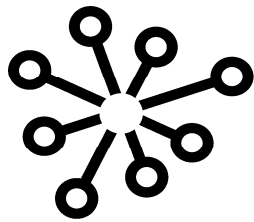


DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2016

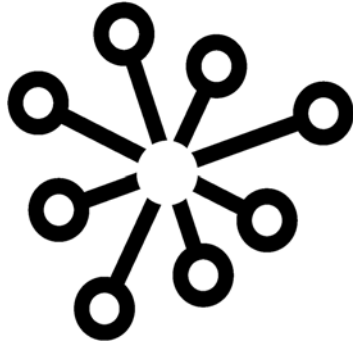


DURHAM
PUBLIC SCHOOLS

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

Durham, North Carolina

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
of the
**DURHAM PUBLIC SCHOOLS
BOARD OF EDUCATION**
North Carolina
For the Year Ended June 30, 2016



**DURHAM
PUBLIC SCHOOLS**

Prepared by
Aaron J. Beaulieu
Chief Financial Officer

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

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For the Year Ended June 30, 2016

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DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

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DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

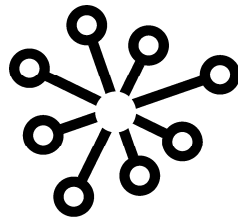
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INTRODUCTORY SECTION



DURHAM
PUBLIC SCHOOLS

Durham Public Schools Board of Education

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

Letter of Transmittal

November 23, 2016

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, 2016. 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, 2015 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, 2016, 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, 2016 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Durham Public Schools Board of Education is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and North Carolina State law for State funds. Information related to this single audit, including the schedule of financial assistance, findings and questioned costs, and the independent auditors' report on the internal control structure and compliance with applicable laws and regulations are presented in the Compliance Section of this report. For the fiscal year ended June 30, 2016, 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 54 schools. For 2015-16, the school system served 33,501 students from kindergarten through 12th grade in 30 elementary schools, 10 middle schools, 2 secondary schools, 8 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 293,647. Our current enrollment of 33,275 students mirrors the diversity of the community, speaking more than 105 languages. This is the second consecutive year drop we have seen in enrollment.

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 in 23 specialties and was named the Best Hospital in North Carolina by *US News and World Report, for 2016-17*. The ongoing medical research and expanding clinical opportunities attract medical doctors. Durham County has one of the nation’s top five concentrations of physicians per capita and nearly one third of the labor work force works in a health or medical related industry. The metropolitan area of Raleigh-Durham-Chapel Hill is consistently ranked among the top U.S. metropolitan areas in economic performance. Our local economy has remained stable because of our diverse industrial base including medicine, research, education, “high-tech,” telecommunications, and manufacturing.

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

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

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Graduation Rate and Academic Highlights

Durham Public Schools generally held steady in student achievement, during the 2015-16 school year, with the four-year graduation rate rising from 80.7 percent in 2014-15 to 82.1 percent in 2015-16. Three DPS high schools—Josephine Dobbs Clement Early College at North Carolina Central University, City of Medicine Academy, and Middle College at Durham Technical Community College—achieved 100-percent four-year graduation rates in 2015-16. Other schools with graduation rates above 90 percent included (Hillside) New Tech and Durham School of the Arts. Clement Early College and City of Medicine Academy, long with Mangum Elementary, also earn “A+” School Performance Grades from the state. Sixty-nine percent of DPS schools either met or exceeded state targets for year-to-year academic growth. There were gains in third-through fifth-grade reading and math, fifth-grade science, high school biology and math, and ACT and ACT Work Keys college and career assessments. District-wide, grade level proficiency rose by 0.9 percentage points to 44.9 percent, and college and career readiness rose by 1.3 percentage points to 36.3 percent Academic performance composites rose in 27 of DPS’s 30 elementary schools.

Six high schools were ranked among the most challenging schools in the state and among the top 10 percent in the nation in the *Washington Post’s* “America’s Most Challenging High Schools” survey. C.E. Jordan High School was named the 16th most challenging high school in North Carolina. Other DPS schools ranked in the national survey include Durham School of the Arts (26th in North Carolina), Northern High School (52nd), City of Medicine Academy (54th) Riverside High School (63rd) and Hillside High School (65th).

Durham School of the Arts, City of Medicine Academy and J.D. Clement Early College were also ranked with a gold, silver, and bronze medal respectively on the *U.S. News and World Report* Best High Schools list for 2016.

Four DPS magnet schools won national merit awards from Magnet Schools of America: George Watts Montessori, The School for Creative Studies, Lakewood Montessori, and Morehead Montessori.

Lowes Grove Middle School received US2020 Research Triangle Park’s first annual STEM School of the Year Award.

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

Gates Millennium Scholars

For the second year in a row, two Hillside High seniors won full Gates Millennium Scholarships for outstanding minority students with strong academic performance and demonstrated leadership abilities. Anthony Teacher and Tramontane Stanton-Jones were among 1,000 students selected in the United States in the final year of the program. Hillside was the only traditional high school in the Triangle to produce Gates Millennium Scholars. The scholarship program is designed to reduce financial barriers and increase minority representation in computer science, education, engineering, library science, mathematics, public health and the sciences.

Educator and School Recognition

A number of DPS teachers and administrators received state or national recognition in 2015-16.

Matthew Hunt, principal at Northern High School (now at Merrick-Moore Elementary) and the Durham Public Schools Principal of the Year, was selected as the 2016 Wells Fargo Principal of the Year for North Central Region 3, including school districts in Wake, Durham, Edgecombe, Franklin, Granville, Henderson, Johnston, Nash-Rocky Mount, Northampton, Warren and Wilson counties.

Holt Elementary teacher, Amy Beckett was named the 2016 Global Educator of the Year by VIF International Education.

Five DPS teachers earned Kenan Fellowships: Lena Deskins at Holt Elementary, Ty Jeffery at Northern High, Annie Polashock at Jordan High, Tevin Jones at Creekside Elementary, and Majorie Light at Clement Early College High.

City of Medicine Academy psychology teacher, Steve Jones won the American Psychological Association's Charles T. Blair-Broecker Excellence in Teaching Award for secondary schools.

Four DPS schools were recognized as among the healthiest in America by the Alliance for a Healthier Generation: Mangum Elementary, Little River K-8 School, Durham school of the Arts and The School for Creative Studies.

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

FINANCIAL AND BUDGETARY CONTROLS

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

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

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

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

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

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

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, 2015. DPS has received the GFOA and ASBO awards for the last 25 years. The Department of Public Instruction, Financial Services department awarded a **State Schools Recognition of Achievement Award** to DPS. This was the first year for DPS to receive all three awards; it was one of 12 North Carolina Districts, and the largest, to do so. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Dr. Bert L'Homme
Superintendent



Aaron Beaulieu
Chief Financial Officer

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

LIST OF PRINCIPAL OFFICIALS

June 30, 2016

BOARD OF EDUCATION

Heidi Carter, Chair

Mike Lee, Vice Chair

Natalie Beyer

Leigh Bordley

Ms. Minnie Forte-Brown

Sendolo Diaminah

Matt Sears

SUPERINTENDENT

Dr. Bert L'Homme

CHIEF FINANCIAL OFFICER

Aaron Beaulieu



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, 2015



Executive Director/CEO



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

Durham Public Schools

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

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



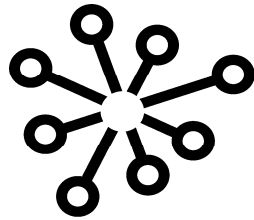
Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

FINANCIAL SECTION



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 then ended June 30, 2016, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 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, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the Local Current Expense Fund, Grant and Community School 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 Management's Discussion and Analysis on pages 4 through 13 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions on pages 57 and 58, 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 combining and individual fund statements and schedules – budget and actual; the 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*; the introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules – budget and actual, and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules – budget and actual, 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 taken 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 November 23, 2016 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
November 23, 2016

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Management's Discussion And Analysis
For the Year Ended June 30, 2016

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

Financial Highlights

- Durham Public Schools has begun to see a drop in average daily membership, while the charter school membership numbers continue to increase. As we begin to pull out of the economic recession, the inward migration from other states into Durham County continued to increase. Durham's population is 293,647. The Board has seen a drop in enrollment in the current school year 2016-17, for the second consecutive year. It should be noted that funding from the State is based on Average Daily Membership (ADM) figures which are typically lower than enrollment.
- The assets of the Board have seen an increase at the close of the fiscal year to \$338,055,451 from \$334,703,154. Though there is a decrease in cash and cash equivalents by \$5,258,263, the unrestricted net investment in capital has been increased by \$10.1 million from last year providing the increase of net investment in capital seen for the fiscal year.
- The State of North Carolina provided an increase in appropriations to fund a 2.7% average salary increase for teachers steps, 1.5% salary increase for classified personnel, and a .5% bonus to all classified personnel employed on October 1. The 2016-17 State conference budget compromise maintained the 2015-16 funding levels with increases for continuation budget line items. Additional appropriations were for textbooks and digital materials, school connectivity, bonuses for pilot programs (CTE, AP/IB, and 3rd grade reading teachers), and merit bonus for classified personnel based on the school district plan, and the approved salary and benefit increases. The State reduced school supplies and materials, at-risk funding, and transportation funding based on lower fuel prices.
- A local ¼ cent sales tax increase was approved by Durham County voters creating revenue to replace the expiring Federal Education Jobs funding. This has provided \$9.5 million in funding an increase of approximately \$2.25 million due to increase in the revenue.
- As of the close of the current fiscal year, the Board's Local Current Expense Fund reported an ending fund balance of \$14,264,370. The total fund balance decreased by \$4,044,986.
- Total governmental funds non-spendable fund balance consisting of inventories and prepaid expenses totaled \$394,979. Restricted fund balance consisting of items restricted by State statute totaled \$2,681,797, school capital outlay \$2,936,285 grants and scholarships \$3,793,474 and individual schools \$1,938,880. Committed fund balance totaled \$7,677,109 and consisted of \$7,196,320 approved for teacher and staff salaries, increase in charter school enrollment and teacher assistant reduction, and \$480,789 to cover one time expenditures including summer programs and technology upgrades. Assigned fund balance of \$3,056,908 was for the Board's self-insurance reserve and \$1,804,581 for use by the Local Special Expense Fund.
- Unassigned fund balance in the Local Current Expense Fund totaled \$453,577.
- The Board will pay 43 charter schools in 2016-17 with a membership of over 6,400. The appropriations to charters will exceed \$20.4 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, 2016

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 set 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 fund. 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, 2016

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, 2016

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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$338,055,451 as of June 30, 2016. The largest component of net position is net investment in capital assets, of \$379,235,062.

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Current assets	\$ 47,701,659	\$ 51,408,082	\$ 2,552,460	\$ 3,055,864	\$ 50,254,119	\$ 54,463,946
Capital assets	379,928,323	387,392,258	567,482	649,873	380,495,805	388,042,131
Total assets	<u>427,629,982</u>	<u>438,800,340</u>	<u>3,119,942</u>	<u>3,705,737</u>	<u>430,749,924</u>	<u>442,506,077</u>
Deferred outflows of resources	<u>20,100,425</u>	<u>18,305,398</u>	<u>501,655</u>	<u>452,794</u>	<u>20,602,080</u>	<u>18,758,192</u>
Current liabilities	20,112,731	17,695,541	158,812	212,132	20,271,543	17,907,673
Long-term liabilities	77,648,167	41,514,769	1,697,734	709,909	79,345,901	42,224,678
Total liabilities	<u>97,760,898</u>	<u>59,210,310</u>	<u>1,856,546</u>	<u>922,041</u>	<u>99,617,444</u>	<u>60,132,351</u>
Deferred inflows of resources	<u>13,340,843</u>	<u>64,856,150</u>	<u>338,266</u>	<u>1,572,614</u>	<u>13,679,109</u>	<u>66,428,764</u>
Net investment in capital assets	378,667,580	386,682,864	567,482	649,873	379,235,062	387,332,737
Restricted net position	13,665,828	12,343,341	-	-	13,665,828	12,343,341
Unrestricted net position	<u>(55,704,742)</u>	<u>(65,986,927)</u>	<u>859,303</u>	<u>1,014,003</u>	<u>(54,845,439)</u>	<u>(64,972,924)</u>
Total net position	<u>\$ 336,628,666</u>	<u>\$ 333,039,278</u>	<u>\$ 1,426,785</u>	<u>\$ 1,663,876</u>	<u>\$ 338,055,451</u>	<u>\$ 334,703,154</u>

The net position of the Board increased a total of \$3,352,297 during the year, indicating an improvement in the financial condition of the Board. The increase was largely due to the changes in the pension related accounts; deferred outflows, deferred inflows, and net pension liability.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Management's Discussion And Analysis
For the Year Ended June 30, 2016

Financial Analysis of the Board as a Whole (Continued)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Revenues:						
Program revenues:						
Charges for services	\$ 8,934,437	\$ 3,407,301	\$ 2,299,357	\$ 1,816,026	\$ 11,233,794	\$ 5,223,327
Operating grants and contributions	221,234,036	226,510,824	14,468,321	14,191,492	235,702,357	240,702,316
Capital grants and contributions	-	58,037	-	-	-	58,037
General revenues:						
Other revenues	139,358,249	132,960,369	1,900	6,755	139,360,149	132,967,124
Total revenues	<u>369,526,722</u>	<u>362,936,531</u>	<u>16,769,578</u>	<u>16,014,273</u>	<u>386,296,300</u>	<u>378,950,804</u>
Expenses:						
Governmental activities:						
Instructional services	255,000,734	259,722,116	-	-	255,000,734	259,722,116
System-wide support services	72,219,815	70,765,672	-	-	72,219,815	70,765,672
Ancillary services	4,019,530	4,253,121	-	-	4,019,530	4,253,121
Non-programmed charges	18,333,827	16,343,023	-	-	18,333,827	16,343,023
Interest on long-term debt	14,382	25,474	-	-	14,382	25,474
Depreciation	16,130,384	15,912,579	-	-	16,130,384	15,912,579
Business-type activities:						
Food service	-	-	17,225,331	17,108,664	17,225,331	17,108,664
Total expenses	<u>365,718,672</u>	<u>367,021,985</u>	<u>17,225,331</u>	<u>17,108,664</u>	<u>382,944,003</u>	<u>384,130,649</u>
Transfers in (out)	<u>(218,662)</u>	<u>(123,926)</u>	<u>218,662</u>	<u>123,926</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	3,589,388	(4,209,380)	(237,091)	(970,465)	3,352,297	(5,179,845)
Net position, beginning	333,039,278	337,248,658	1,663,876	2,634,341	334,703,154	339,882,999
Net position, ending	<u>\$ 336,628,666</u>	<u>\$ 333,039,278</u>	<u>\$ 1,426,785</u>	<u>\$ 1,663,876</u>	<u>\$ 338,055,451</u>	<u>\$ 334,703,154</u>

Total governmental activities generated revenues of \$369.5 million while expenses in this category totaled \$365.7 million for the year ended June 30, 2016. Comparatively, revenues were \$362.9 million and expenses totaled \$367.0 million for the year ended June 30, 2015. After transfers to the business-type activities, the increase in net position stands at \$3.6 million at June 30, 2016, compared to a \$4.2 million decrease in 2015. Instructional services expenses comprised 69.7% of total governmental activities expenses while system-wide support services made up 19.7% of those expenses for 2016. County funding comprised 36.08% of total governmental revenue while unrestricted City funding added another 0.084% for 2015. In 2015, County funding was 35.58% and unrestricted City funding added 0.075%. Much of the remaining 63.83% of total governmental revenue for 2016 consists of restricted State and federal money. This revenue represented 64.03% of total revenue in 2015. Business-type activities generated revenue of \$16.8 million and expenses of \$17.2 million. Net position decreased in the business-type activities by \$237,091, after transfers from the governmental activities of \$218,662.

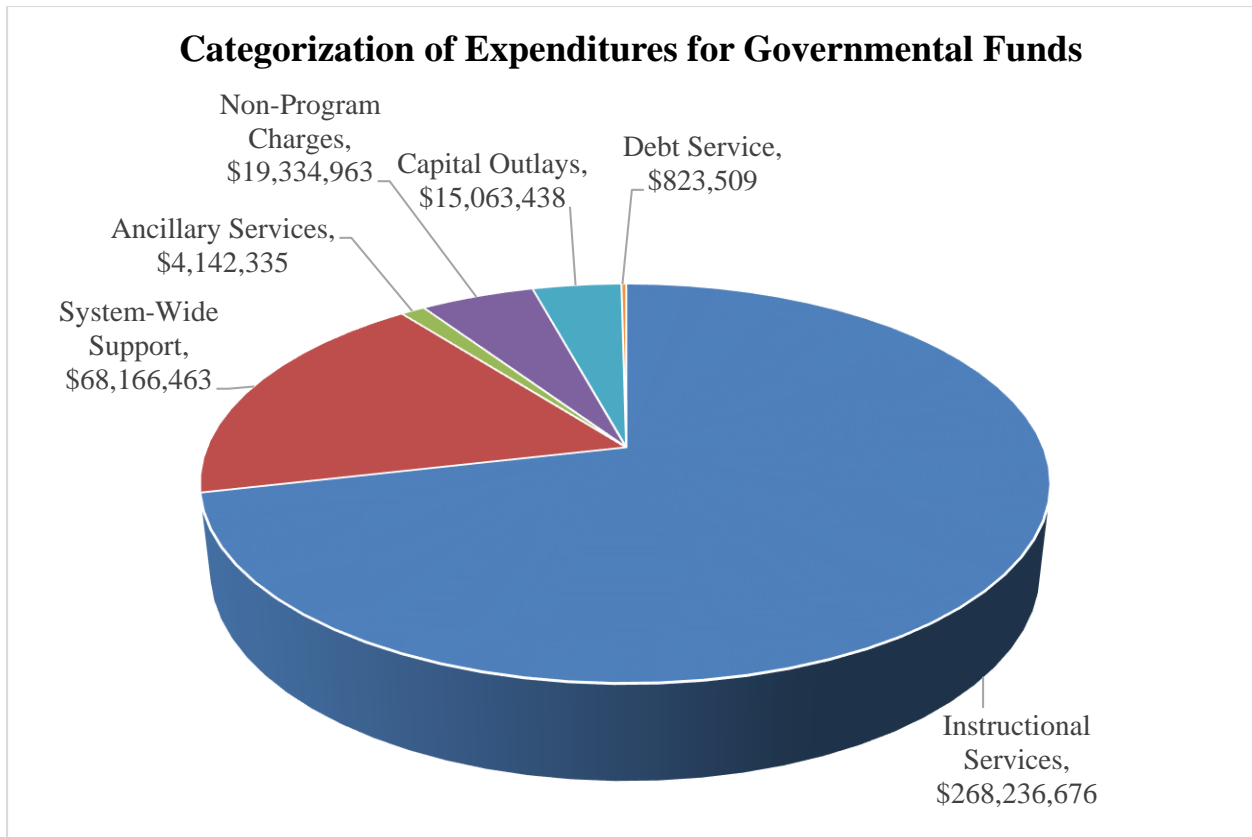
DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Management's Discussion And Analysis
For the Year Ended June 30, 2016

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 \$27,053,256, a decrease of \$4,298,726 from the previous year. Of the Board's major governmental funds only the Local Special Expense Fund had revenues and other financing sources that exceeded expenditures and other uses. Funding from the State government and County increased approximately \$3.1 million and \$3.7 million, respectively, while Federal government funding decreased approximately \$1.1 million.

Proprietary Funds: The Board's business-type activities, the School Food Service Fund, reflected a decrease in net position over last year. Operating revenues increased \$483,331 while operating expenses increased \$116,667 from the previous year. Nonoperating revenues increased \$276,829 with an 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.

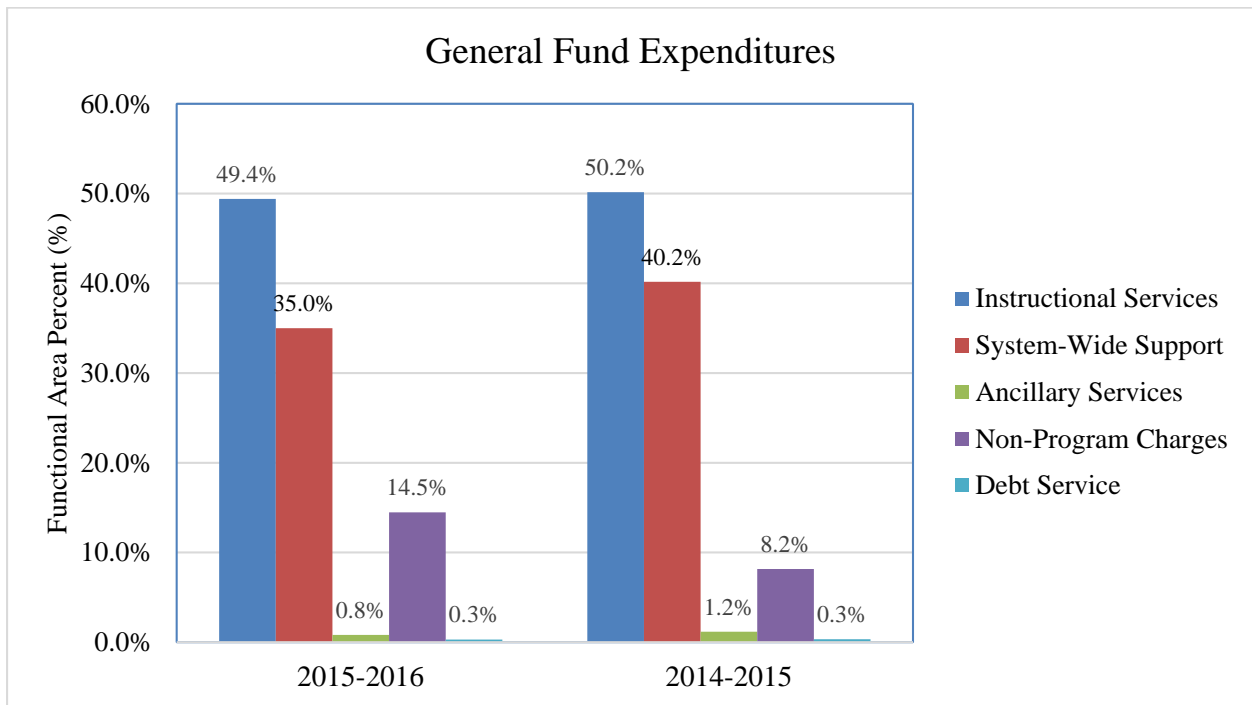
DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Management's Discussion And Analysis
For the Year Ended June 30, 2016

General Fund Revenues

Since the merger of the city and county school systems in 1992-93, General Fund revenues have increased 165% from a total of \$46.3 million to \$124.2 million. These revenues have increased \$4.4 million from the prior year. County appropriations and late property filings increased \$4.4 million while fines and forfeitures decreased \$15,590.

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 increased 10.2% in 2015-16 from the prior year to a total of \$128,286,983. The percentage of expenditures by function to total expenditures remained relatively consistent with prior years and slightly increased in the areas of instructional services and system-wide support, and decreased in 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, 2016

Federal and State Special Revenue Funds

Substantially all State and federal revenues are accounted for in the State Public School Fund (\$191,983,228) and the Federal Grants Fund (\$23,653,702). 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 \$2.3 million. Federal Grants Fund funding decreased from the prior year by \$1.5 million. Expenditures of these funds provide the basic instructional programs for all school systems in North Carolina. Salaries and benefits account for 93.49% of all expenditures in these funds.

Capital Outlay Fund

As the school building construction program (supported by the 2001, 2003, and 2007 voter-approved County bond referendum) approaches completion, the Board realized \$8,358,381 in revenue from general obligation bonds issued by Durham County, and \$1,370,000 from the County's general appropriation. Additionally, the State provided \$2,422,338 for installment financing related to the purchase of yellow buses and for public school building capital needs. Miscellaneous other local sources provided \$1,102,519. During the 2015-16 school year, Durham Public Schools completed improvements at multiple schools throughout the district. These improvements trended along the following categories: Asphalt replacement and repairs, traffic access site improvements, tennis court resurfacing, roof replacement, mechanical equipment replacement, toilet room upgrades, and critical system upgrades (fire alarm, security system).

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Land	\$ 22,163,934	\$ 22,163,934	\$ -	\$ -	\$ 22,163,934	\$ 22,163,934
Construction in Progress	35,808,383	48,966,329	-	-	35,808,383	48,966,329
Buildings	188,887,100	198,527,590	-	-	188,887,100	198,527,590
Building Improvements	126,884,783	111,750,229	-	-	126,884,783	111,750,229
Furniture and Equipment	3,396,083	3,883,731	567,482	649,873	3,963,565	4,533,604
Vehicles	2,788,040	2,100,445	-	-	2,788,040	2,100,445
Total	\$ 379,928,323	\$ 387,392,258	\$ 567,482	\$ 649,873	\$ 380,495,805	\$ 388,042,131

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, 2016

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 54 individual schools operated by the Board. The individual school principals exercise significant authority over revenues and expenditures. The activities of the schools that generate revenue consist of picture sales, field trips, athletic events, club fundraising, and other school functions.

Proprietary Fund

The proprietary fund operation consists of the School Food Service Fund. The School Food Service Fund operates as an enterprise fund and provides meals to students and staff. The School Food Service Fund reflected a decrease in net position of (\$237,091) in the current year. Total net position is \$1,426,785 as of the fiscal year ended June 30, 2016. This financial position allows Durham Public Schools to maintain a strong Child Nutrition Program.

Fiduciary Fund

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

General Fund Budgetary Highlights

Over the course of the year, the Board, as is normal, revised the budget several times to account for changes in revenue expectations and align categorical expenditures appropriately. Additional information related to budget activity is included in Note I) D) in the notes to the financial statements. The General Fund concluded the year with a decrease in fund balance of (\$4,044,986). This decrease is a result of the General Fund covering certain costs due to reductions in federal funding and an increase in payments to charter schools of approximately \$9.1 million. Total payments to charter schools for the years ended June 30, 2016 and 2015 was \$18.6 million and \$9.5 million, respectively.

Debt Outstanding

During the year, the Board's outstanding debt increased \$551,349, with an ending balance of \$1,260,743. The debt for installment purchases increased due additional installment purchase contracts for school buses. 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, 2016

Economic Factors

The Board experienced a decrease in enrollment of 257 students in the 2015-16 school year. With the local housing market continuing to rebound we continue to see population growth, and charter school growth, while Durham Public Schools enrollment continues to decrease into the 2016-17 school year. The Board must eliminate the dependency on fund balance and expansion of programs without the guarantee of new resources. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the School Board.

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

- The County's unemployment rate decreased from 5.4% in June, 2015 to 4.7% in June, 2016. The County's unemployment rate continues to decrease and is lower as compared to the State's rate of 4.9% and the national average of 4.9%.
- Retail sales increased 5.92% over the previous year. 2016 and 2015 retail sales for the County were approximately \$6,458,506,000 and \$6,097,770,000, respectively.
- The population in Durham County continues to grow. The population increased 1.01% in 2016.

These factors, as well as the State's budget situation, increased utility costs, contract increases, and continued rising benefit costs were considered in preparing the Board's budget for the 2016-17 fiscal year. The 2017 fiscal year budget was created to maintain the offsetting effect of such economic factors, by cutting expenditures and central office personnel, while attempting to protect core instructional programs and the personnel associated with the school building.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS
(Government-wide)

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 1

Statement of Net Position

June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 35,070,301	\$ 1,333,977	\$ 36,404,278
Other receivable, net	2,665,980	5,210	2,671,190
Due from other governments	9,568,337	708,712	10,277,049
Internal balances	853	(853)	-
Inventories	173,276	505,414	678,690
Prepaid items	222,912	-	222,912
	<u>47,701,659</u>	<u>2,552,460</u>	<u>50,254,119</u>
Capital assets:			
Land and construction in progress	57,972,317	-	57,972,317
Other capital assets, net of depreciation	321,956,006	567,482	322,523,488
Total capital assets	<u>379,928,323</u>	<u>567,482</u>	<u>380,495,805</u>
Total assets	<u>427,629,982</u>	<u>3,119,942</u>	<u>430,749,924</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>20,100,425</u>	<u>501,655</u>	<u>20,602,080</u>
LIABILITIES			
Accounts payable and accrued expenses	1,833,373	72,991	1,906,364
Accrued salaries and wages payable	15,312,460	-	15,312,460
Unearned revenue	2,966,898	85,821	3,052,719
Long-term liabilities:			
Net pension liability	55,403,232	1,382,721	56,785,953
Due within one year	17,989,672	315,013	18,304,685
Due in more than one year	4,255,263	-	4,255,263
Total liabilities	<u>97,760,898</u>	<u>1,856,546</u>	<u>99,617,444</u>
DEFERRED INFLOWS OF RESOURCES	<u>13,340,843</u>	<u>338,266</u>	<u>13,679,109</u>
NET POSITION			
Net investment in capital assets	378,667,580	567,482	379,235,062
Restricted for:			
Stabilization by State statute	4,997,189	-	4,997,189
School capital outlay	2,936,285	-	2,936,285
Grants and scholarships	3,793,474	-	3,793,474
Individual schools	1,938,880	-	1,938,880
Unrestricted	<u>(55,704,742)</u>	<u>859,303</u>	<u>(54,845,439)</u>
Total net position	<u>\$ 336,628,666</u>	<u>\$ 1,426,785</u>	<u>\$ 338,055,451</u>

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2016

<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	\$ 128,200,095	\$ 3,100,941	\$ 97,970,662	\$ -
Special populations	54,254,280	-	50,983,471	-
Alternative programs	25,427,175	-	21,921,626	-
School leadership	20,212,863	-	12,199,483	-
Co-curricular	6,389,796	-	667	-
School-based support	20,516,525	4,680,640	13,684,448	-
System-wide support services:				
Support and development	2,808,591	-	690,506	-
Special population support and development	1,729,061	-	1,309,601	-
Alternative programs and services support and development	942,324	-	601,265	-
Technology support	4,702,228	-	143,916	-
Operational support	48,835,384	1,152,856	16,996,949	-
Financial and human resource	6,557,279	-	1,886,835	-
Accountability	989,573	-	86,474	-
System-wide pupil support	1,346,222	-	404,794	-
Policy, leadership and public relations	4,309,153	-	1,291,478	-
Ancillary services	4,019,530	-	295,045	-
Non-programmed charges	18,333,827	-	766,816	-
Interest on long-term debt	14,382	-	-	-
Unallocated depreciation expense, excluding direct depreciation expense	16,130,384	-	-	-
Total governmental activities	<u>365,718,672</u>	<u>8,934,437</u>	<u>221,234,036</u>	<u>-</u>
Business-type activities:				
Food services	17,225,331	2,299,357	14,468,321	-
Total business-type activities	<u>17,225,331</u>	<u>2,299,357</u>	<u>14,468,321</u>	<u>-</u>
Total primary government	<u>\$ 382,944,003</u>	<u>\$ 11,233,794</u>	<u>\$ 235,702,357</u>	<u>\$ -</u>
General revenues:				
Unrestricted County appropriations - operating				
Unrestricted County appropriations - capital				
Unrestricted City appropriations - capital				
Unrestricted County bond revenues - capital				
Unrestricted State grants - capital				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

Net (Expenses) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (27,128,492)	\$ -	\$ (27,128,492)
(3,270,809)	-	(3,270,809)
(3,505,549)	-	(3,505,549)
(8,013,380)	-	(8,013,380)
(6,389,129)	-	(6,389,129)
(2,151,437)	-	(2,151,437)
(2,118,085)	-	(2,118,085)
(419,460)	-	(419,460)
(341,059)	-	(341,059)
(4,558,312)	-	(4,558,312)
(30,685,579)	-	(30,685,579)
(4,670,444)	-	(4,670,444)
(903,099)	-	(903,099)
(941,428)	-	(941,428)
(3,017,675)	-	(3,017,675)
(3,724,485)	-	(3,724,485)
(17,567,011)	-	(17,567,011)
(14,382)	-	(14,382)
(16,130,384)	-	(16,130,384)
(135,550,199)	-	(135,550,199)
-	(457,653)	(457,653)
-	(457,653)	(457,653)
(135,550,199)	(457,653)	(136,007,852)
124,057,383	-	124,057,383
1,370,000	-	1,370,000
86,510	-	86,510
8,358,381	-	8,358,381
2,422,338	-	2,422,338
216,493	1,900	218,393
2,847,144	-	2,847,144
(218,662)	218,662	-
139,139,587	220,562	139,360,149
3,589,388	(237,091)	3,352,297
333,039,278	1,663,876	334,703,154
<u>\$ 336,628,666</u>	<u>\$ 1,426,785</u>	<u>\$ 338,055,451</u>

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

FUND FINANCIAL STATEMENTS

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2016

Exhibit 3

	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	\$ 20,036,835	\$ 6,830,261	\$ -	\$ 4,196,261	\$ 4,006,944	\$ 35,070,301
Due from other governments	335,790	16,641	6,653,387	1,919,724	642,795	9,568,337
Other receivable, net	2,345,154	136,135	-	38,845	145,846	2,665,980
Due from other funds	853	95	-	-	38,525	39,473
Inventories	173,276	-	-	-	-	173,276
Prepaid items	221,703	935	-	-	274	222,912
Total assets	\$ 23,113,611	\$ 6,984,067	\$ 6,653,387	\$ 6,154,830	\$ 4,834,384	\$ 47,740,279
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Accounts payable and accrued expenses	\$ 598,560	\$ 38,072	\$ -	\$ 1,183,104	\$ 13,637	\$ 1,833,373
Due to other funds	38,620	-	-	-	-	38,620
Accrued salaries and wages payable	7,914,796	16,111	6,617,797	-	763,756	15,312,460
Unearned revenue	-	2,966,898	-	-	-	2,966,898
Total liabilities	8,551,976	3,021,081	6,617,797	1,183,104	777,393	20,151,351
Deferred inflows of resources	297,265	16,641	35,590	76,872	109,304	535,672
Fund balances:						
Nonspendable:						
Inventories	173,276	-	-	-	-	173,276
Prepaid items	221,703	-	-	-	274	221,977
Restricted:						
Stabilization by State statute	2,681,797	152,871	-	1,958,569	203,952	4,997,189
School capital outlay	-	-	-	2,936,285	-	2,936,285
Grants and scholarships	-	3,793,474	-	-	-	3,793,474
Individual schools	-	-	-	-	1,938,880	1,938,880
Committed:						
Salaries and charter schools	7,196,320	-	-	-	-	7,196,320
One-time funding	480,789	-	-	-	-	480,789
Assigned:						
Special revenue	-	-	-	-	1,804,581	1,804,581
Subsequent year's expenditures	-	-	-	-	-	-
Self-insurance	3,056,908	-	-	-	-	3,056,908
Unassigned	453,577	-	-	-	-	453,577
Total fund balances	14,264,370	3,946,345	-	4,894,854	3,947,687	27,053,256
Total liabilities, deferred inflows of resources, and fund balances	\$ 23,113,611	\$ 6,984,067	\$ 6,653,387	\$ 6,154,830	\$ 4,834,384	\$ 47,740,279

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	\$ 27,053,256
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	\$ 660,824,107
Accumulated depreciation	(280,895,784)
Deferred outflows of resources related to pensions:	
Contributions made to the pension plan in current fiscal year	18,364,643
Difference between contributions and proportional share of contributions and changes in proportion	1,735,782
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	(1,260,743)
Claims liability for retained risk	(2,168,766)
Compensated absences payable	(18,815,426)
Net pension liability	(55,403,232)
Deferred inflows of resources related to pensions:	
Difference between expected and actual experience	(6,299,347)
Difference between projected and actual earnings on plan investments	(6,002,471)
Difference between contributions and proportional share of contributions and changes in proportion	(1,039,025)
Sales tax receivable deferred in the governmental funds	535,672
Net position of governmental activities	\$ 336,628,666

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 Balances
Governmental Funds
For the Year Ended June 30, 2016

Exhibit 4

	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
REVENUES						
State of North Carolina	\$ -	\$ 6,500	\$ 191,983,228	\$ 2,422,338	\$ -	\$ 194,412,066
Durham County	123,406,224	466,789	-	9,728,381	-	133,601,394
City of Durham	41,424	-	-	86,510	184,370	312,304
U.S. Government	-	923,128	-	-	26,261,732	27,184,860
Other	794,349	4,079,861	-	1,016,009	8,926,001	14,816,220
Total revenues	124,241,997	5,476,278	191,983,228	13,253,238	35,372,103	370,326,844
EXPENDITURES						
Current:						
Instructional services:						
Regular instructional	34,180,046	351,394	94,312,662	-	6,190,414	135,034,516
Special populations	6,224,072	518,358	42,937,442	-	7,505,665	57,185,537
Alternative programs	4,367,031	1,106,638	9,221,759	-	11,973,861	26,669,289
School leadership	9,038,345	-	11,909,614	-	365,758	21,313,717
Co-curricular	1,815,214	472	-	-	4,679,669	6,495,355
School-based support	7,752,666	352,525	12,547,379	-	885,692	21,538,262
System-wide support services:						
Support and development	2,271,890	149	496,136	-	190,207	2,958,382
Special population support and development	505,924	-	631,813	-	694,503	1,832,240
Alternative programs and services support and development	390,988	-	258,408	-	342,857	992,253
Technology support	4,011,552	-	143,916	-	722,315	4,877,783
Operational support	27,638,957	29,186	15,625,219	-	415,824	43,709,186
Financial and human resource	4,957,122	-	1,886,835	-	-	6,843,957
Accountability	951,702	-	86,474	-	-	1,038,176
System-wide pupil support	969,742	35,722	404,794	-	-	1,410,258
Policy, leadership and public relations	3,212,750	-	1,291,478	-	-	4,504,228
Ancillary services	1,057,482	3,074,216	10,637	-	-	4,142,335
Non-programmed charges	18,561,492	23,729	-	-	749,742	19,334,963
Capital outlay	-	-	-	15,063,438	-	15,063,438
Debt service:						
Principal repayments	365,626	-	-	443,501	-	809,127
Interest	14,382	-	-	-	-	14,382
Total expenditures	128,286,983	5,492,389	191,764,566	15,506,939	34,716,507	375,767,384
Revenues over (under) expenditures	(4,044,986)	(16,111)	218,662	(2,253,701)	655,596	(5,440,540)
OTHER FINANCING SOURCES (USES)						
Transfers to other funds	-	-	(218,662)	-	-	(218,662)
Installment purchase obligations issued	-	-	-	1,360,476	-	1,360,476
Total other financing sources (uses)	-	-	(218,662)	1,360,476	-	1,141,814
Net change in fund balance	(4,044,986)	(16,111)	-	(893,225)	655,596	(4,298,726)
FUND BALANCES						
Beginning of year	18,265,778	3,962,456	-	5,788,079	3,292,091	31,308,404
Increase in reserve for inventories	43,578	-	-	-	-	43,578
End of year	\$ 14,264,370	\$ 3,946,345	\$ -	\$ 4,894,854	\$ 3,947,687	\$ 27,053,256

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 Balances
Governmental Funds
For the Year Ended June 30, 2016

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	\$ (4,298,726)
Change in fund balances due to change in reserve for inventory	43,578

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.

Depreciation expense	\$ (17,209,194)	
Capital outlays	<u>9,747,562</u>	(7,461,632)

Contributions to the pension plan in the current fiscal year and not included on the statement of activities	18,364,643
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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.

Proceeds from the issuance of debt	(1,360,476)	
Repayment of debt		809,127

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.

Pension expense	(5,478,149)	
Compensated absences	2,111,656	
Claim liability for retained risk	704,234	
Loss on disposal of assets	<u>(2,303)</u>	(2,664,562)

Increase in deferred inflows of resources for sales tax receivable reported in the governmental funds	<u>157,436</u>
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Total changes in net position of governmental activities	<u><u>\$ 3,589,388</u></u>
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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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Durham County	\$ 122,047,567	\$ 123,147,567	\$ 123,406,224	\$ 258,657
City of Durham	-	-	41,424	41,424
Other	1,200,000	1,200,000	794,349	(405,651)
	123,247,567	124,347,567	124,241,997	(105,570)
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	36,846,223	35,726,944	34,180,046	1,546,898
Special populations	6,016,617	6,532,330	6,224,072	308,258
Alternative programs	4,864,720	4,770,345	4,367,031	403,314
School leadership	8,409,541	9,518,614	9,038,345	480,269
Co-curricular	2,000,970	1,861,933	1,815,214	46,719
School-based support	7,706,996	7,998,442	7,752,666	245,776
System-wide support services:				
Support and development	1,844,495	2,346,405	2,271,890	74,515
Special population support and development	680,714	505,969	505,924	45
Alternative programs and services support and development	452,496	407,331	390,988	16,343
Technology support	4,439,491	4,136,798	4,011,552	125,246
Operational support	28,256,241	28,089,842	27,638,957	450,885
Financial and human resource	4,891,453	5,159,613	4,957,122	202,491
Accountability	1,060,821	1,093,869	951,702	142,167
System-wide pupil support	975,674	962,574	969,742	(7,168)
Policy, leadership, and public relations	3,321,601	3,406,425	3,212,750	193,675
Ancillary services	1,359,962	1,421,564	1,057,482	364,082
Non-programmed charges	9,739,544	18,561,492	18,561,492	-
Debt service on capital leases:				
Principal	365,626	365,626	365,626	-
Interest	14,382	14,382	14,382	-
	123,247,567	132,880,498	128,286,983	4,593,515
Revenues under expenditures	-	(8,532,931)	(4,044,986)	4,487,945
OTHER FINANCING SOURCES				
Transfers to other funds	-	8,532,931	-	(8,532,931)
Net change in fund balance	\$ -	\$ -	(4,044,986)	\$ (4,044,986)
FUND BALANCE				
Beginning of year			18,265,778	
Increase in reserve for inventories			43,578	
End of year			\$ 14,264,370	

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Durham County:				
Pre Kindergarten Program Support	\$ 466,789	\$ 466,789	\$ 466,789	\$ -
State of North Carolina:				
NC Arts Council Grant	-	6,500	6,500	-
U.S. Government:				
Fresh Fruit and Vegetable Grant	3,121	3,121	3,061	(60)
13 Project Reads	319,069	319,069	182,949	(136,120)
Contingency Grant	666,452	666,452	-	(666,452)
Innovative Approaches	-	1,201,934	737,118	(464,816)
Job Creation Grant	3,000	3,000	-	(3,000)
National Science Foundation Grant	3,435	3,435	-	(3,435)
Total U.S. Government	995,077	2,197,011	923,128	(1,273,883)
Other :				
Community education	3,594,289	3,665,263	3,128,127	(537,136)
Reading Academy	9,495	24,171	19,643	(4,528)
Education Workforce and Innovation	110,554	270,554	136,995	(133,559)
Community Liaisons for Students	3,279	100,793	85,883	(14,910)
Watts Afterschool Reading	8,360	25,145	13,945	(11,200)
Duke Neighborhood Foundation	14,542	29,542	20,037	(9,505)
Arts Spotlight	51,687	62,408	14,926	(47,482)
Grow Program	6,676	12,204	7,686	(4,518)
Durham Public Schools Farm	13,525	61,275	15,733	(45,542)
Singapore American School Math	35,445	77,065	8,563	(68,502)
United Way Social Innovation	4,911	19,486	8,495	(10,991)
Preschool Program	1,277,131	1,277,131	275,840	(1,001,291)
Other	533,928	865,225	343,988	(521,237)
Total other	5,663,822	6,490,262	4,079,861	(2,410,401)
Total revenues	7,125,688	9,160,562	5,476,278	(3,684,284)
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	583,310	828,025	351,394	476,631
Special populations	831,841	870,990	518,358	352,632
Alternative programs	595,092	1,736,739	1,106,638	630,101
Co-curricular	8,348	8,348	472	7,876
School-based support	70,465	409,611	352,525	57,086
Total instructional services	2,089,056	3,853,713	2,329,387	1,524,326

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

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
System-wide support services:				
Support and development	\$ 40,625	\$ 40,625	\$ 149	\$ 40,476
Operational support	7,325	161,048	29,186	131,862
System-wide pupil support	47,232	59,968	35,722	24,246
Total system-wide support services	<u>95,182</u>	<u>261,641</u>	<u>65,057</u>	<u>196,584</u>
Ancillary services:				
Community	3,524,484	3,557,811	3,016,038	541,773
Nutrition	8,586	55,161	58,178	(3,017)
Total ancillary services	<u>3,533,070</u>	<u>3,612,972</u>	<u>3,074,216</u>	<u>538,756</u>
Non-programmed charges:				
Indirect costs	1,408,380	1,432,236	23,729	1,408,507
Total non-programmed charges	<u>1,408,380</u>	<u>1,432,236</u>	<u>23,729</u>	<u>1,408,507</u>
Total expenditures	<u>7,125,688</u>	<u>9,160,562</u>	<u>5,492,389</u>	<u>3,668,173</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	(16,111)	<u>\$ (16,111)</u>
FUND BALANCE				
Beginning of year			<u>3,962,456</u>	
End of year			<u>\$ 3,946,345</u>	

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Exhibit 7
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
State Public School Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State of North Carolina	\$ 193,078,690	\$ 196,699,421	\$ 191,983,228	\$ (4,716,193)
Total revenues	193,078,690	196,699,421	191,983,228	(4,716,193)
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	98,167,479	97,043,144	94,312,662	2,730,482
Special populations	41,844,892	43,403,630	42,937,442	466,188
Alternative programs	8,258,986	10,386,942	9,221,759	1,165,183
School leadership	11,599,196	12,036,131	11,909,614	126,517
School-based support	12,414,202	12,657,181	12,547,379	109,802
System-wide support services:				
Support and development	464,561	496,143	496,136	7
Special population support and development	378,013	631,827	631,813	14
Alternative programs and services support and development	59,628	264,092	258,408	5,684
Technology support	143,000	143,916	143,916	-
Operational support	15,793,190	15,737,525	15,625,219	112,306
Financial and human resource	1,917,816	1,886,845	1,886,835	10
Accountability	150,672	86,474	86,474	-
System-wide pupil support	393,926	404,794	404,794	-
Policy, leadership, and public relations	1,311,787	1,291,478	1,291,478	-
Ancillary services	56,968	10,637	10,637	-
Total expenditures	192,954,316	196,480,759	191,764,566	4,716,193
Revenues over (under) expenditures	124,374	218,662	218,662	-
Other financing sources (uses):				
Transfers to other funds	(124,374)	(218,662)	(218,662)	-
Total other financing sources (uses)	(124,374)	(218,662)	(218,662)	-
Net change in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE				
Beginning of year			-	
End of year			\$ -	

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

Statement of Net Position

Proprietary Fund

June 30, 2016

	Major Fund School Food Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,333,977
Accounts receivable, net	5,210
Due from other governments	708,712
Inventories	505,414
Total current assets	2,553,313
Noncurrent assets:	
Furniture and equipment, net	567,482
Total assets	3,120,795
DEFERRED OUTFLOWS OF RESOURCES	501,655
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	72,991
Due to other funds	853
Unearned revenue	85,821
Compensated absences	315,013
Total current liabilities	474,678
Noncurrent liabilities:	
Net pension liability	1,382,721
Total liabilities	1,857,399
DEFERRED INFLOWS OF RESOURCES	338,266
NET POSITION	
Net investment in capital assets	567,482
Unrestricted	859,303
Total net position	\$ 1,426,785

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, 2016

	Major Fund
	School Food
	Service Fund
OPERATING REVENUES	
Food sales	\$ 2,280,883
Other	18,474
Total operating revenues	2,299,357
OPERATING EXPENSES	
Food costs:	
Purchase of food	6,187,351
Donated commodities	1,033,524
Salaries and benefits	8,368,491
Indirect costs	859,578
Materials and supplies	526,314
Repairs and maintenance	79,211
Depreciation	82,391
Other	88,471
Total operating expenses	17,225,331
Operating loss	(14,925,974)
NONOPERATING REVENUES	
Federal reimbursements	13,035,704
Federal commodities	1,033,524
Fresh fruits and vegetables program	376,494
State reimbursements	22,599
Interest earned	1,900
Total nonoperating revenues	14,470,221
Loss before transfers	(455,753)
Transfers from other funds	218,662
Change in net position	(237,091)
NET POSITION	
Beginning of year	1,663,876
End of year	\$ 1,426,785

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, 2016

	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,071,186
Cash paid for goods and services	(7,782,533)
Cash paid to employees for services	(7,210,865)
Net cash used by operating activities	<u>(13,922,212)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	13,462,601
State reimbursements	22,599
Net cash provided by noncapital financing activities	<u>13,485,200</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	1,900
Net cash provided from investing activities	<u>1,900</u>
Net decrease in cash and cash equivalents	(435,112)
Cash and cash equivalents - beginning of year	<u>1,769,089</u>
Cash and cash equivalents - end of year	<u>\$ 1,333,977</u>

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 (Continued)
Proprietary Fund
For the Year Ended June 30, 2016

	Major Fund
	School Food
	Service Fund
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (14,925,974)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	82,391
Donated commodities consumed	1,033,524
Salaries paid by other fund	218,662
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) decrease in:	
Accounts receivable	12,749
Due from other funds	6,183
Inventories	(1,896)
Deferred outflows of resources	(48,861)
Increase (decrease) in:	
Accounts payable and accrued expenses	(46,748)
Unearned revenue	(6,572)
Due to other funds	853
Compensated absences	25,739
Net pension liability	962,086
Deferred inflows of resources	(1,234,348)
Total adjustments	1,003,762
Net cash used by operating activities	\$ (13,922,212)

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$218,662 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 \$1,033,524 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The fund recorded the consumption of \$1,033,524 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, 2016

	<u>Della Bradsher Hedgepeth Memorial Scholarship Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 34,222</u>
Total assets	<u><u>\$ 34,222</u></u>
NET POSITION	
Held in trust for scholarships	\$ 15,000
Unrestricted	<u>19,222</u>
Total net position	<u><u>\$ 34,222</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, 2016

	Della Bradsher Hedgepeth Memorial Scholarship Fund
ADDITIONS	
Donations	\$ -
Interest on investments	76
Total additions	76
DEDUCTIONS	
Scholarships awarded	1,000
Change in net position	(924)
NET POSITION	
Beginning of year	35,146
End of year	\$ 34,222

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 Financial Statements
For the Year Ended June 30, 2016

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 Financial Statements
For the Year Ended June 30, 2016

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 yearend. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level within funds for all annually budgeted funds. The Finance Officer, with the approval of the Superintendent, is authorized by the governing Board to transfer appropriations within a fund. Such transfers must be reported to the governing board at its next regular meeting. Transfers between funds require governing board approval. Amendments which alter the County appropriation or transfer monies between the Local Current Expense Fund and the Capital Outlay Fund require the approval of the Durham County Board of Commissioners. During the year, significant amendments to the budget were necessary and were appropriately approved by the Board.

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

- May 1 The Superintendent must submit the budget request along with a copy of the budget message to the Board of Education not later than May 1.

- May 15 The Board of Education should make changes, if necessary, to the budget request as submitted by the Superintendent and forward an approved budget request to the Board of County Commissioners not later than May 15, unless the County Commissioners have established a later date.

- July 1 The Board of County Commissioners must complete its actions on the school budget not later than July 1, unless a later date is agreed upon between the Board of Education and the County Commissioners.

- Month
of July The Board of Education must adopt its balanced budget resolution after the Board of County Commissioners has decided upon the amount of appropriations to be provided by the County or after the appeal procedures as set forth in State law [G.S. 115C-431].

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

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, 2016, 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 (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer’s Short Term Investment Fund (STIF).

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

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

2) Cash and Cash Equivalents

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 related deferral and contributions made to the pension plan 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 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, 2016 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences based on prior years’ records has been made.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

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

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

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

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.

Salaries and Charter Schools – portion of fund balance approved by resolution of the Board of Education to maintain staffing levels equivalent to the 2015-16 fiscal year and make payments to area charter schools for attending students from the district.

One-Time Funding – portion of fund balance approved by resolution of the Board of Education to fund expenditures for information technology upgrades and academic support.

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.

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 Financial Statements
For the Year Ended June 30, 2016

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 \$309,575,410 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)	\$ 660,824,107
Less: Accumulated depreciation	(280,895,784)
Net capital assets	379,928,323
Pension related deferred outflows of resources:	
Contributions made to the pension plan in current fiscal year	18,364,643
Difference between contributions and proportional share of contributions	1,735,782
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	(1,260,743)
Claims liability for retained risk	(2,168,766)
Compensated absences	(18,815,426)
Net pension liability	(55,403,232)
Deferred inflows of resources related to pensions:	
Difference between expected and actual experience	(6,299,347)
Difference between projected and actual earnings on plan investments	(6,002,471)
Difference between contributions and proportional share of contributions and changes in proportion	(1,039,025)
Sales tax receivable, deferred	535,672
Total adjustment	\$ 309,575,410

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 \$7,888,114 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 9,747,562
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	(17,209,194)
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	809,127
Net debt issued during the year is recorded as a source of funds on the fund statements; it has not effect on the statement of activities – it affects only the government-wide statements	(1,360,476)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	18,364,643
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	(5,478,149)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	2,111,656
Estimated liabilities for retained risks increased during the year	704,234
Loss on disposal of assets	(2,303)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in deferred inflows of resources for sales tax receivable reported in the governmental funds	157,436
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	43,578
Total adjustment	<u>\$ 7,888,114</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11) Defined Benefit Pension Plans

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

II) DETAIL NOTES ON ALL FUNDS

A) Assets

1) Deposits

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

At June 30, 2016, the Board had deposits with banks with a carrying amount of \$12,911,232 and with the State Treasurer of \$0. The bank balances with financial institutions and the State Treasurer were \$15,599,721 and \$4,510,097, respectively. Of these balances, \$500,000 was covered by federal depository insurance and \$19,609,818 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2) Investments

At June 30, 2016, the Board of Education had \$3,704,952 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$19,344,457 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2016. The Board has no policy for managing interest rate risk or credit risk.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

3) Accounts Receivable

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

	Net Due from (to) Other Funds (Internal Balances)	Due from Other Governments	Other	Total
Governmental activities:				
Local Current Expense Fund	\$ (37,767)	\$ 335,790	\$ 2,345,154	\$ 2,643,177
Other governmental activities	<u>38,620</u>	<u>9,232,547</u>	<u>320,826</u>	<u>9,591,993</u>
Total	<u>\$ 853</u>	<u>\$ 9,568,337</u>	<u>\$ 2,665,980</u>	<u>\$ 1,235,170</u>
Business-type activities:				
School Food Service Fund	<u>\$ (853)</u>	<u>\$ 708,712</u>	<u>\$ 5,210</u>	<u>\$ 713,069</u>

Due from other governments consists of the following:

Governmental activities:

Local Current Expense Fund	\$ 335,790	Net sales tax revenue from State
State Public School Fund	35,590	Net sales tax revenue from State
	6,617,797	11 th and 12 th installments due from NCDPI
Capital Outlay Fund	76,872	Net sales tax revenue from State
	1,842,852	Appropriations and bond proceeds from County
Grant and Community Schools		
Special Revenue Fund	16,641	Sales tax revenue from State
Federal Grants Fund	572,016	11 th and 12 th installments due from NCDPI
	51,198	Sales tax revenue from State
Local Special Expense Fund	<u>19,581</u>	Sales tax revenue from State
Total	<u>\$ 9,568,337</u>	

Business-type activities:

School Food Service Fund	\$ 703,400	USDA and Summer Feeding programs
	<u>5,312</u>	Sales tax revenue from State
Total	<u>\$ 708,712</u>	

All receivables are expected to be collected within one year.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

4) Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2016 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	48,966,329	7,714,207	(20,872,153)		35,808,383
Total capital assets not being depreciated	<u>71,130,263</u>	<u>7,714,207</u>	<u>(20,872,153)</u>	<u>-</u>	<u>57,972,317</u>
Capital assets being depreciated:					
Buildings	396,170,688	-	618,354	-	396,789,042
Building improvements	140,311,496	-	19,940,680	-	160,252,176
Furniture and equipment	14,894,752	271,691	313,119	(88,316)	15,391,246
Vehicles	29,190,998	1,761,664	-	(533,336)	30,419,326
Total capital assets being depreciated	<u>580,567,934</u>	<u>2,033,355</u>	<u>20,872,153</u>	<u>(621,652)</u>	<u>602,851,790</u>
Less accumulated depreciation for:					
Buildings	197,643,098	10,258,844	-	-	207,901,942
Building improvements	28,561,267	4,806,126	-	-	33,367,393
Furniture and equipment	11,011,021	1,065,414	-	(81,272)	11,995,163
Vehicles	27,090,553	1,078,810	-	(538,077)	27,631,286
Total accumulated depreciation	<u>264,305,939</u>	<u>17,209,194</u>	<u>-</u>	<u>(619,349)</u>	<u>280,895,784</u>
Total capital assets being depreciated, net	<u>316,261,995</u>				<u>321,956,006</u>
Governmental activity capital assets, net	<u>\$ 387,392,258</u>				<u>\$ 379,928,323</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 16,130,384
Operational support services	<u>1,078,810</u>
Total	<u>\$ 17,209,194</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) 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	\$ 3,468,481	\$ -	\$ -	\$ 3,468,481
Vehicles	<u>193,626</u>	<u>-</u>	<u>-</u>	<u>193,626</u>
Total capital assets being depreciated	<u>3,662,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,662,107</u>
Less accumulated depreciation for:				
Furniture and equipment	2,818,608	\$ 82,392	\$ -	2,901,000
Vehicles	<u>193,626</u>	<u>-</u>	<u>-</u>	<u>193,626</u>
Total accumulated depreciation	<u>3,012,234</u>	<u>\$ 82,392</u>	<u>\$ -</u>	<u>3,094,626</u>
School Food Service Fund capital assets, net	<u>\$ 649,873</u>			<u>\$ 567,481</u>

5) Construction Commitments

The Board has entered into several planned construction projects for school construction and improvements as of June 30, 2016. These projects with a cumulative value of approximately \$350,179,051 are evidenced by contractual commitments with various contractors on approved budgeted amounts. As of June 30, 2016, the total remaining commitments under these contracts are approximately \$4,993,523. The projects are commitments of the Capital Outlay Fund which will be funded primarily from the proceeds of County-issued general obligation bonds, as well as other general County and State revenues.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) 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 Financial Statements
For the Year Ended June 30, 2016

II) 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, 2016, was 9.15% 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 \$18,822,977, \$18,758,192, and \$16,721,511 for the years ended June 30, 2016, 2015 and 2014, 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, 2016, the Board reported a liability of \$56,785,953 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2015 and at June 30, 2014, the Board's proportion was 1.54% and 1.48%, respectively.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) 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, 2016, the Board recognized pension expense of \$5,628,521. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,456,563
Net difference between projected and actual earnings on pension plan investments	-	6,152,278
Changes in proportionate and differences between Board contribution and proportionate share of contributions	1,779,103	1,064,956
Board contribution subsequent to the measurement date	18,822,977	-
Total	\$ 20,602,080	\$ 13,673,797

\$18,822,977 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (7,282,775)
2018	(7,282,775)
2019	(6,969,284)
2020	9,640,122
2021	-
Thereafter	-
	\$ 11,894,713

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

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	6.0%	3.4%
Total	<u>100%</u>	

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 170,910,048	\$ 56,785,953	\$ (40,061,501)

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 postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also, by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) 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)

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

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establishes premium rates except as, may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$11,520,074, \$11,254,915, and \$10,390,813, respectively. These contributions represented 5.60%, 5.49%, 5.40% of covered payroll, respectively.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Long-term Disability Benefits

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

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

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Long-term Disability Benefits (Continued)

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

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as another postemployment benefit. For the fiscal years ended June 30, 2016, 2015 and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$843,434, \$840,531, and \$846,659, respectively. These contributions represented 0.41%, 0.41%, and 0.44%, of covered payroll, respectively.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2) Accounts Payable

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

	Vendors	Salaries and benefits	Total
Governmental activities:			
Local Current Expense Fund	\$ 598,559	\$ 7,914,796	\$ 8,513,355
Other governmental	1,234,811	7,397,664	8,632,475
Total governmental activities	\$ 1,833,370	\$ 15,312,460	\$ 17,145,830
 Business-type activities:			
School Food Service Fund	\$ 72,990	\$ -	\$ 72,990

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	\$ 1,735,782	\$ 1,039,025
Difference between expected and actual experience	-	6,299,347
Difference between projected and actual earnings on plan investments	-	6,002,471
Pension contributions subsequent to the measurement date	18,364,643	
Total governmental activities	\$ 20,100,425	\$ 13,340,843

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3) Deferred Outflows and Inflows of Resources (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Business-type activities:		
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 43,321	\$ 25,931
Difference between expected and actual experience	-	157,216
Difference between projected and actual earnings on plan investments	-	149,807
Pension contributions subsequent to the measurement date	458,334	-
Sales tax receivable (School Food Service Fund)	-	5,312
Total business-type activities	\$ 501,655	\$ 338,266

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 \$886,118,832. 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	Current Year Claims	Claims Payments	Ending Balances
2014-2015	\$ 3,535,000	\$ 476,793	\$ 1,138,793	\$ 2,873,000
2015-2016	\$ 2,873,000	\$ 358,394	\$ 1,062,628	\$ 2,168,766

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

4) Risk Management (Continued)

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The Chief Finance Officer is bonded for \$250,000.

The 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.

5) Contingent Liabilities

At June 30, 2016, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate 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 through a special third party financing arrangement by Banc of America Public Capital Corp. at total payments less than the purchase price.

In July 2015, the Board entered into an installment purchase contract to finance the purchase of 5 school buses for \$413,528. The financing contract requires only principal payments of \$103,382 upon delivery of the buses and \$110,382 annually, beginning November 15, 2015, with the final payment due on November 15, 2017.

In November 2015, the Board entered into an installment purchase contract to finance the purchase of 11 school buses for \$946,948. The financing contract requires only principal payments of \$236,737 upon delivery of the buses and \$236,737 annually, beginning November 15, 2015, with the final payment due on November 15, 2018.

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

6) Long-Term Obligations (Continued)

a) Installment Purchase (Continued)

The future minimum payments of the installment purchases as of June 30, 2016, including \$4,572 of interest, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 683,887	\$ 4,572
2018	340,119	-
2019	<u>236,737</u>	<u>-</u>
Total	<u>\$ 1,260,743</u>	<u>\$ 4,572</u>

b) Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 709,394	\$ 1,360,476	\$ 809,127	\$ 1,260,743	\$ 683,887
Net pension liability	17,005,293	38,397,939	-	55,403,232	-
Compensated absences	20,927,082	14,184,381	16,296,037	18,815,426	16,300,000
Claims liability for retained risk	<u>2,873,000</u>	<u>358,394</u>	<u>1,062,628</u>	<u>2,168,766</u>	<u>1,005,785</u>
	<u>\$ 41,514,769</u>	<u>\$ 54,301,190</u>	<u>\$ 18,167,792</u>	<u>\$ 77,648,167</u>	<u>\$ 17,898,672</u>
Business-type activities:					
Net pension liability	\$ 420,635	\$ 962,086	\$ -	\$ 1,382,721	\$ -
Compensated absences	<u>289,274</u>	<u>438,746</u>	<u>413,007</u>	<u>315,013</u>	<u>315,013</u>
	<u>\$ 709,909</u>	<u>\$ 1,400,832</u>	<u>\$ 413,007</u>	<u>\$ 1,697,734</u>	<u>\$ 315,013</u>

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

II) DETAIL NOTES ON ALL FUNDS (Continued)

C) Interfund Balances and Activity

Interfund balances at June 30, 2016, consist of the following:

From the Local Current Expense Fund to the School Activity Fund for portion of sales tax refund	<u>\$ 38,525</u>
From the Local Special Expense Fund to the School Activity Grant and Community Schools Special Revenue Fund	<u>\$ 95</u>
From the School Food Service Fund to the Local Current Expense Fund for indirect costs	<u>\$ 853</u>

Transfers to/from other funds for the year ended June 30, 2016, consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 218,662</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, 2016.

	Local Current Expense Fund
Total fund balance	<u>\$ 14,264,370</u>
Less: Inventories	(173,276)
Prepaid expense	(221,703)
Stabilization by State Statute	(2,681,797)
Committed funds	(7,677,109)
Assigned for self-insurance	(3,056,908)
Remaining unassigned fund balance	<u>\$ 453,577</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Board has no encumbrances as of June 30, 2016.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III) 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.

IV) SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Date of Management's Review

Management has evaluated subsequent events through November 23, 2016, 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, 2016.

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 1
Schedule of the Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	1.54%	1.48%	1.51%
Board's proportionate share of the net pension liability (asset)	\$ 56,785,953	\$ 17,425,928	\$ 91,453,830
Board's covered-employee payroll	\$ 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-employee payroll	27.28%	8.92%	47.87%
Plan fiduciary net position as a percentage of the total pension liability**	94.64%	98.24%	90.60%

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 2
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 18,822,977	\$ 18,758,192	\$ 16,690,949
Contributions in relation to the contractually required contribution	<u>18,822,977</u>	<u>18,758,192</u>	<u>16,690,949</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 208,774,054	\$ 208,168,480	\$ 195,358,256
Contributions as a percentage of covered-employee payroll	9.02%	9.01%	8.54%

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

**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, 2016

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Durham County:			
Appropriation from general revenues	\$ 122,847,567	\$ 122,847,567	\$ -
Late property filing	300,000	558,657	258,657
Total Durham County	<u>123,147,567</u>	<u>123,406,224</u>	<u>258,657</u>
City of Durham:			
Property late fees	-	41,424	41,424
Other :			
Fines and forfeitures	1,200,000	794,349	(405,651)
Total revenues	<u>124,347,567</u>	<u>124,241,997</u>	<u>(105,570)</u>
EXPENDITURES			
Current:			
Instructional services:			
Regular instructional:			
Regular curricular		32,901,541	
CTE curricular		1,278,505	
Total regular instructional	<u>35,726,944</u>	<u>34,180,046</u>	1,546,898
Special populations:			
Children with disabilities curricular		3,488,972	
Special populations CTE curricular		55,221	
Pre-K children with disabilities curricular		172,397	
Speech and language pathology		552,025	
Audiology		13,462	
Acedemically / intellectually gifted curricular		1,069,984	
Limited English proficiency		872,011	
Total special populations	<u>6,532,330</u>	<u>6,224,072</u>	308,258
Alternative programs:			
Alternative instructional services K-12		353,575	
Attendance and social work		1,078,111	
Remedial and supplemental K-12		1,748,640	
Pre-K readiness/remedial and supplemental		75,110	
Extended day/year instructional		1,111,595	
Total alternative programs	<u>4,770,345</u>	<u>4,367,031</u>	403,314
School leadership	<u>9,518,614</u>	<u>9,038,345</u>	480,269
Co-curricular	<u>1,861,933</u>	<u>1,815,214</u>	46,719
School-based support:			
Educational media		1,508,039	
Student accounting		1,310,564	
Guidance		2,914,256	
Health support		515,779	
Safety and security support		332,851	
Instructional technology		881,649	
Staff development unallocated		290,417	
Parent involvement		(889)	
Total school-based support	<u>7,998,442</u>	<u>7,752,666</u>	245,776
System-wide support services:			
Support and development:			
Regular curricular support and development		2,259,214	
CTE curricular support and development		12,676	
Total support and development	<u>2,346,405</u>	<u>2,271,890</u>	74,515
Special population support and development	<u>505,969</u>	<u>505,924</u>	45
Alternative programs and services support and development	<u>407,331</u>	<u>390,988</u>	16,343
Technology support	<u>4,136,798</u>	<u>4,011,552</u>	125,246

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, 2016

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)			
Current:			
System-wide support services (Continued):			
Operational support:			
Communication		\$ 29,486	
Printing and copying		158,850	
Public utility and energy		8,672,558	
Custodial/housekeeping		8,316,276	
Transportation		2,362,751	
Warehouse and delivery		689,874	
Facilities planning, acquisitions and construction		178,283	
Maintenance		7,230,879	
Total operational support	\$ 28,089,842	27,638,957	\$ 450,885
Financial and human resource:			
Financial		3,118,590	
Human resources		1,838,532	
Total financial and human resources	5,159,613	4,957,122	202,491
Accountability:			
Student testing		583,084	
Planning, research development and program evaluation		368,618	
Total accountability	1,093,869	951,702	142,167
System-wide pupil support:			
Educational media support		36,009	
Student accounting support		430,738	
Safety and security support		502,099	
Instructional technology support		896	
Total system-wide pupil support	962,574	969,742	(7,168)
Policy, leadership and public relations:			
Board of Education		189,134	
Legal		482,081	
Audit		67,609	
Leadership		1,723,634	
Public relations and marketing		750,292	
Total policy, leadership and public relations	3,406,425	3,212,750	193,675
Ancillary services:			
Community		1,049,059	
Nutritional		8,423	
Total ancillary services	1,421,564	1,057,482	364,082
Non-programmed charges:			
Payments to other governmental units	18,561,492	18,561,492	-
Debt service:			
Principal	365,626	365,626	-
Interest	14,382	14,382	-
Total debt service	380,008	380,008	-
Total expenditures	132,880,498	128,286,983	4,593,515
Revenues under expenditures	(8,532,931)	(4,044,986)	4,487,945
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	8,532,931	-	(8,532,931)
Net change in fund balance	\$ -	(4,044,986)	\$ (4,044,986)
FUND BALANCE			
Beginning of year		18,265,778	
Increase in reserves for inventories		43,578	
End of year		\$ 14,264,370	

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 4
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Capital Outlay Fund
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
REVENUES			
State of North Carolina:			
Public School Building Capital Fund	\$ 4,021,791	\$ 1,978,837	\$ (2,042,954)
State appropriations - school buses	443,501	443,501	-
Total State of North Carolina	<u>4,465,292</u>	<u>2,422,338</u>	<u>(2,042,954)</u>
Durham County:			
Annual appropriation	1,370,000	1,370,000	-
General obligation bonds	18,744,062	8,358,381	(10,385,681)
Total Durham County	<u>20,114,062</u>	<u>9,728,381</u>	<u>(10,385,681)</u>
City of Durham:			
City appropriation	173,020	86,510	(86,510)
Total City of Durham	<u>173,020</u>	<u>86,510</u>	<u>(86,510)</u>
Other:			
Tower site lease	-	-	-
Other revenues	196,511	1,016,009	819,498
Total other	<u>196,511</u>	<u>1,016,009</u>	<u>819,498</u>
Total revenues	<u>24,948,885</u>	<u>13,253,238</u>	<u>(11,695,647)</u>
EXPENDITURES			
Capital outlay:			
School construction and renovation:			
Instructional services	229,399	125,677	103,722
Transportation services	1,570,235	1,526,739	43,496
Construction of new building and additions	27,744,517	13,411,022	14,333,495
Total capital outlay	<u>29,544,151</u>	<u>15,063,438</u>	<u>14,480,713</u>
Debt service:			
Principal	443,501	443,501	-
Total debt service	<u>443,501</u>	<u>443,501</u>	<u>-</u>
Total expenditures	<u>29,987,652</u>	<u>15,506,939</u>	<u>14,480,713</u>
Revenues over (under) expenditures	(5,038,767)	(2,253,701)	2,785,066
Other financing sources:			
Installment purchase obligations issued	1,360,476	1,360,476	-
Total other financing sources	<u>1,360,476</u>	<u>1,360,476</u>	<u>-</u>
Appropriated fund balance	<u>3,678,291</u>	-	<u>(3,678,291)</u>
Net change in fund balance	<u>\$ -</u>	<u>(893,225)</u>	<u>\$ (893,225)</u>
FUND BALANCE			
Beginning of year		<u>5,788,079</u>	
End of year		<u>\$ 4,894,854</u>	

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 5
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2016

	Federal Grants Fund	Local Special Expense Fund	School Activity Funds	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,029,539	\$ 1,977,405	\$ 4,006,944
Due from other governments	623,214	19,581	-	642,795
Other receivable, net	-	145,846	-	145,846
Due from other funds	-	-	38,525	38,525
Prepaid expense	-	274	-	274
	<u>-</u>	<u>274</u>	<u>-</u>	<u>274</u>
Total assets	<u>\$ 623,214</u>	<u>\$ 2,195,240</u>	<u>\$ 2,015,930</u>	<u>\$ 4,834,384</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ 13,637	\$ -	\$ 13,637
Accrued salaries and wages payable	572,016	191,740	-	763,756
	<u>572,016</u>	<u>191,740</u>	<u>-</u>	<u>763,756</u>
Total liabilities	<u>572,016</u>	<u>205,377</u>	<u>-</u>	<u>777,393</u>
Deferred inflows of resources	<u>51,198</u>	<u>19,581</u>	<u>38,525</u>	<u>109,304</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	-	274	-	274
Restricted:				
Stabilization by State statute	-	165,427	38,525	203,952
Individual schools	-	-	1,938,880	1,938,880
Assigned:				
Special revenue	<u>-</u>	<u>1,804,581</u>	<u>-</u>	<u>1,804,581</u>
Total fund balances	<u>-</u>	<u>1,970,282</u>	<u>1,977,405</u>	<u>3,947,687</u>
Total liabilities, deferred inflows resources, and fund balances	<u>\$ 623,214</u>	<u>\$ 2,195,240</u>	<u>\$ 2,015,930</u>	<u>\$ 4,834,384</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 6
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2016

	Federal Grants Fund	Local Special Expense	School Activity Funds	Total Non-major Governmental
REVENUES				
City of Durham	\$ -	\$ 184,370	\$ -	\$ 184,370
U.S. Government	23,653,702	2,608,030	-	26,261,732
Other	-	4,245,361	4,680,640	8,926,001
Total revenues	<u>23,653,702</u>	<u>7,037,761</u>	<u>4,680,640</u>	<u>35,372,103</u>
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	1,241,961	4,948,453	-	6,190,414
Special populations	7,145,210	360,455	-	7,505,665
Alternative programs	11,802,355	171,506	-	11,973,861
School leadership	289,869	75,889	-	365,758
Co-curricular	-	-	4,679,669	4,679,669
School-based support	797,165	88,527	-	885,692
System-wide support services:				
Support and development	194,159	(3,952)	-	190,207
Special population support and development	677,788	16,715	-	694,503
Alternative programs and services support and development	342,857	-	-	342,857
Technology support	-	722,315	-	722,315
Operational support	412,596	3,228	-	415,824
Non-programmed charges	749,742	-	-	749,742
Total expenditures	<u>23,653,702</u>	<u>6,383,136</u>	<u>4,679,669</u>	<u>34,716,507</u>
Revenues over expenditures	-	654,625	971	655,596
FUND BALANCES				
Beginning of year	-	1,315,657	1,976,434	3,292,091
End of year	<u>\$ -</u>	<u>\$ 1,970,282</u>	<u>\$ 1,977,405</u>	<u>\$ 3,947,687</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 7
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Federal Grants Fund
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
REVENUES			
U.S. Government	\$ 29,198,024	\$ 23,653,702	\$ (5,544,322)
Total revenues	<u>29,198,024</u>	<u>23,653,702</u>	<u>(5,544,322)</u>
EXPENDITURES			
Instructional services	26,284,555	21,276,560	5,007,995
System-wide support services	1,963,337	1,627,400	335,937
Non-programmed charges	<u>950,132</u>	<u>749,742</u>	<u>200,390</u>
Total expenditures	<u>29,198,024</u>	<u>23,653,702</u>	<u>5,544,322</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, 2016

	Budget	Actual	Variance Positive (Negative)
REVENUES			
City of Durham:			
Holton Center Project	\$ 190,927	\$ 184,370	\$ (6,557)
U.S. Government:			
ROTC	150,000	165,517	15,517
Medicaid	2,136,000	2,442,513	306,513
Total U.S. Government	<u>2,286,000</u>	<u>2,608,030</u>	<u>322,030</u>
Other :			
Community education	10,000	14,535	4,535
Rental of school property	303,000	294,288	(8,712)
E-Rate revenue	1,200,000	925,650	(274,350)
Indirect cost allocated	1,500,000	1,816,125	316,125
Interest earned on investments	140,000	192,179	52,179
Other	1,116,411	1,002,584	(113,827)
Total other	<u>4,269,411</u>	<u>4,245,361</u>	<u>(24,050)</u>
Total revenues	<u>6,746,338</u>	<u>7,037,761</u>	<u>291,423</u>
EXPENDITURES			
Current:			
Instructional services:			
Regular instructional	4,967,758	4,948,453	19,305
Special populations	599,757	360,455	239,302
Alternative programs	187,097	171,506	15,591
School leadership	75,894	75,889	5
School-based support	89,086	88,527	559
Total instructional services	<u>5,919,592</u>	<u>5,644,830</u>	<u>274,762</u>
System-wide support services:			
Support and development	-	(3,952)	3,952
Special population	41,858	16,715	25,143
Technology	763,531	722,315	41,216
Operational	21,357	3,228	18,129
Total system-wide support services	<u>826,746</u>	<u>738,306</u>	<u>88,440</u>
Total expenditures	<u>6,746,338</u>	<u>6,383,136</u>	<u>363,202</u>
Revenues over expenditures	<u>-</u>	<u>654,625</u>	<u>654,625</u>

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

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

Local Special Expense Fund

For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES			
Transfers from other funds	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	<u>\$ -</u>	654,625	<u>\$ 654,625</u>
FUND BALANCE			
Beginning of year		<u>1,315,657</u>	
End of year		<u>\$ 1,970,282</u>	

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 9

Detailed Schedule of Revenues, Expenditures

and Changes in Fund Balances

School Activity Funds

For the Year Ended June 30, 2016

	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>Senior High Schools</u>	<u>Total School Activity Funds</u>
REVENUES				
General	\$ 36,006	\$ 40,013	\$ 213,159	\$ 289,178
Athletic funds	18,427	149,339	781,550	949,316
Instructional services	683,928	392,497	771,264	1,847,689
Student activities	18,327	14,096	140,502	172,925
Contributions	<u>672,258</u>	<u>227,273</u>	<u>522,001</u>	<u>1,421,532</u>
Total revenues	1,428,946	823,218	2,428,476	4,680,640
EXPENDITURES				
Co-curricular instructional	<u>1,443,649</u>	<u>837,538</u>	<u>2,398,482</u>	<u>4,679,669</u>
Revenues over (under) expenditures	(14,703)	(14,320)	29,994	971
FUND BALANCES				
Beginning of year	<u>556,342</u>	<u>289,036</u>	<u>1,131,056</u>	<u>1,976,434</u>
End of year	<u><u>\$ 541,639</u></u>	<u><u>\$ 274,716</u></u>	<u><u>\$ 1,161,050</u></u>	<u><u>\$ 1,977,405</u></u>

Schedule of Revenues and Expenditures

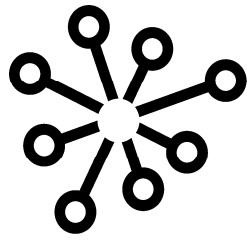
Budget and Actual (Non-GAAP)

School Food Service Fund

For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Food sales	\$ 2,025,090	\$ 2,280,883	\$ 255,793
Other	-	18,474	18,474
Total operating revenues	2,025,090	2,299,357	274,267
OPERATING EXPENDITURES			
Food cost:			
Purchase of food		6,189,247	
Donated commodities		1,033,524	
Salaries and benefits		8,663,875	
Indirect costs		859,578	
Material and supplies		526,314	
Repairs and maintenance		79,211	
Other		88,471	
Total operating expenditures	17,620,290	17,440,220	180,070
Operating loss	(15,595,200)	(15,140,863)	454,337
NONOPERATING REVENUES			
Federal reimbursements	13,468,538	13,035,704	(432,834)
Federal commodities	1,000,000	1,033,524	33,524
Fresh fruits and vegetables program	380,000	376,494	(3,506)
State reimbursements	23,000	22,599	(401)
Interest earned	5,000	1,900	(3,100)
Total nonoperating revenues	14,876,538	14,470,221	(406,317)
Revenues under expenditures before other financing sources	(718,662)	(670,642)	48,020
OTHER FINANCING SOURCES			
Transfers from other funds	218,662	218,662	-
Revenues and other financing sources under expenditures before fund balance appropriation	(500,000)	(451,980)	48,020
APPROPRIATED FUND BALANCE			
Revenues and other financing sources under expenditures	\$ -	(451,980)	\$ (451,980)
Reconciliation of modified accrual to full accrual basis:			
Depreciation		(82,391)	
Increase in inventory		1,896	
Decrease in compensated absences		(25,739)	
Net pension liability		(962,086)	
Deferred outflows of resources		48,861	
Deferred inflows of resources		1,234,348	
Change in net position (full accrual basis)		\$ (237,091)	

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, 2016

Table 1

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 270,367,774	\$ 275,702,774	\$ 298,497,927	\$ 305,378,332	\$ 364,841,047	\$ 386,381,988	\$ 390,271,923	\$ 392,808,425	\$ 386,682,864	\$ 378,667,580
Restricted	2,748,856	4,287,800	4,691,584	5,181,893	10,388,736	10,543,358	10,491,824	11,636,318	12,343,341	13,665,828
Unrestricted	(3,403,804)	(6,238,397)	(10,131,399)	(2,986,565)	11,855,558	14,698,890	8,148,512	5,732,816	(65,986,927)	(55,704,742)
	<u>\$ 269,712,826</u>	<u>\$ 273,752,177</u>	<u>\$ 293,058,112</u>	<u>\$ 307,573,660</u>	<u>\$ 387,085,341</u>	<u>\$ 411,624,236</u>	<u>\$ 408,912,259</u>	<u>\$ 410,177,559</u>	<u>\$ 333,039,278</u>	<u>\$ 336,628,666</u>
Business-type activities										
Net investment in capital assets	\$ 591,205	\$ 513,953	\$ 486,927	\$ 454,205	\$ 418,232	\$ 549,951	\$ 642,068	\$ 594,143	\$ 649,873	\$ 567,482
Unrestricted	2,348,012	2,070,663	2,164,776	3,111,563	4,352,498	4,307,099	4,448,204	3,844,133	1,014,003	859,303
	<u>\$ 2,939,217</u>	<u>\$ 2,584,616</u>	<u>\$ 2,651,703</u>	<u>\$ 3,565,768</u>	<u>\$ 4,770,730</u>	<u>\$ 4,857,050</u>	<u>\$ 5,090,272</u>	<u>\$ 4,438,276</u>	<u>\$ 1,663,876</u>	<u>\$ 1,426,785</u>
District-wide										
Net investment in capital assets	\$ 270,958,979	\$ 276,216,727	\$ 298,984,854	\$ 305,832,537	\$ 365,259,279	\$ 386,931,939	\$ 390,913,991	\$ 393,402,568	\$ 387,332,737	\$ 379,235,062
Restricted	2,748,856	4,287,800	4,691,584	5,181,893	10,388,736	10,543,358	10,491,824	11,636,318	12,343,341	13,665,828
Unrestricted	(1,055,792)	(4,167,734)	(7,966,623)	124,998	16,208,056	19,005,989	12,596,716	9,576,949	(64,972,924)	(54,845,439)
	<u>\$ 272,652,043</u>	<u>\$ 276,336,793</u>	<u>\$ 295,709,815</u>	<u>\$ 311,139,428</u>	<u>\$ 391,856,071</u>	<u>\$ 416,481,286</u>	<u>\$ 414,002,531</u>	<u>\$ 414,615,835</u>	<u>\$ 334,703,154</u>	<u>\$ 338,055,451</u>

Note: This table is a ten-year schedule.

Beginning in 2015 GASB 68 required school districts to reflect Child Nutrition programs as an unrestricted balance.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 2
CHANGES IN NET POSITION
Page 1 of 2
Last Ten Fiscal Years Ending June 30, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
Instructional programs	\$ 197,361,081	\$ 239,812,185	\$ 249,930,621	\$ 225,210,682	\$ 228,269,412	\$ 252,812,921	\$ 253,940,630	\$ 251,596,848	\$ 259,722,116	\$ 255,000,734
Support services	81,127,871	63,429,498	65,080,679	62,913,423	62,691,265	75,585,737	82,147,274	75,411,074	70,765,672	72,219,815
Ancillary services	3,907,337	3,960,838	4,129,830	3,725,081	3,984,105	4,600,655	4,335,383	4,322,900	4,253,121	4,019,530
Non-program charges	6,005,539	8,291,224	9,314,233	11,366,345	11,170,948	11,686,197	13,734,133	15,266,378	16,343,023	18,333,827
Interest on long-term debt	13,291	4,020	28,813	-	-	-	85,733	46,330	25,474	14,382
Depreciation expense	12,102,901	9,988,185	9,845,429	9,960,861	11,253,657	14,003,381	14,991,658	15,374,840	15,912,579	16,130,384
Total governmental activities	300,518,020	325,485,950	338,329,605	313,176,392	317,369,387	358,688,891	369,234,811	362,018,370	367,021,985	365,718,672
Business-type activities:										
School food service	11,565,098	12,132,950	13,386,066	12,862,212	12,981,507	14,151,627	14,635,200	16,082,377	17,108,664	17,225,331
Total district-wide	\$ 312,083,118	\$ 337,618,900	\$ 351,715,671	\$ 326,038,604	\$ 330,350,894	\$ 372,840,518	\$ 383,870,011	\$ 378,100,747	\$ 384,130,649	\$ 382,944,003
Program Revenues:										
Governmental activities:										
Charges for services	\$ 9,146,530	\$ 4,158,758	\$ 3,933,321	\$ 3,593,740	\$ 3,590,883	\$ 3,810,061	\$ 3,592,237	\$ 3,687,323	\$ 3,407,301	\$ 8,934,437
Operating grants and contributions	184,951,079	210,264,462	215,065,379	205,360,536	209,280,266	216,312,932	213,360,014	215,524,348	226,510,824	221,234,036
Capital grants	-	43,488	129,698	-	8,755	15,528	3,787	930,169	58,037	-
Total governmental activities	194,097,609	214,466,708	219,128,398	208,954,276	212,879,904	220,138,521	216,956,038	220,141,840	229,976,162	230,168,473
Business-type activities:										
Charges for services - School Food Service Fund	3,552,393	3,336,431	3,628,656	3,307,918	2,955,052	2,712,070	2,308,001	2,155,867	1,816,026	2,299,357
Operating grants and contributions - USDA grant	7,614,453	8,354,339	9,783,996	10,365,136	11,216,035	11,504,918	12,373,727	13,140,308	14,191,492	14,468,321
Total business-type activities	11,166,846	11,690,770	13,412,652	13,673,054	14,171,087	14,216,988	14,681,728	15,296,175	16,007,518	16,767,678
Total district-wide	\$ 205,264,455	\$ 226,157,478	\$ 232,541,050	\$ 222,627,330	\$ 227,050,991	\$ 234,355,509	\$ 231,637,766	\$ 235,438,015	\$ 245,983,680	\$ 246,936,151
Net (Expense) Revenue										
Governmental activities	\$ (106,420,411)	\$ (111,019,242)	\$ (119,201,207)	\$ (104,222,116)	\$ (104,489,483)	\$ (138,550,370)	\$ (152,278,773)	\$ (141,876,530)	\$ (137,045,823)	\$ (135,550,199)
Business-type activities	(398,252)	(442,180)	26,586	810,842	1,189,580	65,361	46,528	(786,202)	(1,101,146)	(457,653)
Total district-wide	\$ (106,818,663)	\$ (111,461,422)	\$ (119,174,621)	\$ (103,411,274)	\$ (103,299,903)	\$ (138,485,009)	\$ (152,232,245)	\$ (142,662,732)	\$ (138,146,969)	\$ (136,007,852)

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 2
CHANGES IN NET POSITION
Page 2 of 2
Last Ten Fiscal Years Ending June 30, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted county appropriations - operating	\$ 89,127,705	\$ 95,727,705	\$ 102,654,263	\$ 100,996,102	\$ 107,214,112	\$ 108,971,662	\$ 115,572,760	\$ 118,073,439	\$ 118,563,483	\$ 124,057,383
Unrestricted county appropriations - capital	2,740,000	2,370,000	8,229,858	3,340,906	1,649,332	1,440,981	1,370,000	1,370,000	1,480,000	1,370,000
Unrestricted city appropriations - capital	1,386,219	470,080	7,003,740	945,679	1,014,991	5,860,947	1,538,793	1,528,267	1,398,485	86,510
Unrestricted other county revenues - capital	8,156,468	11,729,046	16,782,957	13,394,396	70,906,098	43,802,250	29,554,012	20,316,477	9,101,609	8,358,381
Unrestricted state appropriations - capital	2,272,012	16,346	-	707,678	1,128,798	-	-	-	-	2,422,338
Investment earnings, unrestricted	981,790	1,270,536	672,429	406,126	412,175	391,167	275,925	226,413	386,597	216,493
Gain (loss) on disposal of fixed assets	(55,148)	-	-	-	-	-	-	-	-	-
Miscellaneous, unrestricted	3,322,344	3,527,087	3,163,895	1,362,500	1,675,658	2,622,258	1,429,760	1,750,030	2,030,195	2,847,144
Transfers and capital contributions	-	-	-	(82,491)	-	-	(174,454)	(122,796)	(123,926)	(218,662)
Total governmental activities	107,931,390	115,110,800	138,507,142	121,070,896	184,001,164	163,089,265	149,566,796	143,141,830	132,836,443	139,139,587
Business-type activities:										
Investment earnings, unrestricted	105,622	87,579	40,501	20,732	15,382	20,959	12,240	11,410	6,755	1,900
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-
Transfers and capital contributions	-	-	-	82,491	-	-	174,454	122,796	123,926	218,662
Total business-type activities	105,622	87,579	40,501	103,223	15,382	20,959	186,694	134,206	130,681	220,562
Total district-wide	\$ 108,037,012	\$ 115,198,379	\$ 138,547,643	\$ 121,174,119	\$ 184,016,546	\$ 163,110,224	\$ 149,753,490	\$ 143,276,036	\$ 132,967,124	\$ 139,360,149
Change in Net Position										
Governmental activities	\$ 1,510,979	\$ 4,091,558	\$ 19,305,935	\$ 16,848,780	\$ 79,511,681	\$ 24,538,895	\$ (2,711,977)	\$ 1,265,300	\$ (4,209,380)	\$ 3,589,388
Business-type activities	(292,630)	(354,601)	67,087	914,065	1,204,962	86,320	233,222	(651,996)	(970,465)	(237,091)
Total district-wide	\$ 1,218,349	\$ 3,736,957	\$ 19,373,022	\$ 17,762,845	\$ 80,716,643	\$ 24,625,215	\$ (2,478,755)	\$ 613,304	\$ (5,179,845)	\$ 3,352,297

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, 2016

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
GOVERNMENTAL FUNDS FUND BALANCE
Last Ten Fiscal Years Ending June 30, 2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund					
Nonspendable	\$ 1,382,381	\$ 1,307,594	\$ 265,573	\$ 1,234,557	\$ 1,195,663
Restricted	1,031,721	993,500	605,882	1,201,028	2,459,570
Committed	-	-	-	-	6,442,119
Assigned	3,807,570	2,807,570	7,709,453	5,556,908	6,696,190
Unassigned	2,854,518	4,125,689	805,634	6,049,121	12,827,309
Total General Fund	<u>9,076,190</u>	<u>9,234,353</u>	<u>9,386,542</u>	<u>14,041,614</u>	<u>29,620,851</u>
All other governmental funds					
Nonspendable	-	-	-	-	-
Restricted	3,019,378	5,310,948	4,430,504	8,982,810	13,023,081
Assigned	1,323,033	1,365,711	1,365,711	1,365,711	975,651
Unassigned	215,174	(2,388,859)	(1,104,631)	(5,166,628)	(3,609,996)
Total all other governmental funds	<u>4,557,585</u>	<u>4,287,800</u>	<u>4,691,584</u>	<u>5,181,893</u>	<u>10,388,736</u>
Total all governmental funds	<u>\$ 13,633,775</u>	<u>\$ 13,522,153</u>	<u>\$ 14,078,126</u>	<u>\$ 19,223,507</u>	<u>\$ 40,009,587</u>

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

Table 3

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,331,656	\$ 1,387,010	\$ 1,412,411	\$ 1,407,555	\$ 394,979
8,648,572	686,153	538,097	551,060	2,681,797
5,408,660	7,455,975	16,712,463	8,532,931	7,677,109
4,497,568	3,385,031	3,056,908	3,056,908	3,056,908
9,895,228	19,747,754	8,474,324	4,717,324	453,577
<u>29,781,684</u>	<u>32,661,923</u>	<u>30,194,203</u>	<u>18,265,778</u>	<u>14,264,370</u>
-	-	-	-	274
13,939,259	9,805,671	11,098,221	11,792,281	10,984,031
4,179,132	-	1,232,649	1,250,346	1,804,581
<u>(2,220,505)</u>	<u>(51,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>15,897,886</u>	<u>9,754,274</u>	<u>12,330,870</u>	<u>13,042,627</u>	<u>12,788,886</u>
<u><u>\$ 45,679,570</u></u>	<u><u>\$ 42,416,197</u></u>	<u><u>\$ 42,525,073</u></u>	<u><u>\$ 31,308,405</u></u>	<u><u>\$ 27,053,256</u></u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES
Last Ten Fiscal Years Ending June 30, 2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues				
State of North Carolina	\$ 163,447,232	\$ 180,752,537	\$181,491,906	\$ 162,824,820
Durham County	100,024,173	109,826,751	127,667,078	116,587,638
City of Durham	-	470,080	7,003,740	1,143,766
U.S. Government	23,642,599	22,181,948	23,632,816	35,881,228
Other	17,072,668	17,844,318	19,830,583	15,543,451
Total revenues	<u>304,186,672</u>	<u>331,075,634</u>	<u>359,626,123</u>	<u>331,980,903</u>
Expenditures				
Instructional programs	196,326,146	238,788,373	246,851,238	227,017,268
Support services	81,687,024	61,716,022	64,178,239	63,484,308
Ancillary services	3,906,701	3,960,838	4,129,830	3,725,081
Non-program charges	7,187,502	8,291,224	9,314,233	11,366,345
Capital outlay	12,536,314	18,449,768	33,642,435	18,391,623
Debt service - principal	1,930,283	1,179,376	1,804,652	782,504
Debt service - interest	13,884	4,020	2,207	-
Total expenditures	<u>303,587,854</u>	<u>332,389,621</u>	<u>359,922,834</u>	<u>324,767,129</u>
Revenues over (under) expenditures	598,818	(1,313,987)	(296,711)	7,213,774
Other financing sources (uses)				
Installment purchase obligations issued	2,193,345	1,159,341	861,349	162,614
Capital leases	-	86,815	-	128,553
Increase (decrease) in reserve for inventories	21,680	8,416	(8,665)	(26,328)
Transfers in (out)	-	-	-	-
Other	-	-	-	-
Net change in fund balance	<u>\$ 2,813,843</u>	<u>\$ (59,415)</u>	<u>\$ 555,973</u>	<u>\$ 7,478,613</u>
Ratio of debt service to non-capital expenditures	<u>0.67%</u>	<u>0.38%</u>	<u>0.56%</u>	<u>0.26%</u>

Source: Durham Public Schools Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2016

Table 4

2011	2012	2013	2014	2015	2016
\$ 163,204,852	\$171,743,913	\$175,674,111	\$181,321,376	\$191,347,701	\$194,412,066
179,308,287	153,909,202	146,305,844	139,919,787	129,878,753	133,601,394
374,032	234,710	190,928	254,958	244,892	312,304
39,470,884	35,819,632	29,467,024	25,993,585	28,295,951	27,184,860
15,847,274	23,125,460	16,249,973	17,266,217	14,708,276	14,816,220
<u>398,205,329</u>	<u>384,832,917</u>	<u>367,887,880</u>	<u>364,755,923</u>	<u>364,475,573</u>	<u>370,326,844</u>
226,953,898	250,231,115	250,850,391	250,122,678	270,190,487	268,236,676
60,695,006	65,352,876	66,832,194	69,223,629	70,940,914	68,166,463
3,984,105	4,600,655	4,335,383	4,322,900	4,359,394	4,142,335
12,085,088	12,378,157	14,420,218	15,856,313	17,191,488	19,334,963
74,274,614	46,270,479	36,226,962	23,445,653	11,543,152	15,063,438
1,175,084	1,181,892	3,203,389	1,502,624	1,279,136	809,127
-	47,233	85,733	46,330	25,474	14,382
<u>379,167,795</u>	<u>380,062,407</u>	<u>375,954,270</u>	<u>364,520,127</u>	<u>375,530,045</u>	<u>375,767,384</u>
19,037,534	4,770,510	(8,066,390)	235,796	(11,054,472)	(5,440,540)
1,771,157	949,858	4,915,999	-	-	1,360,476
-	-	-	-	-	-
(22,611)	(50,385)	30,469	(4,124)	(38,270)	43,578
-	-	(174,454)	(122,796)	(123,926)	(218,662)
-	-	31,003	-	-	-
<u>\$ 20,786,080</u>	<u>\$ 5,669,983</u>	<u>\$ (3,263,373)</u>	<u>\$ 108,876</u>	<u>\$ (11,216,668)</u>	<u>\$ (4,255,148)</u>
<u>0.39%</u>	<u>0.37%</u>	<u>0.98%</u>	<u>0.46%</u>	<u>0.36%</u>	<u>0.23%</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
ASSESSED VALUE OF TAXABLE PROPERTY FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2016

Fiscal Year Ended June 30,	Tax Year Ended December 31,	Real Property	Personal Property	Public Service Companies	Registered Vehicles ⁽³⁾
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
2009	2008	23,508,752,957	2,824,338,529	517,202,960	1,690,561,506
2008	2007	18,068,249,108	2,837,548,386	514,897,106	1,715,889,532
2007	2006	17,319,467,597	2,518,003,626	517,286,245	1,680,614,666

- 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.
 - (5) Per \$100 of assessed value

Source: Durham County, North Carolina (as of October, 2016)

Table 5

Total Assessed Value ⁽¹⁾⁽²⁾	County-wide Tax Rate ⁽⁴⁾	Special Tax Districts Tax Rate ⁽⁴⁾	Average County Tax Rate ⁽⁴⁾
\$ 32,454,800,165	0.7931	0.07999-0.1779	0.8276
30,736,178,319	0.7931	0.07999-0.1514	0.8073
32,025,003,772	0.7744	0.0600-0.1518	0.8047
30,446,750,204	0.7444	0.0599-0.1524	0.7734
29,842,363,341	0.7459	0.0599-0.2500	0.7745
29,460,598,354	0.7459	0.0360-0.2500	0.8359
29,032,891,346	0.7081	0.0360-0.2500	0.8359
28,540,855,952	0.7081	0.0361-0.2500	0.7981
23,136,584,132	0.8340	0.0187-0.2500	0.9190
22,035,372,134	0.8090	0.0187-0.2500	0.8765

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING
GOVERNMENTS FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2016
PER \$100 OF ASSESSED VALUE ⁽¹⁾
Last Ten Fiscal Years Ending June 30, 2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
County direct rate				
Operating rate	0.7536	0.7801	0.6594	0.6604
Capital rate	0.0554	0.0539	0.0487	0.0477
Total general fund direct rate	<u>0.8090</u>	<u>0.8340</u>	<u>0.7081</u>	<u>0.7081</u>
Fire district rates	0.0570-0.1100	0.0570-0.1150	0.0570-0.1100	0.0570-0.1100
Other special district rates	0.1287-0.2500	0.1474-0.2500	0.1461-0.2500	0.1461-0.2500
Municipality Rates				
City of Durham	0.6030	0.6180	0.5400	0.5400
City of Durham BID	-	-	-	-
Town of Chapel Hill	0.5220	0.5220	0.5810	0.4940
City of Raleigh	0.4350	0.4350	0.3735	0.3735
Town of Morrisville	-	-	-	-

Notes:

- (1) All taxable property is subject to the County direct rate. Most property in unincorporated areas is also subject to one of the seven fire district taxes.
- (2) A revaluation of real property is required by N. C. General Statutes at least every eight years. Revaluation of taxable property occurred on January 1, 2016.

Source: Durham County, North Carolina (as of October, 2016)

Table 6

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016²</u>
0.6911	0.6865	0.6850	0.6850	0.6951	0.7078
0.0548	0.0594	0.0594	0.0894	0.0980	0.0853
<u>0.7459</u>	<u>0.7459</u>	<u>0.7444</u>	<u>0.7744</u>	<u>0.7931</u>	<u>0.7931</u>
0.0599-0.1100	0.0599-0.1125	0.0599-0.1150	0.0600-0.1300	.0799-0.1386	.0799-0.1386
0.1460-0.2500	0.1474-0.2500	0.1374-0.1524	0.1518-0.1668	0.1514-0.1729	0.0000-0.1779
0.5519	0.5575	0.5675	0.5675	0.5912	0.5912
-	-	0.6375	0.6375	0.6612	0.6612
0.4940	0.4940	0.4940	0.5140	0.5240	0.5240
0.3735	0.3735	0.3826	0.3826	0.4038	0.4210
-	0.3665	0.3665	0.3900	0.3900	0.4100

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
TEN LARGEST TAXPAYERS FOR DURHAM COUNTY
Years Ending June 30, 2016 and 2007

Taxpayer	Type of Enterprise	Fiscal Year 2016		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
AW North Carolina Inc	Manufacturer	\$ 371,468,918	1	1.14%
Cree Inc	Manufacturer	364,286,386	2	1.12%
GlaxoSmithKline	Manufacturer	323,395,804	3	1.00%
International Business Machine	Manufacturer	252,536,540	4	0.78%
IBM Corporation	Manufacturer	240,952,214	5	0.74%
Duke Energy Corp	Utility	224,336,436	6	0.69%
Merck Sharp & Dohme Corp	Bio Tech	210,466,123	7	0.65%
EMC Corporation	Manufacturer	205,466,123	8	0.63%
SouthPoint Mall LLC	Retail	172,275,439	9	0.53%
GlaxoSmithKline LLC	Manufacturer	116,806,226	10	0.36%
Verizon South Inc	Communications	-	-	-
Highwoods/Forsyth Limited Part	Real Estate	-	-	-
State Street Bank & Trust	Finance	-	-	-
Blue Cross Blue Shield of NC	Manufacturer	-	-	-
		<u>\$ 2,481,990,209</u>		<u>7.64%</u>

Source: Durham County, North Carolina (as of October, 2016)

Table 7

Fiscal Year 2007		
Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
\$ 225,328,878	3	1.02%
211,159,290	5	0.96%
583,897,512	1	2.65%
518,494,206	2	2.35%
-	-	-
183,322,363	6	0.83%
-	-	-
-	-	-
82,926,624	10	0.38%
-	-	-
218,669,860	4	0.99%
83,664,715	8	0.38%
83,584,221	9	0.38%
83,859,264	7	0.39%
<u>\$ 2,274,906,933</u>		<u>10.33%</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2016

Fiscal Year Ended June 30,	Tax Year Ended December 31,	Adjusted Tax Levy	Current Year Levy Collections	Percent of Levy Collected
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%
2009	2008	337,224,715	331,357,242	98.26%
2008	2007	317,413,489	313,396,710	98.73%
2007	2006	289,156,326	285,179,105	98.62%

Source: Durham County, North Carolina (as of October, 2016)

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
\$ -	\$ 411,447,291	99.70%	\$ 8,498,119	2.06%
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%
4,676,027	336,033,269	99.65%	8,686,871	2.58%
2,948,261	316,344,971	99.66%	8,642,528	2.72%
3,076,804	288,255,909	99.69%	7,439,573	2.57%

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
DEBT RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND BONDED
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITAL FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2016

Fiscal Year Ended June 30,	Population Estimate (1)	Total Assessed Value	Debt Limit	Gross Bonded Debt
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
2009	265,670	28,540,855,952	2,283,268,476	255,335,000
2008	261,206	23,136,584,132	1,850,926,731	275,570,001
2007	254,902	22,035,372,134	1,762,829,771	247,445,003

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

Source: Durham County, North Carolina (as of October, 2016)

Table 9

Net Bonded Debt	Debt to Taxable Property Assessed Value	Net Bonded Debt Per Capita
\$ 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
255,335,000	0.89%	961
275,570,001	1.2%	1,037
247,445,003	1.1%	950

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
TO TOTAL GENERAL EXPENDITURES FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2016

Fiscal Year Ended June 30,	Principal	Interest	Other Expenditures
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
2009	27,266,955	14,372,730	3,350
2008	25,249,056	13,254,045	3,350
2007	25,321,777	13,441,166	3,350

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, 2016)

Table 10

<u>Total Debt Service</u>	<u>Total General Expenditures ⁽¹⁾</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
\$ 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%
41,643,035	374,809,528	11.11%
38,506,451	373,328,462	10.31%
38,766,293	356,860,759	10.86%

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA **Table 11**
RATIOS OF OUTSTANDING DEBT BY TYPE - DURHAM PUBLIC SCHOOLS
Last Ten Fiscal Years Ending June 30, 2016

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
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	0.016%	6.99
2013	-	3,491,154	3,491,154	-	3,491,154	0.030%	12.58
2012	17,022	1,761,522	1,778,544	-	1,778,544	0.016%	6.44
2011	34,045	1,976,533	2,010,578	-	2,010,578	0.019%	7.39
2010	80,831	409,075	489,906	-	489,906	0.005%	1.83
2009	26,604	954,139	980,743	-	980,743	0.010%	3.69
2008	53,210	1,890,456	1,943,666	-	1,943,666	0.019%	7.44
2007	36,073	1,840,813	1,876,886	-	1,876,886	0.020%	7.36

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, 2016

Fiscal Year Ended June 30,	Population Estimate	Student Average Daily Membership	Unemployment Rate	Per Capita Personal Income	Retail Sales
2016	293,647	33,501	4.7%	*	\$ 6,458,506,000
2015	290,874	33,626	5.4%	*	6,097,770,000
2014	284,437	33,263	5.3%	42,930	5,501,325,000
2013	277,588	32,405	7.5%	41,963	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
2009	265,670	32,313	7.3%	37,308	3,630,249,000
2008	261,206	32,749	4.1%	38,923	3,703,207,039
2007	254,902	31,981	3.8%	36,388	3,796,970,577

*Data not available.

Source: Durham County, North Carolina (as of October, 2016) and North Carolina Department of Public Instruction.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
TEN LARGEST EMPLOYERS FOR DURHAM COUNTY
Years Ended June 30, 2016 and 2007

Employer	2016		
	Employees	Rank	Percentage of Total County Employment
Duke University & Health System	27,624	1	14.35%
Duke University	8,380	2	4.35%
International Business Machine (IBM)	5,000	3	2.60%
Durham Public Schools	4,600	4	2.39%
Blue Cross Blue Shield of North Carolina	4,000	5	2.08%
Fidelity Investments	3,100	6	1.61%
Cree, Inc	2,600	7	1.35%
GlaxoSmithKline	2,600	8	1.35%
Quintiles Transnational Corp.	2,500	9	1.30%
Durham City Government	2,457	10	1.28%
Veteran Affairs (VA) Medical Center	-	-	-
Nortel Networks	-	-	-
Lenovo Group, Ltd.	-	-	-
Research Triangle Institute	-	-	-
	<u>62,861</u>		<u>32.66%</u>

Source: Durham Chamber of Commerce and Bureau of Labor Statistics

Table 13

2007		
<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
30,551	1	16.68%
-	-	-
11,530	2	6.29%
5,489	3	3.00%
2,745	5	1.50%
-	-	-
-	-	-
5,272	4	2.88%
-	-	-
2,336	7	1.28%
2,162	9	1.18%
2,600	6	1.42%
2,300	8	1.26%
2,117	10	1.16%
<u>67,102</u>		<u>36.65%</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years Ending June 30, 2016

Table 14

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instructional Programs	3,322	3,208	3,127	2,827	2,753	2,765	2,813	2,881	2,911	2,946
Support Services	1,237	1,235	1,345	1,364	1,330	1,438	1,459	1,431	1,516	1,534
Community Services	125	125	125	121	121	121	142	142	142	142
Food Services	237	173	177	167	178	181	190	204	204	207
Total	4,921	4,741	4,774	4,479	4,382	4,505	4,604	4,658	4,773	4,829

Note: This table is a ten-year schedule.

Source: Finance Department of Durham Public Schools

SCHOOL BUILDING DATA-HIGH SCHOOLS

Year Ending June 30, 2016

School	Site Acreage	Building Square Feet	Capacity	2015-16 Day 20 Enrollment	Percentage Over/(Under) Capacity	Year Constructed	Years Renovations/ Additions
High School:							
City of Medicine	7.20	40,519	320	303	-5.31%	2011	
Durham PLC/ARC @ Holton	7.00	104,869	350	247	-29.43%	1933	2009
School for Creative Studies *	54.96	124,250	100	238	138.00%	1974	2005,2006,2009,2013
Durham School. of Arts **	11.70	304,550	916	996	8.73%	1921	1928,49,55,62,76, 1988,2008,2011
Hillside	63.04	299,943	1,535	1,310	-14.66%	1995	2005,2009
Jordan	55.74	266,477	1,810	1,997	10.33%	1963	1979,80,91,94,2008,2012, 2014
Northern	39.89	258,659	1,790	1,499	-16.26%	1953	1954,55,57,66,75, 1981,83,84,88, 1992,94
Riverside	63.29	282,845	1,540	1,862	20.91%	1991	1992,2013
Southern	84.09	284,000	1,540	1,399	-9.16%	1993	2013
J D Clement Early College (1)		Leased	350	354	1.14%		
Hospital School (2)		Leased	28	33	17.86%		
Lakeview (3) ***	7.16	28,169	64	30	-53.13%	1964	2005,2010
Middle College High School (4)		Leased	100	159	59.00%		
Hillside New Tech High (5)			210	225	7.14%		

* 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.

Source: Durham Public Schools' Long Range Facilities Plan

Source: Durham Public Schools' Long Range Facilities Plan

SCHOOL BUILDING DATA-ELEMENTARY AND MIDDLE SCHOOLS

Year Ending June 30, 2016

School	Site Acreage	Building Square Feet	Capacity	2015-16 Day 20 Enrollment	Percentage Over/(Under) Capacity	Year Constructed	Years Renovations/ Additions
Elementary:							
Bethesda	43.92	85,432	712	651	-8.57%	1982	1989,2003,2014
Burton	7.14	71,360	376	344	-8.51%	1949	1954,76,92,2014
Club Boulevard	5.50	45,099	492	492	0.00%	1949	1955,90,92,95,2010,11
Creekside	37.11	94,673	764	918	20.16%	2004	2010
Easley	18.97	71,170	522	583	11.69%	1989	2013
Eastway	14.58	78,000	544	584	7.35%	1995	
Eno Valley	62.27	88,550	596	558	-6.38%	1977	1993, 2014
Fayetteville Street	7.91	62,797	408	281	-31.13%	1959	1960,61,2008,2014
Forest View	21.95	85,890	659	736	11.68%	1993	
Glenn	34.28	80,330	591	699	18.27%	1981	1993,2014
Harris	21.36	70,343	376	345	-8.24%	1968	2003,2013
Hillandale	42.07	85,890	689	662	-3.92%	1993	
Holt	23.61	98,208	585	651	11.28%	1958	1984,92,2014
Hope Valley	16.48	79,228	628	638	1.59%	1967	1999
Lakewood	12.57	60,264	428	482	12.62%	1962	1963,64,2005
Little River	23.23	83,620	672	352	-47.62%	1993	
Mangum	22.03	54,838	408	327	-19.85%	1925	1939,62,83,2009,2014
Merrick-Moore	16.39	103,075	648	692	6.79%	1951	1953,58,81,2012
Morehead	4.98	40,861	222	221	-0.45%	1958	2009
Oak Grove	15.72	96,061	710	609	-14.23%	1981	1993
Parkwood	22.59	79,063	648	534	-17.59%	1967	1983,89,92,2005,2013
Pearson	40.50	82,474	586	520	-11.26%	2006	
Pearsontown	25.50	108,471	836	801	-4.19%	1954	1958,64,92, 2014
Powe	5.50	99,384	404	514	27.23%	1926	1950,67,91,94,2001, 2013,2014
Sandy Ridge	25.07	98,638	628	594	-5.41%	2011	
Smith	5.30	46,311	408	391	-4.17%	1967	2014
Southwest	21.91	91,170	585	621	6.15%	1989	1991
Spaulding	9.96	69,486	325	263	-19.08%	1954	1960,76,91,2008
Spring Valley	35.82	79,921	638	526	-17.55%	2008	
Watts	3.98	65,841	340	350	2.94%	1919	1926,94,2014
Middle:							
Brogden	29.35	156,380	681	598	-12.19%	1959	1976,2000,2014
Carrington	66.14	207,804	1,168	1,002	-14.21%	1964	1984,2005,2010,14
School for Creative Studies *	54.96	124,250	852	293	-65.61%	1974	2005,06,09,2013
Durham School of Arts **	8.80	133,847	722	644	-10.80%	1921	1928,49,55,62,76,88 1990, 92, 2007,08,11
Githens	38.28	133,859	852	899	5.52%	1988	2005,2006
Lakewood Montessorri	7.37	71,278	300	302	0.67%	1965	2011
Little River ***				34			
Lowe's Grove	28.07	122,504	774	674	-12.92%	1975	2009,2014
Lucas	31.83	153,593	644	620	-3.73%	2012	
Neal	49.12	129,403	810	788	-2.72%	1966	1988,2011
Rogers-Herr	23.50	122,547	644	637	-1.09%	1967	2005,2013
Shepard	22.53	96,870	546	513	-6.04%	1964	1966,2001,2010
WG Pearson Middle	5.92	54,057	306	0	-100.00%	1928	1950,57,76,91,92 2007,2014
Lakeview*	4.75	12,600	30	12	-60.00%	1964	2005, 2010

* 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 expanded to 6th grade in 2015-16 (see Elementary School for Building Information).

Source: Durham Public Schools' Long Range Facilities Plan

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 17
OPERATING STATISTICS
Last Ten Fiscal Years Ending June 30, 2016

Fiscal Year Ended June 30,	Expenses	Student Average Daily Membership	Cost Per Pupil	Percentage Change In Per Pupil Cost	Teaching Staff	Pupil/ Teacher Ratio	Student Attendance Percentage
2016	382,944,003	33,501	\$ 11,431	0.06%	2,402	13.9	94.97%
2015	384,130,649	33,626	11,424	2.26%	2,347	14.3	95.10%
2014	371,578,594	33,263	11,171	-3.95%	2,290	14.5	95.26%
2013	376,887,237	32,405	11,631	1.60%	2,252	14.4	96.60%
2012	372,840,518	32,569	11,448	11.30%	2,241	14.5	96.53%
2011	330,350,894	32,118	10,286	0.81%	2,311	13.9	95.92%
2010	326,038,604	31,956	10,203	-6.27%	2,293	13.9	94.21%
2009	351,715,671	32,313	10,885	5.59%	2,432	13.3	94.28%
2008	337,618,900	32,749	10,309	5.65%	2,368	13.8	94.65%
2007	312,083,118	31,981	9,758	5.42%	2,329	13.7	94.22%

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, 2016

Fiscal Year Ended June 30,	Minimum	Maximum	Average
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
2009	34,234	88,967	45,466
2008	33,469	73,463	41,062
2007	32,074	70,280	39,349

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 2006-2014 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 Commissioner's 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%

Source: Finance Department of Durham Public Schools

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
GOVERNMENTAL FUND REVENUES BY SOURCE
Last Ten Fiscal Years Ending June 30, 2016

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
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
2009	178,493,867	-	721,100	2,276,939	110,884,121	7,003,740
2008	177,180,642	-	2,293,199	1,278,696	98,582,664	470,080
2007	160,423,279	(16,448)	496,411	1,792,049	89,127,705	-

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
\$ 8,358,381	\$ 1,094,430	\$ 192,179	\$ 3,086,406	\$ 14,539,520	\$ 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
16,782,957	847,154	672,429	3,601,908	14,709,092	23,632,816	359,626,123
11,244,087	1,160,849	1,270,536	3,697,076	11,715,857	22,181,948	331,075,634
8,156,468	1,386,219	904,655	3,411,378	15,428,932	21,216,755	302,327,403

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
GOVERNMENTAL FUND EXPENDITURES BY FUNCTION
PER AVERAGE DAILY MEMBERSHIP⁽¹⁾ AND IN TOTAL⁽²⁾
Last Ten Fiscal Years Ending June 30, 2016

Fiscal Year Ended June 30,	Average Daily Membership	Regular Instructional	Special Instructional	Other Instructional	Pupil Support	Instructional Support	General Administration
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
2009	32,313	4,117 133,019,137	1,387 44,832,337	1,502 48,524,545	133 4,302,185	225 7,254,755	120 3,875,481
2008	32,749	3,928 128,625,270	1,326 43,414,525	1,424 46,641,394	109 3,573,050	189 6,201,595	113 3,712,956
2007	31,981	2,876 91,991,634	930 29,744,594	2,332 74,590,085	7 217,260	196 6,276,976	120 3,842,906

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
\$ 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
634	1,320	188	-	128	288	10,042
20,475,219	42,659,661	6,086,157	-	4,129,830	9,314,233	324,473,540
614	1,275	197	-	121	253	9,550
20,107,184	41,767,952	6,460,469	-	3,960,838	8,291,224	312,756,457
451	1,147	179	454	122	225	9,040
14,421,428	36,692,716	5,718,173	14,517,565	3,906,701	7,187,502	289,107,540

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 21
CAPITAL OUTLAY FUND EXPENDITURES
Last Ten Fiscal Years Ending June 30, 2016

Fiscal Year Ended June 30,	Sites and Building Improvements	Furniture and Equipment	Vehicles	Total
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
2009	31,950,516	569,565	1,122,354	33,642,435
2008	16,679,140	298,982	225,490	17,203,612
2007	9,442,821	578,358	2,095,024	12,116,203

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, 2016

Fiscal Year Ended June 30,	Purchased Food	Donated Commodities	Salaries and Benefits
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
2009	4,859,146	733,192	5,926,945
2008	4,228,105	607,096	5,778,290
2007	3,809,407	625,432	5,250,973

Source: Durham Public Schools' Finance Department

Table 22

Materials and Supplies	Indirect Costs	Other	Total
\$ 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
548,266	1,005,171	313,346	13,386,066
484,904	685,756	348,799	12,132,950
485,404	833,452	560,430	11,565,098

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
SCHOOL FOOD SERVICE REVENUES AND OPERATING TRANSFERS IN BY SOURCES
Last Ten Fiscal Years Ending June 30, 2016

Fiscal Year Ended June 30,	Food Sales		USDA Reimbursement	
	Amount	Percent	Amount	Percent
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%
2009	3,628,656	27.0%	9,162,082	68.1%
2008	3,336,431	28.4%	7,673,178	65.1%
2007	3,552,393	31.5%	7,022,026	62.3%

Source: Durham Public Schools' Finance Department

Table 23

Donated Commodities		Other		Total	
Amount	Percent	Amount	Percent	Amount	Percent
\$ 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%
621,914	4.6%	40,501	0.3%	13,453,153	100.0%
681,161	5.8%	87,579	0.7%	11,778,349	100.0%
592,427	5.3%	105,622	0.9%	11,272,468	100.0%

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 24
PROPERTY VALUE AND CONSTRUCTION FOR DURHAM COUNTY
Last Ten Fiscal Years Ending June 30, 2016

<u>Fiscal Year Ended June 30,</u>	<u>Building Value of Permits Issued ⁽¹⁾</u>	<u>Assessed Valuation ⁽²⁾</u>
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	30,446,750,204
2012	782,358,521	29,842,363,341
2011	918,447,009	29,460,598,354
2010	854,185,593	29,032,891,346
2009	832,707,556	28,540,855,952
2008	937,163,464	23,136,584,132
2007	908,064,082	22,035,372,939

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

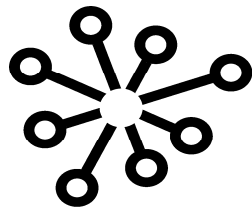
(2) Last revaluation of taxable property occurred on January 1, 2016

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Table 25
MISCELLANEOUS STATISTICS
Last Ten Fiscal Years Ending June 30, 2016

Area:	Durham County	299 square miles
Population:	Durham County	293,647
Average Daily Membership:		33,501
Schools:	Elementary	30
	Middle	10
	Secondary	2
	Senior/High	8
	Hospital School	1
	Alternative	3
School Personnel (approximate):		4,829

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

SINGLE AUDIT 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, 2016, 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 November 23, 2016.

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
November 23, 2016



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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, 2016. 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, 2016.

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
November 23, 2016



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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, 2016. 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, 2016.

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
November 23, 2016

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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:

CFDA Numbers Names of Federal Program or Cluster

84.010 Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)

84.365 English Language Acquisition Grant

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$	1,175,642		
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:

- | |
|---|
| <u>Program Name</u> |
| State Public School Fund |
| Vocational Education State Months of Employment |
| Vocational Education Program Support Funds |

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 12
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2016

None reported.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Passed through the N.C. Department of Agriculture:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	-	\$ 1,033,524
Cash Assistance:			
School Breakfast Program	10.553	-	3,108,003
National School Lunch Program	10.555	-	9,271,278
Passed through the N. C. Department of Health and Human Services:			
Summer Food Service Program for Children	10.559	-	656,423
Total Cash Assistance			<u>13,035,704</u>
Total Child Nutrition Cluster			<u>14,069,228</u>
Passed through the N.C. Department of Agriculture:			
Fresh Fruits and Vegetables Program	10.582	-	<u>379,555</u>
Total U.S. Department of Agriculture			<u>14,448,783</u>
<u>U.S. Department of Education:</u>			
Direct programs:			
13 Project Reads	NONE	342	182,949
Innovative Approaches	NONE	371	<u>737,118</u>
Total direct programs			<u>920,067</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	7,948,348
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	134,369
Children With Disabilities - Risk Pool	84.027	PRC 114	221,397
Special Needs Targeted Assistance	84.027	PRC 118	22,969
Preschool Targeted Assistance	84.173	PRC 119	<u>2,697</u>
Total Special Education Cluster			<u>8,329,780</u>
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	<u>10,910,210</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2016

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass- Through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants (Continued):			
<u>U.S. Department of Education (Continued):</u>			
Passed through the N. C. Department of Public Instruction (Continued):			
School Improvement Cluster:			
School Improvements Grants	84.377	PRC 117	\$ 1,419,048
Total School Improvement Cluster			<u>1,419,048</u>
Title I School Improvement Grant	84.010	PRC 105	<u>220,471</u>
Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	PRC 026	<u>50,796</u>
Career and Technical Education - Basic Grants to States	84.048	PRC 017	<u>467,195</u>
Special Education-State Personnel Development Grant	84.323	PRC 082	<u>4,865</u>
Improving Teacher Quality	84.367	PRC 103	<u>1,153,241</u>
English Language Acquisitions Grant	84.365	PRC 104, 111	<u>745,880</u>
21st Century - Community Learning Centers	84.287	PRC 110	<u>355,258</u>
Math and Science Partnerships	84.366	PRC 112	<u>32</u>
Race To The Top (RttT) - Mini Grants	84.395	PRC 153	<u>(3,074)</u>
Total U.S. Department of Education			<u>24,573,769</u>
<u>U.S. Department of Defense:</u>			
Direct program:			
ROTC	NONE	-	<u>165,517</u>
Total federal awards			<u>39,188,069</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
State Grants:			
Cash Assistance:			
<u>North Carolina Department of Public Instruction:</u>			
State Public School Fund			\$ 180,871,932
Driver Training - SPSF	-	012	638,647
Vocational Education			
State Months of Employment	-	013	7,662,451
Program Support Funds	-	014	1,389,770
School Technology Fund - SPSF	-	015	1,383,403
State breakfast reimbursement			22,599
			<u>191,968,802</u>
Total North Carolina Department of Public Instruction			
<u>Office of the Governor:</u>			
Passed through Durham County:			
Public School Building Capital Fund	-	074	1,978,837
North Carolina Arts Council	-	422	6,500
			<u>193,954,139</u>
Total cash assistance			
Non-Cash Assistance:			
<u>North Carolina Department of Public Instruction:</u>			
Textbooks	-	130	37,025
State Buses Appropriations	NONE	-	443,501
			<u>480,526</u>
Total non-cash assistance			
			<u>194,434,665</u>
Total State awards			
			<u>\$ 233,622,734</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, 2016

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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