

# DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2018

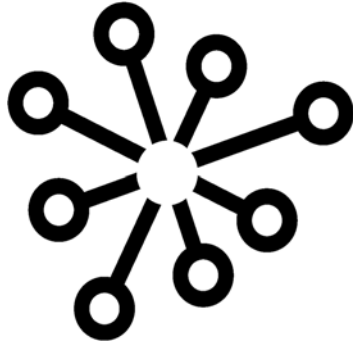


**DURHAM**  
PUBLIC SCHOOLS

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

Durham, North Carolina

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the  
DURHAM PUBLIC SCHOOLS  
BOARD OF EDUCATION  
North Carolina  
For the Year Ended June 30, 2018**



**DURHAM  
PUBLIC SCHOOLS**

**Prepared by  
Paul LeSieur  
Financial Officer**

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

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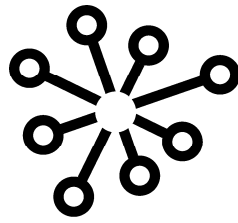
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# INTRODUCTORY SECTION



**DURHAM**  
PUBLIC SCHOOLS

# ***Durham Public Schools Board of Education***

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

## ***Letter of Transmittal***

***December 3, 2018***

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### **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, 2018. 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, 2017 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)**

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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, 2018, 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, 2018 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Durham Public Schools Board of Education is required to undergo an annual single audit in conformity with the provisions of the Title 2 US Code of Federal Regulations Part 200 Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the North Carolina Single Audit Implementation Act. Information related to this single audit, including the schedule of financial assistance, findings and questioned costs, and the independent auditors' report on the internal control structure and compliance with applicable laws and regulations are presented in the Compliance Section of this report. For the fiscal year ended June 30, 2018, there were no compliance findings or questioned costs.

**REPORTING ENTITY**

Durham City Schools and Durham County Schools merged on July 1, 1992, to become Durham Public Schools. The Durham Public Schools Board of Education has total authority over non-charter public education in Durham County. The seven-member is elected by the citizens of the County and is accountable to the citizens for the educational and fiscal operations of the system's 53 schools. For 2017-18, the school system served 33,181 students from kindergarten through 12th grade in 30 elementary schools, 10 middle schools, 2 secondary schools, 7 high schools, and 4 special/optional schools. The Board is charged with the responsibility of providing a free and appropriate education for all students of Durham Public Schools. As defined by the Governmental Accounting Standards Board, the Durham Public Schools Board of Education is a separate reporting entity. These statements cover all financial resources of Durham Public Schools: State, Federal, Local, Child Nutrition and Grants, and funds received at each school.



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

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**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 32,520 students mirrors the diversity of the community, speaking more than 105 languages. This is the third 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 17<sup>th</sup> in The Best Hospitals Honor Roll by *US News and World Report, for 2017-18*. The ongoing medical research and expanding clinical opportunities attract medical doctors. Durham County has one of the nation's top five concentrations of physicians per capita and nearly one third of the labor work force works in a health or medical related industry. The metropolitan area of Raleigh-Durham-Chapel Hill is consistently ranked among the top U.S. metropolitan areas in economic performance. Our local economy has remained stable because of our diverse industrial base including medicine, research, education, "high- tech," telecommunications, and manufacturing.

In August of 2018 administration began working toward updating the districts long range facility plan by January 31, 2019. Part of that process involves having a good understanding of where growth is coming in the county and how potential growth will affect the district's school capacity calculations. The district will be working with the Institute for Transportation Research and Education (ITRE) which is a branch of Operational Research and Education Laboratory at NC State University (ORED) on school planning issues. These 10 year projections will be used to address the declining enrollment issue that the district has been seeing over the past few years. Over the next budget cycle the Board of Education will be reviewing administrations recommendations of formula changes and proposals of reducing expenditures for the next few years.

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

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**MAJOR INITIATIVES AND ACCOMPLISHMENTS**

- DPS graduates were offered more than \$45 million in scholarships; \$25 million from Hillside High alone.
- The number of DPS schools earning an “A,” “B,” or “C” School Performance Grade rose to 32 from 27, while the total number of schools receiving a “low-performing” designation from the state declined by three.
- Eight schools exited “low-performing” status, either through higher overall school performance or faster year-to-year academic growth, including:
  - Bethesda Elementary
  - Club Boulevard Elementary
  - Hope Valley Elementary
  - Oak Grove Elementary
  - Sandy Ridge Elementary
  - W.G. Pearson Elementary
  - Neal Middle
  - Southern School of Energy and Sustainability
- Core academic scores all improved for elementary and middle school students, with reading proficiency increasing by 1.3 percentage points, science increasing by 3.3 points, and math making the highest gains with 3.6 points.
- After months of intensive community outreach and stakeholder input, the Durham Public Schools Board of Education approved Superintendent Pascal Mubenga’s Strategic Plan to move DPS forward for the next five years.
- Four Durham Public Schools magnet programs were identified as among the best in the nation by Magnet Schools of America: Lakewood Montessori Middle School, The School for Creative Studies, Club Boulevard Humanities Magnet Elementary and Holt Elementary Language Academy.
- Burton Magnet Elementary received a *Capturing Kids’ Hearts National Showcase Schools* award for the 2017-18 school year from the Flippen Group.
- Durham Public Schools board member Minnie Forte-Brown served as the president of the North Carolina School Boards Association in 2017-18.
- Northern High School teacher Demikia Taylor was named the North Carolina Association of Soil and Water Districts Teacher of the Year.
- Riverside High School was recognized as a Project Lead The Way (PLTW) Distinguished School for providing broad access to transformative learning opportunities for students through PLTW Engineering. It is one of only 133 high schools across the U.S. to receive this honor and one of only six high schools in the State to receive this national distinction.
- Adam Davidson of Riverside High School was selected as the **2018 STEM Educator of the Year** for STEM in the Park’s 3<sup>rd</sup> annual STEMmy Awards.
- Durham Public Schools had 29 students representing eight schools selected to attend the Governor’s School of North Carolina for the 2018 session. Durham School of the Arts sent 15 students representing Choral Music, Instrumental Music, Visual Art, Dance and Social and Natural Science. The remaining schools sent students in the same categories with the addition of Theater and English.

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

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**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.

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

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

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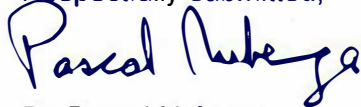
**ADDITIONAL INFORMATION**

**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, 2017. DPS has received the GFOA and ASBO awards for the last 24 years. In order to be awarded a Certificate of Achievement or Excellence, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Department of Public Instruction, Financial Services department awarded **State Board of Education Achievement in Financial Resource Management Award** to DPS. This was the second year that DPS has received all three awards; it was one of 8 North Carolina Districts, and the largest, to do so.

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

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

Respectfully submitted,



Dr. Pascal Mubenga  
Superintendent



Paul LeSieur  
Chief Financial Officer

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

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LIST OF PRINCIPAL OFFICIALS

June 30, 2018

BOARD OF EDUCATION

Mike Lee, Chair

Steve Unruhe, Vice Chair

Natalie Beyer

Xavier Cason

Ms. Minnie Forte-Brown

Matt Sears

Bettina Umstead

SUPERINTENDENT

Dr. Pascal Mubenga

CHIEF FINANCIAL OFFICER

Paul LeSieur



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Durham Public Schools**  
**North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO



**ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**

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

**Durham Public Schools**

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

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



*Charles E. Peterson, Jr.*

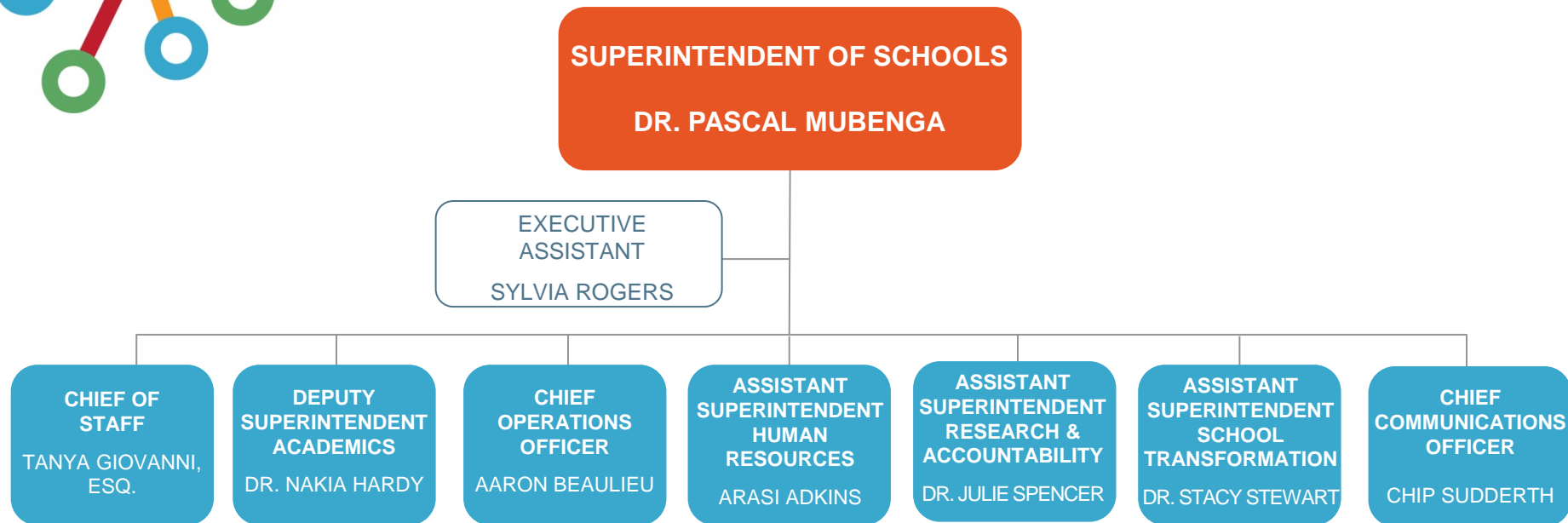
Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

*John D. Musso*

John D. Musso, CAE  
Executive Director

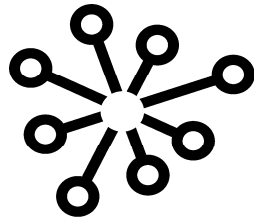


# OFFICE OF THE SUPERINTENDENT





# FINANCIAL SECTION



**DURHAM**  
PUBLIC SCHOOLS



**Rives & Associates, LLP**  
Certified Public Accountants

Member:  
American Institute of  
Certified Public Accountants

Member:  
North Carolina Association of  
Certified Public Accountants

[www.rivescpa.com](http://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, 2018, 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, 2018, 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 Schools Special Revenue Fund, and State Public School Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Adoption of New Accounting Standards*

As discussed in Note IV to the financial statements, for the year ended June 30, 2018 the Board adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Durham Public Schools Board of Education's basic financial statements. The combining and individual fund statements and schedules – budget and actual, 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 is the responsibility of management and derived from and relates 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 is 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 December 3, 2018 on our consideration of Durham Public Schools Board of Education’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Durham Public Schools Board of Education’s internal control over financial reporting and compliance.

*Rives & Associates LLP*

Lexington, North Carolina  
December 3, 2018

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2018**

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, 2018. This information should be read in conjunction with the audited financial statements included in this report.

***Financial Highlights***

- Durham Public Schools continues to see consistent and slow growth in overall average daily membership. The charter school membership numbers also continue to increase. Despite the impact of economic recession, the inward migration from other states into Durham County continued to increase. Durham's population is 308,194. The Board has seen a drop in enrollment in the current school year 2018-19 for the third 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 net position of the Board has seen a reduction at the close of the fiscal year to negative \$294,212,078 from a positive \$323,274,865. Liabilities increased by \$446,286,046, due to the additional requirement of recording the OPEB liability, \$468,027,345, included in the implementation of GASB 75.
- The State of North Carolina provided an increase in appropriations to fund a 6.5% average salary increase for teachers and certified steps 1 to 24, (0% to 14.8% range). Teachers and certified personnel on step 25 and over received \$700 salary increase (1.35%) and a one-time \$385 bonus, while classified staff received a 2% salary increase. Funds for Bus Drivers were provided to develop local salary schedules for raising bus driver salaries. The 2018-19 State conference budget compromise maintained the 2017-18 funding levels with increases for continuation budget line items. Continued appropriations were made for textbooks and digital materials, school connectivity, bonuses for (CTE, AP/IB, and 3rd grade reading teachers), while adding 4th and 5th grade teacher reading bonuses to the budget. The major changes were in the salary schedules for Principals and Assistant Principals as well as elimination of receiving their longevity pay. Principals are held harmless to the 2016-17 schedules plus longevity for the 2018-19 school year. Central Office funding was again reduced by 4.4%.
- A local ¼ cent sales tax increase was approved by Durham County voters creating revenue to replace the expiring Education Jobs funding. This has provided an additional \$9.9 million in funding annually.
- As of the close of the current fiscal year, the Board's Local Current Expense Fund reported an ending fund balance of \$9,112,022. The total fund balance decreased by \$382,083.
- Total governmental funds non-spendable fund balance consisting of inventories and prepaid expenses totaled \$224,109. Restricted fund balance consisting of items restricted by State statute totaled \$1,637,626, school capital outlay \$4,455,515, grants and scholarships \$3,809,674 and individual schools \$2,086,707. Committed fund balance totaled \$7,755,227 and consisted of \$5,866,408 approved for teacher and staff salaries, increase in charter school enrollment and teacher assistant reduction, and \$1,888,819 to cover one time expenditures including summer programs and technology upgrades. Assigned fund balance of \$500,000 for future IT needs to assist with the refresh program, \$3,056,908 is for the Board's self-insurance reserve and \$12,442,857 for use by the Local Special Expense Fund.
- Unassigned fund balance in the Local Current Expense Fund totaled \$2,425,310.
- The Board will pay 46 charter schools in 2018-19 with a membership of over 6,950. The appropriations to charters will exceed \$24.1 million and will be an annual increase of over \$2.4 million dollars.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2018**

***Overview of the Financial Statements***

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis and pension fund information (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and budgetary statements for non-major governmental funds and budgetary statements for enterprise funds*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide financial statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The Statement of Net Position includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred inflows or resources, and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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

***Government-Wide Financial Statements***

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

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

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

***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, 2018**

***Fund Financial Statements (Continued)***

Hedgepeth Memorial Scholarship Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

The fiduciary fund statements are shown as Exhibits 11 and 12 of this report.

***Financial Analysis of the Board as a Whole***

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$294,212,078 as of June 30, 2018. The largest component of net position is a deficit in unrestricted net position, of \$656,718,881.

Following is a summary of the Statement of Net Position:

**Table 1  
Condensed Statement of Net Position  
as of June 30, 2018 and 2017**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2017</b>
Current assets	\$ 52,383,581	\$ 48,443,128	\$ 3,321,696	\$ 3,300,296	\$ 55,705,277	\$ 51,743,424
Capital assets	362,341,133	370,690,964	583,000	524,855	362,924,133	371,215,819
Total assets	414,724,714	419,134,092	3,904,696	3,825,151	418,629,410	422,959,243
Deferred outflows of resources	88,305,845	93,452,178	1,995,447	2,187,402	90,301,292	95,639,580
Current liabilities	17,739,491	21,156,086	278,362	428,685	18,017,853	21,584,771
Long-term liabilities	602,635,864	162,563,430	13,416,071	3,635,541	616,051,935	166,198,971
Total liabilities	620,375,355	183,719,516	13,694,433	4,064,226	634,069,788	187,783,742
Deferred inflows of resources	165,336,875	7,367,761	3,736,117	172,455	169,072,992	7,540,216
Net investment in capital assets	360,525,971	369,251,385	583,000	524,855	361,108,971	369,776,240
Restricted net position	13,511,239	11,498,365	34,610	-	13,545,849	11,498,365
Unrestricted net position	(656,718,881)	(59,250,757)	(12,148,017)	1,251,017	(668,866,898)	(57,999,740)
Total net position	\$ (282,681,671)	\$ 321,498,993	\$ (11,530,407)	\$ 1,775,872	\$ (294,212,078)	\$ 323,274,865

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

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



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

***Financial Analysis of the Board as a Whole (Continued)***

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

**Table 2  
Condensed Statement of Activities  
For the Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 10,228,955	\$ 10,063,964	\$ 2,395,969	\$ 2,337,511	\$ 12,624,924	\$ 12,401,475
Operating grants and contributions	234,743,300	223,156,329	14,121,489	14,571,812	248,864,789	237,728,141
Capital contributions	668,717	1,681,206	-	-	668,717	1,681,206
<b>General revenues:</b>						
Local government	143,745,809	138,100,395	-	4,226	143,745,809	138,104,621
Unrestricted State	1,088,886	1,821,738	-	-	1,088,886	1,821,738
Unrestricted Federal	2,437,871	1,663,054	-	-	2,437,871	1,663,054
Other	3,843,367	1,654,186	2,613	-	3,845,980	1,654,186
<b>Total revenues</b>	<u>396,756,905</u>	<u>378,140,872</u>	<u>16,520,071</u>	<u>16,913,549</u>	<u>413,276,976</u>	<u>395,054,421</u>
Expenses:						
<b>Governmental activities:</b>						
Instructional services	303,801,232	275,116,017	-	-	303,801,232	275,116,017
System-wide support	75,896,907	77,708,886	-	-	75,896,907	77,708,886
Ancillary services	3,886,477	4,208,509	-	-	3,886,477	4,208,509
Non-programmed charges	21,734,101	20,354,980	-	-	21,734,101	20,354,980
Interest on long-term debt	-	4,129	-	-	-	4,129
Depreciation	19,222,740	15,636,887	-	-	19,222,740	15,636,887
<b>Business-type activities:</b>						
School food service	-	-	17,049,195	16,805,599	17,049,195	16,805,599
<b>Total expenses</b>	<u>424,541,457</u>	<u>393,029,408</u>	<u>17,049,195</u>	<u>16,805,599</u>	<u>441,590,652</u>	<u>409,835,007</u>
Change in net position before transfers	(27,784,552)	(14,888,536)	(529,124)	107,950	(28,313,676)	(14,780,586)
Transfers in (out)	(242,192)	(241,137)	242,192	241,137	-	-
Change in net position	<u>(28,026,744)</u>	<u>(15,129,673)</u>	<u>(286,932)</u>	<u>349,087</u>	<u>(28,313,676)</u>	<u>(14,780,586)</u>
<b>Net Position</b>						
Beginning of year	321,498,993	336,628,666	1,775,872	1,426,785	323,274,865	338,055,451
Restatement to net position	(576,153,920)	-	(13,019,347)	-	(589,173,267)	-
Net position, ending	<u>\$ (282,681,671)</u>	<u>\$ 321,498,993</u>	<u>\$ (11,530,407)</u>	<u>\$ 1,775,872</u>	<u>\$ (294,212,078)</u>	<u>\$ 323,274,865</u>

Total governmental activities generated revenues of \$396.7 million while expenses in this category totaled \$424.5 million for the year ended June 30, 2018. Comparatively, revenues were \$378.1 million and expenses totaled \$393.0 million for the year ended June 30, 2017. After transfers to the business-type activities, the decrease in net position stands at \$28.0 million at June 30, 2018, compared to a \$15.1 million decrease in 2017. Instructional services expenses comprised 71.56% of total governmental activities expenses while system-wide support services made up 17.88% of those expenses for 2018. County funding comprised 34.78% of total governmental revenue. In 2017, County funding was 33.39% of total governmental revenue. Much of the remaining 65.22% of total governmental revenue for 2018 consists of restricted State and federal money. This revenue represented 66.61% of total revenue in 2017. Business-type activities generated revenue of \$16.5 million and expenses of \$16.9 million. Net position decreased in the business-type activities by \$286,932, after transfers from the governmental activities of \$242,192.

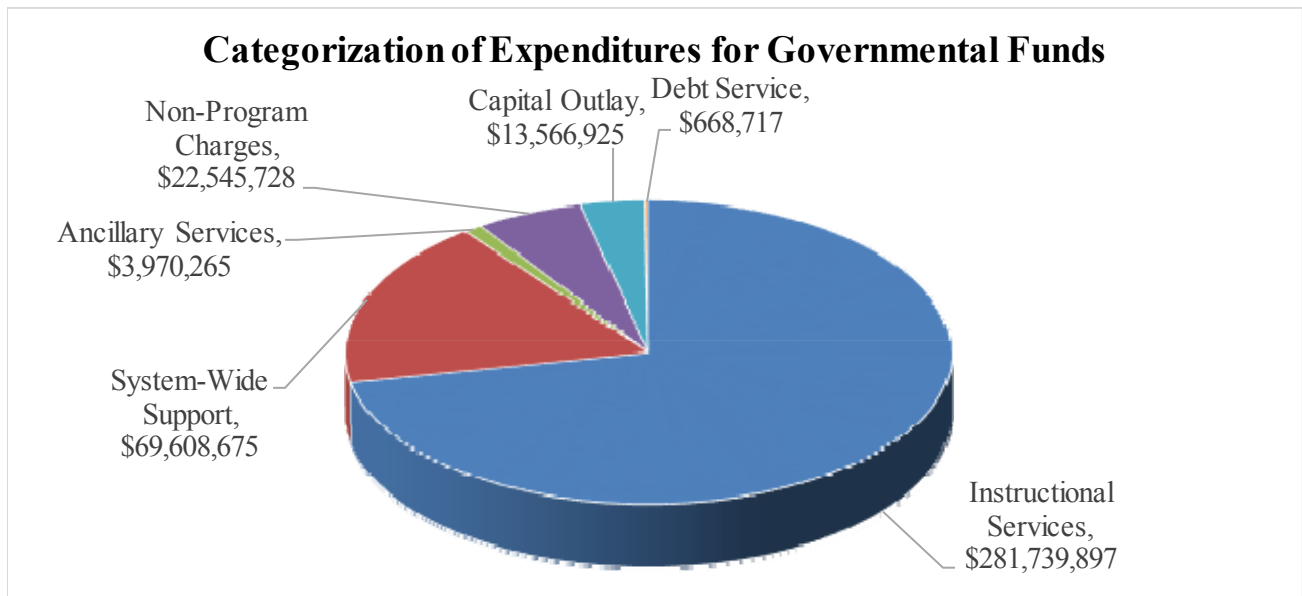
**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

***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 \$32,829,621, a increase of \$5,896,248 from the previous year. Of the Board’s governmental funds, the Capital Outlay Fund, and Local Special Expense Fund had revenues and other financing sources that exceeded expenditures and other uses. Funding from the County and Federal government increased approximately \$5.5 million and \$2.4 million, respectively, while State funding decreased approximately \$700 Thousand. Expenditures increased for the State Public School Fund and Federal Grants Fund.

Proprietary Funds: The Board’s business-type activities, the School Food Service Fund, reflected a decrease in net position over last year. Operating revenues increased \$58,458 while operating expenses increased \$243,596 from the previous year. Nonoperating revenues decreased \$451,936 with a decrease 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

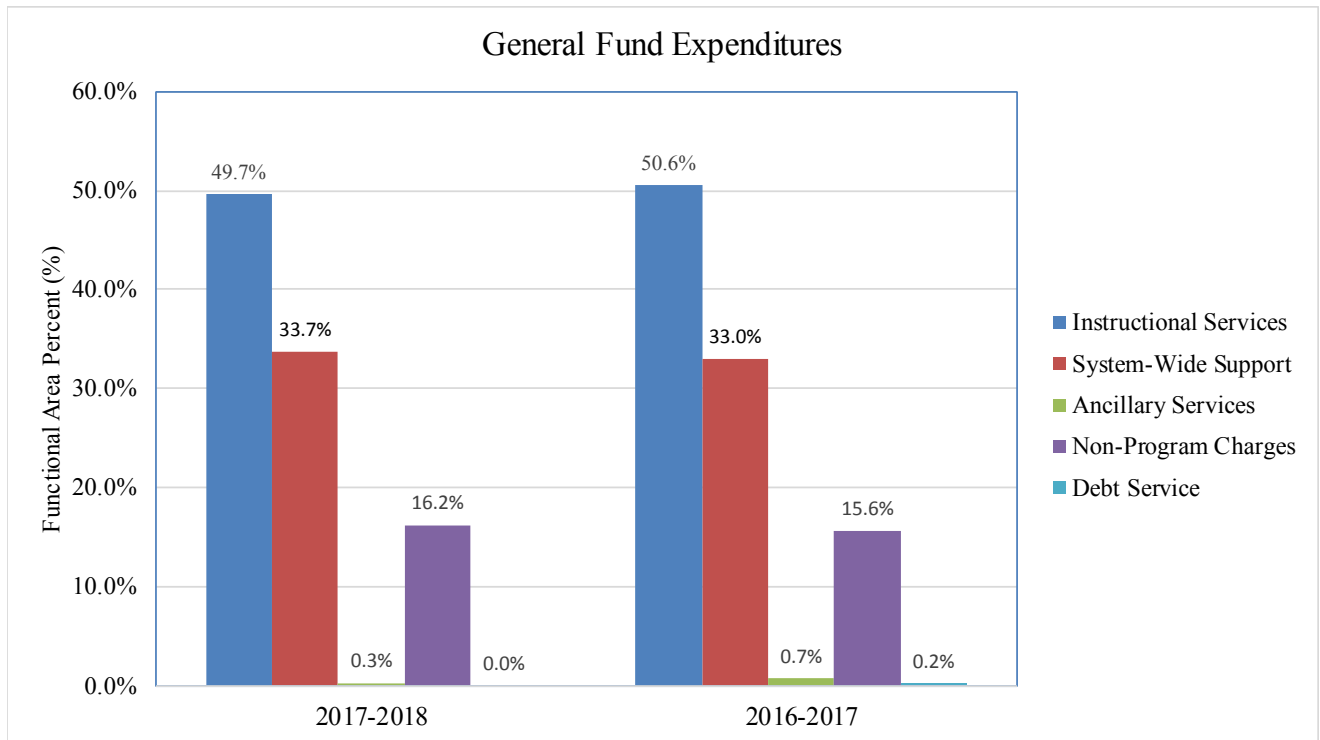
**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

***General Fund Revenues***

Since the merger of the city and county school systems in 1992-93, General Fund revenues have increased 188.3% from a total of \$46.3 million to \$133.5 million. These revenues have increased \$6.0 million from the prior year. County appropriations increased \$6 million and late property filings and fines and forfeitures decreased approximately \$19 thousand.

***General Fund Expenditures***

Counties are charged by statute with providing the funding for operations of local school systems. Most counties provide additional funds beyond the operations allocation to supplement the instructional programs. General Fund expenditures increased 1.29% in 2017-18 from the prior year to a total of \$133,963,548. The percentage of expenditures by function to total expenditures remained relatively consistent with prior years and slightly decreased in the areas of instructional services and increased in system-wide support and non-programmed charges. Changes in expenditures were due to reallocations of resources to maximize funding received.



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

***Federal and State Special Revenue Funds***

Substantially all State and federal revenues are accounted for in the State Public School Fund (\$202,831,665) and the Federal Grants Fund (\$27,181,713). This State and federal funding is primarily provided to the local education agencies on a per pupil basis. State Public School Fund funding increased from the prior year by approximately \$7.2 million. Federal Grants Fund funding increased from the prior year by \$4.1 million. Expenditures of these funds provide the basic instructional programs for all school systems in North Carolina. Salaries and benefits account for 93.0% of all expenditures in these funds.

***Capital Outlay Fund***

In November of 2016, voters approved new construction funding as part of a county bond referendum that will continue what the 2001, 2003, and 2007 bond accomplished. During FY 2017-18, the Board realized \$9,950,961 in revenue from general obligation bonds issued by Durham County, and \$1,370,000 from the County's general appropriation. Additionally, the State provided \$668,717 for installment financing related to the purchase of yellow buses and for public school building capital needs. Miscellaneous other local sources provided \$470,963. During the 2017-18 school year, Durham Public Schools continued facility upgrades at schools throughout the district. The work includes renovation projects affecting multiple school's core infrastructure, security vestibules, roof replacements, security cameras, and kitchen freezers and cooler replacements, and boiler and chiller replacements.

**Table 3  
Summary of Capital Assets  
as of June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Land	\$ 22,163,934	\$ 22,163,934	\$ -	\$ -	\$ 22,163,934	\$ 22,163,934
Construction in progress	5,710,757	9,113,351	-	-	5,710,757	9,113,351
Buildings and improvements	328,303,798	333,060,932	-	-	328,303,798	333,060,932
Furniture and equipment	2,447,817	2,884,661	583,000	524,855	3,030,817	3,409,516
Vehicles	3,714,827	3,468,086	-	-	3,714,827	3,468,086
Total	<u>\$ 362,341,133</u>	<u>\$ 370,690,964</u>	<u>\$ 583,000</u>	<u>\$ 524,855</u>	<u>\$ 362,924,133</u>	<u>\$ 371,215,819</u>

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

***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 \$286,932 in the current year. Total net position is (\$11,530,407) after a restatement of \$13,019,347 for the implementation of GASB 75 as described previously.

***Fiduciary Fund***

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

***General Fund Budgetary Highlights***

Over the course of the year, the Board, as is normal, revised the budget several times to account for changes in revenue expectations and align categorical expenditures appropriately. Additional information related to budget activity is included in Note I) D) in the Notes to the Financial Statements. A positive budget to actual variance of \$5,106,111 prior to transfer to other funds was accomplished for the year due to increased funding from the County of Durham and maximization of federal and State funding.

***Debt Outstanding***

During the year, the Board's outstanding debt increased \$375,583, with an ending balance of \$1,815,162. The debt for installment purchases increased due to continued payments on the purchase of 39 school buses and a computer server during the year. Future debt service payments to retire the debt for the school buses will be funded by State revenues allotted for repayment of lease purchase contracts as authorized under G. S. 115C-528(a), Session Law 2003-284, Section 7.25. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used.

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

***Economic Factors***

The Board experienced an decrease in enrollment of 631 students in the 2018-19 school year. As our local housing market continues to grow as evidenced by the counties growth and construction of new homes. The loss of students is to charter, private and home schools continued growth. Over the next several years the Board will need reduce dependency on fund balance. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the School Board. In conjunction with the loss of students the Board will need to find ways of reducing overhead without compromising educational outcomes as laid out in the strategic plan. The Board will begin looking at redistricting schools because of the state mandated class size reduction in grades K-3 by the beginning of fiscal year 2021-22.

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

- The County's unemployment rate remained at 3.8%, the lowest level in over 10 years. The County's unemployment rate has remained fairly constant and compares favorably to the State's rate of 4.2% and just above the national average of 4.0%.
- Retail sales increased 4.53% over the previous year. 2018 and 2017 retail sales for the County were approximately \$7,195,550,000 and \$6,884,030,000, respectively.
- The population in Durham County continues to grow. The population increased 2.4% in 2018.

These factors, as well as the State's budget situation and increased utility costs, were considered in preparing the Board's budget for the 2018-19 fiscal year. The 2019 fiscal year budget was created to maintain the offsetting effect of such economic factors and utilized fund balance to jump start the implementation of the new five-year strategic plan. The Superintendent will include these new expenditures as a request to the county commissioners in the development of the 2019-20 budget or make accommodations by reducing other program funds that are not making meaningful impact on student achievement.

***Requests for Information***

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

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

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**BASIC FINANCIAL STATEMENTS**  
**(Government-wide)**

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**Statement of Net Position**

**June 30, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 41,539,644	\$ 2,177,881	\$ 43,717,525
Other receivable, net	199,306	17,364	216,670
Due from other governments	9,560,801	594,952	10,155,753
Internal balances	29,877	(29,877)	-
OPEB asset	829,844	18,752	848,596
Inventories	93,319	542,624	635,943
Prepaid items	130,790	-	130,790
	<u>52,383,581</u>	<u>3,321,696</u>	<u>55,705,277</u>
Capital assets:			
Land and construction in progress	27,874,691	-	27,874,691
Other capital assets, net of depreciation	334,466,442	583,000	335,049,442
Total capital assets	<u>362,341,133</u>	<u>583,000</u>	<u>362,924,133</u>
Total assets	<u>414,724,714</u>	<u>3,904,696</u>	<u>418,629,410</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>88,305,845</u>	<u>1,995,447</u>	<u>90,301,292</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	1,498,642	170,016	1,668,658
Accrued salaries and wages payable	12,513,658	-	12,513,658
Unearned revenue	3,727,191	108,346	3,835,537
Long-term liabilities:			
Due within one year	13,765,954	353,393	14,119,347
Due in more than one year:			
Net pension liability	120,386,447	2,720,372	123,106,819
Net OPEB liability	457,685,039	10,342,306	468,027,345
Other	10,798,424	-	10,798,424
Total liabilities	<u>620,375,355</u>	<u>13,694,433</u>	<u>634,069,788</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>165,336,875</u>	<u>3,736,117</u>	<u>169,072,992</u>
<b>NET POSITION</b>			
Net investment in capital assets	360,525,971	583,000	361,108,971
Restricted for:			
Stabilization by State statute	1,637,626	-	1,637,626
School capital outlay	4,455,515	-	4,455,515
DIPNC OPEB plan	1,531,607	34,610	1,566,217
Grants and scholarships	3,799,784	-	3,799,784
Individual schools	2,086,707	-	2,086,707
Unrestricted	<u>(656,718,881)</u>	<u>(12,148,017)</u>	<u>(668,866,898)</u>
Total net position	<u>\$ (282,681,671)</u>	<u>\$ (11,530,407)</u>	<u>\$ (294,212,078)</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, 2018**

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
Instructional services:				
Regular instructional	\$ 146,049,823	\$ 3,551,242	\$ 102,305,152	\$ -
Special populations	64,410,936	-	52,287,452	-
Alternative programs	39,912,541	-	27,895,179	-
School leadership	24,476,211	-	12,997,557	-
Co-curricular	6,481,530	-	896	-
School-based support	22,470,191	4,627,828	14,151,081	-
System-wide support services:				
Support and development	2,836,804	-	747,082	-
Special population support and development	1,694,539	-	957,202	-
Alternative programs and services support and development	1,223,337	-	372,568	-
Technology support	5,143,026	-	847,172	-
Operational support	49,797,468	2,049,885	18,355,934	668,717
Financial and human resource accountability	7,377,998	-	1,764,723	-
System-wide pupil support	895,031	-	34,383	-
Policy, leadership and public relations	1,570,259	-	425,379	-
Ancillary services	5,358,445	-	1,569,384	-
Non-programmed charges	3,886,477	-	29,273	-
Interest on long-term debt	21,734,101	-	2,883	-
Unallocated depreciation expense, excluding direct depreciation expense	-	-	-	-
Total governmental activities	19,222,740	-	-	-
	<u>424,541,457</u>	<u>10,228,955</u>	<u>234,743,300</u>	<u>668,717</u>
Business-type activities:				
Food services	17,049,195	2,395,969	14,121,489	-
Total business-type activities	<u>17,049,195</u>	<u>2,395,969</u>	<u>14,121,489</u>	<u>-</u>
Total primary government	<u>\$ 441,590,652</u>	<u>\$ 12,624,924</u>	<u>\$ 248,864,789</u>	<u>\$ 668,717</u>

General revenues:

- Unrestricted Local appropriations - operating
- Unrestricted Local appropriations and bond proceeds - capital
- Unrestricted State grants - capital
- Unrestricted Federal grants - operating
- Investment earnings, unrestricted
- Miscellaneous, unrestricted

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Restatement to net position

Net position, ending

<b>Net (Expenses) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (40,193,429)	\$ -	\$ (40,193,429)
(12,123,484)	-	(12,123,484)
(12,017,362)	-	(12,017,362)
(11,478,654)	-	(11,478,654)
(6,480,634)	-	(6,480,634)
(3,691,282)	-	(3,691,282)
(2,089,722)	-	(2,089,722)
(737,337)	-	(737,337)
(850,769)	-	(850,769)
(4,295,854)	-	(4,295,854)
(28,722,932)	-	(28,722,932)
(5,613,275)	-	(5,613,275)
(860,648)	-	(860,648)
(1,144,880)	-	(1,144,880)
(3,789,061)	-	(3,789,061)
(3,857,204)	-	(3,857,204)
(21,731,218)	-	(21,731,218)
-	-	-
(19,222,740)	-	(19,222,740)
(178,900,485)	-	(178,900,485)
-	(531,737)	(531,737)
-	(531,737)	(531,737)
(178,900,485)	(531,737)	(179,432,222)
132,314,848	-	132,314,848
11,430,961	-	11,430,961
1,088,886	-	1,088,886
2,437,871	-	2,437,871
239,912	2,613	242,525
3,603,455	-	3,603,455
(242,192)	242,192	-
150,873,741	244,805	151,118,546
(28,026,744)	(286,932)	(28,313,676)
321,498,993	1,775,872	323,274,865
(576,153,920)	(13,019,347)	(589,173,267)
\$ (282,681,671)	\$ (11,530,407)	\$ (294,212,078)

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

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## **FUND FINANCIAL STATEMENTS**

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**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Balance Sheet - Governmental Funds**  
**June 30, 2018**

**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
<b>ASSETS</b>						
Cash and cash equivalents	\$ 14,120,389	\$ 7,708,202	\$ 5,210	\$ 5,116,430	\$ 14,589,413	\$ 41,539,644
Due from other governments	671,109	23,613	7,384,618	626,640	854,821	9,560,801
Other receivable, net	28,346	95,366	-	-	75,594	199,306
Due from other funds	29,877	-	-	-	59,118	88,995
Inventories	93,319	-	-	-	-	93,319
Prepaid items	106,348	9,890	-	-	14,552	130,790
Total assets	\$ 15,049,388	\$ 7,837,071	\$ 7,389,828	\$ 5,743,070	\$ 15,593,498	\$ 51,612,855
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable and accrued expenses	\$ 865,174	\$ 24,069	\$ 5,210	\$ 576,770	\$ 27,419	\$ 1,498,642
Due to other funds	59,118	-	-	-	-	59,118
Accrued salaries and wages payable	4,397,991	74,973	7,349,996	-	690,698	12,513,658
Unearned revenue	615,083	3,809,376	34,622	84,145	168,590	4,711,816
Total liabilities	5,937,366	3,908,418	7,389,828	660,915	886,707	18,783,234
Fund balances:						
Nonspendable:						
Inventories	93,319	-	-	-	-	93,319
Prepaid items	106,348	9,890	-	-	14,552	130,790
Restricted:						
Stabilization by State statute	729,332	118,979	-	626,640	162,675	1,637,626
School capital outlay	-	-	-	4,455,515	-	4,455,515
Grants and scholarships	-	3,799,784	-	-	-	3,799,784
Individual schools	-	-	-	-	2,086,707	2,086,707
Committed:						
Teacher salaries	311,986	-	-	-	-	311,986
One-time funding	1,888,819	-	-	-	-	1,888,819
Strategic plan funding	-	-	-	-	5,554,422	5,554,422
Other committed balances	-	-	-	-	1,014,157	1,014,157
Assigned:						
Special revenue	-	-	-	-	5,874,278	5,874,278
Subsequent year's expenditures	500,000	-	-	-	-	500,000
Self-insurance	3,056,908	-	-	-	-	3,056,908
Unassigned	2,425,310	-	-	-	-	2,425,310
Total fund balances	9,112,022	3,928,653	-	5,082,155	14,706,791	32,829,621
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,049,388	\$ 7,837,071	\$ 7,389,828	\$ 5,743,070	\$ 15,593,498	\$ 51,612,855
<b>Reconciliation of the balance sheet to the statement of net position:</b>						
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:						
Total fund balance - governmental funds						\$ 32,829,621
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.						
Cost of capital assets				\$ 679,734,162		
Accumulated depreciation				(317,393,029)		362,341,133
Net OPEB asset						829,844
Deferred outflows of resources related to pensions						61,448,390
Deferred outflows of resources related OPEB						26,857,455
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					(1,815,162)	
Claims liability for retained risk					(3,270,475)	
Compensated absences payable					(19,478,741)	
Net OPEB liability					(457,685,039)	
Net pension liability					(120,386,447)	(602,635,864)
Deferred inflows of resources related to pensions						(6,278,610)
Deferred inflows of resources related to OPEB						(159,058,265)
Sales tax receivable deferred in the governmental funds						984,625
Net position of governmental activities						\$ (282,681,671)

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, 2018**

	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
<b>REVENUES</b>						
State of North Carolina	\$ -	\$ 127,928	\$ 202,831,665	\$ 1,757,603	\$ -	\$ 204,717,196
Durham County	132,819,094	1,847,010	-	11,320,961	-	145,987,065
City of Durham	98,108	-	-	110,000	157,787	365,895
U.S. Government	-	216,920	-	-	27,353,097	27,570,017
Other	679,453	4,576,783	-	360,963	12,952,165	18,569,364
Total revenues	<u>133,596,655</u>	<u>6,768,641</u>	<u>202,831,665</u>	<u>13,549,527</u>	<u>40,463,049</u>	<u>397,209,537</u>
<b>EXPENDITURES</b>						
Current:						
Instructional services:						
Regular instructional	32,525,931	474,874	100,370,747	-	2,031,763	135,403,315
Special populations	7,051,476	856,200	44,101,266	-	7,449,246	59,458,188
Alternative programs	9,167,504	1,338,482	11,343,444	-	15,215,616	37,065,046
School leadership	9,596,301	300,228	12,482,037	-	215,292	22,593,858
Co-curricular	1,670,686	(503)	-	-	4,662,646	6,332,829
School-based support	6,598,927	102,548	12,739,494	-	1,445,692	20,886,661
System-wide support services:						
Support and development	1,901,277	107,826	407,494	-	231,762	2,648,359
Special population support and development	555,187	-	450,430	-	550,506	1,556,123
Alternative programs and services support and development	770,904	-	64,599	-	307,969	1,143,472
Technology support	3,443,923	-	847,172	-	616,904	4,907,999
Operational support	28,399,997	18,417	16,327,394	-	347,439	45,093,247
Financial and human resource Accountability	5,069,038	-	1,764,723	-	78,476	6,912,237
System-wide pupil support	804,612	-	-	-	34,383	838,995
Policy, leadership and public relations	985,083	46,780	425,379	-	-	1,457,242
Ancillary services	3,274,002	-	1,265,294	-	511,705	5,051,001
Non-programmed charges	431,671	3,525,137	-	-	13,457	3,970,265
Capital outlay	21,717,029	1,882	-	-	826,817	22,545,728
Debt service:						
Principal repayments	-	-	-	668,717	-	668,717
Interest	-	-	-	-	-	-
Total expenditures	<u>133,963,548</u>	<u>6,771,871</u>	<u>202,589,473</u>	<u>14,235,642</u>	<u>34,539,673</u>	<u>392,100,207</u>
Revenues over (under) expenditures	<u>(366,893)</u>	<u>(3,230)</u>	<u>242,192</u>	<u>(686,115)</u>	<u>5,923,376</u>	<u>5,109,330</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers to other funds	-	-	(242,192)	-	-	(242,192)
Installment purchase obligations issued	-	-	-	1,044,300	-	1,044,300
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(242,192)</u>	<u>1,044,300</u>	<u>-</u>	<u>802,108</u>
Net change in fund balance	(366,893)	(3,230)	-	358,185	5,923,376	5,911,438
<b>FUND BALANCES</b>						
Beginning of year	9,494,105	3,931,883	-	4,723,970	8,783,415	26,933,373
Decrease in reserve for inventories	(15,190)	-	-	-	-	(15,190)
End of year	<u>\$ 9,112,022</u>	<u>\$ 3,928,653</u>	<u>\$ -</u>	<u>\$ 5,082,155</u>	<u>\$ 14,706,791</u>	<u>\$ 32,829,621</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 Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

**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		\$ 5,911,438
Change in fund balances due to change in reserve for inventory		(15,190)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Depreciation expense	\$ (20,226,250)	
Capital outlays	<u>11,876,419</u>	(8,349,831)
Contributions to the pension plan in the current fiscal year and not included on the statement of activities		22,510,178
Contributions to the OPEB plans in the current fiscal year not included on the statement of activities		12,925,603
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Proceeds from the issuance of debt		(1,044,300)
Repayment of debt		668,717
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense	(32,043,596)	
OPEB expenses	(25,827,688)	
Compensated absences	(2,756,156)	
Claim liability for retained risk	<u>(636,875)</u>	(61,264,315)
Increase in unearned revenue for sales tax receivable reported in the governmental funds		<u>630,956</u>
<b>Total changes in net position of governmental activities</b>		<b><u><u>\$ (28,026,744)</u></u></b>

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Local Current Expense Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Durham County	\$ 133,007,061	\$ 133,007,061	\$ 132,819,094	\$ (187,967)
City of Durham	30,000	30,000	98,108	68,108
Other	650,000	650,000	679,453	29,453
Total revenues	<u>133,687,061</u>	<u>133,687,061</u>	<u>133,596,655</u>	<u>(90,406)</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	42,327,407	34,889,980	32,525,931	2,364,049
Special populations	6,935,756	7,320,140	7,051,476	268,664
Alternative programs	2,752,641	9,725,873	9,167,504	558,369
School leadership	9,969,966	9,689,376	9,596,301	93,075
Co-curricular	1,692,527	1,687,976	1,670,686	17,290
School-based support	7,409,566	7,279,947	6,598,927	681,020
System-wide support services:				
Support and development	1,894,852	1,906,574	1,901,277	5,297
Special population support and development	502,059	557,977	555,187	2,790
Alternative programs and services support and development	900,844	1,028,201	770,904	257,297
Technology support	3,109,260	3,502,354	3,443,923	58,431
Operational support	26,928,519	28,492,209	28,399,997	92,212
Financial and human resource Accountability	5,544,006	5,519,895	5,069,038	450,857
	799,185	853,407	804,612	48,795
System-wide pupil support	1,056,993	1,006,076	985,083	20,993
Policy, leadership, and public relations	3,833,138	3,057,997	3,274,002	(216,005)
Ancillary services	819,902	824,515	431,671	392,844
Non-programmed charges	22,593,444	21,727,568	21,717,029	10,539
Total expenditures	<u>139,070,065</u>	<u>139,070,065</u>	<u>133,963,548</u>	<u>5,106,517</u>
Revenues under expenditures	(5,383,004)	(5,383,004)	(366,893)	5,016,111
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	4,368,714	4,368,714	-	(4,368,714)
Appropriated fund balance	<u>1,014,290</u>	<u>1,014,290</u>	<u>-</u>	<u>(1,014,290)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(366,893)	<u>\$ (366,893)</u>
<b>FUND BALANCE</b>				
Beginning of year			9,494,105	
Change in reserve for inventories			<u>(15,190)</u>	
End of year			<u>\$ 9,112,022</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 Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Grant and Community Schools Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Durham County:				
Pre Kindergarten Program Support	\$ 2,008,140	\$ 2,008,140	\$ 1,847,010	\$ (161,130)
State of North Carolina:				
Northeast Leadership Academy	122,716	122,716	122,896	180
Natural and Cultural Resources	-	5,032	5,032	-
N.C. Pre-K	300,000	300,000	-	(300,000)
Total State of North Carolina	422,716	427,748	127,928	(299,820)
U.S. Government:				
Fresh Fruit and Vegetable Grant	54	54	-	(54)
N.C. Quest	-	142,727	140,086	(2,641)
C.D.C. H.I.V (1308)	-	6,000	1,625	(4,375)
Innovative Approaches	75,429	75,429	75,209	(220)
Job Creation Grant	3,000	3,000	-	(3,000)
National Science Foundation Grant	3,435	3,435	-	(3,435)
Total U.S. Government	81,918	230,645	216,920	(13,725)
Other :				
Community education	3,882,416	3,941,061	3,529,033	(412,028)
Reading Academy	8,063	8,063	4,711	(3,352)
Education Workforce and Innovation	193,331	353,331	128,729	(224,602)
Community Liaisons for Students	97,097	97,097	84,232	(12,865)
Watts Afterschool Reading	17,920	34,419	17,995	(16,424)
Duke Neighborhood Foundation	12,629	50,629	19,473	(31,156)
Arts Spotlight	50,001	59,986	12,054	(47,932)
Grow Program	6,029	16,282	4,733	(11,549)
Durham Public Schools Farm	22,168	57,042	14,518	(42,524)
Singapore American School Math	22,438	52,438	21,898	(30,540)
United Way Social Innovation	5,621	5,621	1,112	(4,509)
Other	1,597,202	2,246,342	738,295	(1,508,047)
Total other	5,914,915	6,922,311	4,576,783	(2,345,528)
Total revenues	8,427,689	9,588,844	6,768,641	(2,820,203)
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	406,079	953,717	474,874	478,843
Special populations	651,786	907,141	856,200	50,941
Alternative programs	1,615,052	1,717,187	1,338,482	378,705
School leadership	328,733	300,236	300,228	8
Co-curricular	8,845	8,870	(503)	9,373
School-based support	138,030	142,987	102,548	40,439
Total instructional services	3,148,525	4,030,138	3,071,829	958,309



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Grant and Community Schools Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
System-wide support services:				
Support and development	\$ 4	\$ 212,974	\$ 107,826	\$ 105,148
Alternative programs and services support and development	17,807	51	-	51
Operational support	43,331	67,106	18,417	48,689
System-wide pupil support	23,724	87,428	46,780	40,648
Total system-wide support services	<u>84,866</u>	<u>367,559</u>	<u>173,023</u>	<u>194,536</u>
Ancillary services:				
Community	3,891,458	3,891,458	3,524,025	367,433
Nutrition	8,140	8,140	1,112	7,028
Total ancillary services	<u>3,899,598</u>	<u>3,899,598</u>	<u>3,525,137</u>	<u>374,461</u>
Non-programmed charges:				
Indirect costs	701,042	1,291,549	1,882	1,289,667
Unbudgeted funds	593,658	-	-	-
Total non-programmed charges	<u>1,294,700</u>	<u>1,291,549</u>	<u>1,882</u>	<u>1,289,667</u>
Total expenditures	<u>8,427,689</u>	<u>9,588,844</u>	<u>6,771,871</u>	<u>2,816,973</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	(3,230)	<u>\$ (3,230)</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>3,931,883</u>	
End of year			<u>\$ 3,928,653</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 Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**State Public School Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State of North Carolina	\$ 207,812,146	\$ 208,461,234	\$ 202,831,665	\$ (5,629,569)
Total revenues	207,812,146	208,461,234	202,831,665	(5,629,569)
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	105,880,762	104,421,751	100,370,747	4,051,004
Special populations	43,455,260	44,341,066	44,101,266	239,800
Alternative programs	10,848,450	12,365,604	11,343,444	1,022,160
School leadership	12,149,750	12,523,533	12,482,037	41,496
School-based support	13,091,167	12,890,317	12,739,494	150,823
System-wide support services:				
Support and development	530,786	407,496	407,494	2
Special population support and development	520,666	450,438	450,430	8
Alternative programs and services support and development	75,507	64,598	64,599	(1)
Technology support	716,900	847,172	847,172	-
Operational support	16,730,388	16,421,904	16,327,394	94,510
Financial and human resource	1,838,167	1,784,056	1,764,723	19,333
System-wide pupil support	427,262	425,377	425,379	(2)
Policy, leadership, and public relations	1,308,486	1,265,302	1,265,294	8
Ancillary services	114,221	33,958	-	33,958
Total expenditures	207,687,772	208,242,572	202,589,473	5,653,099
Revenues over expenditures	124,374	218,662	242,192	23,530
Other financing sources (uses):				
Transfers to other funds	(124,374)	(218,662)	(242,192)	(23,530)
Total other financing sources (uses)	(124,374)	(218,662)	(242,192)	(23,530)
Net change in fund balance	\$ -	\$ -	-	\$ -
<b>FUND BALANCE</b>				
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, 2018**

	<b>Major Fund</b>
	<b>School Food</b>
	<b>Service Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,177,881
Accounts receivable, net	17,364
Due from other governments	594,952
Inventories	542,624
OPEB asset	18,752
Total current assets	3,351,573
Noncurrent assets:	
Furniture and equipment, net	583,000
Total assets	3,934,573
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,995,447
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	170,016
Due to other funds	29,877
Unearned revenue	108,346
Compensated absences	353,393
Total current liabilities	661,632
Noncurrent liabilities:	
Net pension liability	2,720,372
Net OPEB liability	10,342,306
Total noncurrent liabilities	13,062,678
Total liabilities	13,724,310
<b>DEFERRED INFLOWS OF RESOURCES</b>	3,736,117
<b>NET POSITION</b>	
Net investment in capital assets	583,000
DIPNC OPEB plan	34,610
Unrestricted	(12,148,017)
Total net position	\$ (11,530,407)

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, 2018**

	<b>Major Fund</b>
	<b>School Food</b>
	<b>Service Fund</b>
<b>OPERATING REVENUES</b>	
Food sales	\$ 2,392,809
Other	3,160
Total operating revenues	2,395,969
<b>OPERATING EXPENSES</b>	
Food costs:	
Purchase of food	5,544,467
Donated commodities	1,114,136
Salaries and benefits	8,765,561
Indirect costs	811,076
Materials and supplies	516,816
Repairs and maintenance	115,538
Depreciation	88,284
Other	93,317
Total operating expenses	17,049,195
Operating loss	(14,653,226)
<b>NONOPERATING REVENUES</b>	
Federal reimbursements	12,129,498
Federal commodities	1,078,242
Federal summer feeding program	616,409
Fresh fruits and vegetables program	275,405
State reimbursements	21,935
Interest earned	2,613
Total nonoperating revenues	14,124,102
Loss before transfers	(529,124)
Transfers from other funds	242,192
Change in net position	(286,932)
<b>NET POSITION</b>	
Beginning of year	1,775,872
Net position, OPEB restatement	(13,019,347)
End of year	\$ (11,530,407)

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, 2018**

	<u>Major Fund</u> <u>School Food</u> <u>Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 5,965,685
Cash paid for goods and services	(7,154,394)
Cash paid to employees for services	<u>(11,589,837)</u>
Net cash used by operating activities	<u>(12,778,546)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal reimbursements	13,076,247
State reimbursements	<u>21,935</u>
Net cash provided by noncapital financing activities	<u>13,098,182</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(146,429)</u>
Net cash used in capital and related financing activities	<u>(146,429)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>2,613</u>
Net cash provided from investing activities	<u>2,613</u>
Net increase in cash and cash equivalents	175,820
Cash and cash equivalents - beginning of year	<u>2,002,061</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,177,881</u></u>

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

**Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2018**

	<b>Major Fund</b>
	<b>School Food</b>
	<b>Service Fund</b>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (14,653,226)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	88,284
Donated commodities consumed	1,078,242
Salaries paid by other fund	242,192
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) decrease in:	
Accounts receivable	64,068
OPEB asset	854
Inventories	24,292
Deferred outflows of resources	477,930
Increase (decrease) in:	
Accounts payable and accrued expenses	(92,309)
Unearned revenue	(58,014)
Due to other funds	29,877
Compensated absences	36,157
Net pension liability	(597,933)
Net OPEB liability	(2,982,622)
Deferred inflows of resources	3,563,662
Total adjustments	1,874,680
Net cash used by operating activities	\$ (12,778,546)

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$242,192 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 \$1,078,242 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The fund recorded the consumption of \$1,114,136 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, 2018**

	<b>Della Bradsher Hedgepeth Memorial Scholarship Fund</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 33,760
	<u>                    </u>
Total assets	<u><u>\$ 33,760</u></u>
<b>NET POSITION</b>	
Held in trust for scholarships	\$ 15,000
Unrestricted	18,760
	<u>                    </u>
Total net position	<u><u>\$ 33,760</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, 2018**

	<b>Della Bradsher Hedgepeth Memorial Scholarship Fund</b>
<b>ADDITIONS</b>	
Donations	\$ 1,000
Interest on investments	396
Total additions	<u>1,396</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	<u>1,000</u>
Change in net position	396
<b>NET POSITION</b>	
Beginning of year	<u>33,364</u>
End of year	<u><u>\$ 33,760</u></u>

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



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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, 2018**

**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, 2018**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C) Measurement Focus and Basis of Accounting (Continued)**

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

**D) Budgetary Data**

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

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

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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, 2018, the Board has no outstanding encumbrances.

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

**1) Deposits and Investments**

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

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

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

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

**2) Cash and Cash Equivalents**

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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, 2018**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**5) Capital Assets (Continued)**

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

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

Land and construction in progress are not depreciated.

Depreciation for buildings and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the statement of activities.

**6) Deferred Outflows and Inflows of Resources**

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

**7) Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**8) Compensated Absences**

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board’s liability for accumulated earned vacation and salary-related payments as of June 30, 2018 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, 2018**

**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, 2018**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**9) Net Position/Fund Balances (Continued)**

Committed Fund Balance - portion of fund balance that can only be used for a specific purpose imposed by a resolution passed by majority vote by quorum of the Board of Education's governing body (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

Teachers Salaries – portion of fund balance approved by resolution of the Board of Education to maintain staffing levels equivalent to the 2017-18 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.

Strategic Plan Funding – portion of the fund balance approved by resolution of the Board of Education to fund the Board strategic plan for the district.

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

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

Subsequent Year's Expenditures – Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes management to modify the appropriations by resource.

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, 2018**

**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 \$315,511,292 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)	\$ 679,734,162
Less: Accumulated depreciation	(317,393,029)
Net capital assets	362,341,133
Net OPEB asset	829,844
Deferred outflows of resources:	
Deferred outflows of resources related to pensions	61,448,390
Deferred outflows of resources related OPEB	26,857,455
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	(1,815,162)
Claims liability for retained risk	(3,270,475)
Compensated absences	(19,478,741)
Net pension liability	(120,386,447)
Net OPEB liability	(457,685,039)
Deferred inflows of resources:	
Deferred inflows of resources related to pensions	(6,278,610)
Deferred inflows of resources related to OPEB	(159,058,265)
Sales tax receivable, deferred	984,625
Total adjustment	\$ (315,511,292)

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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 \$33,938,182 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 11,876,419
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	(20,226,250)
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	668,717
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	(1,044,300)
Contributions to the pension and OPEB plans in the current fiscal year are not included on the statement of activities:	
Pension plan	22,510,178
OPEB plans	12,925,603
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	(32,043,596)
OPEB expense	(25,827,688)
Compensated absences	(2,756,156)
Estimated liabilities for retained risks increased during the year	(636,875)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in unearned revenues for sales tax receivable reported in the governmental funds	630,956
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	(15,190)
<b>Total adjustment</b>	<b>\$ (33,938,182)</b>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**11) Defined Benefit Pension Plan and OPEB Plans**

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

**II) 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, 2018, the Board had deposits with banks with a carrying amount of \$24,865,890 and with the State Treasurer of \$0. The bank balances with financial institutions and the State Treasurer were \$27,745,679 and \$3,017,829, respectively. Of these balances, \$2,706,340 was covered by federal depository insurance and \$28,057,168 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**A) Assets (Continued)**

**2) Investments**

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

Investment Type	Measurement Method	Value	Maturity	Rating
North Carolina Capital Management Trust - Government Portfolio	Amortized Cost	\$ 3,572,226	N/A	AAAm
Short Term Investment Fund	Fair Value - Level 2	\$ 15,313,169	Duration of 1.4 years	Unrated

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

*Interest Rate Risk.* The Board does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The STIF had a weighted average maturity of 1.4 years at June 30, 2018.

*Credit risk.* The Board's investments in the CMTGP, carried a credit rating of AAAm by Standard and Poor's as of June 30, 2018. The STIF is unrated and is authorized under North Carolina General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries and agencies, and money market instruments. The Board has no policy on credit risk.

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

**3) Accounts Receivable**

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

	Net Due from (to) Other Funds (Internal Balances)	Due from Other Governments	Other	Total
<b>Governmental activities:</b>				
Local Current Expense Fund	\$ (29,241)	\$ 671,109	\$ 28,346	\$ 670,214
Other governmental activities	59,118	8,889,692	170,960	9,119,770
Total	<u>\$ 29,877</u>	<u>\$ 9,560,801</u>	<u>\$ 199,306</u>	<u>\$ 9,789,984</u>
<b>Business-type activities:</b>				
School Food Service Fund	<u>\$ (29,877)</u>	<u>\$ 594,952</u>	<u>\$ 17,364</u>	<u>\$ 582,439</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**A) Assets (Continued)**

**3) Accounts Receivable (Continued)**

Due from other governments consist of the following:

Governmental activities:		
Local Current Expense Fund	\$ 671,109	Sales tax revenue from State
State Public School Fund	27,340	Sales tax revenue from State
	7,357,278	11 <sup>th</sup> and 12 <sup>th</sup> installments due from NCDPI
Capital Outlay Fund	93,439	Sales tax revenue from State
	533,201	Appropriations and bond proceeds from County
Grant and Community Schools		
Special Revenue Fund	23,613	Sales tax revenue from State
Federal Grants Fund	685,697	11 <sup>th</sup> and 12 <sup>th</sup> installments due from NCDPI
	141,161	Sales tax revenue from State
Local Special Expense Fund	<u>27,963</u>	Sales tax revenue from State
Total	<u>\$ 9,560,801</u>	
Business type activities:		
School Fund Service Fund	\$ 577,165	USDA and Summer Feeding programs
	<u>17,787</u>	Sales tax revenue from State
	<u>\$ 594,952</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, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**A) Assets (Continued)**

**4) Capital Assets**

All receivables are expected to be collected within one year.

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Ending Balances</u>
Capital assets not being depreciated:					
Land	\$ 22,163,934	\$ -	\$ -	\$ -	\$ 22,163,934
Construction in progress	9,113,351	10,382,123	(13,784,717)		5,710,757
Total capital assets not being depreciated	<u>31,277,285</u>	<u>10,382,123</u>	<u>(13,784,717)</u>	<u>-</u>	<u>27,874,691</u>
Capital assets being depreciated:					
Buildings	396,789,042	-	-	-	396,789,042
Building improvements	192,399,157	-	13,784,717	-	206,183,874
Furniture and equipment	15,549,222	244,045	-	-	15,793,267
Vehicles	31,981,840	1,250,251	-	138,803	33,093,288
Total capital assets being depreciated	<u>636,719,261</u>	<u>1,494,296</u>	<u>13,784,717</u>	<u>138,803</u>	<u>651,859,471</u>
Less accumulated depreciation for:					
Buildings	217,979,588	9,869,776	-	-	227,849,364
Building improvements	38,147,679	8,672,075	-	-	46,819,754
Furniture and equipment	12,664,561	680,889	-	-	13,345,450
Vehicles	28,513,754	1,003,510	-	138,803	29,378,461
Total accumulated depreciation	<u>297,305,582</u>	<u>20,226,250</u>	<u>-</u>	<u>138,803</u>	<u>317,393,029</u>
Total capital assets being depreciated, net	<u>339,413,679</u>				<u>334,466,442</u>
Governmental activity capital assets, net	<u>\$ 370,690,964</u>				<u>\$362,341,133</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 19,222,740
Operational support services	<u>1,003,510</u>
Total	<u>\$ 20,226,250</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**A) Assets (Continued)**

**4) Capital Assets (Continued)**

	Beginning Balances	Additions	Disposals	Ending Balances
<b>Business-type activities:</b>				
School Food Service Fund				
Capital assets being depreciated:				
Furniture and equipment	\$ 3,507,278	\$ 146,429	\$ -	\$ 3,653,707
Vehicles	193,626	-	-	193,626
Total capital assets being depreciated	3,700,904	146,429	-	3,847,333
Less accumulated depreciation for:				
Furniture and equipment	2,982,423	88,284	-	3,070,707
Vehicles	193,626	-	-	193,626
Total accumulated depreciation	3,176,049	88,284	-	3,264,333
School Fund Service capital assets, net	\$ 524,855			\$ 583,000

**5) Construction Commitments**

The Board has entered into several planned construction projects for school construction and improvements as of June 30, 2018. 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, 2018, 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, 2018**

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

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



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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, 2018, was 10.78% 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 \$23,018,840, \$20,869,025, and \$18,822,977, for the years ended June 30, 2018, 2017 and 2016, 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, 2018, the Board reported a liability of \$123,106,819 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2018 and at June 30, 2017, the Board's proportion was 1.55% and 1.58%, respectively.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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, 2018, the Board recognized pension expense of \$32,688,957. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 1,039,822	\$ 2,393,021
Difference between projected and actual experience	2,668,728	4,027,467
Changes in assumptions	19,449,021	-
Difference between projected and actual earnings on plan investments	16,660,528	-
Pension contributions subsequent to the measurement date	23,018,840	-
Total	<u>\$ 62,836,939</u>	<u>\$ 6,420,488</u>

\$23,018,840 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2019	\$ 6,370,702
2020	23,093,904
2021	10,600,729
2022	(6,667,724)
2023	-
Thereafter	-
	<u>\$ 33,397,611</u>

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

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

*Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Decrease Rate (7.20%)	1% Increase (8.20%)
Board's proportionate share of the net pension liability (asset)	\$ 253,404,794	\$ 123,106,819	\$ 13,933,726

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

**b) Other Postemployment Benefits**

**1) Healthcare Benefits**

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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)**

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

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

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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)**

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

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

*Contributions.* By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state - supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2018, 2017 and 2016, the Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$12,918,737, \$12,147,277, and \$11,520,074, respectively. These contributions represented 6.05%, 5.81%, and 5.60% of covered payroll, respectively.

At June 30, 2018, Board reported a liability of \$468,027,345 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017, the Board's proportion was 1.43 %.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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)**

\$12,918,737 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ended June 30:	
2019	\$ (29,768,089)
2020	(29,768,089)
2021	(29,768,089)
2022	(29,768,089)
2023	(29,724,604)
Thereafter	-

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

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

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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)**

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

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$ 558,329,741	\$ 468,027,345	\$ 396,404,730

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

	1% Decrease (Medical) - 4.00-5.50%, Pharmacy - 4.00-6.25%, Medicare Advantage - 3.00-4.00%, Administrative - 2.00%)	Healthcare Trend Rates (Medical - 5.00-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 4.00- 5.00%, Administrative - 3.00%)	1% increase (Medical - 6.00- 7.50%, Pharmacy - 6.00- 8.25%, Medicare Advantage - 5.00-6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 382,335,237	\$ 468,027,345	\$ 581,923,111

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

**2) Disability Benefits**

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



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Disability Benefits (Continued)**

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

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

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

*Contributions.* Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. For the fiscal years ended June 30, 2018, 2017, and 2016 the Board paid all annual required contributions to the DIPNC for disability benefits of \$298,946, \$794,163, and \$843,434, respectively. These contributions represented 0.14%, 0.38%, and 0.41% of covered payroll, respectively.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Disability Benefits (Continued)**

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

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

At June 30, 2018, Board reported an asset of \$848,596 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The total OPEB asset was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017, the Board's proportion was 1.39%.

\$298,946 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years ended June 30:</u>	
2019	\$ 114,899
2020	114,899
2021	114,858
2022	46,470
2023	-
Thereafter	-

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

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Disability Benefits (Continued)**

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	\$ 721,432	\$ 848,596	\$ 976,052

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

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

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

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

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Disability Benefits (Continued)**

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

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

	RHBF	DIPNC	Total
OPEB expense	\$ 25,969,640	\$ 441,675	\$ 26,411,315
OPEB liability (asset)	468,027,345	(848,596)	467,178,749
Proportionate share (%) of the net OPEB liability (asset)	1.43%	1.39%	
<b>Deferred outflows of resources</b>			
Change in proportion and difference between employer contributions and proportionate share of OPEB contributions	\$ 13,827,995	\$ -	\$ 13,827,995
Difference between the OPEB plan expected and actual experience	-	232,670	232,670
Changes in assumptions	-	-	-
Difference between projected and actual earning on OPEB plan investments	-	186,005	186,005
OPEB contributions subsequent to the measurement date	12,918,737	298,946	13,217,683
	\$ 26,746,732	\$ 717,621	\$ 27,464,353
<b>Deferred inflow of resources:</b>			
Change in proportion and difference between employer contributions and proportionate share of OPEB contributions	\$ -	\$ 27,549	\$ 27,549
Difference between the OPEB plan expected and actual experience	33,558,422	-	33,558,422
Changes in assumptions	128,892,594	-	128,892,594
Difference between projected and actual earning on OPEB plan investments	173,939	-	173,939
	\$ 162,624,955	\$ 27,549	\$ 162,652,504

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**2) Accounts Payable**

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

	Vendors	Salaries and benefits	Total
<b>Governmental activities:</b>			
Local Current Expense Fund	\$ 865,174	\$ 4,397,991	\$ 5,263,165
Other governmental	633,468	8,115,667	8,749,135
Total governmental activities	\$ 1,498,642	\$ 12,513,658	\$ 14,012,300
 <b>Business-type activities:</b>			
School Food Service Fund	\$ 170,016	\$ -	\$ 170,016

**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
<b>Governmental activities:</b>		
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 14,539,272	\$ 2,367,081
Difference between projected and actual experience	2,837,284	36,755,329
Changes in assumptions	19,019,243	126,044,370
Difference between projected and actual earnings on plan investments	16,474,265	170,095
Pension and OPEB contributions subsequent to the measurement date	35,435,781	-
Total governmental activities	\$ 88,305,845	\$ 165,336,875
 <b>Business-type activities:</b>		
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 328,545	\$ 53,489
Difference between projected and actual experience	64,114	830,560
Changes in assumptions	429,778	2,848,224
Difference between projected and actual earnings on plan investments	372,268	3,844
Pension and OPEB contributions subsequent to the measurement date	800,742	-
Total governmental activities	\$ 1,995,447	\$ 3,736,117

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**4) Risk Management**

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board protects itself from potential loss through a combination of the purchase of commercial insurance from primary and/or excess liability coverage and self-funded risk retention.

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

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

Tangible property assets of the Board are insured through commercially purchased insurance coverage up to approximately \$890 million. Deductibles range from \$1,000 to \$25,000 per occurrence. Umbrella coverage in the amount of \$4,000,000 applies as excess over the general liability, automobile liability and employer's liability.

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

	Beginning Balances	Claims	Claim Payments	Ending Balance
2016-2017	\$ 2,168,766	\$ 641,413	\$ 176,579	\$ 2,633,600
2017-2018	\$ 2,633,600	\$ 1,328,029	\$ 691,154	\$ 3,270,475

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

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

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**5) Contingent Liabilities**

At June 30, 2018, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the Board's financial position.

**6) Long-Term Obligations**

**a) Installment Purchase**

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115-528. The State accepted the bid to purchase Thomas Built Buses and Blue Bird Buses through a special third party financing arrangement at total payments less than the purchase price.

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.

In 2016, the Board entered into an installment purchase contracts to finance the purchase of 12 school buses for \$1,109,401. The financing contract requires only principal payments of \$277,350 upon delivery of the buses and \$277,350 annually, beginning November 15, 2017, with the final payment due on November 15, 2019.

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

The future minimum payments of the installment purchases as of June 30, 2018, including \$54,367 of interest, are as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 807,754	\$ 17,834
2020	458,354	14,438
2021	248,370	10,959
2022	148,516	7,394
2023	152,168	3,742
Total	<u>\$ 1,815,162</u>	<u>\$ 54,367</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**6) Long-Term Obligations (Continued)**

**b) Long-Term Obligation Activity**

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2018:

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
Governmental activities:					
Installment purchases	\$ 1,439,579	\$ 1,044,300	\$ 668,717	\$ 1,815,162	\$ 807,754
Net pension liability	141,767,666	-	21,381,219	120,386,447	-
Net OPEB liability	589,677,014	-	131,991,975	457,685,039	-
Compensated absenses	16,722,585	14,914,345	12,158,189	19,478,741	12,158,200
Claims liability for retained risk	2,633,600	636,875	-	3,270,475	800,000
	<u>\$ 752,240,444</u>	<u>\$ 16,595,520</u>	<u>\$ 166,200,100</u>	<u>\$ 602,635,864</u>	<u>\$ 13,765,954</u>
Business-type activities:					
Net pension liability	\$ 3,318,305	\$ -	\$ 597,933	\$ 2,720,372	\$ -
Net OPEB liability	13,324,928	-	2,982,622	10,342,306	-
Compensated absenses	317,236	364,918	328,761	353,393	353,393
	<u>\$ 16,960,469</u>	<u>\$ 364,918</u>	<u>\$ 3,909,316</u>	<u>\$ 13,416,071</u>	<u>\$ 353,393</u>

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

**C) Interfund Balances and Activity**

Interfund balances at June 30, 2018, consisted of the following:

From the Local Current Expense Fund to the School Activity Fund  
for portion of sales tax refund \$ 59,118

From the School Food Service Fund to the Local Current Expense  
Fund for indirect costs \$ 29,877

Transfers to/from other funds for the year ended June 30, 2018, consisted of the following:

From the State Public School Fund to the School Food Service Fund  
for administrative costs \$ 242,192



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**D) Fund Balance**

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

The following schedule provides management and citizens with information on the portion of the General Fund balance that is available for appropriation, as of June 30, 2018.

	Local Current Expense Fund
Total fund balance	\$ 9,112,022
Less: Inventories	(93,319)
Prepaid expense	(106,348)
Stablized by State Statue	(729,332)
Committed funds	(2,200,805)
Assigned for subsequent year's expenditures	(500,000)
Assigned for self-insurance	(3,056,908)
	\$ 2,425,310

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Board had no encumbrances as of June 30, 2018.

**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) ADOPTION OF ACCOUNTING PRINCIPLES/RESTATEMENT**

The Board implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning net OPEB liability and net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year end June 30, 2017). As a result, net position for the governmental and business-type activities decreased by \$576,153,920 and \$13,019,347, respectively.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**V) SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

**Date of Management's Review**

Management has evaluated subsequent events through December 3, 2018, 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, 2018.

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## REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Schedule of Board Contributions  
*Retiree Health Benefit Fund*

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

Schedule of Board Contributions  
*Disability Income Plan of North Carolina*

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

**Schedule 1**

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

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

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

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

Schedule 2

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

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

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

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

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

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	1.43%	1.39%
Board's proportionate share of the net OPEB liability	\$ 468,027,345	\$ 603,001,942
Board's covered-employee payroll	\$ 211,659,875	\$ 208,774,054
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	221.12%	288.83%
Plan fiduciary net position as a percentage of the total OPEB liability*	3.52%	2.41%

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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**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, 2018**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Durham County:			
Appropriation from general revenues	\$ 132,157,061	\$ 132,157,061	\$ -
Late property filing	850,000	662,033	(187,967)
Total Durham County	<u>133,007,061</u>	<u>132,819,094</u>	<u>(187,967)</u>
City of Durham:			
Property late fees	30,000	98,108	68,108
Other :			
Fines and forfeitures	650,000	679,453	29,453
Total revenues	<u>133,687,061</u>	<u>133,596,655</u>	<u>(90,406)</u>
<b>EXPENDITURES</b>			
Current:			
Instructional services:			
Regular instructional:			
Regular curricular		31,368,241	
CTE curricular		1,157,690	
Total regular instructional	<u>34,889,980</u>	<u>32,525,931</u>	<u>2,364,049</u>
Special populations:			
Children with disabilities curricular		4,170,206	
Special populations CTE curricular		59,031	
Pre-K children with disabilities curricular		161,153	
Speech and language pathology		606,263	
Audiology		19,347	
Academically / intellectually gifted curricular		1,051,461	
Limited English proficiency		984,015	
Total special populations	<u>7,320,140</u>	<u>7,051,476</u>	<u>268,664</u>
Alternative programs:			
Alternative instructional services K-12		236,942	
Attendance and social work		1,009,814	
Remedial and supplemental K-12		7,290,600	
Pre-K readiness/remedial and supplemental		9,946	
Extended day/year instructional		620,202	
Total alternative programs	<u>9,725,873</u>	<u>9,167,504</u>	<u>558,369</u>
School leadership	9,689,376	9,596,301	93,075
Co-curricular	1,687,976	1,670,686	17,290
School-based support:			
Educational media		1,287,760	
Student accounting		840,318	
Guidance		3,081,575	
Health support		156,997	
Safety and security support		363,932	
Instructional technology		543,433	
Staff development unallocated		233,137	
Parent involvement		91,775	
Total school-based support	<u>7,279,947</u>	<u>6,598,927</u>	<u>681,020</u>
System-wide support services:			
Support and development:			
Regular curricular support and development		1,888,025	
CTE curricular support and development		13,252	
Total support and development	<u>1,906,574</u>	<u>1,901,277</u>	<u>5,297</u>
Special population support and development	557,977	555,187	2,790
Alternative programs and services support and development	1,028,201	770,904	257,297
Technology support	3,502,354	3,443,923	58,431

**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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES (Continued)</b>			
Current:			
System-wide support services (Continued):			
Operational support:			
Communication		\$ 23,248	
Printing and copying		128,871	
Public utility and energy		8,905,418	
Custodial/housekeeping		8,266,378	
Transportation		2,464,300	
Warehouse and delivery		969,353	
Facilities planning, acquisitions and construction		310,148	
Maintenance		7,332,281	
Total operational support	\$ 28,492,209	28,399,997	\$ 92,212
Financial and human resource:			
Financial		2,593,107	
Human resources		2,475,931	
Total financial and human resources	5,519,895	5,069,038	450,857
Accountability:			
Student testing		491,158	
Planning, research development and program evaluation		313,454	
Total accountability	853,407	804,612	48,795
System-wide pupil support:			
Educational media support		140,883	
Student accounting support		417,543	
Safety and security support		426,657	
Total system-wide pupil support	1,006,076	985,083	20,993
Policy, leadership and public relations:			
Board of Education		201,885	
Legal		460,988	
Audit		76,477	
Leadership		2,102,173	
Public relations and marketing		432,479	
Total policy, leadership and public relations	3,057,997	3,274,002	(216,005)
Ancillary services:			
Community		357,393	
Nutritional		74,278	
Total ancillary services	824,515	431,671	392,844
Non-programmed charges:			
Payments to other governmental units	21,727,568	21,717,029	10,539
Total expenditures	139,070,065	133,963,548	5,106,517
Revenues under expenditures	(5,383,004)	(366,893)	5,016,111
<b>OTHER FINANCING SOURCES (USES)</b>			
Appropriated fund balance	1,014,290	-	(1,014,290)
Transfers from other funds	4,368,714	-	(4,368,714)
Total other financing sources	5,383,004	-	(5,383,004)
Net change in fund balance	\$ -	(366,893)	\$ (366,893)
<b>FUND BALANCE</b>			
Beginning of year		9,494,105	
Decrease in reserves for inventories		(15,190)	
End of year		\$ 9,112,022	

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Capital Outlay Fund**  
**For the Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
State of North Carolina:			
Public School Building Capital Fund	\$ 1,212,523	\$ 1,088,886	\$ (123,637)
State appropriations - school buses	668,717	668,717	-
Total State of North Carolina	<u>1,881,240</u>	<u>1,757,603</u>	<u>(123,637)</u>
Durham County:			
Annual appropriation	1,370,000	1,370,000	-
General obligation bonds	20,152,244	9,950,961	(10,201,283)
Total Durham County	<u>21,522,244</u>	<u>11,320,961</u>	<u>(10,201,283)</u>
City of Durham:			
City appropriation	110,000	110,000	-
Total City of Durham	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Other:			
Other revenues	450,000	360,963	(89,037)
Total other	<u>450,000</u>	<u>360,963</u>	<u>(89,037)</u>
Total revenues	<u>23,963,484</u>	<u>13,549,527</u>	<u>(10,413,957)</u>
<b>EXPENDITURES</b>			
Capital outlay:			
School construction and renovation:			
Instructional services	97,677	97,677	-
Transportation services	1,044,300	1,044,300	-
Construction of new building and additions	23,747,090	12,424,948	11,322,142
Total capital outlay	<u>24,889,067</u>	<u>13,566,925</u>	<u>11,322,142</u>
Debt service:			
Principal	668,717	668,717	-
Total debt service	<u>668,717</u>	<u>668,717</u>	<u>-</u>
Total expenditures	<u>25,557,784</u>	<u>14,235,642</u>	<u>11,322,142</u>
Revenues over (under) expenditures	<u>(1,594,300)</u>	<u>(686,115)</u>	<u>908,185</u>
Other financing sources:			
Installment purchase obligations issued	1,044,300	1,044,300	-
Total other financing sources	<u>1,044,300</u>	<u>1,044,300</u>	<u>-</u>
Appropriated fund balance	<u>550,000</u>	<u>-</u>	<u>(550,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>358,185</u>	<u>\$ 358,185</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>4,723,970</u>	
End of year		<u>\$ 5,082,155</u>	

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2018**

	<b>Special Revenue Funds</b>			<b>Total Non-major Governmental Funds</b>
	<b>Federal Grants Fund</b>	<b>Local Special Expense Fund</b>	<b>School Activity Funds</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 12,502,706	\$ 2,086,707	\$ 14,589,413
Due from other governments	826,858	27,963	-	854,821
Other receivable, net	-	75,594	-	75,594
Due from other funds	-	-	59,118	59,118
Prepaid expense	-	14,552	-	14,552
	<u>-</u>	<u>14,552</u>	<u>-</u>	<u>14,552</u>
Total assets	<u>\$ 826,858</u>	<u>\$ 12,620,815</u>	<u>\$ 2,145,825</u>	<u>\$ 15,593,498</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ 27,419	\$ -	\$ 27,419
Accrued salaries and wages payable	686,231	4,467	-	690,698
Unearned revenue	140,627	27,963	-	168,590
	<u>140,627</u>	<u>27,963</u>	<u>-</u>	<u>168,590</u>
Total liabilities	<u>826,858</u>	<u>59,849</u>	<u>-</u>	<u>886,707</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	-	14,552	-	14,552
Restricted:				
Stabilization by State statute	-	103,557	59,118	162,675
Individual schools	-	-	2,086,707	2,086,707
Committed:				
Strategic plan funding	-	5,554,422	-	5,554,422
Other committed balances	-	1,014,157	-	1,014,157
Assigned:				
Special revenue	-	5,874,278	-	5,874,278
	<u>-</u>	<u>5,874,278</u>	<u>-</u>	<u>5,874,278</u>
Total fund balances	<u>-</u>	<u>12,560,966</u>	<u>2,145,825</u>	<u>14,706,791</u>
Total liabilities and fund balances	<u>\$ 826,858</u>	<u>\$ 12,620,815</u>	<u>\$ 2,145,825</u>	<u>\$ 15,593,498</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2018**

	<b>Special Revenue Funds</b>			<b>Total Non-major Governmental</b>
	<b>Federal Grants Fund</b>	<b>Local Special Expense</b>	<b>School Activity Funds</b>	
<b>REVENUES</b>				
City of Durham	\$ -	\$ 157,787	\$ -	\$ 157,787
U.S. Government	27,181,713	171,384	-	27,353,097
Other	-	8,324,337	4,627,828	12,952,165
Total revenues	<u>27,181,713</u>	<u>8,653,508</u>	<u>4,627,828</u>	<u>40,463,049</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	1,064,214	967,549	-	2,031,763
Special populations	7,121,800	327,446	-	7,449,246
Alternative programs	15,214,483	1,133	-	15,215,616
School leadership	215,292	-	-	215,292
Co-curricular	-	-	4,662,646	4,662,646
School-based support	1,311,152	134,540	-	1,445,692
System-wide support services:				
Support and development	231,762	-	-	231,762
Special population support and development	506,772	43,734	-	550,506
Alternative programs and services support and development	307,969	-	-	307,969
Technology support	-	616,904	-	616,904
Operational support	347,069	370	-	347,439
Financial and human resource	-	78,476	-	78,476
Accountability	34,383	-	-	34,383
Policy, leadership and public relations	-	511,705	-	511,705
Ancillary services	-	13,457	-	13,457
Non-programmed charges	826,817	-	-	826,817
Total expenditures	<u>27,181,713</u>	<u>2,695,314</u>	<u>4,662,646</u>	<u>34,539,673</u>
Revenues over (under) expenditures	-	5,958,194	(34,818)	5,923,376
<b>FUND BALANCES</b>				
Beginning of year	<u>-</u>	<u>6,602,772</u>	<u>2,180,643</u>	<u>8,783,415</u>
End of year	<u>\$ -</u>	<u>\$ 12,560,966</u>	<u>\$ 2,145,825</u>	<u>\$ 14,706,791</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Federal Grants Fund**  
**For the Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
U.S. Government	\$ 33,760,359	\$ 27,181,713	\$ (6,578,646)
Total revenues	<u>33,760,359</u>	<u>27,181,713</u>	<u>(6,578,646)</u>
<b>EXPENDITURES</b>			
Instructional services	30,980,611	24,926,941	6,053,670
System-wide support services	1,738,754	1,427,955	310,799
Non-programmed charges	<u>1,040,994</u>	<u>826,817</u>	<u>214,177</u>
Total expenditures	<u>33,760,359</u>	<u>27,181,713</u>	<u>6,578,646</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE</b>			
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, 2018**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
City of Durham:			
Holton Center Project	\$ 190,927	\$ 157,787	\$ (33,140)
U.S. Government:			
ROTC	170,000	171,384	1,384
Other :			
Community education	10,000	23,138	13,138
Rental of school property	309,000	185,097	(123,903)
Medicaid	1,885,069	2,741,961	856,892
E-Rate revenue	492,000	1,032,598	540,598
Indirect cost allocated	1,700,000	1,864,788	164,788
Interest earned on investments	172,000	224,080	52,080
Other	2,391,001	2,252,675	(138,326)
Total other	6,959,070	8,324,337	1,365,267
Total revenues	7,319,997	8,653,508	1,333,511
<b>EXPENDITURES</b>			
Current:			
Instructional services:			
Regular instructional	979,471	967,549	11,922
Special populations	441,226	327,446	113,780
Alternative programs	1,134	1,133	1
School-based support	217,545	134,540	83,005
Total instructional services	1,639,376	1,430,668	208,708
System-wide support services:			
Special population	48,814	43,734	5,080
Technology	618,193	616,904	1,289
Operational	13,387	370	13,017
Financial and human resource	78,477	78,476	1
Policy, leadership and public relations	537,286	511,705	25,581
Total system-wide support services	1,296,157	1,251,189	44,968
Ancillary services	15,750	13,457	2,293
Total expenditures	2,951,283	2,695,314	255,969
Revenues over expenditures	4,368,714	5,958,194	1,589,480

**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, 2018**

	Budget	Actual	Variance Positive (Negative)
<b>OTHER FINANCING SOURCES</b>			
Transfers to other funds	\$ (4,368,714)	\$ -	\$ 4,368,714
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	5,958,194	\$ 5,958,194
<b>FUND BALANCE</b>			
Beginning of year		6,602,772	
End of year		\$ 12,560,966	

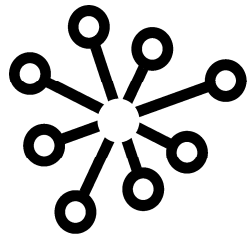
**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Detailed Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**School Activity Funds**  
**For the Year Ended June 30, 2018**

	Elementary Schools	Middle Schools	Senior High Schools	Total School Activity Funds
<b>REVENUES</b>				
General	\$ 64,465	\$ 53,520	\$ 221,551	\$ 339,536
Athletic funds	-	184,458	805,247	989,705
Instructional services	711,536	375,243	734,008	1,820,787
Student activities	6,163	28,126	170,868	205,157
Contributions	440,975	282,482	549,186	1,272,643
Total revenues	1,223,139	923,829	2,480,860	4,627,828
<b>EXPENDITURES</b>				
Co-curricular instructional	1,315,946	911,056	2,435,644	4,662,646
Revenues over (under) expenditures	(92,807)	12,773	45,216	(34,818)
<b>FUND BALANCES</b>				
Beginning of year	591,940	322,746	1,265,957	2,180,643
End of year	\$ 499,133	\$ 335,519	\$ 1,311,173	\$ 2,145,825

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**School Food Service Fund**  
**For the Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
<b>OPERATING REVENUES</b>			
Food sales	\$ 2,466,799	\$ 2,392,809	\$ (73,990)
Other	-	3,160	3,160
Total operating revenues	<u>2,466,799</u>	<u>2,395,969</u>	<u>(70,830)</u>
<b>OPERATING EXPENDITURES</b>			
Food cost:			
Purchase of food		5,520,175	
Donated commodities		1,114,136	
Salaries and benefits		8,267,513	
Indirect costs		811,076	
Material and supplies		516,816	
Repairs and maintenance		115,538	
Other		93,317	
Total operating expenditures	<u>17,440,042</u>	<u>16,438,571</u>	<u>1,001,471</u>
Operating loss	<u>(14,973,243)</u>	<u>(14,042,602)</u>	<u>930,641</u>
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	12,745,000	12,129,498	(615,502)
Federal commodities	1,086,073	1,078,242	(7,831)
Federal summer feeding program	590,277	616,409	26,132
Fresh fruits and vegetables program	294,000	275,405	(18,595)
State reimbursements	21,231	21,935	704
Interest earned	18,000	2,613	(15,387)
Total nonoperating revenues	<u>14,754,581</u>	<u>14,124,102</u>	<u>(630,479)</u>
Revenues over (under) expenditures before other financing sources	<u>(218,662)</u>	<u>81,500</u>	<u>300,162</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	<u>218,662</u>	<u>242,192</u>	<u>23,530</u>
Revenues and other financing sources over expenditures before fund balance appropriation	-	323,692	323,692
<b>APPROPRIATED FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>323,692</u>	<u>\$ 323,692</u>
Reconciliation of modified accrual to full accrual basis:			
Depreciation		(88,284)	
Increase in inventory		(24,292)	
Net OPEB asset		(854)	
Decrease in compensated absences		(36,157)	
Net pension liability		597,933	
Net OPEB liability		2,982,622	
Deferred outflows of resources		(477,930)	
Deferred inflows of resources		<u>(3,563,662)</u>	
Change in net position (full accrual basis)		<u>\$ (286,932)</u>	

# STATISTICAL SECTION



**DURHAM**  
PUBLIC SCHOOLS

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## Statistical Section

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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.

Table 1

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years Ending June 30, 2018**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities										
Net investment in										
capital assets	\$ 298,497,927	\$ 305,378,332	\$ 364,841,047	\$ 386,381,988	\$ 390,271,923	\$ 392,808,425	\$ 386,682,864	\$ 378,667,580	\$ 369,251,385	\$ 360,525,971
Restricted	4,691,584	5,181,893	10,388,736	10,543,358	10,491,824	11,636,318	12,343,341	13,665,828	11,498,365	13,511,239
Unrestricted	(10,131,399)	(2,986,565)	11,855,558	14,698,890	8,148,512	5,732,816	(65,986,927)	(55,704,742)	(59,250,757)	(656,718,881)
	<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>	<u>\$ 321,498,993</u>	<u>\$ (282,681,671)</u>
Business-type activities										
Net investment in										
capital assets	\$ 486,927	\$ 454,205	\$ 418,232	\$ 549,951	\$ 642,068	\$ 594,143	\$ 649,873	\$ 567,482	\$ 524,855	\$ 583,000
Restricted	-	-	-	-	-	-	-	-	-	34,610
Unrestricted	2,164,776	3,111,563	4,352,498	4,307,099	4,448,204	3,844,133	1,014,003	859,303	1,251,017	(12,148,017)
	<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>	<u>\$ 1,775,872</u>	<u>\$ (11,530,407)</u>
District-wide										
Net investment in										
capital assets	\$ 298,984,854	\$ 305,832,537	\$ 365,259,279	\$ 386,931,939	\$ 390,913,991	\$ 393,402,568	\$ 387,332,737	\$ 379,235,062	\$ 369,776,240	\$ 361,108,971
Restricted	4,691,584	5,181,893	10,388,736	10,543,358	10,491,824	11,636,318	12,343,341	13,665,828	11,498,365	13,545,849
Unrestricted	(7,966,623)	124,998	16,208,056	19,005,989	12,596,716	9,576,949	(64,972,924)	(54,845,439)	(57,999,740)	(668,866,898)
	<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>	<u>\$ 323,274,865</u>	<u>\$ (294,212,078)</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years Ending June 30, 2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
Governmental activities:										
Instructional programs	\$ 249,930,621	\$ 225,210,682	\$ 228,269,412	\$ 252,812,921	\$ 253,940,630	\$ 251,596,848	\$ 259,722,116	\$ 255,000,734	\$ 275,116,017	\$ 303,801,232
Support services	65,080,679	62,913,423	62,691,265	75,585,737	82,147,274	75,411,074	70,765,672	72,219,815	77,708,886	75,896,907
Community services	4,129,830	3,725,081	3,984,105	4,600,655	4,335,383	4,322,900	4,253,121	4,019,530	4,208,509	3,886,477
Non-program charges	9,314,233	11,366,345	11,170,948	11,686,197	13,734,133	15,266,378	16,343,023	18,333,827	20,354,980	21,734,101
Interest on long-term debt	28,813	-	-	-	85,733	46,330	25,474	14,382	4,129	-
Depreciation expense	9,845,429	9,960,861	11,253,657	14,003,381	14,991,658	15,374,840	15,912,579	16,130,384	15,636,887	19,222,740
Total governmental activities	338,329,605	313,176,392	317,369,387	358,688,891	369,234,811	362,018,370	367,021,985	365,718,672	393,029,408	424,541,457
Business-type activities:										
School food service	13,386,066	12,862,212	12,981,507	14,151,627	14,635,200	16,082,377	17,108,664	17,225,331	16,805,599	17,049,195
Total district-wide	\$ 351,715,671	\$ 326,038,604	\$ 330,350,894	\$ 372,840,518	\$ 383,870,011	\$ 378,100,747	\$ 384,130,649	\$ 382,944,003	\$ 409,835,007	\$ 441,590,652
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
Tuition and fees	\$ 3,601,908	\$ 3,235,135	\$ 3,182,855	\$ 3,326,303	\$ 3,264,826	\$ 3,375,227	\$ 3,120,067	\$ 3,100,941	\$ 3,286,522	\$ 3,551,242
Other	331,413	358,605	408,028	483,758	327,411	312,096	287,234	5,833,496	6,777,442	6,677,713
Operating grants and contributions	215,065,379	205,360,536	209,280,266	216,312,932	213,360,014	215,524,348	226,510,824	221,234,036	223,156,329	234,743,300
Capital grants	129,698	-	8,755	15,528	3,787	930,169	58,037	-	1,681,206	668,717
Total governmental activities	219,128,398	208,954,276	212,879,904	220,138,521	216,956,038	220,141,840	229,976,162	230,168,473	234,901,499	245,640,972
Business-type activities:										
Charges for services - School Food Service Fund										
	3,628,656	3,307,918	2,955,052	2,712,070	2,308,001	2,155,867	1,804,464	2,299,357	2,337,511	2,395,969
Operating grants and contributions - USDA grant										
	9,783,996	10,365,136	11,216,035	11,504,918	12,373,727	13,140,308	14,191,492	14,468,321	14,571,812	14,121,489
Total business-type activities	13,412,652	13,673,054	14,171,087	14,216,988	14,681,728	15,296,175	15,995,956	16,767,678	16,909,323	16,517,458
Total district-wide	\$ 232,541,050	\$ 222,627,330	\$ 227,050,991	\$ 234,355,509	\$ 231,637,766	\$ 235,438,015	\$ 245,972,118	\$ 246,936,151	\$ 251,810,822	\$ 262,158,430
<b>Net (Expense) Revenue</b>										
Governmental activities										
	\$ (119,201,207)	\$ (104,222,116)	\$ (104,489,483)	\$ (138,550,370)	\$ (152,278,773)	\$ (141,876,530)	\$ (137,045,823)	\$ (135,550,199)	\$ (158,127,909)	\$ (178,900,485)
Business-type activities										
	26,586	810,842	1,189,580	65,361	46,528	(786,202)	(1,112,708)	(457,653)	103,724	(531,737)
Total district-wide	\$ (119,174,621)	\$ (103,411,274)	\$ (103,299,903)	\$ (138,485,009)	\$ (152,232,245)	\$ (142,662,732)	\$ (138,158,531)	\$ (136,007,852)	\$ (158,024,185)	\$ (179,432,222)



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years Ending June 30, 2018**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Unrestricted county appropriations - operating	\$ 102,654,263	\$ 100,996,102	\$ 107,214,112	\$ 108,971,662	\$ 115,572,760	\$ 118,073,439	\$ 118,563,483	\$ 124,057,383	\$ 126,261,485	\$ 132,314,848
Unrestricted county appropriations - capital	8,229,858	3,340,906	1,649,332	1,440,981	1,370,000	1,370,000	1,480,000	1,370,000	1,370,000	1,370,000
Unrestricted city appropriations - capital	7,003,740	945,679	1,014,991	5,860,947	1,538,793	1,528,267	1,398,485	86,510	61,157	110,000
Unrestricted other county revenues - capital	16,782,957	13,394,396	70,906,098	43,802,250	29,554,012	20,316,477	9,101,609	8,358,381	10,407,753	9,950,961
Unrestricted state appropriations - capital	-	707,678	1,128,798	-	-	-	-	2,422,338	1,821,738	1,088,886
Investment earnings, unrestricted	672,429	406,126	412,175	391,167	275,925	226,413	386,597	216,493	242,486	239,912
Miscellaneous, unrestricted	3,163,895	1,362,500	1,675,658	2,622,258	1,429,760	1,750,030	2,030,195	2,847,144	3,074,754	6,041,326
Transfers and capital contributions	-	(82,491)	-	-	(174,454)	(122,796)	(123,926)	(218,662)	(241,137)	(242,192)
Total governmental activities	<u>138,507,142</u>	<u>121,070,896</u>	<u>184,001,164</u>	<u>163,089,265</u>	<u>149,566,796</u>	<u>143,141,830</u>	<u>132,836,443</u>	<u>139,139,587</u>	<u>142,998,236</u>	<u>150,873,741</u>
Business-type activities:										
Investment earnings, unrestricted	40,501	20,732	15,382	20,959	12,240	11,410	6,755	1,900	2,306	2,613
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-	-	-	1,920	-
Transfers and capital contributions	-	82,491	-	-	174,454	122,796	123,926	218,662	241,137	242,192
Total business-type activities	<u>40,501</u>	<u>103,223</u>	<u>15,382</u>	<u>20,959</u>	<u>186,694</u>	<u>134,206</u>	<u>130,681</u>	<u>220,562</u>	<u>245,363</u>	<u>244,805</u>
Total district-wide	<u>\$ 138,547,643</u>	<u>\$ 121,174,119</u>	<u>\$ 184,016,546</u>	<u>\$ 163,110,224</u>	<u>\$ 149,753,490</u>	<u>\$ 143,276,036</u>	<u>\$ 132,967,124</u>	<u>\$ 139,360,149</u>	<u>\$ 143,243,599</u>	<u>\$ 151,118,546</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 19,305,935	\$ 16,848,780	\$ 79,511,681	\$ 24,538,895	\$ (2,711,977)	\$ 1,265,300	\$ (4,209,380)	\$ 3,589,388	\$ (15,129,673)	\$ (28,026,744)
Business-type activities	67,087	914,065	1,204,962	86,320	233,222	(651,996)	(982,027)	(237,091)	349,087	(286,932)
Total district-wide	<u>\$ 19,373,022</u>	<u>\$ 17,762,845</u>	<u>\$ 80,716,643</u>	<u>\$ 24,625,215</u>	<u>\$ (2,478,755)</u>	<u>\$ 613,304</u>	<u>\$ (5,191,407)</u>	<u>\$ 3,352,297</u>	<u>\$ (14,780,586)</u>	<u>\$ (28,313,676)</u>

Note: This table is a ten-year schedule.

Source: Durham Public Schools Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2018

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**GOVERNMENTAL FUNDS**  
**FUND BALANCE**  
**Last Ten Fiscal Years Ending June 30, 2018**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund				
Nonspendable	\$ 265,573	\$ 1,234,557	\$ 1,195,663	\$ 1,331,656
Restricted	605,882	1,201,028	2,459,570	8,648,572
Committed	-	-	6,442,119	5,408,660
Assigned	7,709,453	5,556,908	6,696,190	4,497,568
Unassigned	<u>805,634</u>	<u>6,049,121</u>	<u>12,827,309</u>	<u>9,895,228</u>
Total General Fund	<u>9,386,542</u>	<u>14,041,614</u>	<u>29,620,851</u>	<u>29,781,684</u>
All other governmental funds				
Nonspendable	-	-	-	-
Restricted	4,430,504	8,982,810	13,023,081	13,939,259
Committed	-	-	-	-
Assigned	1,365,711	1,365,711	975,651	4,179,132
Unassigned	<u>(1,104,631)</u>	<u>(5,166,628)</u>	<u>(3,609,996)</u>	<u>(2,220,505)</u>
Total all other governmental funds	<u>4,691,584</u>	<u>5,181,893</u>	<u>10,388,736</u>	<u>15,897,886</u>
Total all governmental funds	<u>\$ 14,078,126</u>	<u>\$ 19,223,507</u>	<u>\$ 40,009,587</u>	<u>\$ 45,679,570</u>

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

**Table 3**

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 1,387,010	\$ 1,412,411	\$ 1,407,555	\$ 394,979	\$ 156,135	\$ 199,667
686,153	538,097	551,060	2,681,797	431,234	729,332
7,455,975	16,712,463	8,532,931	7,677,109	1,014,290	2,200,805
3,385,031	3,056,908	3,056,908	3,056,908	5,056,908	3,556,908
19,747,754	8,474,324	4,717,324	453,577	2,835,538	2,425,310
<u>32,661,923</u>	<u>30,194,203</u>	<u>18,265,778</u>	<u>14,264,370</u>	<u>9,494,105</u>	<u>9,112,022</u>
-	-	-	274	-	24,442
9,805,671	11,098,221	11,792,281	10,984,031	11,067,131	11,250,300
-	-	-	-	-	6,568,579
-	1,232,649	1,250,346	1,804,581	6,372,137	5,874,278
(51,397)	-	-	-	-	-
<u>9,754,274</u>	<u>12,330,870</u>	<u>13,042,627</u>	<u>12,788,886</u>	<u>17,439,268</u>	<u>23,717,599</u>
<u>\$ 42,416,197</u>	<u>\$ 42,525,073</u>	<u>\$ 31,308,405</u>	<u>\$ 27,053,256</u>	<u>\$ 26,933,373</u>	<u>\$ 32,829,621</u>

**GOVERNMENTAL FUNDS**  
**CHANGES IN FUND BALANCES**  
**Last Ten Fiscal Years Ending June 30, 2018**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>				
State of North Carolina	\$ 181,491,906	\$ 162,824,820	\$ 163,204,852	\$ 171,743,913
Durham County	127,667,078	116,587,638	179,308,287	153,909,202
City of Durham	7,003,740	1,143,766	374,032	234,710
U.S. Government	23,632,816	35,881,228	39,470,884	35,819,632
Other	19,830,583	15,543,451	15,847,274	23,125,460
Total revenues	<u>359,626,123</u>	<u>331,980,903</u>	<u>398,205,329</u>	<u>384,832,917</u>
<b>Expenditures</b>				
Instructional programs	246,851,238	227,017,268	226,953,898	250,231,115
Support services	64,178,239	63,484,308	60,695,006	65,352,876
Community services	4,129,830	3,725,081	3,984,105	4,600,655
Non-program charges	9,314,233	11,366,345	12,085,088	12,378,157
Capital outlay	33,642,435	18,391,623	74,274,614	46,270,479
Debt service - principal	1,804,652	782,504	1,175,084	1,181,892
Debt service - interest	2,207	-	-	47,233
Total expenditures	<u>359,922,834</u>	<u>324,767,129</u>	<u>379,167,795</u>	<u>380,062,407</u>
Revenues over (under) expenditures	(296,711)	7,213,774	19,037,534	4,770,510
<b>Other financing sources (uses)</b>				
Installment purchase obligations issued	861,349	162,614	1,771,157	949,858
Capital leases	-	128,553	-	-
Increase (decrease) in reserve for inventories	(8,665)	(26,328)	(22,611)	(50,385)
Transfers in (out)	-	-	-	-
Other	-	-	-	-
Net change in fund balance	<u>\$ 555,973</u>	<u>\$ 7,478,613</u>	<u>\$ 20,786,080</u>	<u>\$ 5,669,983</u>
Ratio of debt service to non-capital expenditures	<u>0.56%</u>	<u>0.26%</u>	<u>0.39%</u>	<u>0.37%</u>

Source: Durham Public Schools Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2018

Table 4

2013	2014	2015	2016	2017	2018
\$ 175,674,111	\$ 181,321,376	\$ 191,347,701	\$ 194,412,066	\$ 198,103,467	\$ 204,717,196
146,305,844	139,919,787	129,878,753	133,601,394	138,622,252	145,987,065
190,928	254,958	244,892	312,304	237,878	365,895
29,467,024	25,993,585	28,295,951	27,184,860	25,566,675	27,570,017
16,249,973	17,266,217	14,708,276	14,816,220	16,703,557	18,569,364
<u>367,887,880</u>	<u>364,755,923</u>	<u>364,475,573</u>	<u>370,326,844</u>	<u>379,233,829</u>	<u>397,209,537</u>
250,850,391	250,122,678	270,190,487	268,236,676	270,378,931	281,739,897
66,832,194	69,223,629	70,940,914	68,166,463	67,069,186	69,608,675
4,335,383	4,322,900	4,359,394	4,142,335	4,148,497	3,970,265
14,420,218	15,856,313	17,191,488	19,334,963	21,201,167	22,545,728
36,226,962	23,445,653	11,543,152	15,063,438	16,424,734	13,566,925
3,203,389	1,502,624	1,279,136	809,127	930,565	668,717
85,733	46,330	25,474	14,382	4,129	-
<u>375,954,270</u>	<u>364,520,127</u>	<u>375,530,045</u>	<u>375,767,384</u>	<u>380,157,209</u>	<u>392,100,207</u>
(8,066,390)	235,796	(11,054,472)	(5,440,540)	(923,380)	5,109,330
4,915,999	-	-	1,360,476	1,109,401	1,044,300
-	-	-	-	-	-
30,469	(4,124)	(38,270)	43,578	(64,767)	(15,190)
(174,454)	(122,796)	(123,926)	(218,662)	(241,137)	(242,192)
<u>31,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (3,263,373)</u>	<u>\$ 108,876</u>	<u>\$ (11,216,668)</u>	<u>\$ (4,255,148)</u>	<u>\$ (119,883)</u>	<u>\$ 5,896,248</u>
<u>0.98%</u>	<u>0.46%</u>	<u>0.36%</u>	<u>0.23%</u>	<u>0.26%</u>	<u>0.18%</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**ASSESSED VALUE OF TAXABLE PROPERTY FOR DURHAM COUNTY**  
**Last Ten Fiscal Years Ending June 30, 2018**

**Table 5**

<b>Fiscal Year Ended June 30,</b>	<b>Tax Year Ended December 31,</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Companies</b>	<b>Registered Vehicles <sup>(3)</sup></b>
2018	2017	\$ 29,641,340,413	\$ 3,594,119,882	\$ 575,537,361	\$ 2,348,224,018
2017	2016	28,894,972,479	3,483,300,069	565,369,921	2,286,702,778
2016	2015	26,213,161,494	3,524,686,233	553,248,101	2,163,704,337
2015	2014	25,730,862,172	2,462,350,676	510,732,429	2,032,233,042
2014	2013	25,254,108,336	3,300,458,222	489,915,862	2,980,521,352
2013	2012	24,909,554,030	3,304,053,564	494,110,311	1,739,032,299
2012	2011	24,580,465,174	3,166,306,877	471,720,126	1,623,871,164
2011	2010	24,353,954,146	3,074,419,178	501,907,483	1,530,317,547
2010	2009	23,976,021,000	2,905,267,206	524,524,630	1,627,078,510
2009	2008	23,508,752,957	2,824,338,529	517,202,960	1,690,561,506

- Notes:
- (1) All taxable property is assessed at one hundred percent (100%) of its estimated market value. Revaluation of taxable property occurred on January 1, 1985, 1993, 2001, 2008, and 2016.
  - (2) This does not include valuations of property owned by the State of North Carolina, United States Government, eleemosynary institutions, etc., not subject to taxation. Assessed valuation equals estimated actual value.
  - (3) Effective July 1, 1993, registered vehicles were separated from personal property. The taxes on registered vehicles now coincide with the Department of Motor Vehicles renewals.
  - (4) Per \$100 of assessed value

Source: Durham County, North Carolina (as of October, 2018)

**Table 5**

<b>Total Assessed Value <sup>(1)(2)</sup></b>	<b>County-wide Tax Rate <sup>(4)</sup></b>	<b>Special Tax Districts Tax Rate <sup>(4)</sup></b>	<b>Average County Tax Rate <sup>(4)</sup></b>
\$ 36,159,221,674	0.7679	0.0778-0.1880	0.7987
35,230,345,247	0.7404	0.0778-0.1880	0.7727
32,454,800,165	0.7931	0.07999-0.1779	0.8276
30,736,178,319	0.7931	0.07999-0.1729	0.8073
32,025,003,772	0.7744	0.0600-0.1668	0.8047
30,446,750,204	0.7444	0.0599-0.1524	0.7734
29,842,363,341	0.7459	0.0599-0.2500	0.7745
29,460,598,354	0.7459	0.0599-0.2500	0.8359
29,032,891,346	0.7081	0.0570-0.2500	0.8359
28,540,855,952	0.7081	0.0570-0.2500	0.7981

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**DURHAM COUNTY**  
**Last Ten Fiscal Years Ending June 30, 2018**  
**PER \$100 OF ASSESSED VALUE <sup>(1)</sup>**

**Table 6**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>County direct rate</b>				
Operating rate	0.6594	0.6604	0.6911	0.6865
Capital rate	0.0487	0.0477	0.0548	0.0594
Total general fund direct rate	<u>0.7081</u>	<u>0.7081</u>	<u>0.7459</u>	<u>0.7459</u>
<b>Fire district rates</b>	0.0570-0.1100	0.0570-0.1100	0.0599-0.1100	0.0599-0.1125
<b>Other special district rates</b>	0.1461-0.2500	0.1461-0.2500	0.1460-0.2500	0.1474-0.2500
<b>Municipality Rates</b>				
City of Durham	0.5400	0.5400	0.5519	0.5575
City of Durham BID	-	-	-	-
Town of Chapel Hill	0.5810	0.4940	0.4940	0.4940
City of Raleigh	0.3735	0.3735	0.3735	0.3735
Town of Morrisville	-	-	-	0.3665

Notes:

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

Source: Durham County, North Carolina (as of October, 2018)



**Table 6**

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>2</sup></b>	<b>2017</b>	<b>2018</b>
0.6850	0.6850	0.6951	0.7078	0.6608	0.6708
0.0594	0.0894	0.0980	0.0853	0.0796	0.0971
<u>0.7444</u>	<u>0.7744</u>	<u>0.7931</u>	<u>0.7931</u>	<u>0.7404</u>	<u>0.7679</u>
0.0599-0.1150	0.0600-0.1300	.0799-0.1386	.0799-0.1386	0.0778-0.1344	0.0778-0.1344
0.1374-0.1524	0.1518-0.1668	0.1514-0.1729	0.0000-0.1779	0.0000-0.1880	0.0000-0.1880
0.5675	0.5675	0.5912	0.5912	0.5607	0.5786
0.6375	0.6375	0.6612	0.6612	0.6307	0.6486
0.4940	0.5140	0.5240	0.5240	0.5240	0.5080
0.3826	0.3826	0.4038	0.4210	0.4183	0.4253
0.3665	0.3900	0.3900	0.4100	0.3900	0.3900

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**TEN LARGEST TAXPAYERS FOR DURHAM COUNTY**  
**Last Ten Fiscal Years Ending June 30, 2018 and 2009**

Table 7

<u>Taxpayer</u>	<u>Type of Enterprise</u>	<u>Fiscal Year 2018</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>
AW North Carolina Inc	Manufacturer	\$ 371,008,154	1	1.03%
Cree Inc	Manufacturer	326,318,448	2	0.90%
Merck Sharp & Dohme Corp	Bio Tech	257,003,219	3	0.71%
Duke Energy Corp	Utility	243,887,280	4	0.67%
IBM Corporation	Manufacturer	217,289,808	5	0.60%
SouthPoint Mall LLC	Retail	182,730,037	6	0.51%
International Business Machine	Manufacturer	179,086,853	7	0.50%
Biomerieux Inc	Bio Tech	169,316,320	8	0.47%
EMC Corporation	Manufacturer	146,404,550	9	0.40%
Palmer RTP LLC	Real Estate	133,416,216	10	0.37%
GlaxoSmithKline	Manufacturer	-	-	-
Verizon South Inc	Communications	-	-	-
Time Warner Entertainment	Communications	-	-	-
Highwoods/Forsyth Limited Part	Real Estate	-	-	-
State Street Bank & Trust	Finance	-	-	-
		<u>\$ 2,226,460,885</u>		<u>6.16%</u>

Source: Durham County, North Carolina (as of October, 2018)

**Table 7**

<b>Fiscal Year 2009</b>		
<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Valuation</b>
\$ 338,663,229	3	1.19%
275,913,564	4	0.97%
-	-	-
197,984,581	6	0.69%
-	-	-
169,444,545	7	0.59%
505,679,136	2	1.77%
-	-	-
-	-	-
-	-	-
631,585,742	1	2.21%
183,061,189	5	0.64%
109,243,301	8	0.38%
100,905,858	9	0.35%
95,745,552	10	0.34%
<u>\$ 2,608,226,697</u>		<u>9.13%</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**PROPERTY TAX LEVIES AND COLLECTIONS FOR DURHAM COUNTY**  
**Last Ten Fiscal Years Ending June 30, 2018**

**Table 8**

<b>Fiscal Year Ended June 30,</b>	<b>Tax Year Ended December 31,</b>	<b>Adjusted Tax Levy</b>	<b>Current Year Levy Collections</b>	<b>Percent of Levy Collected</b>
2018	2017	\$ 449,716,944	\$ 448,937,493	99.83%
2017	2016	423,015,800	422,143,612	99.79%
2016	2015	412,678,081	411,447,291	99.70%
2015	2014	402,812,328	401,244,673	99.61%
2014	2013	387,633,332	385,068,858	99.34%
2013	2012	368,162,207	364,152,559	98.91%
2012	2011	356,876,076	352,704,112	98.83%
2011	2010	363,164,888	358,623,043	98.75%
2010	2009	343,120,176	338,558,945	98.67%
2009	2008	337,224,715	331,357,242	98.26%

Source: Durham County, North Carolina (as of October, 2018)

**Table 8**

<b>Collections in Subsequent Years</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent of Delinquent Taxes to Tax Levy</b>
\$ -	\$ 448,937,493	99.83%	\$ 2,597,992	0.58%
181,536	422,325,148	99.84%	2,657,009	0.63%
854,674	412,301,965	99.91%	3,272,332	0.79%
1,181,131	385,068,858	95.60%	3,899,430	0.97%
1,273,755	386,342,613	99.67%	5,130,862	1.32%
2,669,340	366,821,899	99.64%	6,530,429	1.77%
3,118,383	355,822,495	99.70%	6,555,562	1.84%
2,465,889	361,088,932	99.43%	7,165,866	1.97%
3,417,043	341,975,988	99.67%	7,997,259	2.33%
4,676,027	336,033,269	99.65%	8,686,871	2.58%

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND**  
**NET BONDED DEBT PER CAPITA FOR DURHAM COUNTY**  
**Last Ten Fiscal Years Ending June 30, 2018**

**Table 9**

<b>Fiscal Year Ended June 30,</b>	<b>Population Estimate (1)</b>	<b>Total Assessed Value</b>	<b>Debt Limit</b>	<b>Gross Bonded Debt</b>
2018	308,194	\$ 36,159,221,674	\$ 2,892,737,734	\$ 258,989,288
2017	301,243	35,230,345,247	2,818,246,797	252,270,000
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

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

Source: Durham County, North Carolina (as of October, 2018)

**Table 9**

<u>Net Bonded Debt</u>	<u>Debt to Taxable Property Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ 258,989,288	0.72%	840
252,270,000	0.72%	837
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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BOND**  
**DEBT TO TOTAL GENERAL EXPENDITURES FOR DURHAM COUNTY**  
**Last Ten Fiscal Years Ending June 30, 2018**

**Table 10**

<b>Fiscal Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Other Expenditures</b>
2018	\$ 37,427,611	\$ 18,653,456	\$ 617,443
2017	35,418,905	18,653,456	617,443
2016	35,596,413	20,599,097	741,165
2015	36,159,495	22,573,434	23,000
2014	34,261,816	2,335,411	644,769
2013	39,155,769	19,669,554	244,735
2012	109,738,120	16,642,611	540,070
2011	53,158,145	15,794,753	683,053
2010	25,431,125	16,349,362	231,637
2009	27,266,955	14,372,730	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, 2018)



**Table 10**

<u>Total Debt Service</u>	<u>Total General Expenditures <sup>(1)</sup></u>	<u>Ratio of Debt Service to Total General Expenditures</u>
\$ 56,698,510	\$ 480,074,049	11.28%
54,689,804	478,065,143	11.44%
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%

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE - DURHAM PUBLIC SCHOOLS**  
**Last Ten Fiscal Years Ending June 30, 2018**

**Table 11**

<b>Fiscal Year Ended June 30,</b>	<b>Capital Lease Obligation</b>	<b>Installment Purchases</b>	<b>Total Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2018	\$ -	\$ 1,815,162	\$ 1,815,162	\$ -	\$ 1,815,162	0.014%	5.89
2017	-	1,439,579	1,439,579	-	1,439,579	0.011%	4.78
2016	-	1,260,743	1,260,743	-	1,260,743	0.010%	4.29
2015	-	709,394	709,394	-	709,394	0.006%	2.44
2014	-	1,988,530	1,988,530	-	1,988,530	0.017%	6.99
2013	-	3,491,154	3,491,154	-	3,491,154	0.031%	12.58
2012	17,022	1,761,522	1,778,544	-	1,778,544	0.016%	6.44
2011	34,045	1,976,533	2,010,578	-	2,010,578	0.019%	7.39
2010	80,831	409,075	489,906	-	489,906	0.005%	1.83
2009	26,604	954,139	980,743	-	980,743	0.010%	3.69

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, 2018**

<b>Fiscal Year Ended June 30,</b>	<b>Population Estimate</b>	<b>Student Average Daily Membership</b>	<b>Unemployment Rate</b>	<b>Per Capita Personal Income</b>	<b>Retail Sales</b>
2018	308,194	33,072	3.8%	*	\$ 7,195,550,000
2017	301,243	33,147	3.8%	*	6,884,030,000
2016	293,647	33,501	4.7%	\$ 45,931	6,458,506,000
2015	290,874	33,626	5.4%	44,507	6,097,770,000
2014	284,437	33,263	5.3%	42,830	5,501,325,000
2013	277,588	32,405	7.5%	41,376	4,925,320,533
2012	275,960	32,569	8.2%	40,963	4,434,078,534
2011	272,156	32,118	8.4%	38,795	4,163,246,000
2010	267,849	31,956	7.8%	40,116	4,022,518,000
2009	265,670	32,313	7.3%	37,308	3,630,249,000

\*Data not available.

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA    Table 13**  
**TEN LARGEST EMPLOYERS FOR DURHAM COUNTY**  
**Fiscal Years Ending June 30, 2018 and 2009**

<b>Employer</b>	<b>2018</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Duke University & Health System	27,142	1	13.47%
Duke University	10,000	2	4.96%
International Business Machine (IBM)	7,000	3	3.47%
Durham Public Schools	4,716	4	2.28%
Blue Cross Blue Shield of North Carolina	4,000	5	1.98%
Fidelity Investments	3,700	6	1.84%
IQVI ( formerly Quintiles Transnational Corp.)	3,000	7	1.49%
Cree, Inc	2,600	8	1.29%
GlaxoSmithKline	2,600	8	1.29%
Durham City Government	2,466	9	1.22%
Research Triangle Institute	2,276	10	1.13%
Nortel Networks	-	-	-
Lenovo Group, Ltd.	-	-	-
Veteran Affairs (VA) Medical Center	-	-	-
	69,500		34.42%

**Source:** Durham Chamber of Commerce and Bureau of Labor Statistics

Table 13

2009		
<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
20,185	1	19.38%
11,530	2	8.25%
5,489	3	3.93%
2,437	6	1.74%
-	-	-
-	-	-
-	-	-
5,000	4	3.58%
2,336	7	1.67%
2,200	9	1.57%
2,600	5	1.86%
2,300	8	1.65%
2,162	10	1.55%
<u>56,239</u>		<u>45.18%</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years Ending June 30, 2018**

**Table 14**

<b>Function</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Instructional Programs	3,127	2,827	2,753	2,765	2,813	2,881	2,911	2,946	2,912	2,928
Support Services	1,345	1,364	1,330	1,438	1,459	1,431	1,516	1,534	1,536	1,481
Community Services	125	121	121	121	142	142	142	142	142	110
Food Services	177	167	178	181	190	204	204	207	196	197
<b>Total</b>	<b>4,774</b>	<b>4,479</b>	<b>4,382</b>	<b>4,505</b>	<b>4,604</b>	<b>4,658</b>	<b>4,773</b>	<b>4,829</b>	<b>4,786</b>	<b>4,716</b>

Note: This table is a ten-year schedule.

Source: Finance Department of Durham Public Schools

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHOOL BUILDING DATA-HIGH SCHOOLS**  
**June 30, 2018**

**Table 15**

School	Site Acreage	Building Square Feet	Capacity	2017-18 Day 20 Enrollment	Percentage Over/(Under) Capacity	Year Constructed	Years Renovations/ Additions
High School:							
City of Medicine	7.20	40,519	320	342	6.88%	2011	
Durham PLC/ARC @ Holton	7.00	104,869	350	177	-49.43%	1933	2009
School for Creative Studies *	54.96	124,250	100	301	201.00%	1974	2005,2006,2009,2013
Durham School. of Arts **	11.70	352,267	916	1,095	19.54%	1921	1928,49,55,62,76, 1998,2008,11
Hillside	63.04	299,943	1,535	1,378	-10.23%	1995	2005,2009
Jordan	55.74	266,477	1,810	1,996	10.28%	1963	1979,80,91,94,2008,2012,14
Northern	39.89	258,659	1,790	1,541	-13.91%	1953	1954,55,57,66,75,1981,83,84,88 1992,94
Riverside	63.29	282,845	1,540	1,841	19.55%	1991	1992,2013
Southern	84.09	284,000	1,540	1,434	-6.88%	1993	2013
J D Clement Early College (1)		Leased	350	370	5.71%		
Hospital School (2)		Leased	28	16	-42.86%		
Lakeview (3) ***	7.16	28,169	64	21	-67.19%	1964	2005,2010
Middle College High School (4)		Leased	100	197	97.00%		
Hillside New Tech High (5)			210	337	60.48%		

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

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

\*\*\* Lakeview has both middle and high school students

- (1) J D Clement Early College uses facilities at NC Central University
- (2) Hospital School is located on Duke University's campus
- (3) Lakeview is an alternative school housed in two separate facilities: Lakeview School & School for Creative Studies.
- (4) Middle College High School is located on the campus of Durham Technical Community College
- (5) Hillside New Tech High School is a small school within the existing Hillside High School.
- (3) Lakeview is an alternative school housed in two separate facilities: Lakeview School & School for Creative Studies.
- (4) Middle College High School is located on the campus of Durham Technical Community College
- (5) Hillside New Tech High School is a small school within the existing Hillside High School.

Source: Durham Public Schools' Long Range Facilities Plan

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**      **Table 16**  
**SCHOOL BUILDING DATA-ELEMENTARY & MIDDLE SCHOOLS**  
**June 30, 2018**

School	Site Acreage	Building Square Feet	Capacity	2017-18 Day 20 Enrollment	Percentage Over/(Under) Capacity	Year Constructed	Years Renovations/ Additions
Elementary:							
Bethesda	43.92	85,432	712	650	-8.71%	1982	1989,2003,2014
Burton	7.14	71,360	376	368	-2.13%	1949	1954,76,92,2014
Club Boulevard	5.50	45,099	492	489	-0.61%	1949	1955,90,92,95,2010,11
Creekside	37.11	94,673	764	894	17.02%	2004	2010
Easley	18.97	71,170	522	546	4.60%	1989	2013
Eastway	14.58	78,000	544	512	-5.88%	1995	
Eno Valley	62.27	88,550	596	450	-24.50%	1977	1993, 2014
Fayetteville Street	7.91	62,797	366	268	-26.78%	1959	1960,61,2008,2014
Forest View	21.95	85,890	659	767	16.39%	1993	
Glenn	34.28	80,330	591	660	11.68%	1981	1993,2014
Harris	21.36	70,343	376	341	-9.31%	1968	2003,2013
Hillandale	42.07	85,890	689	630	-8.56%	1993	
Holt	23.61	98,208	585	685	17.09%	1958	1984,92,2014
Hope Valley	16.48	79,228	628	640	1.91%	1967	1999
Lakewood	12.57	60,264	428	415	-3.04%	1962	1963,64,2005
Little River ****	23.23	83,620	428	381	-10.98%	1993	
Mangum	22.03	54,838	408	331	-18.87%	1925	1939,62,83,2009,2014
Merrick-Moore	16.39	103,075	648	607	-6.33%	1951	1953,58,81,2012
Morehead	4.98	40,861	222	231	4.05%	1958	2009
Oak Grove	15.72	96,061	710	598	-15.77%	1981	1993
Parkwood	22.59	79,063	648	534	-17.59%	1967	1983,89,92,2005,2013
Pearson	40.50	82,474	586	481	-17.92%	2006	
Pearsonstown	25.50	108,471	836	803	-3.95%	1954	1958,64,92, 2014
Powe	5.50	99,384	404	489	21.04%	1926	1950,67,91,94,2001,2013,14
Sandy Ridge	25.07	98,638	628	553	-11.94%	2011	
Smith	5.30	46,311	460	361	-21.52%	1967	2014
Southwest	21.91	91,170	585	631	7.86%	1989	1991
Spaulding	9.96	69,486	325	248	-23.69%	1954	1960,76,91,2008
Spring Valley	35.82	79,921	638	573	-10.19%	2008	
Watts	3.98	65,841	340	354	4.12%	1919	1926,94,2014
Middle:							
Brogden	29.35	156,380	681	533	-21.73%	1959	1976,2000,2014
Carrington	66.14	207,804	1,168	860	-26.37%	1964	1984,2005,2010,14
School for Creative Studies *	54.96	124,250	852	311	-63.50%	1974	2005,06,09,2013
Durham School of Arts ***	8.80	Incl. in HS	722	661	-8.45%	1921	1928,49,55,62,76,88 1990, 92, 2007,08,11
Githens	38.28	133,859	852	908	6.57%	1988	2005,2006
Lakewood Montessorri	7.37	71,278	300	295	-1.67%	1965	2011
Little River ****			244	124	-49.18%		
Lowe's Grove	28.07	122,504	774	588	-24.03%	1975	2009,2014
Lucas	31.83	153,593	644	475	-26.24%	2012	
Neal	49.12	129,403	810	771	-4.81%	1966	1988,2011
Rogers-Herr	23.50	122,547	644	630	-2.17%	1967	2005,2013
Shepard	22.53	96,870	546	466	-14.65%	1964	1966,2001,2010
Lakeview**	4.75	12,600	30	23	-23.33%	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 completed their K-5 to K-8 grad expansion in 2017-18.

Source: Durham Public Schools' Long Range Facilities Plan



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA    Table 17**  
**GOVERNMENTAL FUNDS OPERATING STATISTICS**  
**Last Ten Fiscal Years Ending June 30, 2018**

<b>Fiscal Year Ended June 30,</b>	<b>Expenditures</b>	<b>Student Average Daily Membership</b>	<b>Cost Per Pupil</b>	<b>Percentage Change In Per Pupil Cost</b>	<b>Teaching Staff</b>	<b>Pupil/ Teacher Ratio</b>	<b>Student Attendance Percentage</b>
2018	\$ 392,100,207	33,072	\$ 11,856	3.37%	2,447	13.5	94.71%
2017	380,157,209	33,147	11,469	2.25%	2,369	14.0	94.72%
2016	375,767,384	33,501	11,217	0.44%	2,402	13.9	94.97%
2015	375,530,045	33,626	11,168	1.91%	2,347	14.3	95.10%
2014	364,520,127	33,263	10,959	-5.54%	2,290	14.5	95.26%
2013	375,954,270	32,405	11,602	-0.57%	2,252	14.4	96.60%
2012	380,062,407	32,569	11,669	-1.15%	2,241	14.5	96.53%
2011	379,167,795	32,118	11,805	16.16%	2,311	13.9	95.92%
2010	324,767,129	31,956	10,163	-8.76%	2,293	13.9	94.21%
2009	359,922,834	32,313	11,139	9.74%	2,432	13.3	94.28%

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, 2018

Fiscal Year Ended June 30,	Minimum	Maximum	Average
2018	\$ 39,375	\$ 99,359	\$ 51,520
2017	39,375	81,049	49,251
2016	39,375	79,327	47,627
2015	37,125	80,474	46,522
2014	34,650	73,710	43,565
2013	34,650	77,917	45,057
2012	34,234	80,854	46,343
2011	34,234	88,126	45,031
2010	34,234	88,967	45,466
2009	34,234	88,967	45,466

The above tabulation represents total salaries including both State base salary including the State salary differential for National Board Certification and system-wide local supplement. It does not include longevity payments ( Fiscal Year 2008-2014 ranging from 1.5% to 4.5% of the annual salary to teachers for 10 or more years of service), bonus payments, or payments for performing extra duties.

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

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

Source: Finance Department of Durham Public Schools

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**GOVERNMENTAL FUND REVENUES BY SOURCE**  
**Last Ten Fiscal Years Ending June 30, 2018**

**Table 19**

<b>Fiscal Year Ended June 30,</b>	<b>State Public School Fund</b>	<b>State Public School Building Bond Fund</b>	<b>State Facilities Fund</b>	<b>Other State</b>	<b>County Appropriation</b>	<b>Durham City Appropriation</b>
2018	\$ 202,831,665	\$ 1,088,886	\$ -	\$ 796,645	\$ 133,527,061	\$ 365,895
2017	195,600,373	1,821,738	-	681,356	127,467,567	237,878
2016	191,983,228	1,978,837	-	443,501	124,684,356	312,304
2015	189,648,480	907,707	-	791,514	120,233,146	274,755
2014	179,018,263	1,469,322	-	833,791	119,603,311	254,958
2013	173,503,774	102,473	-	2,066,466	116,751,832	190,928
2012	171,045,245	172,946	-	525,722	110,106,952	234,710
2011	160,586,816	1,036,766	-	1,128,798	108,402,189	192,109
2010	160,894,234	1,063,268	414,500	867,318	103,193,242	1,143,766
2009	178,493,867	-	721,100	2,276,939	110,884,121	7,003,740

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

Source: Durham Public Schools' Finance Department

**Table 19**

<b>General Obligation Bond Funds</b>	<b>Fines and Forfeitures</b>	<b>Interest</b>	<b>Tuition and Fees</b>	<b>Other Local Funds</b>	<b>Federal</b>	<b>Total</b>
\$ 9,950,961	\$ 1,439,594	\$ 239,912	\$ 3,551,242	\$ 15,847,659	\$ 27,570,017	\$ 397,209,537
10,407,753	1,458,166	242,486	3,286,522	12,463,315	25,566,675	379,233,829
8,358,381	1,394,430	192,179	3,086,406	14,239,520	23,653,702	370,326,844
9,101,609	1,353,937	179,719	3,404,975	13,393,565	25,186,166	364,475,573
20,316,476	1,417,383	198,024	3,404,975	13,727,825	24,511,595	364,755,923
29,554,012	1,538,793	250,925	3,220,048	13,000,632	27,707,997	367,887,880
43,802,250	5,860,947	391,088	3,294,404	16,050,453	33,348,200	384,832,917
70,906,098	1,014,991	430,131	3,297,708	13,253,373	37,956,350	398,210,158
13,394,396	945,679	356,937	3,232,580	10,593,755	35,881,228	331,980,903
16,782,957	847,154	672,429	3,601,908	14,709,092	23,632,816	359,626,123

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA      Table 20**  
**GOVERNMENTAL FUND EXPENDITURES BY FUNCTION**  
**PER AVERAGE DAILY MEMBERSHIP AND IN TOTAL**  
**Last Ten Fiscal Years Ending June 30, 2018**

Fiscal Year Ended June 30,	Average Daily Membership	Regular Instructional	Special Instructional	Other Instructional	Pupil Support	Instructional Support	General Administration
		\$ 4,094	\$ 1,798	\$ 1,995	\$ 124	\$ 255	\$ 153
2018	33,072	135,403,315	59,458,188	65,991,733	4,105,601	8,446,589	5,051,001
		3,962	1,732	1,816	116	254	133
2017	33,147	131,323,865	57,416,213	60,182,717	3,859,880	8,402,791	4,392,197
		4,031	1,707	1,626	130	261	134
2016	33,501	135,034,516	57,185,537	54,478,361	4,368,640	8,740,453	4,504,227
		4,189	1,589	1,629	132	263	139
2015	33,626	140,852,890	53,416,918	54,777,723	4,443,874	8,854,505	4,690,791
		3,745	1,544	1,607	130	278	137
2014	33,263	124,557,919	51,356,870	53,451,392	4,336,467	9,241,804	4,545,510
		4,009	1,486	1,531	130	289	124
2013	32,405	129,921,528	48,148,403	49,616,044	4,210,193	9,379,656	4,019,049
		4,084	1,445	1,515	116	248	110
2012	32,569	133,016,687	47,048,122	49,334,190	3,766,986	8,069,436	3,586,774
		3,561	1,370	1,558	100	223	106
2011	32,118	114,362,660	44,010,448	50,045,606	3,223,542	7,176,724	3,413,113
		3,703	1,356	1,441	123	254	118
2010	31,956	118,328,744	43,337,483	46,047,333	3,918,338	8,106,634	3,767,853
		4,117	1,387	1,502	133	225	120
2009	32,313	133,019,137	44,832,337	48,524,545	4,302,185	7,254,755	3,875,481

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**

<b>School Administration</b>	<b>Business Support</b>	<b>Central Support</b>	<b>Other Support Services</b>	<b>Community Services</b>	<b>Other</b>	<b>Total</b>
\$ 632	\$ 1,363	\$ 209	\$ -	\$ 120	\$ 682	\$ 11,426
20,886,661	45,093,247	6,912,237	-	3,970,265	22,545,728	377,864,565
647	1,305	216	-	125	640	10,945
21,456,136	43,249,319	7,164,999	-	4,148,497	21,201,167	362,797,781
643	1,305	204	-	124	577	10,742
21,538,262	43,709,186	6,843,957	-	4,142,335	19,334,963	359,880,437
629	1,367	208	-	130	511	10,786
21,142,956	45,955,757	6,995,987	-	4,359,394	17,191,488	362,682,283
624	1,338	198	-	130	477	10,208
20,756,497	44,509,692	6,590,156	-	4,335,383	15,856,313	339,538,003
715	1,330	189	-	134	445	10,382
23,164,416	43,097,441	6,125,855	-	4,335,383	14,420,218	336,438,186
640	1,346	187	-	141	380	10,211
20,832,116	43,849,838	6,079,842	-	4,600,655	12,378,157	332,562,803
577	1,293	167	-	124	376	9,456
18,535,184	41,518,413	5,363,214	-	3,984,105	12,085,088	303,718,097
604	1,314	178	-	117	356	9,563
19,303,708	42,002,968	5,688,515	-	3,725,081	11,366,345	305,593,002
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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA    Table 21**  
**CAPITAL OUTLAY FUND EXPENDITURES**  
**Last Ten Fiscal Years Ending June 30, 2018**

<b>Fiscal Year Ended June 30,</b>	<b>Sites and Building Improvements</b>	<b>Furniture and Equipment</b>	<b>Vehicles</b>	<b>Total</b>
2018	\$ 12,424,948	\$ 97,677	\$ 1,044,300	\$ 13,566,925
2017	15,164,878	82,602	1,177,254	16,424,734
2016	13,411,022	125,677	1,526,739	15,063,438
2015	10,369,962	647,556	525,634	11,543,152
2014	20,172,545	2,818,870	454,238	23,445,653
2013	22,796,337	13,267,264	163,361	36,226,962
2012	40,678,771	5,312,686	279,022	46,270,479
2011	71,314,915	861,678	2,098,021	74,274,614
2010	17,161,520	1,032,913	197,190	18,391,623
2009	31,950,516	569,565	1,122,354	33,642,435

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, 2018**

**Table 22**

<b>Fiscal Year Ended June 30,</b>	<b>Purchased Food</b>	<b>Donated Commodities</b>	<b>Salaries and Benefits</b>
2018	\$ 5,544,467	\$ 1,114,136	\$ 8,765,561
2017	5,902,080	1,014,414	8,311,428
2016	6,189,247	1,033,524	8,663,875
2015	6,224,793	972,837	8,233,583
2014	5,249,525	926,372	7,983,143
2013	5,072,231	730,231	7,347,414
2012	4,609,755	856,145	6,648,054
2011	4,480,572	617,629	6,206,286
2010	4,617,991	651,865	5,970,717
2009	4,859,146	733,192	5,926,945

Source: Durham Public Schools' Finance Department



**Table 22**

<b>Materials and Supplies</b>	<b>Indirect Costs</b>	<b>Other</b>	<b>Total</b>
\$ 516,816	\$ 811,076	\$ 297,139	\$ 17,049,195
476,217	868,863	126,427	16,699,429
526,314	859,578	167,682	17,440,220
588,267	838,250	486,639	17,344,369
547,482	801,936	573,919	16,082,377
521,678	763,708	423,461	14,858,723
933,492	815,624	288,557	14,151,627
540,571	866,646	269,803	12,981,507
469,627	832,878	319,134	12,862,212
548,266	1,005,171	313,346	13,386,066

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA    Table 23**  
**SCHOOL FOOD SERVICE REVENUES AND OPERATING TRANSFERS IN BY SOURCES**  
**Last Ten Fiscal Years Ending June 30, 2018**

<b>Fiscal Year Ended June 30,</b>	<b>USDA</b>			
	<b>Food Sales</b>		<b>Reimbursement</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
2018	\$ 2,392,809	14.5%	\$ 12,129,498	73.4%
2017	2,333,483	13.8%	13,087,413	77.4%
2016	2,280,883	13.6%	13,035,704	77.7%
2015	1,804,464	11.3%	12,897,911	80.5%
2014	2,145,557	14.0%	12,134,235	79.3%
2013	2,308,001	15.7%	11,537,008	78.5%
2012	2,712,070	19.0%	10,746,241	75.5%
2011	2,955,052	20.8%	10,382,931	73.2%
2010	3,307,918	24.2%	9,546,103	69.7%
2009	3,628,656	27.0%	9,162,082	68.1%

Source: Durham Public Schools' Finance Department

**Table 23**

<b>Donated Commodities</b>		<b>Other</b>		<b>Total</b>	
<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
\$ 1,078,242	6.5%	\$ 919,522	5.6%	\$ 16,520,071	100.0%
1,086,274	6.4%	406,379	2.4%	16,913,549	100.0%
1,033,524	6.2%	419,467	2.5%	16,769,578	100.0%
925,434	5.8%	386,464	2.4%	16,014,273	100.0%
956,710	6.2%	71,083	0.5%	15,307,585	100.0%
811,715	5.5%	37,244	0.3%	14,693,968	100.0%
739,882	5.2%	39,754	0.3%	14,237,947	100.0%
813,104	5.7%	35,382	0.3%	14,186,469	100.0%
795,410	5.8%	44,355	0.3%	13,693,786	100.0%
621,914	4.6%	40,501	0.3%	13,453,153	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, 2018**

<u>Fiscal Year Ended June 30,</u>	<u>Building Value of Permits Issued <sup>(1)</sup></u>	<u>Assessed Valuation <sup>(2)</sup></u>
2018	N/A	N/A
2017	\$ 1,501,331,982	\$ 35,230,345,247
2016	1,194,358,281	32,454,800,165
2015	1,117,161,089	31,736,178,319
2014	1,107,015,215	30,796,658,950
2013	912,531,665	30,446,750,204
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

N/A - Not available at time of issuance.

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

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

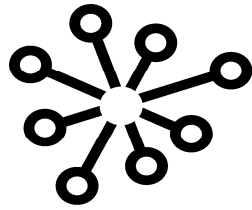
**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**MISCELLANEOUS STATISTICS**  
**June 30, 2018**

**Table 25**

Area:	Durham County	299 square miles
Population:	Durham County	308,194
Average Daily Membership:		33,072
Schools:	Elementary	30
	Middle	9
	Secondary	2
	Senior/High	10
	Hospital School	1
	Alternative	1
School Personnel (approximate):		4,716

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

# COMPLIANCE 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](http://www.rivescpa.com)

## **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, 2018, and the related notes to the financial statements, which collectively comprise the Durham Public Schools Board of Education, North Carolina's basic financial statements, and have issued our report thereon dated December 3, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Durham Public Schools Board of Education, North Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Durham Public Schools Board of Education, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Durham Public Schools Board of Education, North Carolina's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Durham Public Schools Board of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rives & Associates LLP*

Lexington, North Carolina  
December 3, 2018





**Rives & Associates, LLP**  
Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Durham Public Schools Board of Education, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Durham Public Schools Board of Education, North Carolina's basic financial statements. We issued our Independent Auditor's Report thereon dated December 3, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Durham Public Schools Board of Education, North Carolina's basic financial statements.

The accompanying schedule of expenditures of federal and State awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and State awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Rives & Associates LLP*

Lexington, North Carolina  
January 15, 2019



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

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

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

We have audited the Durham Public Schools Board of Education, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Durham Public Schools Board of Education, North Carolina's major federal programs for the year ended June 30, 2018. 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, 2018.

## 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  
January 15, 2019



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

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

### **Report on Compliance for Each Major State Program**

We have audited the Durham Public Schools Board of Education, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Durham Public Schools Board of Education, North Carolina's major State programs for the year ended June 30, 2018. 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, 2018.

## 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  
January 15, 2019

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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**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:

<b><u>CFDA Numbers</u></b>	<b><u>Names of Federal Program or Cluster</u></b>
84.027, 84.173	Special Education Cluster
84.377	School Improvement Cluster

Schedule 15

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA (Continued)**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

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

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Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,251,164

Auditee qualified as low-risk auditee?  X  yes   no

**State Awards**

Internal control over major State programs:

Material weaknesses identified?   yes  X  no

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

Type of auditors' report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?   yes  X  no

Identification of major State programs:

**Program Name**

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State Public School Fund  
State Textbooks  
State Buses Appropriations  
Driver Training  
School Technology Fund

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

**Schedule of Findings and Questioned Costs**

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

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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None reported.

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.



**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA Schedule 16**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2018**

None reported.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
<b>Federal Grants:</b>			
<u>U. S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Passed through the N.C. Department of Agriculture:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 1,114,136
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	3,187,809
National School Lunch Program	10.555	PRC 035	8,941,689
Passed through the N. C. Department of Health and Human Services:			
Summer Food Service Program for Children	10.559	PRC 035	616,409
Total Cash Assistance			<u>12,745,907</u>
Total Child Nutrition Cluster			<u>13,860,043</u>
Passed through the N.C. Department of Agriculture:			
Fresh Fruits and Vegetables Program	10.582	PRC 035	<u>275,405</u>
Total U.S. Department of Agriculture			<u>14,135,448</u>
<u>U.S. Department of Education:</u>			
Direct programs:			
Innovative Approaches	NONE	PRC 371	<u>75,209</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	7,808,708
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	145,063
Children With Disabilities - Risk Pool	84.027	PRC 114	323,949
Special Needs Targeted Assistance	84.027	PRC 118	16,575
Preschool Targeted Assistance	84.173	PRC 119	3,249
Total Special Education Cluster			<u>8,297,544</u>
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	<u>11,146,574</u>

## DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

## Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
<b>Federal Grants (Continued):</b>			
<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	\$ 3,996,442
Total School Improvement Cluster			3,996,442
 Title I School Improvement Grant	 84.010	 PRC 105	 978,196
 Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	PRC 026	68,661
 Career and Technical Education - Basic Grants to States	84.048	PRC 017	563,056
Special Education-State Personnel Development Grant	84.323	PRC 082	5,822
Supporting Effective Instruction	84.367	PRC 103	1,004,315
English Language Acquisitions Grant	84.365	PRC 104, 111	736,276
21st Century - Community Learning Centers	84.287	PRC 110	244,217
ESEA Title IV – Student Support and Academic Enrichment (Part A)	84.424	PRC 108	140,610
Centers for Disease Control and Prevention - HIV Prevention	93.944	PRC 159	1,625
Passed through North Carolina State University:			
N.C. Quality Educators through Staff Development and Training	84.367B	PRC 341	140,086
 Total U.S. Department of Education			27,398,633
<u>U.S. Department of Defense:</u>			
Direct program:			
ROTC	NONE	-	171,384
 Total federal awards			41,705,465

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
<b>State Grants:</b>			
Cash Assistance:			
<u>North Carolina Department of Public Instruction:</u>			
State Public School Fund			\$ 190,429,493
Driver Training - SPSF	-	012	703,683
Vocational Education			
State Months of Employment	-	013	8,598,802
Program Support Funds	-	014	1,024,011
School Technology Fund - SPSF	-	015	864,307
Total North Carolina Department of Public Instruction			201,620,296
N.C. Department of Agriculture:			
State Kindergarten Breakfast Program			21,935
Total cash assistance			201,642,231
Non-Cash Assistance:			
<u>North Carolina Department of Public Instruction:</u>			
Textbooks	-	130	1,211,369
State Buses Appropriations	NONE	-	668,717
Total non-cash assistance			1,880,086
Total State awards			203,522,317
Total federal and State awards			\$ 245,227,782

**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, 2018**

**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.

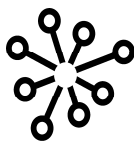
**II) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.



**DURHAM**  
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