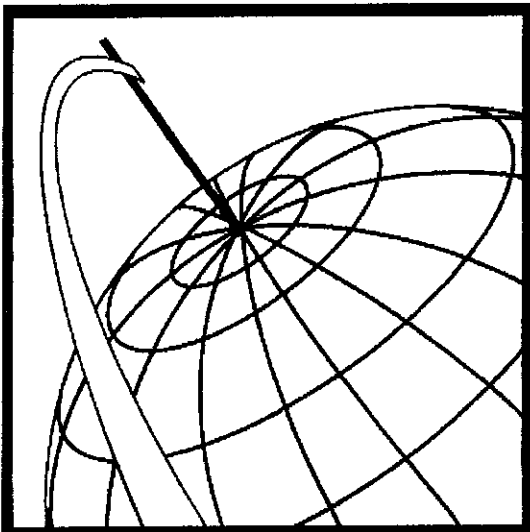


FINANCIAL SECTION





Rives & Associates, LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Durham Public Schools Board of Education
Durham, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budget to actual comparison for the General Fund, State Public School Fund, and Federal Grants 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, 2009, which collectively comprise the Durham Public Schools Board of Education' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Durham Public Schools Board of Education's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Durham Public Schools Board of Education as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund and Federal Grants Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2009 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 and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Accordingly, we express no such opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Durham Public Schools Board of Education, North Carolina. The combining and individual fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rives & Associates, LLP

December 4, 2009

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

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, 2009. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board had a decrease in enrollment of 436 students (or 1.33%) from the previous year. Due to the sudden impact of economic recession, the inward migration from other states into Durham County showed a decline. However, as our local housing market rebounds we are beginning to see an influx of families as is evidenced by meeting enrollment projections in the current school year 2009/2010. It should be noted that funding from the State is based on Average Daily Membership (ADM) figures which are typically lower than enrollment.
- The assets of the Board exceeded its liabilities at the close of the fiscal year by \$295,709,815. The assets increased \$19,661,155 primarily due to increased capital assets.
- The Board received \$102,654,263 in local county appropriation in 2008-2009. However, in January, 2009, the County reduced the funding by 3% and requested that the Board return \$3.1 million. Since teachers were already hired and under contract, the Board did not return general fund dollars; they returned \$3.1 million in School Lottery Capital funds to the County.
- In October, 2008, because the Board did not meet the growth projections for student enrollment, the state reduced funding by \$1,057,000.
- The State of North Carolina experienced an economic recession. During the 2008-2009 school year, the Governor made drastic cuts in the state budget and redirected trust funds, lottery funds for capital, and other sources to ensure positive cash balances for the state. In November, 2008 the discretionary reduction was reinstated by the state; the impact on Durham Public School was a reduction of \$1.3 million in state operating funds. When the Governor redirected lottery funds, this resulted in another loss in state capital revenue of \$1 million.
- In April, 2009 the state issued a letter freezing expenditures for the remainder of the fiscal year. The only expenditures allowed were those affecting direct classroom instruction. The estimated impact of this freeze on Durham Public School was a loss of \$4 million.
- In May, 2009 the State again reduced allotments to the school system resulting in another loss of revenue of \$912,000 which had been budgeted for non-instructional support (substitute teachers, clerical, school treasurers, custodians, etc). In addition, the Governor instituted a furlough requiring a reduction of ½% from all salaries for the remaining two months of the fiscal year.
- As of the close of the current fiscal year, the Board's General Fund reported an ending fund balance of \$9,386,542. The total fund balance increased by \$152,189 due to an increase in local grant funding. The General Fund is composed of the local current expense fund and the local grants fund. These are combined for financial reporting purposes. The local current expense fund experienced a loss of \$1.8 million. This was offset by an increase in local grant funding of \$2.1 million resulting in the slight increase in the general fund balance.
- Reserved fund balance declined from \$2.3 million in 2007-2008 to \$871,455 in 2008-2009 due to cancelling all outstanding encumbrances at year end and the reduction in prepaid items. The unreserved fund balance increased accordingly from \$6.9 million to \$8.5 million for the same reasons listed above. Undesignated fund balance declined from \$4.1 million to \$805,634 due to the necessity of designating the fund balance for 2009-2010's expenditures.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

- The Board took steps to control spending to compensate for the large loss of funding at the state and local level. Non-school budgets were reduced 10% and positions were frozen; only those positions critical to the direct support of our schools and students were hired. \$2 million of fund balance was appropriated for 2008-2009 to help offset the loss of revenue.

Overview of the Financial Statements

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

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Supplemental section that presents combining statements for non-major governmental and enterprise funds*

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

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

District-Wide Statements

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

The two district-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

- To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of its school buildings and other physical assets, must be considered.

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

- **Governmental activities:** Most of the District'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 District charges fees to help cover the costs of certain services it provides. School food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District 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 District establishes other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants Fund.

Durham Public Schools Board of Education has three types of funds:

Governmental funds: Most of the District'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 near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, explains the relationship (or differences) between them. The District has several governmental funds: the General Fund, the State Public School Fund, the Capital Projects Fund, the Federal Grants Fund, and the School Activity Funds.

Proprietary funds: Services for which the District charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same basis of accounting as the government-wide statements - full accrual. Durham Public Schools Board of Education has one proprietary fund - the School Food Service Fund.

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 - a Private-Purpose Trust fund - the Della Bradsher Hedgepeth Memorial Scholarship Fund, which is a scholarship fund under the control of the administrative unit.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

Financial Analysis of the District as a Whole

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$295,709,815 as of June 30, 2009. The largest component of net assets is invested in capital assets, net of related debt, of \$298,984,854. It comprises 101.1% of total net assets.

Following is a summary of the statement of net assets:

Table I						
Condensed Statement of Net Assets as of June 30, 2009						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2009	6/30/2008	6/30/2009	6/30/2008	6/30/2009	6/30/2008
Current assets	\$ 28,611,265	\$ 30,691,886	\$ 2,561,042	\$ 2,624,470	\$ 31,172,307	\$ 33,316,356
Capital assets	299,478,670	277,646,440	486,927	513,953	299,965,597	278,160,393
Total assets	<u>328,089,935</u>	<u>308,338,326</u>	<u>3,047,969</u>	<u>3,138,423</u>	<u>331,137,904</u>	<u>311,476,749</u>
Current liabilities	14,207,721	16,679,106	73,357	242,189	14,281,078	16,921,295
Long-term liabilities	20,824,102	17,907,043	322,909	311,618	21,147,011	18,218,661
Total liabilities	<u>35,031,823</u>	<u>34,586,149</u>	<u>396,266</u>	<u>553,807</u>	<u>35,428,089</u>	<u>35,139,956</u>
Invested in capital assets, net of related debt	298,497,927	275,702,774	486,927	513,953	298,984,854	276,216,727
Restricted net assets	4,691,584	4,287,800	-	-	4,691,584	4,287,800
Unrestricted net assets	(10,131,399)	(6,238,397)	2,164,776	2,070,663	(7,966,623)	(4,167,734)
Total net assets	<u>\$ 293,058,112</u>	<u>\$ 273,752,177</u>	<u>\$ 2,651,703</u>	<u>\$ 2,584,616</u>	<u>\$ 295,709,815</u>	<u>\$ 276,336,793</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

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

Table 2 Condensed Statement of Activities as of June 30, 2009						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2009	6/30/2008	6/30/2009	6/30/2008	6/30/2009	6/30/2008
Revenues:						
Program revenues:						
Charges for services	\$ 3,933,321	\$ 4,158,758	\$ 3,628,656	\$ 3,336,431	\$ 7,561,977	\$ 7,495,189
Operating grants and contributions	215,065,379	210,264,462	9,783,996	8,354,339	224,849,375	218,618,801
Capital grants and contributions	129,698	43,488	-	-	129,698	43,488
General revenues:						
Other revenues	138,507,142	115,110,800	40,501	87,579	138,547,643	115,198,379
Total revenues	357,635,540	329,577,508	13,453,153	11,778,349	371,088,693	341,355,857
Expenses:						
Governmental activities:						
Instructional services	249,930,621	239,812,185	-	-	249,930,621	239,812,185
Support services	65,080,679	63,429,498	-	-	65,080,679	63,429,498
Community services	4,129,830	3,960,838	-	-	4,129,830	3,960,838
Non-programmed charges	9,314,233	8,291,224	-	-	9,314,233	8,291,224
Interest on long-term debt	28,813	4,020	-	-	28,813	4,020
Depreciation	9,845,429	9,988,185	-	-	9,845,429	9,988,185
Business-type activities:						
Food service	-	-	13,386,066	12,132,950	13,386,066	12,132,950
Total expenses	338,329,605	325,485,950	13,386,066	12,132,950	351,715,671	337,618,900
Increase in net assets	19,305,935	4,091,558	67,087	(354,601)	19,373,022	3,736,957
Beginning net assets	273,752,177	269,660,619	2,584,616	2,939,217	276,336,793	272,599,836
Ending net assets	\$ 293,058,112	\$ 273,752,177	\$ 2,651,703	\$ 2,584,616	\$ 295,709,815	\$ 276,336,793

Total governmental activities generated revenues of \$357,635,540 while expenses in this category totaled \$338,329,605, reflecting an increase in net assets of \$19,305,935. Business-type activities generated revenue of \$13,453,153 and had expenses of \$13,386,066 reflecting an increase in net assets for the School Food Service Fund of \$67,087.

Overall, total primary government revenues increased by \$29,732,836, while expenses increased by \$14,096,771, resulting in an overall net increase of net assets of \$19,373,022 from that of the prior year. The increase in net assets was primarily due to the significant increase in operating grants and contributions for 2008-2009.

Financial Analysis of the District's Funds

The Board's governmental funds reported a combined fund balance of \$14,078,126, an increase of \$555,973 from the previous year. Of the Board's governmental funds, the State Public School Fund and the Federal Grants Fund had revenues that equaled expenditures. The Capital Projects Fund had an increase in fund balance of \$373,204 to \$3,126,241. The reserved fund balance in the Capital Projects Fund decreased \$911,024 due to a decrease in receiving requests for payments from contractors after June 30th for work which had been performed prior to June 30, 2009. These late requests for payment were reimbursed by the County from local bond proceeds creating an increased receivable balance at year end. The Capital Projects Fund had expenditures in excess of revenues. Total funding for the General Fund increased by \$9,821,436 (9%); included in the General Fund are revenues from US Government and State grant agencies, which increased by 137%. Expenditures in the General Fund increased \$9,810,329 (9%). The Federal Grants Fund increased \$435,513 (2%).

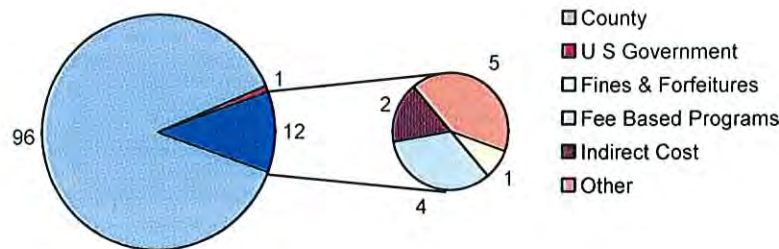
DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended June 30, 2009

The Board's business-type activities improved during the 2008-2009 year. Business-type activities had an increase in net assets of \$67,087. In 2007-2008 the child nutrition experienced a loss of \$354,601. The total net assets balance of \$2,651,703, of which \$1,814,955, or 68.4%, is cash and cash equivalents, allows the financial health of the fund to be maintained. The Board has increased meal prices because of rising operating costs in the proprietary fund.

General Fund Revenues

Since the merger of the city and county school systems in 1992-93, General Fund revenues have increased 157% from a total of \$46.3 million to \$118.8 million. The sources of revenue are shifting somewhat due to the change in the economy. The County's funding decreased from approximately 88% of the budget in 2007-2008 to 86.4% in 2008-2009, while the U. S. Government increased from 1% in 2007-2008 to 1.5% in 2008-2009, fines and forfeitures remained steady at 1% for both years, indirect cost decreased slightly from 2% in 2007-2008 to 1.9% in 2008-2009, fee based programs remained steady at 3% for both years, and other sources increased from 5% in 2007-2008 to 6.2% in 2008-2009.

2008-09 General Fund Revenues (Millions of Dollars)

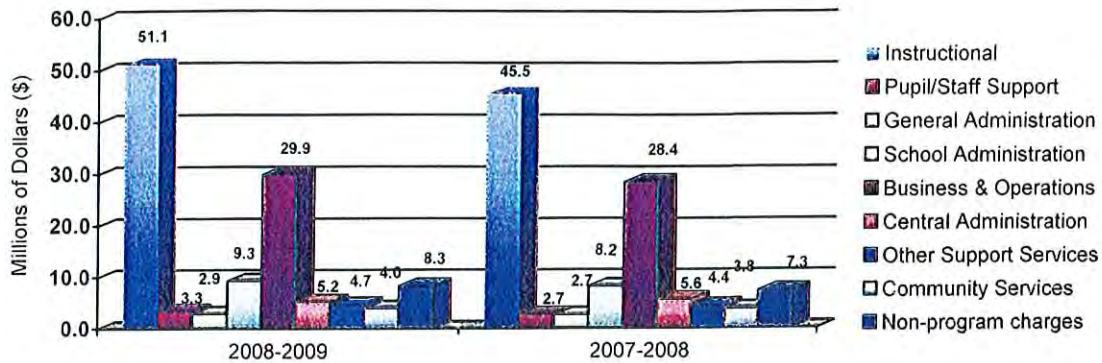


General Fund Expenditures

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 9% in 2008-09 over the prior year to a total of \$118,602,604. The percentage of expenditures by function to total expenditures remained relatively consistent with prior years with the biggest increase being in the instructional area. Other increases or decreases depict realignment of expenditures between General and Special Revenue funding sources during the year.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

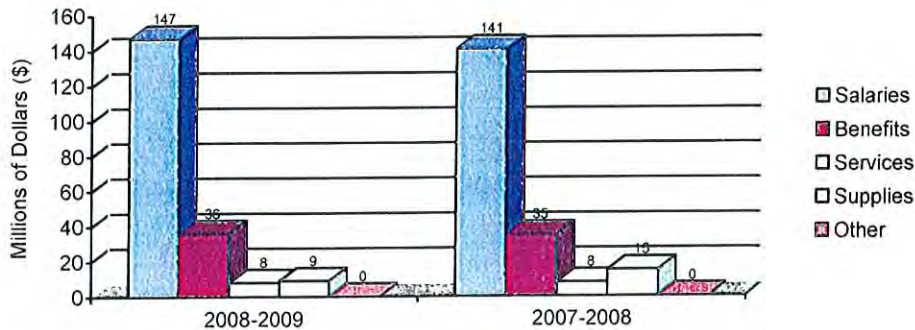
General Fund Expenditures



Federal and State Special Revenue Funds

Substantially all state and federal revenues are accounted for in the State Public School Fund (\$178,493,867) and the Federal Grants Fund (\$21,805,276). This federal and state funding is primarily provided to the local education agencies on a per pupil basis. Expenditures of these funds provide the basic instructional programs for all school systems in North Carolina. Salaries and benefits account for 91.5% of all expenditures in these funds. Major expenditure categories in the State Public School Fund and the Federal Grants Fund are as follows:

Special Revenue Expenditures by Object



Capital Projects Fund

As the school building construction program (supported by the 2001 and 2003 voter-approved County bond referendum) approaches completion, the District realized \$16,782,957 in revenue from general obligation bonds issued by Durham County, and \$8,229,858 from the County's general appropriation. Additionally, the State Public School Capital Fund provided \$721,100, the city of Durham provided \$7,003,740, and miscellaneous other local sources provided \$416,635. The State also provided capital funds of \$1,778,046 for installment financing related to the purchase of yellow buses. During the 2008-2009 school year, Durham Public Schools opened a new elementary school – Spring Valley. The Board also provided a new addition and renovations for Fayetteville Street Elementary School. Other projects substantially underway at year-end were renovations at CC Spaulding Elementary School, minor renovations at Chewing Middle School for Lakeview School, adding a modular classroom for Hillside New Tech High School, and adding a concession building at Jordan High School.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

School Activity Fund

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 52 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 an increase in net assets of \$67,087 in 2008-09. The total net assets are \$2,651,703, of which \$1,814,955, is cash and cash equivalents. This financial position allows Durham Public Schools to maintain a strong Child Nutrition Program.

Fiduciary Fund

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

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.

Debt Outstanding

During the year, the Board's outstanding debt reflected a total net decrease of \$962,923, with an ending balance of \$980,743. The decrease was due to continued payments of the debt for capital leases and making installment payments for the purchase of school buses during the year that were financed with an installment purchase contract. Future debt service payments to retire the debt will be funded by State revenues allotted for repayment of lease purchase contracts for the acquisition of school buses as authorized under G. S. 115C-528(a), Session Law 2003-284, Section 7.25.

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

Economic Factors

The Board experienced a decrease in enrollment in the 2008-2009 school year due to the sudden impact of economic recession; the inward migration from other states into Durham County showed a decline. However, as our local housing market rebounds we are beginning to see an influx of families as is evidenced by meeting enrollment projections in the current school year 2009-2010. Over the next several years the Board will need continued increases in classroom space, teachers, and equipment. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the school district.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

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

- The County's unemployment rate increased from 4.1% in 2008 to 7.3% in 2009. However, the County rate is lower than the State rate of 10.7% and the national average of 9.5% for 2009.
- Per capita personal income decreased by 4% from \$38,923 in 2008 to \$37,308 in 2009; retail sales for the County have decreased only .026% over the last year which indicates the beginning of an economic recovery. In 2008 retail sales decreased from 2007 by 2.5%.
- Citizens in Durham County voted in favor of \$194.2 million in bonds for school construction and renovation on November 6, 2007.
- The population in Durham County continues to grow. The population increased 1.5% in 2009.

These factors, as well as the State's budget situation and increased utility costs, were considered in preparing the Board's budget for the 2009-2010 fiscal year. The 2010 fiscal year budget was created to maintain the offsetting effect of such economic factors, by cutting expenditures and reducing or eliminating services, while attempting to protect core instructional programs and the personnel associated with them.

Requests for Information

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

Carolyn L. Olivarez, Executive Director for Financial Services
Durham Public Schools
Post Office Box 30002
Durham, North Carolina 27702

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BASIC FINANCIAL STATEMENTS

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DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2009

Exhibit 1

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 17,720,451	\$ 1,814,955	\$ 19,535,406
Other receivable, net	285,430	1,299	286,729
Due from other governments	10,372,805	425,197	10,798,002
Internal balances	(32,994)	32,994	-
Inventories	240,573	286,597	527,170
Prepaid items	25,000	-	25,000
	<u>28,611,265</u>	<u>2,561,042</u>	<u>31,172,307</u>
Capital assets:			
Land and construction in progress	67,858,376	-	67,858,376
Other capital assets, net of depreciation	231,620,294	486,927	232,107,221
Total capital assets	<u>299,478,670</u>	<u>486,927</u>	<u>299,965,597</u>
Total assets	<u>328,089,935</u>	<u>3,047,969</u>	<u>331,137,904</u>
LIABILITIES			
Accounts payable and accrued liabilities	3,784,026	976	3,785,002
Accrued salaries and related payables	10,312,312	-	10,312,312
Prepaid meals	-	72,381	72,381
Unearned revenues	111,383	-	111,383
Long-term liabilities:			
Due within one year	2,617,627	24,000	2,641,627
Due in more than one year	18,206,475	298,909	18,505,384
Total liabilities	<u>35,031,823</u>	<u>396,266</u>	<u>35,428,089</u>
NET ASSETS			
Invested in capital assets, net of related debt	298,497,927	486,927	298,984,854
Restricted for:			
Capital projects	3,126,241	-	3,126,241
Individual schools	1,565,343	-	1,565,343
Unrestricted (deficit)	<u>(10,131,399)</u>	<u>2,164,776</u>	<u>(7,966,623)</u>
Total net assets	<u>\$ 293,058,112</u>	<u>\$ 2,651,703</u>	<u>\$ 295,709,815</u>

See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instructional programs:				
Regular instructional	\$ 134,678,503	\$ 3,601,908	\$ 110,600,114	\$ -
Special populations	45,391,605	-	38,170,284	-
Alternative programs	21,829,689	-	19,213,847	-
School leadership	19,535,145	-	8,374,276	-
Co-curricular	7,765,039	-	5,631,186	-
School-based support	20,730,640	-	11,149,055	-
Support services:				
Support and development	2,909,870	-	994,018	-
Special population	1,305,590	-	860,882	-
Alternative programs	870,856	-	211,408	-
Technology	3,338,081	-	709,053	-
Operational	43,321,597	331,413	15,303,088	129,698
Financial and human resource	6,162,080	-	914,876	-
Accountability	1,830,729	-	768,771	-
Pupil support	1,418,049	-	1,770	-
Policy, leadership and public relations	3,923,827	-	973,360	-
Ancillary services	4,129,830	-	143,114	-
Non-programmed charges	9,314,233	-	1,046,277	-
Interest on long-term debt	28,813	-	-	-
Unallocated depreciation expense	9,845,429	-	-	-
Total governmental activities	338,329,605	3,933,321	215,065,379	129,698
Business-type activities:				
Food services	13,386,066	3,628,656	9,783,996	-
Total business-type activities	13,386,066	3,628,656	9,783,996	-
Total primary government	\$ 351,715,671	\$ 7,561,977	\$ 224,849,375	\$ 129,698

General revenues:

Unrestricted County appropriations - operating
Unrestricted County appropriations - capital
Unrestricted City appropriations - capital
Unrestricted other County revenues - capital
Investment earnings, unrestricted
Miscellaneous, unrestricted
Total - general revenues

Change in net assets:

Net assets - beginning
Net assets - ending

Net (Expenses) Revenue and Changes in Net Assets Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (20,476,481)	\$ -	\$ (20,476,481)
(7,221,321)	-	(7,221,321)
(2,615,842)	-	(2,615,842)
(11,160,869)	-	(11,160,869)
(2,133,853)	-	(2,133,853)
(9,581,585)	-	(9,581,585)
(1,915,852)	-	(1,915,852)
(444,708)	-	(444,708)
(659,448)	-	(659,448)
(2,629,028)	-	(2,629,028)
(27,557,398)	-	(27,557,398)
(5,247,204)	-	(5,247,204)
(1,061,958)	-	(1,061,958)
(1,416,279)	-	(1,416,279)
(2,950,467)	-	(2,950,467)
(3,986,716)	-	(3,986,716)
(8,267,956)	-	(8,267,956)
(28,813)	-	(28,813)
(9,845,429)	-	(9,845,429)
<u>(119,201,207)</u>	<u>-</u>	<u>(119,201,207)</u>
-	26,586	26,586
-	26,586	26,586
<u>(119,201,207)</u>	<u>26,586</u>	<u>(119,174,621)</u>
102,654,263	-	102,654,263
8,229,858	-	8,229,858
7,003,740	-	7,003,740
16,782,957	-	16,782,957
672,429	40,501	712,930
3,163,895	-	3,163,895
<u>138,507,142</u>	<u>40,501</u>	<u>138,547,643</u>
19,305,935	67,087	19,373,022
<u>273,752,177</u>	<u>2,584,616</u>	<u>276,336,793</u>
<u>\$ 293,058,112</u>	<u>\$ 2,651,703</u>	<u>\$ 295,709,815</u>

See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

Exhibit 3

	Major Funds				Non-major Fund	Total Governmental Funds
	General Fund	State Public School Fund	Capital Projects Fund	Federal Grants Fund	School Activity Funds	
ASSETS						
Cash and cash equivalents	\$ 13,535,357	\$ -	\$ 3,067,551	\$ -	\$ 1,117,543	\$ 17,720,451
Due from other governments	301,447	6,592,231	2,941,988	537,139	-	10,372,805
Other receivable, net	279,940	-	5,490	-	-	285,430
Due from other funds	304,435	-	-	-	447,800	752,235
Inventories	240,573	-	-	-	-	240,573
Prepaid items	25,000	-	-	-	-	25,000
Total assets	<u>\$ 14,686,752</u>	<u>\$ 6,592,231</u>	<u>\$ 6,015,029</u>	<u>\$ 537,139</u>	<u>\$ 1,565,343</u>	<u>\$ 29,396,494</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued liabilities	\$ 972,065	\$ -	\$ 2,811,961	\$ -	\$ -	\$ 3,784,026
Due to other funds	785,229	-	-	-	-	785,229
Accrued salaries and related payables	3,233,190	6,589,108	-	490,014	-	10,312,312
Deferred revenues	309,726	3,123	76,827	47,125	-	436,801
Total liabilities	<u>5,300,210</u>	<u>6,592,231</u>	<u>2,888,788</u>	<u>537,139</u>	<u>-</u>	<u>15,318,368</u>
FUND BALANCES						
Reserved for:						
Inventories	240,573	-	-	-	-	240,573
State statute	605,882	-	2,865,161	-	447,800	3,918,843
Prepaid expenses	25,000	-	-	-	-	25,000
Unreserved:						
Designated for subsequent year's expenditures	5,901,883	-	1,365,711	-	-	7,267,594
Designated for self-insurance	1,807,570	-	-	-	-	1,807,570
Undesignated	805,634	-	(1,104,631)	-	1,117,543	818,546
Total fund balances	<u>9,386,542</u>	<u>-</u>	<u>3,126,241</u>	<u>-</u>	<u>1,565,343</u>	<u>14,078,126</u>
Total liabilities and fund balances	<u>\$ 14,686,752</u>	<u>\$ 6,592,231</u>	<u>\$ 6,015,029</u>	<u>\$ 537,139</u>	<u>\$ 1,565,343</u>	<u>\$ 29,396,494</u>

Reconciliation of the Balance Sheet to the Statement of Net Assets:

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

Total fund balance - governmental funds	\$ 14,078,126
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	\$ 470,837,656
Accumulated depreciation	<u>(171,358,986)</u>
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Capital leases payable	(26,604)
Installment purchases	(954,139)
Claims liability for retained risk	(3,184,000)
Compensated absences payable	<u>(16,659,359)</u>
Sales tax receivable deferred in the governmental funds	<u>325,418</u>
Total net assets - governmental activities	<u>\$ 293,058,112</u>

See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION **Exhibit 4**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Major Funds				Non-major Funds	Total Governmental Funds
	General Fund	State Public School Fund	Capital Projects Fund	Federal Grants Fund	School Activity Funds	
REVENUES						
State of North Carolina	\$ 498,893	\$ 178,493,867	\$ 2,499,146	\$ -	\$ -	\$ 181,491,906
Durham County	102,654,263	-	25,012,815	-	-	127,667,078
City of Durham	-	-	7,003,740	-	-	7,003,740
U.S. Government agencies	1,827,540	-	-	21,805,276	-	23,632,816
Other	13,782,762	-	416,635	-	5,631,186	19,830,583
Total revenues	118,763,458	178,493,867	34,932,336	21,805,276	5,631,186	359,626,123
EXPENDITURES						
Current:						
Instructional services:						
Regular instructional	29,054,927	101,474,314	-	2,489,896	-	133,019,137
Special populations	6,662,053	32,324,320	-	5,845,964	-	44,832,337
Alternative programs	2,346,879	9,324,659	-	9,889,188	-	21,560,726
School leadership	10,920,177	8,374,276	-	-	-	19,294,453
Co-curricular	2,068,760	-	-	-	5,600,606	7,669,366
School-based support	9,326,164	10,232,166	-	916,889	-	20,475,219
Support services:						
Support and development	1,880,000	897,681	-	96,337	-	2,874,018
Special population	428,622	354,061	-	506,821	-	1,289,504
Alternative programs	648,718	90,390	-	121,018	-	860,126
Technology	2,587,899	709,053	-	-	-	3,296,952
Operational	29,883,309	12,012,182	-	791,760	-	42,687,251
Financial and human resources	5,171,281	818,209	-	96,667	-	6,086,157
Accountability	1,039,402	768,771	-	-	-	1,808,173
Pupil support	1,398,807	-	-	1,770	-	1,400,577
Policy, leadership and public relations	2,902,121	973,360	-	-	-	3,875,481
Ancillary services	3,986,716	140,425	-	2,689	-	4,129,830
Non-programmed charges	8,267,956	-	-	1,046,277	-	9,314,233
Capital outlay	-	-	33,642,435	-	-	33,642,435
Debt service:						
Principal repayments	26,606	-	1,778,046	-	-	1,804,652
Interest	2,207	-	-	-	-	2,207
Total expenditures	118,602,604	178,493,867	35,420,481	21,805,276	5,600,606	359,922,834
Excess of revenues over (under) expenditures	160,854	-	(488,145)	-	30,580	(296,711)
OTHER FINANCING SOURCES						
Installment purchase obligations issued	-	-	861,349	-	-	861,349
Total other financing sources	-	-	861,349	-	-	861,349
Net change in fund balance	160,854	-	373,204	-	30,580	564,638
FUND BALANCES						
Beginning of year	9,234,353	-	2,753,037	-	1,534,763	13,522,153
Decrease in reserve for inventories	(8,665)	-	-	-	-	(8,665)
End of year	\$ 9,386,542	\$ -	\$ 3,126,241	\$ -	\$ 1,565,343	\$ 14,078,126

See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION **Exhibit 4**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
Year Ended June 30, 2009

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities:

Total net change in fund balances - governmental funds	\$	564,638
Change in fund balances due to change in reserve for inventory		(8,665)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.

Depreciation expense	\$ (11,587,129)	
Capital outlays	<u>32,945,869</u>	21,358,740

Loss on disposal of capital assets		(67,222)
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Change in beginning capital assets		540,711
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In the statement of activities, certain operating expenses - compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

This year, vacation used was less than the amounts earned		(3,013,982)
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Estimated liabilities for retained risks increased during the year		(866,000)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from the issuance of debt	(861,349)	
Repayment of debt	<u>1,824,273</u>	962,924

Decrease in deferred revenues for sales tax receivable reported in the governmental funds		<u>(165,209)</u>
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Total changes in net assets of governmental activities		<u><u>\$ 19,305,935</u></u>
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See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2009

Exhibit 5

	Budgeted Amounts			Variances - Positive (Negative)	
	Original	Final	Actual	Final to Original	Actual to Final
REVENUES					
State of North Carolina	\$ 183,979	\$ 332,952	\$ 498,893	\$ 148,973	\$ 165,941
Durham County	102,728,739	102,728,739	102,654,263	-	(74,476)
U.S. Government agencies	298,494	1,930,258	1,827,540	1,631,764	(102,718)
Other:					
Community education	4,245,555	4,245,555	3,601,908	-	(643,647)
Indirect cost allocation	1,800,000	2,141,795	2,316,001	341,795	174,206
Interest income	720,000	720,000	672,429	-	(47,571)
Fines and forfeitures	1,335,000	1,335,000	847,154	-	(487,846)
Other	3,765,873	6,070,518	6,345,270	2,304,645	274,752
Total revenues	115,077,640	119,504,817	118,763,458	4,427,177	(741,359)
EXPENDITURES					
Current:					
Instructional services	54,645,882	61,860,359	60,378,960	(7,214,477)	1,481,399
Support services	48,278,760	46,390,008	45,940,159	1,888,752	449,849
Ancillary services	4,509,748	4,432,177	3,986,716	77,571	445,461
Non-programmed charges	8,643,250	9,270,069	8,267,956	(626,819)	1,002,113
Debt service on capital leases:					
Principal	-	26,606	26,606	(26,606)	-
Interest	-	2,207	2,207	(2,207)	-
Total expenditures	116,077,640	121,981,426	118,602,604	(5,903,786)	3,378,822
Revenues over (under) expenditures	(1,000,000)	(2,476,609)	160,854	(1,476,609)	2,637,463
Appropriated fund balance	1,000,000	2,476,609	-	1,476,609	(2,476,609)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	160,854	<u>\$ -</u>	<u>\$ 160,854</u>
Fund balance, beginning of year			9,234,353		
Decrease in reserve for inventories			(8,665)		
Fund balance, end of year			<u>\$ 9,386,542</u>		

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DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STATE PUBLIC SCHOOL FUND
Year Ended June 30, 2009

Exhibit 6

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final		Final to Original	Actual to Final
	Original	Final		Original	Final
REVENUES					
State of North Carolina	\$ 184,429,369	\$ 184,233,326	\$ 178,493,867	\$ (196,043)	\$ (5,739,459)
Total revenues	184,429,369	184,233,326	178,493,867	(196,043)	(5,739,459)
EXPENDITURES					
Current:					
Instructional services	168,876,576	167,119,029	161,729,735	1,757,547	5,389,294
Support services	15,349,988	16,905,197	16,623,707	(1,555,209)	281,490
Ancillary services	202,805	209,100	140,425	(6,295)	68,675
Non-programmed charges	-	-	-	-	-
Total expenditures	184,429,369	184,233,326	178,493,867	196,043	5,739,459
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning of year			-		
Fund balance, end of year			\$ -		

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DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL GRANTS FUND
Year Ended June 30, 2009

Exhibit 7

	Budgeted Amounts			Variances - Positive (Negative)	
	Original	Final	Actual	Final to Original	Actual to Final
REVENUES					
U.S. Government agencies	\$ 22,089,090	\$ 27,005,626	\$ 21,805,276	\$ 4,916,536	\$ (5,200,350)
Total revenues	<u>22,089,090</u>	<u>27,005,626</u>	<u>21,805,276</u>	<u>4,916,536</u>	<u>(5,200,350)</u>
EXPENDITURES					
Instructional services	19,147,970	22,451,158	19,141,937	(3,303,188)	3,309,221
Support services	671,239	1,940,149	1,614,373	(1,268,910)	325,776
Ancillary services	1,500	2,689	2,689	(1,189)	-
Non-programmed charges	2,268,381	2,611,630	1,046,277	(343,249)	1,565,353
Total expenditures	<u>22,089,090</u>	<u>27,005,626</u>	<u>21,805,276</u>	<u>(4,916,536)</u>	<u>5,200,350</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ -</u>		

See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009

Exhibit 8

	School Food Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,814,955
Accounts receivable, net	1,299
Due from other governments	425,197
Due from other funds	32,994
Inventories	286,597
Total current assets	2,561,042
Noncurrent assets:	
Furniture and equipment, net	486,927
Total assets	3,047,969
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	976
Compensated absences	24,000
Prepaid meals	72,381
Total current liabilities	97,357
Noncurrent liabilities:	
Compensated absences	298,909
Total liabilities	396,266
NET ASSETS	
Invested in capital assets	486,927
Unrestricted	2,164,776
Total net assets	\$ 2,651,703

See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2009

Exhibit 9

	School Food Service Fund
OPERATING REVENUES	
Food sales	\$ 3,628,656
Total operating revenues	3,628,656
OPERATING EXPENSES	
Food costs:	
Purchase of food	4,859,146
Donated commodities	733,192
Salaries and benefits	5,926,945
Materials and supplies	548,266
Indirect costs	1,005,171
Services and other	166,785
Depreciation	146,561
Total operating expenses	13,386,066
Operating loss	(9,757,410)
NONOPERATING REVENUES	
Federal reimbursements	9,162,082
Federal donated commodities	621,914
Interest earned	40,501
Total nonoperating revenues	9,824,497
Change in net assets	67,087
NET ASSETS	
Beginning of year	2,584,616
End of year	\$ 2,651,703

See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2009

Exhibit 10

	<u>School Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,662,971
Cash paid for goods and services	(6,739,463)
Cash paid to employees for services	<u>(5,968,083)</u>
Net cash used by operating activities	<u>(9,044,575)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	<u>9,291,020</u>
Net cash provided by noncapital financing activities	<u>9,291,020</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(119,535)</u>
Net cash used by capital and related financing activities	<u>(119,535)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>40,501</u>
Net cash provided from investing activities	<u>40,501</u>
Net increase in cash and cash equivalents	167,411
Cash and cash equivalents - beginning of year	<u>1,647,544</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,814,955</u></u>

See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2009

Exhibit 10

	School Food Service Fund
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (9,757,410)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	146,561
Donated commodities consumed	621,914
Changes in assets and liabilities	
(Increase) decrease in:	
Accounts receivable	1,156
Inventories	100,745
Increase (decrease) in:	
Accounts payable and accrued liabilities	(149,562)
Accrued salaries and related payable	(52,429)
Compensated absences	11,291
Prepaid meals	33,159
Total adjustments	712,835
Net cash used by operating activities	\$ (9,044,575)

Noncash investing, capital, and financing activities:

The School Service Fund received donated commodities with a value of \$621,914 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The fund recorded the consumption of \$733,192 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 9.

See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST
June 30, 2009

Exhibit 11

	<u>Della Bradsher Hedgepeth Memorial Scholarship Fund</u>
ASSETS	
Cash and cash equivalents	\$ 36,983
Total assets	<u>\$ 36,983</u>
NET ASSETS	
Restricted for scholarships	\$ 15,000
Unreserved	<u>21,983</u>
Total net assets	<u>\$ 36,983</u>

See independent auditors' report and notes to financial statements

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Durham Public Schools Board of Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A) Reporting Entity

The Durham Public Schools Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in 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 33% 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 Statements: The statement of net assets and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Interfund services provided and used are not eliminated in the process of consolidation. 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 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
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

State Public School Fund. The State Public School Fund includes appropriations from the N.C. Department of Public Instruction for the current operating expenditures of the public school system.

Capital Projects Fund. The Capital Projects Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by 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.

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

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.

The Board reports the following fiduciary fund:

Private-Purpose Trust. The Durham Public Schools Board of Education 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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets 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.

All governmental and business-type activities and enterprise funds of the Board follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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. 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 monies between functions of the same 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 funds 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.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Budgetary Data (Continued)

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]. |

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 “Reserved for encumbrances” 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, 2009, the General Fund and the Capital Projects Fund have no outstanding encumbrances.

E) Assets, Liabilities, 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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1) Deposits and Investments (Continued)

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

2) Cash and Cash Equivalents

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

3) Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable materials and supplies, which are recorded as expenditures when purchased. These inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

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

4) 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. 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 and library books, are capitalized.

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 PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4) Capital Assets (Continued)

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.

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 building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the statement of activities.

5) 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.

6) 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. The Board's liability for accumulated earned vacation and salary-related payments as of June 30, 2009 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made, based on prior years' history, of the current portion of compensated absences.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but 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
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

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

E) **Assets, Liabilities, and Fund Equity (Continued)**

7) **Net Assets/Fund Balances**

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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.

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by the grant agreement. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 115C-425(a)] restricts the appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

RESERVED

Reserved for encumbrances - portion of fund balance available for appropriation to pay for commitments related to purchase orders and contracts which remain unperformed at year end.

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances, inventories, and prepaid items, which is not available for appropriation under State law. This amount is usually comprised of accounts receivable and interfund receivables which are not offset by deferred revenues.

Reserved for prepaid items - portion of fund balance not available for appropriation because it represents payments to vendors which are applicable to future accounting periods.

UNRESERVED

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2009-2010 budget ordinance.

Designated for self-insurance reserves - portion of fund balance designated by the Board to fund potential loss liabilities under the Board's retained risk self-insurance program.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8) 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 assets.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$278,654,568 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)	\$ 470,837,656
Less: Accumulated depreciation	171,358,986
Net capital assets	299,478,670
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:	
Capital leases payable	(26,604)
Installment purchases	(954,139)
Claims liability for retained risk	(3,184,000)
Compensated absences	(16,659,359)
Total adjustment	\$ 278,654,568

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8) 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 balance 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 assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$20,371,889 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 35,099,843
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities, but not in the fund statements	(11,587,129)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(861,349)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	1,824,272
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in compensated absences that are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(3,013,982)
Loss on disposal of asset	(67,222)
Change in beginning capital assets	
Estimated liabilities for retained risks increased during the year	(866,000)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Increase in deferred revenue for sales tax receivables reported in the governmental funds	(165,209)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	8,665
Total adjustment	<u>\$ 20,371,889</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

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, 2009, the Board had deposits with banks with a carrying amount of \$4,574,258. The bank balances with financial institutions and the State Treasurer were \$7,221,104 and \$3,027,986, respectively. Of these balances, \$7,59,801 was covered by federal depository insurance and \$9,489,289 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2) Investments

At June 30, 2009, the Board of Education had \$7,750,358 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$7,272,979 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 2.9 years at June 30, 2009. The Board has no policy for managing interest rate risk or credit risk.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

II) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

3) Accounts Receivable

Receivables at the government-wide level at June 30, 2009, were as follows:

	Due from (to) Other Funds (Internal Balances)	Due from other Governments	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ (83,242)	\$ 404,895	\$ 279,939	\$ 601,592
Other governmental activities	<u>50,248</u>	<u>9,967,910</u>	<u>5,491</u>	<u>10,023,649</u>
Total	<u>\$ (32,994)</u>	<u>\$ 10,372,805</u>	<u>\$ 285,430</u>	<u>\$ 10,625,241</u>
Business-type activities:				
School Food Service Fund	<u>\$ 32,994</u>	<u>\$ 425,197</u>	<u>\$ 1,299</u>	<u>\$ 459,490</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 404,895	Sales tax revenue from State
State Public School Fund	6,589,108	11 th and 12 th installments due from NCDPI
Capital Projects Fund	2,888,788	Appropriations from County, sales tax refund from State
Federal Grants Fund	<u>490,014</u>	11 th and 12 th installments due from NCDPI
Total	<u>\$10,372,805</u>	
Business-type activities:		
School Food Service Fund	\$ 423,660	USDA and Summer Feeding programs
	<u>1,537</u>	Sales tax revenue from State
Total	<u>\$ 425,197</u>	

All receivables are expected to be collected within one year.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

II) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

4) Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balances <u>(Restated)</u>	<u>Increase</u>	<u>Decreases</u>	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$12,369,707	\$ 2,857,656	\$ -	\$15,227,363
Construction in progress	<u>25,151,416</u>	<u>27,479,597</u>	<u>-</u>	<u>52,631,013</u>
Total capital assets not being depreciated	<u>37,521,123</u>	<u>30,337,253</u>	<u>-</u>	<u>67,858,376</u>
Capital assets being depreciated:				
Buildings	356,325,623	-	19,000	356,306,623
Buildings improvements	15,859,428	-	-	15,859,428
Furniture and equipment	5,327,948	353,031	81,215	5,599,764
Vehicles	<u>22,957,880</u>	<u>2,255,585</u>	<u>-</u>	<u>25,213,465</u>
Total capital assets being depreciated	<u>400,470,879</u>	<u>2,608,616</u>	<u>100,215</u>	<u>402,979,280</u>
Less accumulated depreciation for:				
Buildings	127,815,364	8,867,725	14,630	136,668,459
Buildings improvements	9,837,164	773,878	-	10,611,042
Furniture and equipment	4,799,030	203,826	18,363	4,984,493
Vehicles	<u>17,353,292</u>	<u>1,741,700</u>	<u>-</u>	<u>19,094,992</u>
Total accumulated depreciation	<u>159,804,850</u>	<u>11,587,129</u>	<u>32,993</u>	<u>171,358,986</u>
Total capital assets being depreciated, net	<u>240,666,028</u>			<u>231,620,294</u>
Governmental activity capital assets, net	<u>\$278,187,152</u>			<u>\$299,478,670</u>

Capital assets of the governmental activities as of July 1, 2008 have been restated to reflect additional construction in progress of \$540,711. The following is a summary of the restatement:

Balance, July 1, 2008, as previously reported	\$24,610,705
Construction in progress	<u>540,711</u>
Total	<u>\$25,151,416</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

II) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

4) Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund				
Capital assets being depreciated:				
Furniture and equipment	\$ 2,544,644	\$ 119,535	\$ -	\$ 2,664,180
Vehicles	<u>222,104</u>	<u>-</u>	<u>-</u>	<u>222,104</u>
Total capital assets being depreciated	<u>2,766,748</u>	<u>\$ 119,535</u>	<u>\$ -</u>	<u>2,886,284</u>
Less accumulated depreciation for:				
Furniture and equipment	2,075,005	\$ 129,768	\$ -	2,204,773
Vehicles	<u>177,791</u>	<u>16,794</u>	<u>-</u>	<u>194,585</u>
Total accumulated depreciation	<u>2,252,796</u>	<u>\$ 146,562</u>	<u>\$ -</u>	<u>2,399,358</u>
School Food Service Fund capital assets, net	<u>\$ 513,952</u>			<u>\$ 486,926</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 9,845,429
Business support services	<u>1,741,700</u>
Total	<u>\$11,587,129</u>

5) Construction Commitments

The Board has entered into several planned construction projects for school construction and improvements as of June 30, 2009. These projects, totaling approximately \$108,031,000, are evidenced by contractual commitments with various contractors on approved budgeted amounts. As of June 30, 2009, the total remaining commitments under these contracts are approximately \$15,400,000. The projects are commitments of the Capital Projects 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
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

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

Funding Policy. Plan members are required to contribute 6% of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 3.36% of annual covered payroll. The contribution requirements of plan members and the Durham Public Schools Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2009, 2008, and 2007, were \$6,076,399, \$5,274,259, and \$4,774,439, respectively, equal to the required contributions for each year.

b) Other Postemployment Benefits

Postemployment Healthcare Benefits

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

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

Postemployment Healthcare Benefits (Continued)

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2009, 2008, and 2007, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$7,414,653, \$7,089,988, and \$6,820,627 respectively. These contributions represented 4.10%, 4.10%, and 3.80% of covered payroll, respectively.

Long-term Disability Benefits

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

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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

Long-term Disability Benefits (Continued)

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

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and are in receipts of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

Long-term Disability Benefits (Continued)

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2009, 2008, and 2007, the Board paid all annual required contributions to the DIPNC for disability benefits of \$940,395, \$899,218, and \$933,348, respectively. These contributions represented 0.52%, 0.52%, and 0.52% of covered payroll, respectively.

2) Accounts Payable

Accounts payable as of June 30, 2009, are as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 972,065	\$ 3,233,190	\$ 4,205,255
Other governmental	<u>2,811,961</u>	<u>7,079,122</u>	<u>9,891,083</u>
Total governmental activities	<u>\$ 3,784,026</u>	<u>\$ 10,312,312</u>	<u>\$ 14,096,338</u>
Business-type activities:			
School Food Service Fund	<u>\$ 976</u>	<u>\$ -</u>	<u>\$ 976</u>

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3) Unearned Revenues

The balance in unearned revenue on the governmental-wide statements and deferred revenue on the fund statements are composed of the following at June 30, 2009:

	<u>Unearned</u>	<u>Deferred</u>
Federal and State grants (General Fund)	\$ 111,383	\$ 111,383
Sales tax refund (General Fund)	-	198,343
Sales tax refund (State Public School Fund)	-	3,123
Sales tax refund (Capital Projects Fund)	-	76,827
Sales tax refund (Federal Grants Fund)	-	47,125
Total	\$ 111,383	\$ 436,801

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 \$50,000 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 \$350,000. 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 \$300,000,000. Deductibles range from \$1,000 to \$50,000 per occurrence. Umbrella coverage in the amount of \$3,000,000 applies as excess over the general liability, automobile liability and employer's liability.

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

	<u>Beginning Balances</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balances</u>
Governmental activities				
2007-2008	\$ 2,052,000	\$ 848,453	\$ 582,453	\$ 2,318,000
2008-2009	\$ 2,318,000	\$ 1,212,121	\$ 346,121	\$ 3,184,000

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

4) Risk Management (Continued)

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

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

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

5) Contingent Liabilities

At June 30, 2009, 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) Capital Leases

As authorized by State law [G.S. 115C-528(a)], the Board has entered into various lease agreements to lease computers and related equipment. The lease term is for a period of three years, at which time ownership is transferred to the Board. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

At June 30, 2009, assets recorded under the capital lease were as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computers	\$ 603,758	\$ 531,198	\$ 72,560

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

6) Long-Term Obligations (Continued)

a) Capital Leases (Continued)

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2009:

Year Ending June 30,	Governmental Activities
2010	\$ 27,590
Total minimum lease payments	27,590
Less: amount representing interest	986
Present value of the minimum lease payments	\$ 26,604

b) 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. 115C-528. During the current fiscal year, the State accepted a bid to purchase 11 school buses from Thomas Built through a special third party financing arrangement by SunTrust Equipment Finance & Leasing Corporation at total payments less than the purchase price. The financing contract requires only principal payments due at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2009 are as follows:

Year Ending June 30,	
2010	\$ 667,023
2011	287,116
	\$ 954,139

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

6) Long-Term Obligations (Continued)

c) 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, 2009:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities:					
Capital leases	\$ 53,210	\$ -	\$ 26,606	\$ 26,604	\$ 26,604
Installment purchases	1,890,456	861,349	1,797,666	954,139	667,023
Compensated absences	13,645,377	4,102,360	1,088,378	16,659,359	1,088,000
Claims liability for retained risk	<u>2,318,000</u>	<u>1,212,121</u>	<u>346,121</u>	<u>3,184,000</u>	<u>836,000</u>
	<u>\$17,907,043</u>	<u>\$6,175,830</u>	<u>\$3,258,771</u>	<u>\$20,824,102</u>	<u>\$2,617,627</u>
Business-type activities:					
Compensated absences	<u>\$ 311,618</u>	<u>\$ 34,902</u>	<u>\$ 23,611</u>	<u>\$ 322,909</u>	<u>\$ 24,000</u>

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

C) Interfund Balances and Activity

The composition of interfund balances as of June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Food Service Fund	General Fund	Funds due to School Food Service Fund deposited into General Fund	\$ 32,994
School Activity Funds	General Fund	Sales tax refund due to School Activity Funds deposited into General Fund	43,410
School Activity Funds	General Fund	Temporary investments due to School Activity Funds invested by General Fund	<u>404,390</u>
			<u>\$ 480,794</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

III) SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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.

INDIVIDUAL FUND SCHEDULES

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

Schedule 1

GENERAL FUND

Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State of North Carolina:			
Accelerated School Grant	\$ 122,733	\$ 143,362	\$ 20,629
Fresh Fruit & Vegetable Grant	26,240	21,636	(4,604)
Dropout Prevention Grant	115,893	265,809	149,916
Model Teacher Education Grant	68,086	68,086	-
Total State of North Carolina	<u>332,952</u>	<u>498,893</u>	<u>165,941</u>
Durham County:			
Appropriation from general revenues	102,505,520	102,505,520	-
Encore Middle School Program	223,219	148,743	(74,476)
Total Durham County	<u>102,728,739</u>	<u>102,654,263</u>	<u>(74,476)</u>
U.S. Government:			
Carol White Physical Grant	383,686	206,224	(177,462)
21st Century Grant	3,222	3,222	-
ROTC	160,000	179,311	19,311
Medicaid	1,368,078	1,423,511	55,433
Teaching American History Grant	4,582	4,582	-
Emergency Response and Crisis Management Grant	3,125	3,125	-
National Science Foundation Grant	4,477	4,477	-
Serve Grant	3,088	3,088	-
Total U.S. Government	<u>1,930,258</u>	<u>1,827,540</u>	<u>(102,718)</u>
Other:			
Community education	4,245,555	3,601,908	(643,647)
Indirect cost allocated	2,141,795	2,316,001	174,206
Interest earned on investments	720,000	672,429	(47,571)
Fines and forfeitures	1,335,000	847,154	(487,846)
Other	6,070,518	6,345,270	274,752
Total other	<u>14,512,868</u>	<u>13,782,762</u>	<u>(730,106)</u>
Total revenues	<u>119,504,817</u>	<u>118,763,458</u>	<u>(741,359)</u>
EXPENDITURES			
Current:			
Instructional services:			
Regular instructional	29,433,702	29,054,927	378,775
Special populations	6,744,111	6,662,053	82,058
Alternative programs	2,458,914	2,346,879	112,035
School leadership	11,680,301	10,920,177	760,124
Co-curricular	2,128,858	2,068,760	60,098
School-based support	9,414,473	9,326,164	88,309
Total instructional services	<u>61,860,359</u>	<u>60,378,960</u>	<u>1,481,399</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2009

Schedule 1

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
Support services:			
Support and development	\$ 1,950,454	\$ 1,880,000	\$ 70,454
Special population	473,717	428,622	45,095
Alternative programs	648,726	648,718	8
Technology	2,683,639	2,587,899	95,740
Operational	29,779,042	29,883,309	(104,267)
Financial and human resource	5,414,515	5,171,281	243,234
Accountability	1,043,879	1,039,402	4,477
Pupil support	1,457,721	1,398,807	58,914
Policy, leadership and public relations	2,938,315	2,902,121	36,194
Total support services	46,390,008	45,940,159	449,849
 Ancillary services	 4,432,177	 3,986,716	 445,461
 Non-programmed charges:			
Payments to charter schools	7,854,549	7,918,120	(63,571)
Indirect costs	1,415,520	349,836	1,065,684
Total non-programmed charges	9,270,069	8,267,956	1,002,113
 Debt service:			
Principal	26,606	26,606	-
Interest	2,207	2,207	-
Total debt service	28,813	28,813	-
 Total expenditures	121,981,426	118,602,604	3,378,822
 Revenues over (under) expenditures	(2,476,609)	160,854	2,637,463
 Appropriated fund balance	2,476,609	-	(2,476,609)
 Net change in fund balance	\$ -	160,854	\$ 160,854
 FUND BALANCE			
Beginning of year		9,234,353	
Decrease in reserves for inventories		(8,665)	
End of year		\$ 9,386,542	

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended June 30, 2009

Schedule 2

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State of North Carolina:			
Public School Building Capital Fund	\$ 2,213,002	\$ 721,100	\$ (1,491,902)
State appropriations - school buses	1,778,046	1,778,046	-
Total State of North Carolina	<u>3,991,048</u>	<u>2,499,146</u>	<u>(1,491,902)</u>
Durham County:			
Annual appropriation	7,959,779	8,229,858	270,079
General obligation bonds	119,795,381	16,782,957	(103,012,424)
Total Durham County	<u>127,755,160</u>	<u>25,012,815</u>	<u>(102,742,345)</u>
City of Durham:			
City appropriation	9,059,103	7,003,740	(2,055,363)
Total City of Durham	<u>9,059,103</u>	<u>7,003,740</u>	<u>(2,055,363)</u>
Other:			
Tower site lease	101,467	119,082	17,615
Other revenues	182,755	297,553	114,798
Total other	<u>284,222</u>	<u>416,635</u>	<u>132,413</u>
Total revenues	<u>141,089,533</u>	<u>34,932,336</u>	<u>(106,157,197)</u>
EXPENDITURES			
Capital outlay:			
School construction and renovation:			
New Sites	5,030,317	2,857,656	
General contractors	74,039,219	18,627,575	
Heating, ventilation and air conditioning	106,473	105,336	
Electrical	14,393	14,393	
Architectural fees	7,861,376	1,499,081	
Improvements to existing sites	1,265,682	205,234	
Miscellaneous	35,211,141	8,641,241	
	<u>123,528,601</u>	<u>31,950,516</u>	<u>91,578,085</u>
Furniture and equipment	16,880,010	569,565	16,310,445
Vehicles	1,123,298	1,122,354	944
Total capital outlay	<u>141,531,909</u>	<u>33,642,435</u>	<u>107,889,474</u>
Debt service:			
Principal	1,778,046	1,778,046	-
	<u>1,778,046</u>	<u>1,778,046</u>	<u>-</u>
Total expenditures	<u>143,309,955</u>	<u>35,420,481</u>	<u>107,889,474</u>
Revenues over (under) expenditures	(2,220,422)	(488,145)	1,732,277
Other financing sources:			
Installment purchase obligations issued	861,349	861,349	-
Total other financing sources	<u>861,349</u>	<u>861,349</u>	<u>-</u>
Appropriated fund balance	1,359,073	-	(1,359,073)
Net change in fund balance	<u>\$ -</u>	<u>373,204</u>	<u>\$ 373,204</u>
FUND BALANCE			
Beginning of year		2,753,037	
End of year		<u>\$ 3,126,241</u>	

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS -
BUDGET AND ACTUAL (NON-GAAP MODIFIED ACCRUAL BASIS)
SCHOOL FOOD SERVICE FUND
Year Ended June 30, 2009

Schedule 3

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Food sales	\$ 3,913,445	\$ 3,628,656	\$ (284,789)
OPERATING EXPENDITURES			
Food cost:			
Purchase of food		4,758,401	
Donated commodities		733,192	
Salaries and benefits		5,938,236	
Material and supplies		548,266	
Indirect costs		1,005,171	
Services and other		166,785	
Capital outlay		119,535	
Total operating expenditures	12,239,798	13,269,586	(1,029,788)
Operating loss	(8,326,353)	(9,640,930)	(1,314,577)
NONOPERATING REVENUES			
Federal reimbursements	7,580,479	9,162,082	1,581,603
Federal donated commodities	639,874	621,914	(17,960)
Interest earned	85,000	40,501	(44,499)
Total nonoperating revenues	8,305,353	9,824,497	1,519,144
Revenues under expenditures	(21,000)	183,567	204,567
Appropriated fund balance	21,000	-	(21,000)
Revenues and other sources under expenditures	\$ -	183,567	\$ 183,567
Reconciliation of modified accrual to full accrual basis:			
Depreciation		(146,561)	
Capital outlay		119,535	
Increase in inventory		(100,745)	
Increase in accrued vacation pay		11,291	
Net income - full accrual (page 21)		\$ 67,087	

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
DETAILED SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2009

Schedule 4

	Elementary Schools	Middle Schools	Senior High Schools	Totals
REVENUES				
General	\$ 164,897	\$ 56,624	\$ 113,778	\$ 335,299
Athletic funds	-	178,022	920,470	1,098,492
Instructional services	720,303	503,009	1,191,091	2,414,403
Student activities	1,322	37,191	188,925	227,438
Investments	62,128	25,832	149,044	237,004
Contributions	446,693	245,436	626,421	1,318,550
Total revenues	1,395,343	1,046,114	3,189,729	5,631,186
EXPENDITURES				
Co-curricular instructional	1,351,362	1,045,787	3,203,457	5,600,606
Revenues under expenditures	43,981	327	(13,728)	30,580
FUND BALANCES				
Beginning of year	411,178	204,625	918,960	1,534,763
End of year	<u>\$ 455,159</u>	<u>\$ 204,952</u>	<u>\$ 905,232</u>	<u>\$ 1,565,343</u>