the net OPEB asset	\$ 415,969	\$ 848,596	\$ 887,235
Board's covered payroll	\$ 216,701,075	\$ 211,659,875	\$ 208,774,054
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.19%	0.40%	0.42%
Plan fiduciary net position as a percentage of the total OPEB asset*	116.47%	116.23%	116.06%

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

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Board Contributions
Disability Income Plan of North Carolina
Last Three Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 322,439	\$ 298,946	\$ 794,163
Contributions in relation to the contractually required contribution	<u>322,439</u>	<u>298,946</u>	<u>794,163</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 253,109,123	\$ 216,701,075	\$ 211,659,875
Contributions as a percentage of covered payroll	0.13%	0.14%	0.38%

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

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Local Current Expense Fund
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Durham County:			
Appropriation from general revenues	\$ 136,842,577	\$ 136,842,577	\$ -
Late property filing	850,000	432,321	(417,679)
Total Durham County	<u>137,692,577</u>	<u>137,274,898</u>	<u>(417,679)</u>
City of Durham:			
Property late fees	30,000	23,026	(6,974)
Other :			
Sales and use tax refund	-	80,626	80,626
Fines and forfeitures	650,000	740,598	90,598
Total revenues	<u>138,372,577</u>	<u>138,119,148</u>	<u>(253,429)</u>
EXPENDITURES			
Current:			
Instructional services:			
Regular instructional:			
Regular curricular		34,048,539	
CTE curricular		1,213,260	
Total regular instructional	<u>36,298,840</u>	<u>35,261,799</u>	<u>1,037,041</u>
Special populations:			
Children with disabilities curricular		3,335,130	
Special populations CTE curricular		71,150	
Pre-K children with disabilities curricular		268,910	
Speech and language pathology		629,875	
Audiology		22,275	
Academically / intellectually gifted curricular		1,098,166	
Limited English proficiency		882,251	
Total special populations	<u>6,846,151</u>	<u>6,307,757</u>	<u>538,394</u>
Alternative programs:			
Alternative instructional services K-12		240,195	
Attendance and social work		1,108,785	
Remedial and supplemental K-12		5,916,441	
Pre-K readiness/remedial and supplemental		35,188	
Extended day/year instructional		707,053	
Total alternative programs	<u>8,289,839</u>	<u>8,007,662</u>	<u>282,177</u>
School leadership	<u>11,273,454</u>	<u>11,186,278</u>	<u>87,176</u>
Co-curricular	<u>1,694,458</u>	<u>1,672,165</u>	<u>22,293</u>
School-based support:			
Educational media		1,590,129	
Student accounting		893,252	
Guidance		3,603,923	
Health support		327,655	
Safety and security support		192,907	
Instructional technology		603,736	
Staff development unallocated		240,093	
Parent involvement		125,931	
Volunteer services		123,826	
Total school-based support	<u>7,807,157</u>	<u>7,701,452</u>	<u>105,705</u>
System-wide support services:			
Support and development:			
Regular curricular support and development		1,615,760	
CTE curricular support and development		36,745	
Total support and development	<u>1,699,636</u>	<u>1,652,505</u>	<u>47,131</u>
Special population support and development	<u>596,840</u>	<u>594,648</u>	<u>2,192</u>
Alternative programs and services support and development	<u>791,742</u>	<u>787,955</u>	<u>3,787</u>
Technology support	<u>3,222,092</u>	<u>3,225,972</u>	<u>(3,880)</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Local Current Expense Fund
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)			
Current:			
System-wide support services (Continued):			
Operational support:			
Communication		\$ 23,311	
Printing and copying		110,963	
Public utility and energy		3,334,768	
Custodial/housekeeping		7,851,329	
Transportation		1,476,861	
Warehouse and delivery		544,130	
Facilities planning, acquisitions and construction		381,693	
Maintenance		7,067,386	
Total operational support	\$ 21,161,221	20,790,441	\$ 370,780
Financial and human resource:			
Financial		2,883,035	
Human resources		2,587,066	
Total financial and human resources	5,508,527	5,470,101	38,426
Accountability:			
Student testing		541,796	
Planning, research development and program evaluation		325,820	
Total accountability	938,862	867,616	71,246
System-wide pupil support:			
Educational media support		144,445	
Student accounting support		285,422	
Safety and security support		476,935	
Total system-wide pupil support	912,371	906,802	5,569
Policy, leadership and public relations:			
Board of Education		192,383	
Legal		291,199	
Audit		82,054	
Leadership		3,023,904	
Public relations and marketing		387,006	
Total policy, leadership and public relations	4,010,641	3,976,546	34,095
Ancillary services:			
Community		445,947	
Nutritional		198,664	
Total ancillary services	915,102	644,611	270,491
Non-programmed charges:			
Payments to other governmental units	24,215,467	24,125,924	89,543
Total expenditures	136,182,400	133,180,234	3,002,166
Revenues under expenditures	2,190,177	4,938,914	2,748,737
OTHER FINANCING SOURCES (USES)			
Appropriated fund balance	-	-	-
Transfers to other funds	(2,190,177)	-	2,190,177
Total other financing sources	(2,190,177)	-	2,190,177
Net change in fund balance	\$ -	4,938,914	\$ 4,938,914
FUND BALANCE			
Beginning of year		9,112,022	
Decrease in reserves for inventories		(7,468)	
End of year		\$ 14,043,468	

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 8
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Capital Outlay Fund
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
REVENUES			
State of North Carolina:			
Public School Building Capital Fund	\$ 2,562,633	\$ 1,322,406	\$ (1,240,227)
State appropriations - school buses	669,677	669,677	-
Total State of North Carolina	<u>3,232,310</u>	<u>1,992,083</u>	<u>(1,240,227)</u>
Durham County:			
Annual appropriation	1,370,000	1,370,000	-
General obligation bonds	28,007,483	19,823,881	(8,183,602)
Total Durham County	<u>29,377,483</u>	<u>21,193,881</u>	<u>(8,183,602)</u>
City of Durham:			
City appropriation	110,000	110,000	-
Total City of Durham	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Other:			
Other revenues	350,000	385,113	35,113
Total other	<u>350,000</u>	<u>385,113</u>	<u>35,113</u>
Total revenues	<u>33,069,793</u>	<u>23,681,077</u>	<u>(9,388,716)</u>
EXPENDITURES			
Capital outlay:			
School construction and renovation:			
Transportation services	222,239	66,151	156,088
Construction of new building and additions	32,927,966	23,034,201	9,893,765
Total capital outlay	<u>33,150,205</u>	<u>23,100,352</u>	<u>10,049,853</u>
Debt service:			
Principal	807,754	807,754	-
Interest	17,834	17,834	-
Total debt service	<u>825,588</u>	<u>825,588</u>	<u>-</u>
Total expenditures	<u>33,975,793</u>	<u>23,925,940</u>	<u>10,049,853</u>
Revenues over (under) expenditures	<u>(906,000)</u>	<u>(244,863)</u>	<u>661,137</u>
Appropriated fund balance	<u>906,000</u>	-	<u>(906,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(244,863)</u>	<u>\$ (244,863)</u>
FUND BALANCE			
Beginning of year		<u>5,082,155</u>	
End of year		<u>\$ 4,837,292</u>	

Combining Statements for Non-major Funds

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 9
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2019

Special Revenue Funds

	Federal Grants Fund	Local Special Expense Fund	School Activity Funds	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 14,348	\$ 920,376	\$ 2,357,159	\$ 3,291,883
Due from other governments	574,897	13,314	-	588,211
Other receivable, net	-	187,853	-	187,853
Due from other funds	66,917	44,368	42,448	153,733
Prepaid items	-	9,341	-	9,341
	<u>656,162</u>	<u>1,175,252</u>	<u>2,399,607</u>	<u>4,231,021</u>
Total assets	<u>\$ 656,162</u>	<u>\$ 1,175,252</u>	<u>\$ 2,399,607</u>	<u>\$ 4,231,021</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued items	\$ -	\$ 10,509	\$ -	\$ 10,509
Accrued salaries and wages payable	589,245	5,448	-	594,693
Unearned revenue	66,917	13,314	-	80,231
	<u>656,162</u>	<u>29,271</u>	<u>-</u>	<u>685,433</u>
Total liabilities	<u>656,162</u>	<u>29,271</u>	<u>-</u>	<u>685,433</u>
Fund balances:				
Nonspendable:				
Prepaid items	-	9,341	-	9,341
Restricted:				
Stabilization by State statute	-	245,535	42,448	287,983
Individual schools	-	-	2,357,159	2,357,159
Committed:				
Strategic plan funding	-	-	-	-
Other committed balances	-	-	-	-
Assigned:				
Special revenue	-	891,105	-	891,105
	<u>-</u>	<u>1,145,981</u>	<u>2,399,607</u>	<u>3,545,588</u>
Total fund balances	<u>-</u>	<u>1,145,981</u>	<u>2,399,607</u>	<u>3,545,588</u>
Total liabilities and fund balances	<u>\$ 656,162</u>	<u>\$ 1,175,252</u>	<u>\$ 2,399,607</u>	<u>\$ 4,231,021</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 10
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds			Total Non-major Governmental
	Federal Grants Fund	Local Special Expense	School Activity Funds	
REVENUES				
City of Durham	\$ -	\$ 136,049	\$ -	\$ 136,049
U.S. Government	29,885,532	169,159	-	30,054,691
Other	-	7,549,275	5,284,312	12,833,587
Total revenues	<u>29,885,532</u>	<u>7,854,483</u>	<u>5,284,312</u>	<u>43,024,327</u>
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	1,707,004	5,093,918	-	6,800,922
Special populations	7,246,325	1,469,182	-	8,715,507
Alternative programs	17,681,264	297,332	-	17,978,596
School leadership	182,907	484,902	-	667,809
Co-curricular	-	-	5,030,530	5,030,530
School-based support	891,874	1,238,955	-	2,130,829
System-wide support services:				
Support and development	132,427	-	-	132,427
Special population support and development	513,072	32,256	-	545,328
Alternative programs and services support and development	326,574	-	-	326,574
Technology support	-	587,369	-	587,369
Operational support	352,382	9,604,468	-	9,956,850
Financial and human resource	-	87,755	-	87,755
Accountability	56,778	-	-	56,778
Policy, leadership and public relations	-	359,849	-	359,849
Ancillary services	-	13,482	-	13,482
Non-programmed charges	794,925	-	-	794,925
Total expenditures	<u>29,885,532</u>	<u>19,269,468</u>	<u>5,030,530</u>	<u>54,185,530</u>
Revenues over (under) expenditures	-	(11,414,985)	253,782	(11,161,203)
FUND BALANCES				
Beginning of year	-	12,560,966	2,145,825	14,706,791
End of year	<u>\$ -</u>	<u>\$ 1,145,981</u>	<u>\$ 2,399,607</u>	<u>\$ 3,545,588</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 11
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Federal Grants Fund
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
REVENUES			
U.S. Government	\$ 35,900,008	\$ 29,885,532	\$ (6,014,476)
Total revenues	<u>35,900,008</u>	<u>29,885,532</u>	<u>(6,014,476)</u>
EXPENDITURES			
Instructional services	33,217,808	27,709,374	5,508,434
System-wide support services	1,691,615	1,381,233	310,382
Non-programmed charges	<u>990,585</u>	<u>794,925</u>	<u>195,660</u>
Total expenditures	<u>35,900,008</u>	<u>29,885,532</u>	<u>6,014,476</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 of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Local Special Expense Fund
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
REVENUES			
City of Durham:			
Holton Center Project	\$ 190,927	\$ 136,049	\$ (54,878)
U.S. Government:			
ROTC	170,000	169,159	(841)
Other :			
Community education	15,000	5,063	(9,937)
Rental of school property	234,000	201,911	(32,089)
Medicaid	2,035,069	2,187,307	152,238
E-Rate revenue	500,000	696,931	196,931
Indirect cost allocated	1,750,000	1,892,438	142,438
Interest earned on investments	172,000	395,091	223,091
Other	2,816,224	2,170,534	(645,690)
Total other	7,522,293	7,549,275	26,982
Total revenues	7,883,220	7,854,483	(28,737)
EXPENDITURES			
Current:			
Instructional services:			
Regular instructional	5,096,653	5,093,918	2,735
Special populations	1,472,014	1,469,182	2,832
Alternative programs	297,996	297,332	664
School leadership	485,801	484,902	899
School-based support	1,289,437	1,238,955	50,482
Total instructional services	8,641,901	8,584,289	57,612
System-wide support services:			
Special population	36,415	32,256	4,159
Technology	587,369	587,369	-
Operational	9,590,181	9,604,468	(14,287)
Financial and human resource	102,125	87,755	14,370
Policy, leadership and public relations	385,230	359,849	25,381
Total system-wide support services	10,701,320	10,671,697	29,623
Ancillary services	13,482	13,482	-
Total expenditures	19,356,703	19,269,468	87,235
Revenues over expenditures	(11,473,483)	(11,414,985)	58,498

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Local Special Expense Fund
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES			
Transfers from other funds	\$ 11,473,483	\$ -	\$ (11,473,483)
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	(11,414,985)	\$ (11,414,985)
FUND BALANCE			
Beginning of year		12,560,966	
End of year		\$ 1,145,981	

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 13

**Detailed Schedule of Revenues, Expenditures
and Changes in Fund Balances
School Activity Funds
For the Year Ended June 30, 2019**

	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>Senior High Schools</u>	<u>Total School Activity Funds</u>
REVENUES				
General	\$ 525,339	\$ 162,386	\$ 465,589	\$ 1,153,314
Athletic funds	287	147,899	828,855	977,041
Instructional services	681,160	422,520	779,198	1,882,878
Student activities	12,587	17,139	142,710	172,436
Contributions	431,848	232,148	434,647	1,098,643
Total revenues	1,651,221	982,092	2,650,999	5,284,312
EXPENDITURES				
Co-curricular instructional	1,515,730	919,631	2,595,169	5,030,530
Revenues over (under) expenditures	135,491	62,461	55,830	253,782
FUND BALANCES				
Beginning of year	499,133	335,519	1,311,173	2,145,825
End of year	\$ 634,624	\$ 397,980	\$ 1,367,003	\$ 2,399,607

Schedule of Revenues and Expenditures

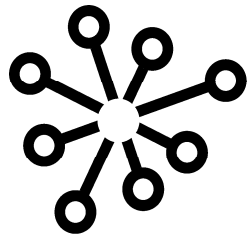
Budget and Actual (Non-GAAP)

School Food Service Fund

For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Food sales	\$ 2,490,990	\$ 2,436,212	\$ (54,778)
Other	-	61,827	61,827
Total operating revenues	<u>2,490,990</u>	<u>2,498,039</u>	<u>7,049</u>
OPERATING EXPENDITURES			
Food cost:			
Purchase of food		5,381,120	
Donated commodities		1,124,169	
Salaries and benefits		8,571,552	
Indirect costs		947,851	
Material and supplies		592,386	
Repairs and maintenance		49,003	
Other		89,828	
Total operating expenditures	<u>17,612,075</u>	<u>16,755,909</u>	<u>856,166</u>
Operating loss	<u>(15,121,085)</u>	<u>(14,257,870)</u>	<u>863,215</u>
NONOPERATING REVENUES			
Federal reimbursements	12,754,619	12,080,429	(674,190)
Federal commodities	1,166,500	1,031,503	(134,997)
Federal summer feeding program	615,000	738,802	123,802
Fresh fruits and vegetables program	326,384	323,668	(2,716)
State reimbursements	21,920	17,894	(4,026)
Interest earned	18,000	4,680	(13,320)
Total nonoperating revenues	<u>14,902,423</u>	<u>14,196,976</u>	<u>(705,447)</u>
Revenues over (under) expenditures before other financing sources	<u>(218,662)</u>	<u>(60,894)</u>	<u>157,768</u>
OTHER FINANCING SOURCES			
Transfers from other funds	<u>218,662</u>	<u>149,046</u>	<u>(69,616)</u>
Revenues and other financing sources over expenditures before fund balance appropriation	-	88,152	88,152
APPROPRIATED FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>88,152</u>	<u>\$ 88,152</u>
Reconciliation of modified accrual to full accrual basis:			
Depreciation		(86,517)	
Increase in inventory		87,914	
Net OPEB asset		(9,787)	
Decrease in compensated absences		(29,331)	
Net pension liability		(552,717)	
Net OPEB liability		1,986,945	
Deferred outflows of resources		413,710	
Deferred inflows of resources		(1,109,382)	
Change in net position (full accrual basis)		<u>\$ 788,987</u>	

STATISTICAL SECTION



DURHAM
PUBLIC SCHOOLS

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, 2019

Table 1

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities										
Net investment in capital assets										
Restricted	\$ 305,378,332	\$ 364,841,047	\$ 386,381,988	\$ 390,271,923	\$ 392,808,425	\$ 386,682,864	\$ 378,667,580	\$ 369,251,385	\$ 360,525,971	\$ 362,745,516
Unrestricted	5,181,893	10,388,736	10,543,358	10,491,824	11,636,318	12,343,341	13,665,828	11,498,365	13,511,239	13,797,010
	<u>(2,986,565)</u>	<u>11,855,558</u>	<u>14,698,890</u>	<u>8,148,512</u>	<u>5,732,816</u>	<u>(65,986,927)</u>	<u>(55,704,742)</u>	<u>(59,250,757)</u>	<u>(656,718,881)</u>	<u>(650,146,800)</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>	<u>\$ 333,039,278</u>	<u>\$ 336,628,666</u>	<u>\$ 321,498,993</u>	<u>\$ (282,681,671)</u>	<u>\$ (273,604,274)</u>
Business-type activities										
Net investment in capital assets										
Restricted	\$ 454,205	\$ 418,232	\$ 549,951	\$ 642,068	\$ 594,143	\$ 649,873	\$ 567,482	\$ 524,855	\$ 583,000	\$ 496,483
Unrestricted	-	-	-	-	-	-	-	-	34,610	39,760
	<u>3,111,563</u>	<u>4,352,498</u>	<u>4,307,099</u>	<u>4,448,204</u>	<u>3,844,133</u>	<u>1,014,003</u>	<u>859,303</u>	<u>1,251,017</u>	<u>(12,148,017)</u>	<u>(11,277,663)</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>	<u>\$ 1,663,876</u>	<u>\$ 1,426,785</u>	<u>\$ 1,775,872</u>	<u>\$ (11,530,407)</u>	<u>\$ (10,741,420)</u>
District-wide										
Net investment in capital assets										
Restricted	\$ 305,832,537	\$ 365,259,279	\$ 386,931,939	\$ 390,913,991	\$ 393,402,568	\$ 387,332,737	\$ 379,235,062	\$ 369,776,240	\$ 361,108,971	\$ 363,241,999
Unrestricted	5,181,893	10,388,736	10,543,358	10,491,824	11,636,318	12,343,341	13,665,828	11,498,365	13,545,849	13,836,770
	<u>124,998</u>	<u>16,208,056</u>	<u>19,005,989</u>	<u>12,596,716</u>	<u>9,576,949</u>	<u>(64,972,924)</u>	<u>(54,845,439)</u>	<u>(57,999,740)</u>	<u>(668,866,898)</u>	<u>(661,424,463)</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>	<u>\$ 334,703,154</u>	<u>\$ 338,055,451</u>	<u>\$ 323,274,865</u>	<u>\$ (294,212,078)</u>	<u>\$ (284,345,694)</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
CHANGES IN NET POSITION
Last Ten Fiscal Years Ending June 30, 2019

Table 2 (Pg 1 of 2)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental activities:										
Instructional programs	\$ 225,210,682	\$ 228,269,412	\$ 252,812,921	\$ 253,940,630	\$ 251,596,848	\$ 259,722,116	\$ 255,000,734	\$ 275,116,017	\$ 303,801,232	\$ 292,344,253
Support services	62,913,423	62,691,265	75,585,737	82,147,274	75,411,074	70,765,672	72,219,815	77,708,886	75,896,907	72,923,554
Community services	3,725,081	3,984,105	4,600,655	4,335,383	4,322,900	4,253,121	4,019,530	4,208,509	3,886,477	4,016,860
Non-program charges	11,366,345	11,170,948	11,686,197	13,734,133	15,266,378	16,343,023	18,333,827	20,354,980	21,734,101	23,983,830
Interest on long-term debt	-	-	-	85,733	46,330	25,474	14,382	4,129	-	17,834
Depreciation expense	9,960,861	11,253,657	14,003,381	14,991,658	15,374,840	15,912,579	16,130,384	15,636,887	19,222,740	18,633,976
Total governmental activities	313,176,392	317,369,387	358,688,891	369,234,811	362,018,370	367,021,985	365,718,672	393,029,408	424,541,457	411,920,307
Business-type activities:										
School food service	12,862,212	12,981,507	14,151,627	14,635,200	16,082,377	17,108,664	17,225,331	16,805,599	17,049,195	16,055,074
Total district-wide	\$ 326,038,604	\$ 330,350,894	\$ 372,840,518	\$ 383,870,011	\$ 378,100,747	\$ 384,130,649	\$ 382,944,003	\$ 409,835,007	\$ 441,590,652	\$ 427,975,381
Program Revenues:										
Governmental activities:										
Charges for services:										
Tuition and fees	\$ 3,235,135	\$ 3,182,855	\$ 3,326,303	\$ 3,264,826	\$ 3,375,227	\$ 3,120,067	\$ 3,100,941	\$ 3,286,522	\$ 3,551,242	\$ 3,588,726
Other	358,605	408,028	483,758	327,411	312,096	287,234	5,833,496	6,777,442	6,677,713	7,197,675
Operating grants and contributions	205,360,536	209,280,266	216,312,932	213,360,014	215,524,348	226,510,824	221,234,036	223,156,329	234,743,300	246,330,660
Capital grants	-	8,755	15,528	3,787	930,169	58,037	-	1,681,206	668,717	669,677
Total governmental activities	208,954,276	212,879,904	220,138,521	216,956,038	220,141,840	229,976,162	230,168,473	234,901,499	245,640,972	257,786,738
Business-type activities:										
Charges for services - School Food Service Fund	3,307,918	2,955,052	2,712,070	2,308,001	2,155,867	1,804,464	2,299,357	2,337,511	2,395,969	2,498,039
Operating grants and contributions - USDA grant	10,365,136	11,216,035	11,504,918	12,373,727	13,140,308	14,191,492	14,468,321	14,571,812	14,121,489	14,192,296
Total business-type activities	13,673,054	14,171,087	14,216,988	14,681,728	15,296,175	15,995,956	16,767,678	16,909,323	16,517,458	16,690,335
Total district-wide	\$ 222,627,330	\$ 227,050,991	\$ 234,355,509	\$ 231,637,766	\$ 235,438,015	\$ 245,972,118	\$ 246,936,151	\$ 251,810,822	\$ 262,158,430	\$ 274,477,073
Net (Expense) Revenue										
Governmental activities	\$ (104,222,116)	\$ (104,489,483)	\$ (138,550,370)	\$ (152,278,773)	\$ (141,876,530)	\$ (137,045,823)	\$ (135,550,199)	\$ (158,127,909)	\$ (178,900,485)	\$ (154,133,569)
Business-type activities	810,842	1,189,580	65,361	46,528	(786,202)	(1,112,708)	(457,653)	103,724	(531,737)	635,261
Total district-wide	\$ (103,411,274)	\$ (103,299,903)	\$ (138,485,009)	\$ (152,232,245)	\$ (142,662,732)	\$ (138,158,531)	\$ (136,007,852)	\$ (158,024,185)	\$ (179,432,222)	\$ (153,498,308)

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
CHANGES IN NET POSITION
Last Ten Fiscal Years Ending June 30, 2019

Table 2 (Pg 2 of 2)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted county appropriations - operating	\$ 100,996,102	\$ 107,214,112	\$ 108,971,662	\$ 115,572,760	\$ 118,073,439	\$ 118,563,483	\$ 124,057,383	\$ 126,261,485	\$ 132,314,848	\$ 136,978,626
Unrestricted county appropriations - capital	3,340,906	1,649,332	1,440,981	1,370,000	1,370,000	1,480,000	1,370,000	1,370,000	1,370,000	21,303,881
Unrestricted city appropriations - capital	945,679	1,014,991	5,860,947	1,538,793	1,528,267	1,398,485	86,510	61,157	110,000	-
Unrestricted other county revenues - capital	13,394,396	70,906,098	43,802,250	29,554,012	20,316,477	9,101,609	8,358,381	10,407,753	9,950,961	-
Unrestricted state appropriations - capital	707,678	1,128,798	-	-	-	-	2,422,338	1,821,738	1,088,886	1,322,406
Investment earnings, unrestricted	406,126	412,175	391,167	275,925	226,413	386,597	216,493	242,486	239,912	421,572
Miscellaneous, unrestricted	1,362,500	1,675,658	2,622,258	1,429,760	1,750,030	2,030,195	2,847,144	3,074,754	6,041,326	3,333,527
Transfers and capital contributions	(82,491)	-	-	(174,454)	(122,796)	(123,926)	(218,662)	(241,137)	(242,192)	(149,046)
Total governmental activities	<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>	<u>132,836,443</u>	<u>139,139,587</u>	<u>142,998,236</u>	<u>150,873,741</u>	<u>163,210,966</u>
Business-type activities:										
Investment earnings, unrestricted	20,732	15,382	20,959	12,240	11,410	6,755	1,900	2,306	2,613	4,680
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-	-	1,920	-	-
Transfers and capital contributions	82,491	-	-	174,454	122,796	123,926	218,662	241,137	242,192	149,046
Total business-type activities	<u>103,223</u>	<u>15,382</u>	<u>20,959</u>	<u>186,694</u>	<u>134,206</u>	<u>130,681</u>	<u>220,562</u>	<u>245,363</u>	<u>244,805</u>	<u>153,726</u>
Total district-wide	<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>	<u>\$ 132,967,124</u>	<u>\$ 139,360,149</u>	<u>\$ 143,243,599</u>	<u>\$ 151,118,546</u>	<u>\$ 163,364,692</u>
Change in Net Position										
Governmental activities	\$ 16,848,780	\$ 79,511,681	\$ 24,538,895	\$ (2,711,977)	\$ 1,265,300	\$ (4,209,380)	\$ 3,589,388	\$ (15,129,673)	\$ (28,026,744)	\$ 9,077,397
Business-type activities	914,065	1,204,962	86,320	233,222	(651,996)	(982,027)	(237,091)	349,087	(286,932)	788,987
Total district-wide	<u>\$ 17,762,845</u>	<u>\$ 80,716,643</u>	<u>\$ 24,625,215</u>	<u>\$ (2,478,755)</u>	<u>\$ 613,304</u>	<u>\$ (5,191,407)</u>	<u>\$ 3,352,297</u>	<u>\$ (14,780,586)</u>	<u>\$ (28,313,676)</u>	<u>\$ 9,866,384</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, 2019

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA **Table 3**
GOVERNMENTAL FUNDS
FUND BALANCE
Last Ten Fiscal Years Ending June 30, 2019

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General fund				
Nonspendable	\$ 1,234,557	\$ 1,195,663	\$ 1,331,656	\$ 1,387,010
Restricted	1,201,028	2,459,570	8,648,572	686,153
Committed	-	6,442,119	5,408,660	7,455,975
Assigned	5,556,908	6,696,190	4,497,568	3,385,031
Unassigned	<u>6,049,121</u>	<u>12,827,309</u>	<u>9,895,228</u>	<u>19,747,754</u>
Total General Fund	<u>14,041,614</u>	<u>29,620,851</u>	<u>29,781,684</u>	<u>32,661,923</u>
All other governmental funds				
Nonspendable	-	-	-	-
Restricted	8,982,810	13,023,081	13,939,259	9,805,671
Committed	-	-	-	-
Assigned	1,365,711	975,651	4,179,132	-
Unassigned	<u>(5,166,628)</u>	<u>(3,609,996)</u>	<u>(2,220,505)</u>	<u>(51,397)</u>
Total all other governmental funds	<u>5,181,893</u>	<u>10,388,736</u>	<u>15,897,886</u>	<u>9,754,274</u>
Total all governmental funds	<u>\$ 19,223,507</u>	<u>\$ 40,009,587</u>	<u>\$ 45,679,570</u>	<u>\$ 42,416,197</u>

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

Table 3

2014	2015	2016	2017	2018	2019
\$ 1,412,411	\$ 1,407,555	\$ 394,979	\$ 156,135	\$ 199,667	\$ 201,303
538,097	551,060	2,681,797	431,234	729,332	595,551
16,712,463	8,532,931	7,677,109	1,014,290	2,200,805	1,750,000
3,056,908	3,056,908	3,056,908	5,056,908	3,556,908	3,056,908
8,474,324	4,717,324	453,577	2,835,538	2,425,310	8,439,706
<u>30,194,203</u>	<u>18,265,778</u>	<u>14,264,370</u>	<u>9,494,105</u>	<u>9,112,022</u>	<u>14,043,468</u>
-	-	274	-	24,442	25,999
11,098,221	11,792,281	10,984,031	11,067,131	11,250,300	11,396,422
-	-	-	-	6,568,579	-
1,232,649	1,250,346	1,804,581	6,372,137	5,874,278	891,105
-	-	-	-	-	-
<u>12,330,870</u>	<u>13,042,627</u>	<u>12,788,886</u>	<u>17,439,268</u>	<u>23,717,599</u>	<u>12,313,526</u>
<u>\$ 42,525,073</u>	<u>\$ 31,308,405</u>	<u>\$ 27,053,256</u>	<u>\$ 26,933,373</u>	<u>\$ 32,829,621</u>	<u>\$ 26,356,994</u>

**GOVERNMENTAL FUNDS
CHANGES IN FUND BALANCES
Last Ten Fiscal Years Ending June 30, 2019**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues				
State of North Carolina	\$ 162,824,820	\$ 163,204,852	\$ 171,743,913	\$ 175,674,111
Durham County	116,587,638	179,308,287	153,909,202	146,305,844
City of Durham	1,143,766	374,032	234,710	190,928
U.S. Government	35,881,228	39,470,884	35,819,632	29,467,024
Other	15,543,451	15,847,274	23,125,460	16,249,973
Total revenues	<u>331,980,903</u>	<u>398,205,329</u>	<u>384,832,917</u>	<u>367,887,880</u>
Expenditures				
Instructional programs	227,017,268	226,953,898	250,231,115	250,850,391
Support services	63,484,308	60,695,006	65,352,876	66,832,194
Community services	3,725,081	3,984,105	4,600,655	4,335,383
Non-program charges	11,366,345	12,085,088	12,378,157	14,420,218
Capital outlay	18,391,623	74,274,614	46,270,479	36,226,962
Debt service - principal	782,504	1,175,084	1,181,892	3,203,389
Debt service - interest	-	-	47,233	85,733
Total expenditures	<u>324,767,129</u>	<u>379,167,795</u>	<u>380,062,407</u>	<u>375,954,270</u>
Revenues over (under) expenditures	7,213,774	19,037,534	4,770,510	(8,066,390)
Other financing sources (uses)				
Installment purchase obligations issued	162,614	1,771,157	949,858	4,915,999
Capital leases	128,553	-	-	-
Increase (decrease) in reserve for inventories	(26,328)	(22,611)	(50,385)	30,469
Transfers in (out)	-	-	-	(174,454)
Other	-	-	-	31,003
Net change in fund balance	<u>\$ 7,478,613</u>	<u>\$ 20,786,080</u>	<u>\$ 5,669,983</u>	<u>\$ (3,263,373)</u>
Ratio of debt service to non-capital expenditures	<u>0.26%</u>	<u>0.39%</u>	<u>0.37%</u>	<u>0.98%</u>

Source: Durham Public Schools Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2019

Table 4

2014	2015	2016	2017	2018	2019
\$ 181,321,376	\$ 191,347,701	\$ 194,412,066	\$ 198,103,467	\$ 204,717,196	\$213,215,211
139,919,787	129,878,753	133,601,394	138,622,252	145,987,065	160,410,154
254,958	244,892	312,304	237,878	365,895	269,075
25,993,585	28,295,951	27,184,860	25,566,675	27,570,017	30,054,691
17,266,217	14,708,276	14,816,220	16,703,557	18,569,364	18,677,646
<u>364,755,923</u>	<u>364,475,573</u>	<u>370,326,844</u>	<u>379,233,829</u>	<u>397,209,537</u>	<u>422,626,777</u>
250,122,678	270,190,487	268,236,676	270,378,931	281,739,897	304,245,040
69,223,629	70,940,914	68,166,463	67,069,186	69,608,675	71,589,346
4,322,900	4,359,394	4,142,335	4,148,497	3,970,265	4,261,615
15,856,313	17,191,488	19,334,963	21,201,167	22,545,728	24,920,949
23,445,653	11,543,152	15,063,438	16,424,734	13,566,925	23,100,352
1,502,624	1,279,136	809,127	930,565	668,717	807,754
46,330	25,474	14,382	4,129	-	17,834
<u>364,520,127</u>	<u>375,530,045</u>	<u>375,767,384</u>	<u>380,157,209</u>	<u>392,100,207</u>	<u>428,942,890</u>
235,796	(11,054,472)	(5,440,540)	(923,380)	5,109,330	(6,316,113)
-	-	1,360,476	1,109,401	1,044,300	-
-	-	-	-	-	-
(4,124)	(38,270)	43,578	(64,767)	(15,190)	(7,468)
(122,796)	(123,926)	(218,662)	(241,137)	(242,192)	(149,046)
-	-	-	-	-	-
<u>\$ 108,876</u>	<u>\$ (11,216,668)</u>	<u>\$ (4,255,148)</u>	<u>\$ (119,883)</u>	<u>\$ 5,896,248</u>	<u>\$ (6,472,627)</u>
<u>0.46%</u>	<u>0.36%</u>	<u>0.23%</u>	<u>0.26%</u>	<u>0.18%</u>	<u>0.20%</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA **Table 5**
ASSESSED VALUE OF TAXABLE PROPERTY FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2019

Fiscal Year Ended June 30,	Tax Year Ended December 31,	Real Property	Personal Property	Public Service Companies	Registered Vehicles ⁽³⁾
2019	2018	\$ 30,692,283,357	\$ 3,619,859,514	\$ 580,268,564	\$ 2,469,097,142
2018	2017	29,641,340,413	3,594,119,882	575,537,361	2,348,224,018
2017	2016	28,894,972,479	3,483,300,069	565,369,921	2,286,702,778
2016	2015	26,213,161,494	3,524,686,233	553,248,101	2,163,704,337
2015	2014	25,730,862,172	2,462,350,676	510,732,429	2,032,233,042
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

- 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, 2008, and 2016.
 - (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, 2019)

Table 5

Total Assessed Value ⁽¹⁾⁽²⁾	County-wide Tax Rate ⁽⁴⁾	Special Tax Districts Tax Rate ⁽⁴⁾	Average County Tax Rate ⁽⁴⁾
\$ 37,361,508,577	0.7779	0.0778-0.2880	0.8070
36,159,221,674	0.7679	0.0778-0.1880	0.7987
35,230,345,247	0.7404	0.0778-0.1880	0.7727
32,454,800,165	0.7931	0.07999-0.1779	0.8276
30,736,178,319	0.7931	0.07999-0.1729	0.8073
32,025,003,772	0.7744	0.0600-0.1668	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	0.0599-0.2500	0.8359
29,032,891,346	0.7081	0.0570-0.2500	0.8359

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2019
PER \$100 OF ASSESSED VALUE ⁽¹⁾

Table 6

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
County direct rate				
Operating rate	0.6604	0.6911	0.6865	0.6850
Capital rate	0.0477	0.0548	0.0594	0.0594
Total general fund direct rate	<u>0.7081</u>	<u>0.7459</u>	<u>0.7459</u>	<u>0.7444</u>
Fire district rates	0.0570-0.1100	0.0599-0.1100	0.0599-0.1125	0.0599-0.1150
Other special district rates	0.1461-0.2500	0.1460-0.2500	0.1474-0.2500	0.1374-0.1524
Municipality Rates				
City of Durham	0.5400	0.5519	0.5575	0.5675
City of Durham BID	-	-	-	0.6375
Town of Chapel Hill	0.4940	0.4940	0.4940	0.4940
City of Raleigh	0.3735	0.3735	0.3735	0.3826
Town of Morrisville	-	-	0.3665	0.3665

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, 2016.

Source: Durham County, North Carolina (as of October, 2019)

Table 6

2014	2015	2016²	2017	2018	2019
0.6850	0.6951	0.7078	0.6608	0.6708	0.6808
0.0894	0.0980	0.0853	0.0796	0.0971	0.0971
<u>0.7744</u>	<u>0.7931</u>	<u>0.7931</u>	<u>0.7404</u>	<u>0.7679</u>	<u>0.7779</u>
0.0600-0.1300	.0799-0.1386	.0799-0.1386	0.0778-0.1344	0.0778-0.1344	0.0778-0.1451
0.1518-0.1668	0.1514-0.1729	0.0000-0.1779	0.0000-0.1880	0.0000-0.1880	0.0000-0.2080
0.5675	0.5912	0.5912	0.5607	0.5786	0.5786
0.6375	0.6612	0.6612	0.6307	0.6486	0.6486
0.5140	0.5240	0.5240	0.5240	0.5080	0.5280
0.3826	0.4038	0.4210	0.4183	0.4253	0.4382
0.3900	0.3900	0.4100	0.3900	0.3900	0.3900

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
TEN LARGEST TAXPAYERS FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2019 and 2010

Table 7

<u>Taxpayer</u>	<u>Type of Enterprise</u>	<u>Fiscal Year 2019</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>
AW North Carolina Inc	Manufacturer	\$ 410,735,963	1	1.10%
Cree Inc	Manufacturer	362,207,988	2	0.97%
Duke Energy Corp	Utility	262,579,947	3	0.70%
SouthPoint Mall LLC	Retail	182,563,357	4	0.49%
International Business Machine	Manufacturer	173,177,896	5	0.46%
Palmer RTP LLC	Real Estate	163,613,626	6	0.44%
IBM Corporation	Manufacturer	162,935,238	7	0.44%
Merck Sharp & Dohme Corp	Bio Tech	152,913,506	8	0.41%
EMC Corporation	Manufacturer	137,966,937	9	0.37%
Biomerieux Inc	Bio Tech	134,446,940	10	0.36%
GlaxoSmithKline	Manufacturer	-	-	-
Verizon South Inc	Communications	-	-	-
Eisai, Inc.	Real Estate	-	-	-
Time Warner Entertainment	Pharmaceutical	-	-	-
		<u>\$ 2,143,141,398</u>		<u>5.74%</u>

Source: Durham County, North Carolina (as of October, 2019)

Table 7

Fiscal Year 2010		
Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
\$ 338,663,229	3	1.02%
254,457,489	4	0.88%
196,905,675	5	0.68%
169,444,545	7	0.58%
487,779,340	2	1.68%
-	-	-
-	-	-
109,089,029	10	0.38%
-	-	-
-	-	-
861,138,476	1	2.97%
184,428,842	6	0.64%
130,546,427	8	0.45%
109,243,301	9	0.38%
<u>\$ 2,841,696,353</u>		<u>9.66%</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2019

Table 8

Fiscal Year Ended June 30,	Tax Year Ended December 31,	Adjusted Tax Levy	Current Year Levy Collections	Percent of Levy Collected
2019	2018	\$ 470,874,385	\$ 469,334,909	99.67%
2018	2017	449,716,944	448,937,493	99.83%
2017	2016	423,015,800	422,143,612	99.79%
2016	2015	412,678,081	411,447,291	99.70%
2015	2014	402,812,328	401,244,673	99.61%
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%

Source: Durham County, North Carolina (as of October, 2019)

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
\$ -	\$ 469,334,909	99.67%	\$ 3,414,781	0.73%
446,608	449,384,101	99.93%	2,597,992	0.58%
181,536	422,325,148	99.84%	2,657,009	0.63%
854,674	412,301,965	99.91%	3,272,332	0.79%
1,181,131	385,068,858	95.60%	3,899,430	0.97%
1,273,755	386,342,613	99.67%	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%

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, 2019

Table 9

Fiscal Year Ended June 30,	Population Estimate (1)	Total Assessed Value	Debt Limit	Gross Bonded Debt
2019	320,639	\$ 37,361,508,577	\$ 2,988,920,686	\$ 280,732,596
2018	308,194	36,159,221,674	2,892,737,734	258,989,288
2017	301,243	35,230,345,247	2,818,246,797	288,086,321
2016	293,647	32,454,800,165	243,775,000	243,775,000
2015	290,874	31,736,178,319	2,538,894,266	270,905,000
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

Notes:

- (1) Estimate from Durham City/County Planning Department.
- (2) Calculated per \$100 of assessed value.

Source: Durham County, North Carolina (as of October, 2019)

Table 9

<u>Net Bonded Debt</u>	<u>Debt to Taxable Property Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ 280,732,596	0.75%	876
258,989,288	0.72%	840
288,086,321	0.82%	956
243,775,000	0.75%	830
270,905,000	0.85%	931
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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BOND
DEBT TO TOTAL GENERAL EXPENDITURES FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2019

Table 10

Fiscal Year Ended June 30,	Principal	Interest	Other Expenditures
2019	\$ 36,131,116	\$ 20,122,333	\$ 701,235
2018	37,322,892	19,606,512	247
2017	37,427,611	18,653,456	617,443
2016	35,596,413	20,599,097	741,165
2015	36,159,495	22,573,434	23,000
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

Notes: (1)

General expenditures are taken from all General Government Fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

Source: Durham County, North Carolina (as of October, 2019)

Table 10

<u>Total Debt Service</u>	<u>Total General Expenditures ⁽¹⁾</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
\$ 56,954,684	\$ 522,692,535	10.90%
56,929,651	504,661,128	11.28%
56,698,510	480,074,049	11.81%
56,936,675	446,935,402	12.74%
58,755,929	427,775,715	13.74%
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%

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE - DURHAM PUBLIC SCHOOLS
Last Ten Fiscal Years Ending June 30, 2019

Table 11

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
2019	\$ -	\$ 1,007,408	\$ 1,007,408	\$ -	\$ 1,007,408	0.007%	3.14
2018	-	1,815,162	1,815,162	-	1,815,162	0.014%	5.89
2017	-	1,439,579	1,439,579	-	1,439,579	0.011%	4.78
2016	-	1,260,743	1,260,743	-	1,260,743	0.010%	4.29
2015	-	709,394	709,394	-	709,394	0.006%	2.44
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

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, 2019

Fiscal Year Ended June 30,	Population Estimate	Student Average Daily Membership	Unemployment Rate	Per Capita Personal Income	Retail Sales
2019	320,639	32,448	4.0%	*	\$ 7,771,144,000
2018	308,194	33,072	3.8%	*	7,195,550,000
2017	301,243	33,147	3.8%	47,825	6,884,030,000
2016	293,647	33,501	4.7%	45,931	6,458,506,000
2015	290,874	33,626	5.4%	44,507	6,097,770,000
2014	284,437	33,263	5.3%	42,830	5,501,325,000
2013	277,588	32,405	7.5%	41,376	4,925,320,533
2012	275,960	32,569	8.2%	40,963	4,434,078,534
2011	272,156	32,118	8.4%	38,795	4,163,246,000
2010	267,849	31,956	7.8%	40,116	4,022,518,000

*Data not available.

Source: Durham County, North Carolina (as of October, 2018) and North Carolina Department of Public Instruction.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 13
TEN LARGEST EMPLOYERS FOR DURHAM COUNTY
Fiscal Years Ending June 30, 2019 and 2010

Employer	2019		
	Employees	Rank	Percentage of Total County Employment
Duke University & Health System	38,880	1	18.63%
International Business Machine (IBM)	10,000	2	3.83%
Durham Public Schools	5,005	3	2.28%
Blue Cross Blue Shield of North Carolina	4,281	4	2.05%
Fidelity Investments	3,700	5	1.77%
IQVI (formerly Quintiles Transnational Corp.)	3,000	6	1.44%
Cree, Inc	2,542	7	1.22%
Durham City Government	2,466	8	1.18%
Research Triangle Institute (RTI)	2,276	9	1.09%
Lenovo Group, Ltd.	2,200	10	1.05%
GlaxoSmithKline			
Veteran Affairs (VA) Medical Center	-	-	-
	<u>74,350</u>		<u>34.54%</u>

Source: Durham Chamber of Commerce and Bureau of Labor Statistics (as of October, 2019)

Table 13

2010		
<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
32,848	1	23.29%
10,000	2	7.09%
5,389	3	3.82%
2,400	5	1.70%
1,900	9	1.35%
-	-	-
1,750	0	1.24%
2,250	7	1.60%
2,300	6	1.63%
5,000	4	3.55%
2,160	8	1.53%
<u>65,997</u>		<u>46.80%</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years Ending June 30, 2019

Table 14

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Instructional Programs	2,827	2,753	2,765	2,813	2,881	2,911	2,946	2,912	2,928	2,949
Support Services	1,364	1,330	1,438	1,459	1,431	1,516	1,534	1,536	1,481	1,740
Community Services	121	121	121	142	142	142	142	142	110	100
Food Services	167	178	181	190	204	204	207	196	197	216
Total	4,479	4,382	4,505	4,604	4,658	4,773	4,829	4,786	4,716	5,005

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
June 30, 2019

Table 15

School	Site Acreage	Building Square Feet	Capacity	2017-18 Day 20 Enrollment	Percentage Over/(Under) Capacity	Year Constructed	Years Renovations/ Additions
High School:							
City of Medicine	7.20	40,519	320	345	7.81%	2011	
Durham PLC/ARC @ Holton	7.00	104,869	350	185	-47.14%	1933	2009
School for Creative Studies *	54.96	124,250	100	308	208.00%	1974	2005,06,09,13,18
Durham School. of Arts **	11.70	352,267	916	1,112	21.40%	1921	1928,49,55,62,76,2008,11,18
Hillside	63.04	299,943	1,535	1,339	-12.77%	1995	2005,09,19
Jordan	55.74	266,477	1,810	1,910	5.52%	1963	1979,80,91,94,2008,12,14,18
Northern	39.89	258,659	1,790	1,491	-16.70%	1953	1954,55,57,66,75,81,83, 1984,88,92,94
Riverside	63.29	282,845	1,540	1,739	12.92%	1991	1992,2013,18
Southern	84.09	284,000	1,540	1,250	-18.83%	1993	2013, 18
J D Clement Early College (1)		Leased	350	393	12.29%		
Hospital School (2)		Leased	28	7	-75.00%		
Lakeview (3) ***	7.16	28,169	64	1	-98.44%	1964	2005,10
Middle College High School (4)		Leased	100	189	89.00%		
Hillside New Tech High (5)			210	340	61.90%		

* 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: Lakeview School & School for Creative Studies.

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

(5) Hillside New Tech High School is a small school within the existing Hillside High School.

(3) Lakeview is an alternative school housed in two separate facilities: Lakeview School & School for Creative Studies.

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

(5) Hillside New Tech High School is a small school within the existing Hillside High School.

Source: Durham Public Schools' Long Range Facilities Plan

SCHOOL BUILDING DATA-ELEMENTARY & MIDDLE SCHOOLS

June 30, 2019

School	Site Acreage	Building Square Feet	Capacity	2017-18 Day 20 Enrollment	Percentage Over/(Under) Capacity	Year Constructed	Years Renovations/ Additions
Elementary:							
Bethesda	43.92	85,432	712	656	-7.87%	1982	1989,2003,14
Burton	7.14	71,360	376	355	-5.59%	1949	1954,76,92,2014
Club Boulevard	5.50	45,099	492	462	-6.10%	1949	1955,90,92,95,2010,11
Creekside	37.11	94,673	764	863	12.96%	2004	2010
Easley	18.97	71,170	522	503	-3.64%	1989	2013
Eastway	14.58	78,000	544	506	-6.99%	1995	
Eno Valley	62.27	97,583	596	447	-25.00%	1977	1993, 2014, 18
Fayetteville Street	7.91	62,797	366	267	-27.05%	1959	1960,61,2008,2014
Forest View	21.95	85,890	659	753	14.26%	1993	
Glenn	34.28	80,330	591	636	7.61%	1981	1993,2014
Harris	21.36	70,343	376	330	-12.23%	1968	2003,13
Hillandale	42.07	85,890	689	594	-13.79%	1993	
Holt	23.61	98,208	585	650	11.11%	1958	1984,92,2014,18
Hope Valley	16.48	79,228	628	653	3.98%	1967	1999
Lakewood	12.57	60,264	428	389	-9.11%	1962	1963,64,2005
Little River ****	23.23	83,620	428	364	-14.95%	1993	
Mangum	22.03	54,838	408	321	-21.32%	1925	1939,62,83,2009,14
Merrick-Moore	16.39	103,075	648	621	-4.17%	1951	1953,58,81,2012,18
Morehead	4.98	40,861	222	223	0.45%	1958	2009
Oak Grove	15.72	96,061	710	535	-24.65%	1981	1993
Parkwood	22.59	79,063	556	546	-1.80%	1967	1983,89,92,2005,13
Pearson	40.50	82,474	470	431	-8.30%	2006	
Pearsontown	25.50	108,471	824	797	-3.28%	1954	1958,64,92,2014,19
Powe	5.50	99,384	494	494	0.00%	1926	1950,67,91,94,2001,13,14
Sandy Ridge	25.07	98,638	580	554	-4.48%	2011	
Smith	5.30	46,311	334	309	-7.49%	1967	2014
Southwest	21.91	91,170	614	602	-1.95%	1989	1991
Spaulding	9.96	69,486	284	247	-13.03%	1954	1960,76,91,2008
Spring Valley	35.82	79,921	637	595	-6.59%	2008	
Watts	3.98	65,841	394	341	-13.45%	1919	1926,94,2014,19
Middle:							
Brogden	29.35	156,380	681	516	-24.23%	1959	1976,2000,14
Carrington	66.14	207,804	1,168	919	-21.32%	1964	1984,2005,10,14
School for Creative Studies *	54.96	124,250	852	305	-64.20%	1974	2005,06,09,13
Durham School of Arts ***	8.80	Incl. in HS	722	674	-6.65%	1921	1928,49,55,62,76,88 1990, 92, 2007,08,11,19
Githens	38.28	133,859	852	995	16.78%	1988	2005,06
Lakewood Montessori	7.37	71,278	300	292	-2.67%	1965	2011
Little River ****			244	131	-46.31%		
Lowe's Grove	28.07	122,504	774	625	-19.25%	1975	2009,14
Lucas	31.83	153,593	644	511	-20.65%	2012	
Neal	49.12	129,403	810	790	-2.47%	1966	1988,2011,18
Rogers-Herr	23.50	122,547	644	641	-0.47%	1967	2005,13,18
Shepard	22.53	96,870	546	453	-17.03%	1964	1966,2001,10
Lakeview**	4.75	12,600	30	15	-50.00%	1964	2005,10,19

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

** Lakeview is an alternative school housed in two separate facilities: Lakeview School & School for Creative Studies. Both sites have middle and high school students.

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

**** Little River completed their K-5 to K-8 grad expansion in 2017-18.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 17
GOVERNMENTAL FUNDS OPERATING STATISTICS
Last Ten Fiscal Years Ending June 30, 2019

Fiscal Year Ended June 30,	Expenditures	Student Average Daily Membership	Cost Per Pupil	Percentage Change In Per Pupil Cost	Teaching Staff	Pupil/ Teacher Ratio	Student Attendance Percentage
2019	\$ 428,942,890	32,448	\$ 13,219	11.50%	2,426	13.4	94.63%
2018	392,100,207	33,072	11,856	3.37%	2,447	13.5	94.71%
2017	380,157,209	33,147	11,469	2.25%	2,369	14.0	94.72%
2016	375,767,384	33,501	11,217	0.44%	2,402	13.9	94.97%
2015	375,530,045	33,626	11,168	1.91%	2,347	14.3	95.10%
2014	364,520,127	33,263	10,959	-5.54%	2,290	14.5	95.26%
2013	375,954,270	32,405	11,602	-0.57%	2,252	14.4	96.60%
2012	380,062,407	32,569	11,669	-1.15%	2,241	14.5	96.53%
2011	379,167,795	32,118	11,805	16.16%	2,311	13.9	95.92%
2010	324,767,129	31,956	10,163	#REF!	2,293	13.9	94.21%

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, 2019

Fiscal Year Ended June 30,	Minimum	Maximum	Average
2019	\$ 39,900	\$ 101,265	\$ 52,042
2018	39,375	99,359	51,520
2017	39,375	81,049	49,251
2016	39,375	79,327	47,627
2015	37,125	80,474	46,522
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

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 (Fiscal Year 2008-2014 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.

In fiscal year 2014-15 the General Assembly rolled the longevity payments into the salary schedule for teacher pay.

In fiscal year 2015-16 the Durham Public School Board of Education with the assistance of the County Commissioners increased the teacher supplement for teachers with more than 10 years of experience by .25% for each year above 10 years of experience topping out at 18.25%. Teachers with zero to 10 years of experience receive a supplement of 12.5%.

Source: Finance Department of Durham Public Schools

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

Table 19

GOVERNMENTAL FUND REVENUES BY SOURCE

Last Ten Fiscal Years Ending June 30, 2019

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
2019	\$ 211,223,128	\$ 1,322,406	\$ -	\$ 669,677	\$ 138,212,577	\$ 269,075
2018	202,831,665	1,088,886	-	796,645	133,527,061	365,895
2017	195,600,373	1,821,738	-	681,356	127,467,567	237,878
2016	191,983,228	1,978,837	-	443,501	124,684,356	312,304
2015	189,648,480	907,707	-	791,514	120,233,146	274,755
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

Notes: (1) Includes General, Special Revenue, Capital Projects and School Activity Funds.

Source: Durham Public Schools' Finance Department

Table 19

General Obligation Bond Funds	Fines and Forfeitures	Interest	Tuition and Fees	Other Local Funds	Federal	Total
\$ 19,823,881	\$ 1,195,945	\$ 421,572	\$ 3,588,726	\$ 15,845,099	\$ 30,054,691	\$ 422,626,777
9,950,961	1,439,594	239,912	3,551,242	15,847,659	27,570,017	397,209,537
10,407,753	1,458,166	242,486	3,286,522	12,463,315	25,566,675	379,233,829
8,358,381	1,394,430	192,179	3,086,406	14,239,520	23,653,702	370,326,844
9,101,609	1,353,937	179,719	3,404,975	13,393,565	25,186,166	364,475,573
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	398,210,158
13,394,396	945,679	356,937	3,232,580	10,593,755	35,881,228	331,980,903

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 20
GOVERNMENTAL FUND EXPENDITURES BY FUNCTION
PER AVERAGE DAILY MEMBERSHIP AND IN TOTAL
Last Ten Fiscal Years Ending June 30, 2019

Fiscal Year Ended June 30,	Average Daily Membership	Regular Instructional	Special Instructional	Other Instructional	Pupil Support	Instructional Support	General Administration
2019	32,448	\$ 4,485 145,536,683	\$ 1,943 63,033,287	\$ 2,260 73,339,873	\$ 120 3,889,104	\$ 231 7,499,287	\$ 165 5,369,770
2018	33,072	4,094 135,403,315	1,798 59,458,188	1,995 65,991,733	124 4,105,601	255 8,446,589	153 5,051,001
2017	33,147	3,962 131,323,865	1,732 57,416,213	1,816 60,182,717	116 3,859,880	254 8,402,791	133 4,392,197
2016	33,501	4,031 135,034,516	1,707 57,185,537	1,626 54,478,361	130 4,368,640	261 8,740,453	134 4,504,227
2015	33,626	4,189 140,852,890	1,589 53,416,918	1,629 54,777,723	132 4,443,874	263 8,854,505	139 4,690,791
2014	33,263	3,745 124,557,919	1,544 51,356,870	1,607 53,451,392	130 4,336,467	278 9,241,804	137 4,545,510
2013	32,405	4,009 129,921,528	1,486 48,148,403	1,531 49,616,044	130 4,210,193	289 9,379,656	124 4,019,049
2012	32,569	4,084 133,016,687	1,445 47,048,122	1,515 49,334,190	116 3,766,986	248 8,069,436	110 3,586,774
2011	32,118	3,561 114,362,660	1,370 44,010,448	1,558 50,045,606	100 3,223,542	223 7,176,724	106 3,413,113
2010	31,956	3,703 118,328,744	1,356 43,337,483	1,441 46,047,333	123 3,918,338	254 8,106,634	118 3,767,853

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
\$ 688	\$ 1,466	\$ 223	\$ -	\$ 131	\$ 768	\$ 12,482
22,335,197	47,583,371	7,247,814	-	4,261,615	24,920,949	405,016,950
632	1,363	209	-	120	682	11,426
20,886,661	45,093,247	6,912,237	-	3,970,265	22,545,728	377,864,565
647	1,305	216	-	125	640	10,945
21,456,136	43,249,319	7,164,999	-	4,148,497	21,201,167	362,797,781
643	1,305	204	-	124	577	10,742
21,538,262	43,709,186	6,843,957	-	4,142,335	19,334,963	359,880,437
629	1,367	208	-	130	511	10,786
21,142,956	45,955,757	6,995,987	-	4,359,394	17,191,488	362,682,283
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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 21
CAPITAL OUTLAY FUND EXPENDITURES
Last Ten Fiscal Years Ending June 30, 2019

Fiscal Year Ended June 30,	Sites and Building Improvements	Furniture and Equipment	Vehicles	Total
2019	\$ 23,034,201	\$ -	\$ 66,151	\$ 23,100,352
2018	12,424,948	97,677	1,044,300	13,566,925
2017	15,164,878	82,602	1,177,254	16,424,734
2016	13,411,022	125,677	1,526,739	15,063,438
2015	10,369,962	647,556	525,634	11,543,152
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

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, 2019

Table 22

Fiscal Year Ended June 30,	Purchased Food	Donated Commodities	Salaries and Benefits
2019	\$ 5,293,206	\$ 1,124,169	\$ 7,872,114
2018	5,544,467	1,114,136	8,765,561
2017	5,902,080	1,014,414	8,311,428
2016	6,189,247	1,033,524	8,663,875
2015	6,224,793	972,837	8,233,583
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

Source: Durham Public Schools' Finance Department

Table 22

Materials and Supplies	Indirect Costs	Other	Total
\$ 592,386	\$ 947,851	\$ 225,348	\$ 16,055,074
516,816	811,076	297,139	17,049,195
476,217	868,863	126,427	16,699,429
526,314	859,578	167,682	17,440,220
588,267	838,250	486,639	17,344,369
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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 23
SCHOOL FOOD SERVICE REVENUES AND OPERATING TRANSFERS IN BY SOURCES
Last Ten Fiscal Years Ending June 30, 2019

Fiscal Year Ended June 30,	USDA			
	Food Sales		Reimbursement	
	Amount	Percent	Amount	Percent
2019	\$ 2,436,212	14.6%	\$ 12,080,429	72.4%
2018	2,392,809	14.5%	12,129,498	73.4%
2017	2,333,483	13.8%	13,087,413	77.4%
2016	2,280,883	13.6%	13,035,704	77.7%
2015	1,804,464	11.3%	12,897,911	80.5%
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%

Source: Durham Public Schools' Finance Department

Table 23

Donated Commodities		Other		Total	
Amount	Percent	Amount	Percent	Amount	Percent
\$ 1,031,503	6.2%	\$ 1,146,871	6.9%	\$ 16,695,015	100.1%
1,078,242	6.5%	919,522	5.6%	16,520,071	100.0%
1,086,274	6.4%	406,379	2.4%	16,913,549	100.0%
1,033,524	6.2%	419,467	2.5%	16,769,578	100.0%
925,434	5.8%	386,464	2.4%	16,014,273	100.0%
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%

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 24
PROPERTY VALUE AND CONSTRUCTION FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2019

<u>Fiscal Year Ended June 30,</u>	<u>Building Value of Permits Issued ⁽¹⁾</u>	<u>Assessed Valuation ⁽²⁾</u>
2019	\$ 1,884,975,303	\$ 37,361,508,577
2018	1,347,736,663	36,159,221,674
2017	1,501,331,982	35,230,345,247
2016	1,194,358,281	32,454,800,165
2015	1,117,161,089	31,736,178,319
2014	1,107,015,215	30,796,658,950
2013	912,531,665	\$30,444,978,195
2012	782,358,521	29,842,363,341
2011	918,447,009	29,460,598,354
2010	854,185,593	29,032,891,346

N/A - Not available at time of issuance.

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

(2) Last revalutaion of taxable property occurred on January 1, 2016

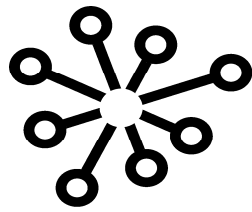
DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
MISCELLANEOUS STATISTICS
June 30, 2019

Table 25

Area:	Durham County	299 square miles
Population:	Durham County	320,639
Average Daily Membership:		32,448
Schools:	0	30
	Middle	9
	Secondary	2
	Senior/High	10
	Hospital School	1
	Alternative	1
School Personnel (approximate):		5,005

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

COMPLIANCE SECTION



DURHAM
PUBLIC SCHOOLS



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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 of North Carolina
Durham, North Carolina

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Durham Public Schools Board of Education, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Durham Public Schools Board of Education, North Carolina's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Durham Public Schools Board of Education, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Durham Public Schools Board of Education'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
December 12, 2019



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**Independent Auditor's Report On The
Schedule of Expenditures of Federal and State Awards
Required By The Uniform Guidance**

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

We have audited the 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, 2019, and the related notes to the financial statements, which collectively comprise the Durham Public Schools Board of Education, North Carolina's basic financial statements. We issued our Independent Auditor's Report thereon dated December 12, 2019, which contained unmodified opinions on those financial statements. 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 accompanying schedule of expenditures of federal and State awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal and State awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rives & Associates LLP

Lexington, North Carolina
December 12, 2019



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Independent Auditors' Report on Compliance For Each Major Federal Program and Internal Control Over Compliance Required by The OMB Uniform Guidance and the State Single Audit Implementation Act

To the Durham Public Schools Board of Education of 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, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Durham Public Schools Board of Education, North Carolina's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards and the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2019.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Rives & Associates LLP

Lexington, North Carolina
December 12, 2019



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Independent Auditor's Report On Compliance For Each Major State Program and Internal Control Over Compliance Required by The OMB Uniform Guidance and the State Single Audit Implementation Act

To the Durham Public Schools Board of Education of 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, 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, 2019. 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 the audit requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the 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, 2019.

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 in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Rives & Associates LLP

Lexington, North Carolina
December 12, 2019

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified? yes X no

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

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

Material 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 federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.513(a)? yes X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)

Schedule 15

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA (Continued)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$	1,326,923		
Auditee qualified as low-risk auditee?	<u> X </u>	yes	<u> </u>	no
 <u>State Awards</u>				
Internal control over major State programs:				
Material weaknesses identified?	<u> </u>	yes	<u> X </u>	no
Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u>	yes	<u> X </u>	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?	<u> </u>	yes	<u> X </u>	no

Identification of major State programs:

Program Name
State Public School Fund
Vocational Education State Months of Employment
Vocational Education Program Support Funds

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA (Continued)

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

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	PRC 035	\$ 1,124,169
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	3,099,022
National School Lunch Program	10.555	PRC 035	8,981,407
Passed through the N. C. Department of Health and Human Services:			
Summer Food Service Program for Children	10.559	PRC 035	738,802
Total Cash Assistance			<u>12,819,231</u>
Total Child Nutrition Cluster			<u>13,943,400</u>
Passed through the N.C. Department of Agriculture:			
Fresh Fruits and Vegetables Program	10.582	PRC 035	323,668
Total U.S. Department of Agriculture			<u>14,267,068</u>
<u>U.S. Department of Education:</u>			
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	7,660,717
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	156,831
Children With Disabilities - Risk Pool	84.027	PRC 114	167,823
Special Needs Targeted Assistance	84.027	PRC 118	21,315
Preschool Targeted Assistance	84.173	PRC 119	2,792
Total Special Education Cluster			<u>8,009,478</u>
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	<u>13,072,802</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

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	\$ 4,590,742
Total School Improvement Cluster			<u>4,590,742</u>
Title I School Improvement Grant	84.010	PRC 105	<u>750,471</u>
Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	PRC 026	<u>75,174</u>
Career and Technical Education - Basic Grants to States	84.048	PRC 017	<u>707,821</u>
Special Education-State Personnel Development Grant	84.323	PRC 082	<u>1,477</u>
Supporting Effective Instruction	84.367	PRC 103	<u>1,304,583</u>
English Language Acquisitions Grant	84.365	PRC 104, 111	<u>923,132</u>
21st Century - Community Learning Centers	84.287	PRC 110	<u>64,337</u>
ESEA Title I - Targeted Support and Improvement	84.XXX	PRC 115	<u>12,956</u>
ESEA Title IV – Student Support and Academic Enrichment (Part A)	84.424	PRC 108	<u>372,559</u>
Total U.S. Department of Education			<u>29,885,532</u>
<u>U.S. Department of Defense:</u>			
Direct program:			
ROTC	NONE	-	<u>169,159</u>
Total federal awards			<u>44,321,759</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass- Through Grantor's Number</u>	<u>Expenditures</u>
State Grants:			
Cash Assistance:			
<u>North Carolina Department of Public Instruction:</u>			
State Public School Fund			\$ 199,229,798
Driver Training - SPSF	-	012	765,598
Vocational Education			
State Months of Employment	-	013	9,057,901
Program Support Funds	-	014	1,115,362
School Technology Fund - SPSF	-	015	1,054,469
Public School Building Capital Bond	-	074	<u>1,322,406</u>
Total North Carolina Department of Public Instruction			<u>212,545,534</u>
N.C. Department of Agriculture:			
State Kindergarten Breakfast Program			<u>17,894</u>
Total cash assistance			<u>212,563,428</u>
Non-Cash Assistance:			
<u>North Carolina Department of Public Instruction:</u>			
State Buses Appropriations	NONE	-	<u>669,677</u>
Total non-cash assistance			<u>669,677</u>
Total State awards			<u>213,233,105</u>
Total federal and State awards			<u>\$ 257,554,864</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

Notes to the Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2019

I) 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule of expenditures of federal and State awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Durham Public Schools Board of Education, North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

III) CLUSTER OF PROGRAMS

The School Nutrition Program is clustered by the N.C. Department of Public Instruction and is treated separately for State audit requirement purposes.



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PUBLIC SCHOOLS

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