



COUNTY OF DURHAM NORTH CAROLINA



Comprehensive Annual Financial Report

For The Year Ended June 30, 2014

Cover:
Picture of the Durham County Human Service Complex
completed the Fall of 2013

Cover Designed by Whitney P. Kirk

County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014

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Prepared by the Durham County Finance Department

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**INTRODUCTORY SECTION
(TAB)**

INTRODUCTORY SECTION



Letter of Transmittal

November 20, 2014

Honorable Chairman and Members of the Board of County Commissioners
Durham County
Durham, North Carolina

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Durham County for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of Durham County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Durham County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Durham County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Durham County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County of Durham's financial statements have been audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County of Durham for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the County of Durham's

financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, the US Office of Management and Budget Circular A-133, "*Audits of State and Local Governments*," and North Carolina state law for state funds. Information related to this single audit, including the schedule of financial assistance, findings and questioned costs, and the independent auditors' report on the internal control structure and compliance with applicable laws and regulations are presented in a separate document.

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

Profile of the Government

Durham County, incorporated in 1881, is located in the piedmont part of the state, which is considered to be the top growth area in the State, and one of the top growth areas in the country. Durham County currently occupies a land area of 299 square miles and serves a population of 284,437. Durham County is empowered to levy a property tax on both real and personal properties located within its boundaries.

Durham County has operated under the commissioner-manager form of government since 1930. Policy-making and legislative authority are vested in a governing board consisting of the chairman, vice-chairman and three other members. The governing board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's manager (county manager), attorney and tax administrator. The county manager is responsible for carrying out the policies and ordinances of the governing board, for overseeing the day-to-day operations of the government, and for hiring the heads of the various departments. Effective with the 2004 election, the board members currently serve four-year terms. The chairman and the vice-chairman of the board are voted upon by the board in their first meeting which is in December after being sworn into office.

Durham County provides a full range of services, including sheriff and fire protection, emergency medical, human services (public health and social services), elections, register of deeds, animal control, youth home, criminal justice and cultural and recreational. Funding is provided for educational services of the Durham Public Schools and Durham Technical Community College. Funding is provided for cultural and recreational services of the North Carolina Museum of Life and Science. Also, the County funds services provided in conjunction with the City of Durham through interlocal agreements including economic and physical development, emergency communications, environmental engineering and inspections. Solid waste services are provided through contracting with a private company. Mental health services that include substance abuse and developmental disabilities are provided through a contract with a Managed Care Organization (MCO), Alliance Behavioral Healthcare, Inc.

In accordance with standards of the Governmental Accounting Standards Board (GASB) defining the governmental reporting entity, this report includes all funds and component units (except as noted below) that are controlled by or are dependent on the County's governing body. Component units are legally separate entities for which Durham County is financially accountable. The Durham County Board of Alcoholic Beverage Control (ABC Board) is a component unit of Durham County. The ABC Board is presented as a proprietary fund. Additional information on the ABC Board can be found in Note A.1 in the notes to the financial statements. The Durham County Industrial Facility and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt for private businesses for economic development purposes. The Authority is governed by a seven-member board, all of whom are appointed by the County Commissioners. The County can remove any board member of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements. Other governmental type entities within the County which have substantial autonomy and separate governmental characteristics are the Durham Public School Administrative Unit, Durham Technical Community College, Raleigh-Durham Airport Authority, the Special Airport District of Durham and Wake Counties, Triangle J Council of Governments, Triangle Transit Authority, Durham and Wake Counties Research and Production Service District and Advisory Committee, Durham Convention and Visitors Bureau, and the Alliance Behavioral Healthcare, Inc. Board. These entities have not met the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

The annual budget serves as the foundation for Durham County's financial planning and control. All agencies of Durham County are required to submit requests for appropriation to the county manager on or before March 15th of each year. The county manager uses these requests as the starting point for developing a proposed budget. The county manager then presents this proposed budget to the commissioners for review prior to May 31st of each year. The board is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of Durham County's fiscal year. The adopted budget is prepared by fund, function (e.g., public safety), and department (e.g., sheriff). However, the appropriations are formally budgeted and approved on a functional basis. Budget-to-actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the community health trust fund, a major special revenue fund, this comparison is presented on pages 33-35 as part of the basic financial statements for the governmental funds. For other major funds and nonmajor governmental funds, with appropriated annual budgets, this comparison is presented in the other supplementary section of this report, which starts on page 119.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County of Durham operates.

Local Economy

Economic Development

Durham County has an expanding, diversified economy with a strong foundation in electronics, metallurgy, telecommunications, health care, and medical related industries. The City of Durham, the County's major municipality, is known as the City of Medicine because of the significant impact that biotechnology, health care and other medical related industries have on the economic base.

The County possesses a variety of technical resources and intellectual assets such as three nationally renowned doctoral based research universities with a strong entrepreneurial focus located in the region, state funded research centers in biotechnology and microelectronics, and a strong business support system. Close collaboration between the academic and business communities fosters a free flowing exchange of information and ideas beneficial to both groups. In February 2014, *The Business Journals* ranked Durham #6 out of "10 Markets with the Strongest Brainpower" for its high number of adults with high school diplomas, bachelor's and graduate degrees, and in May 2014, *Wallet Hub*, ranked Durham 36th on the list of "Best Cities to Start a Career".

Construction of new facilities and expansion of others is testimony to the fact that Durham is a nurturing environment for start-up companies and for more established companies. Many companies from various regions of the US as well as other countries have moved their headquarters here to take advantage of the County's diverse resources in an environment that fosters business development. Business expansions announced in calendar year 2013 totaled over \$690 million, with plans to create over 4,568 new jobs in the County. In addition, business expansions announced through the third quarter of calendar year 2014 totaled over \$213 million with plans to create another 1,693 new jobs.

The diversity of industries represented in the County and its strong emphasis on business development through research and development has brought national recognition to the area. The County continues to receive recognitions nationally for its improvement economically. In August 2014, *Realty Trac*, ranked Durham #13 as the "Most Affordable County for Rental Property in the United States", and in July 2014 Durham-Chapel Hill Metropolitan Statistical Area has the 5th "Highest Real Average Wage in the United States" by *CityLab.com*.

Research and Development

Durham is located at the pinnacle of North Carolina's famous Research Triangle Park, formed in 1959 by business leaders, government officials and leaders from Duke University of Durham, North Carolina State University in Raleigh and the University of North Carolina at Chapel Hill. The Research Triangle Park (RTP) consists of 7,000 acres of land, 95% of its corporate enterprises are located in Durham County. In its fifty-fourth year, RTP is the longest-operating research park in the country. RTP is also the nation's largest and most successful research and development-oriented business park. There is more than 190 tenant companies and organizations located in the Park represent some of the world's largest and most prestigious corporate and government organizations in

scientific and technological research. Businesses in the Park employ approximately 39,434 full-time employees and an estimated 7,595 contract employees.

The number of research and development companies in the Park continues to grow. In calendar year 2013, Department of Health and Human Services (DHHS), a state agency, announced a new \$7.52 million campus with the creation of 500 new jobs, and HCL, a globe IT engineering service company, will invest over \$1 million in a new facility creating 200 jobs. In addition to new businesses, current businesses also announced expansions in the Park. Businesses such as BASF, Syngenta, United Therapeutics, Bayer Crop Science, and Fidelity, announced expansions in calendar year 2013 with an estimated investment of over \$143 million and over 700 new jobs. Other existing companies, Bayer Crop Science, Cree, and Argos Therapeutics announced planned expansions through the third quarter of calendar year 2014 with an estimated investment of over \$87 million and the creation of over 260 jobs. In February 2014, *MIT Technology Review* ranked Durham business Cree at the 13th on the list of “50 Smartest Companies”.

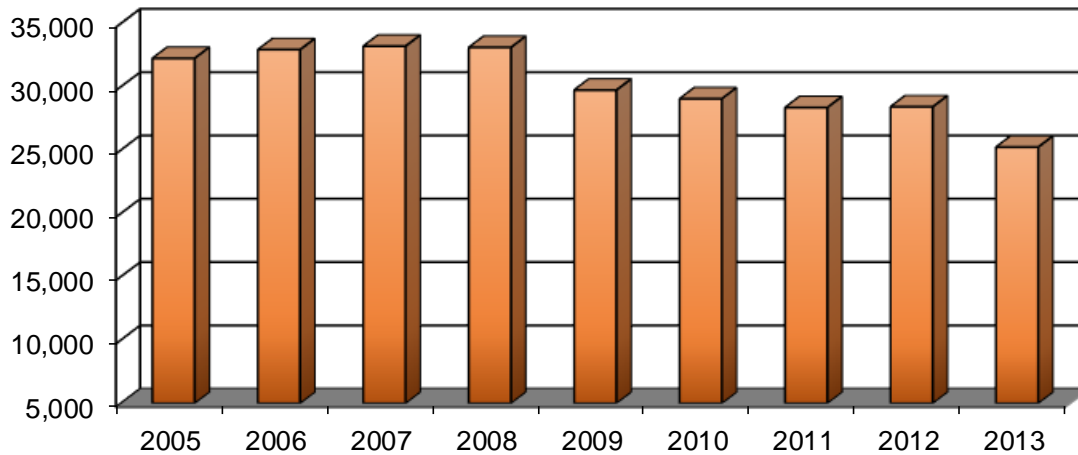
Research conducted in Durham County continues to cover a broad range of high tech fields such as biotechnology, medical instrumentation, metallurgy, electronic hardware and software development, health care products, digital switching and transmission systems, telecommunication and microelectronics. There also continues to be an abundance of highly skilled graduates from the region’s research universities and prestigious law, business and medical schools. *Business Insider*, recognized Durham as #7 on its list of “The 13 Best Cities for Brand-New College Grads”. Perhaps the most striking indication of talent in the area is the large number of patents for inventions developed or discovered by the residents and/or companies of the County.

Health care

The City of Durham is called the City of Medicine because of its vibrant healthcare industry, which includes more than 1,200 medical- and health-related companies that are located in Durham County. There is a wide spectrum of major medical centers, including Duke University Medical Center, which was ranked fourth Best Hospital for Cardiology and Heart Surgery in the US and the #1 Hospital in the State by *US News & World Report*, July 2014; a world class academic and health care system; transforming medicine locally and globally through innovative medical research; and educating future clinical and scientific leaders. The result is that Durham County has one of the nation’s top five concentrations of physicians per capita and nearly one third of all workers in the labor force works in a health or medical related industry.

The Durham County Department of Public Health, collaborating with community organizations, coordinated innovative strategies to improve health for all citizens in Durham. In June 2014, Durham County Department of Public Health received the RWJF Culture of Health Prize from the Robert Wood Johnson Foundation (RWJF) for “Recognition of Outstanding Efforts to Help People Lead Healthier Lives.” The County will continue to create strategies to promote a healthier lifestyle to it citizens; educating them on factors that impact health.

Manufacturing



Source: Employment Security Commission (ESC)

Durham County is not only a center for technology development; the County is also a strong manufacturing center. The manufacturing sector experienced a decrease in employment from 28,421 in 2012 to 25,238 in 2013. Although the economy has continued to make gains with the decreases in the unemployment rate for the Nation, State and County, the County experienced an 11.20 percent loss of manufacturing jobs for calendar year 2013.

Telecommunications

Durham's telecommunications infrastructure is among the most advanced in the nation, providing high-speed multimedia transmission. Frontier Communications, formally Verizon, is the nation's largest provider of communication services and is the provider of phone service to Durham County, which has been a 100% fiber optic, SONET-ring-based telecom system since 1993. Frontier Communications continues to be one of the largest operational fiber optic networks in the world providing digital switching and high bandwidth options to virtually all Durham business centers.

Quality of Life

Durham is a diverse down-home city, offering the cultural and lifestyle appeal of a large city. In June 2014, *Nerd Wallet* ranked Durham #4 on its list of best medium-sized cities in the United States for women in the workforce, based on medium earnings and cost of living. In February 2014, *The Chronicle* recognized Durham as #4 on the list of “Livability Top 100 Best Places to Live” in 2014. In addition, Durham boasts nationally acclaimed restaurants. *Thrillist* named Monuts Donuts one of the “The 21 Best Doughnut Shops in America” and Rise Biscuits and Donuts as one of “The 21 Best Breakfast Spots in America 2014” in April and August of 2014, respectfully. In addition, the readers of *Convention South Magazine*, voted for their favorite food cities for groups, Durham took second place in the Mid-Atlantic region, in March 2014. Durham has performance facilities such as the Durham Performing Arts Center (DPAC) and the Carolina Theater that host Broadway shows and other professional performances. Durham County has a distinctive history and culture. Its advantageous location, climate and lifestyle draw people from around the world to a place that has a dynamic business environment and a beautiful setting in the Piedmont region of North Carolina.

Major Employers

Listed below are the largest business and institutional employers in Durham County.

Company or Institution
Duke University & Medical Center
International Business Machines (IBM)
Durham Public Schools
Glaxo SmithKline
Blue Cross Blue Shield of North Carolina
Durham City Government
Fidelity Investments
Quintiles Transnational Corporation
Research Triangle Institute
Veterans Administration Medical Center
Cree, Inc.
AW North Carolina, Inc.
US Environmental Protection Agency
Durham County Government
National Institute of Environmental Health Sciences
North Carolina Central University
Walmart
Merck & Co., Inc
Lab Corp

Source: Durham Chamber of Commerce

Capital Investment

Many companies are either locating to Durham County or expanding their already existing operations in the County. Economic development announcements for 2013 were \$690,576,752. Economic development announcements occurring through the third quarter of 2014 amounted to over \$213 million.

Economic Development Statistics

Per Capita Income

Per capita income data for the last eight calendar years for Triangle MSA, Durham MSA, Raleigh MSA, North Carolina, and the United States are presented in the following table.

	2005	2006	2007	2008	2009	2010	2011	2012
Durham MSA	33,505	37,262	38,923	39,383	40,116	40,597	41,785	40,963
Raleigh MSA	37,270	37,107	38,648	39,580	37,849	39,479	40,631	42,709
North Carolina	30,429	32,338	33,636	34,483	34,719	36,028	36,520	37,910
United States	34,212	36,629	38,564	40,189	39,626	40,163	42,298	45,188

Source: Bureau of Economic Analysis

Note: Effective for fiscal year 2012's report, the Bureau of Economic Analysis announced that they would no longer release advance estimates of personal income for metropolitan areas (formerly released in August of each year) and that these estimates for all local areas would be released eleven months after the end of the reference (calendar) year. As such, as of fiscal year 2012, the per capita income presented is the calendar year prior to the previous calendar year.

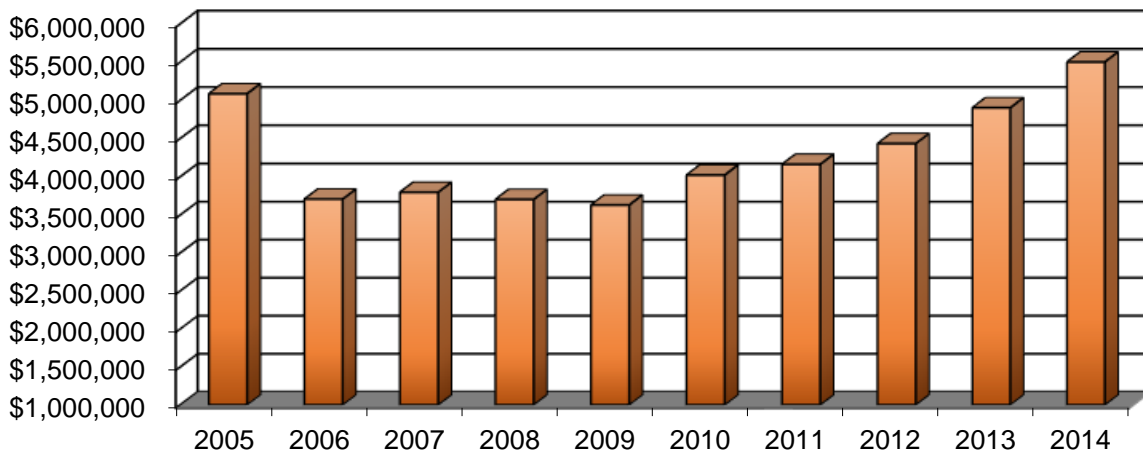
Note: The Bureau of Economic Analysis makes comprehensive revisions to the per capita income estimates annually. The latest revision was September 2014 for periods 2001-2013.

Retail Sales

Total retail sales in the County for the past ten fiscal years are shown in the following table.

Year Ended June 30,	Total Retail Sales (000's)	Total Taxable Sales (000's)	Percent Growth Over Previous Year
2005	\$ 5,085,956	n/a	9.50%
2006	n/a	\$ 3,707,314	*
2007	n/a	3,796,971	2.36%
2008	n/a	3,703,207	-2.50%
2009	n/a	3,630,249	-1.97%
2010	n/a	4,022,518	10.81%
2011	n/a	4,163,246	3.50%
2012	n/a	4,434,078	6.51%
2013	n/a	4,902,628	10.57%
2014	n/a	5,501,325	12.21%

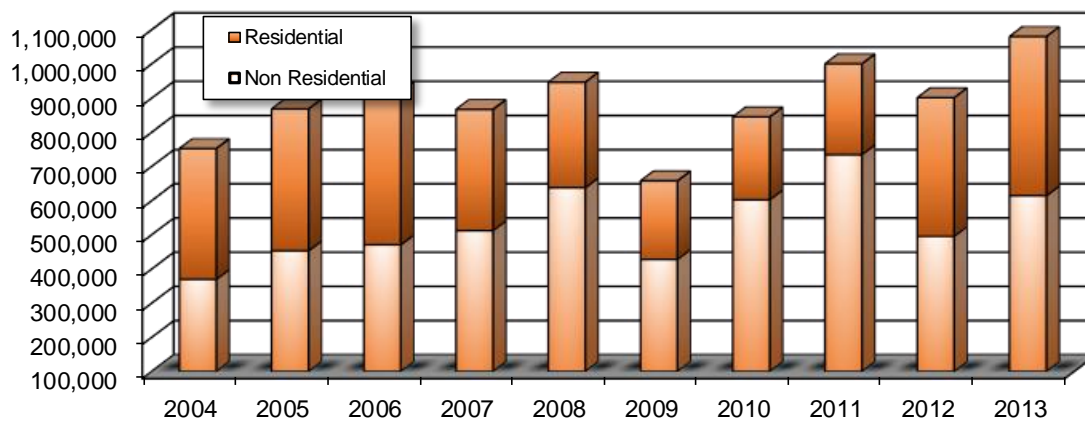
Note: The NC Department of Revenue made an administrative rule change to report Retail sales, beginning in Fiscal Year 2006, based on total taxable sales reported on sales and use tax returns by July of the Fiscal Year in question, rather than gross retail sales. Therefore, 2006 Retail sales total is based on total taxable sales reported on sales and use tax returns submitted during July 2005. Data for total gross retail sales is no longer available due to the change made by the NC Department of Revenue. The calculation of the "Percent Growth Over Previous Year" for total taxable sales is stated beginning fiscal year 2007 because comparable data is now available.



Since fiscal year 2009 when the economy started to slowly recover, Durham’s retail sales have continued to increase from over \$4.9 billion in fiscal year 2013 to slightly over \$5.5 billion in fiscal year 2014. One of the main reasons for this growth is because of new businesses, small and large, continuing to develop in the area. In fiscal year 2014, the total taxable sales reported were over \$5.5 billion, an increase of over \$598 million (12.21%), reflecting continued positive growth in the County’s economy.

Construction Activity

The following table illustrates construction activity in Durham County for the past ten calendar years by reference to the value of all building permits issued in the County.

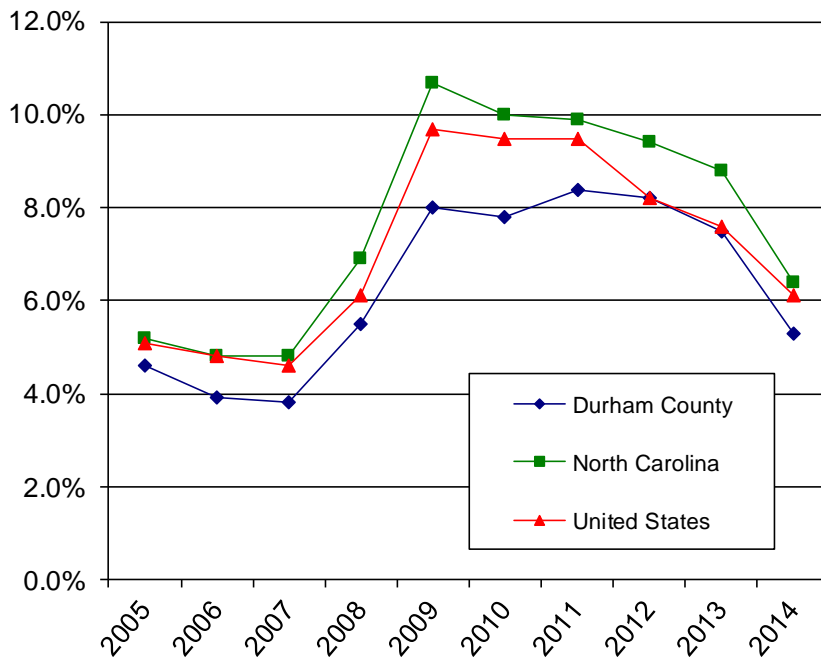


As of June 30, 2014, the total number of occupied dwelling units in Durham County was 116,858. Also, for the first six months of 2014, 1,399 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. From calendar year 2012 to 2013, there was an overall increase in the value of all building permits issued in the County. The increase was in both the value of non-residential construction and residential construction activity. The increase in the value of permits issued as well as increases in the number of permits issued is an indication of the County’s strong economy.

Unemployment

The percentage of unemployment in the County, State and the United States for the past ten fiscal years (as of June 30) as follows.

	Durham County	North Carolina	United States
2005	4.6%	5.2%	5.1%
2006	3.9%	4.8%	4.8%
2007	3.8%	4.8%	4.6%
2008	5.5%	6.9%	6.1%
2009	8.0%	10.7%	9.7%
2010	7.8%	10.0%	9.5%
2011	8.4%	9.9%	9.5%
2012	8.2%	9.4%	8.2%
2013	7.5%	8.8%	7.6%
2014	5.3%	6.4%	6.1%



As of June 2014, the County's unemployment rate was 5.3%, a decrease of 2.2% from June 2013. In addition to the County's rate decrease, the County's unemployment rate compares favorably to the State's and Nation's average unemployment rate as of June 2014 of 6.4% and 6.1%, respectively. The County's primary commitment remains job creation and maintaining a strong economy.

Long-term Financial Planning

The Board of County Commissioners continues to reaffirm the County's financial stability as one of its highest priorities. The Board recognizes that it is difficult to execute short- and long-term plans if the focus is on day-to-day viability. Consequently, the County's annual budget and financial decisions made throughout the fiscal year support an underlying philosophy to maintain a strong fund balance and the planned

expansion of programs and services. Listed below are several of the County's major accomplishments for the year.

Facility Master Plan

The Facility Master Plan that was approved in fiscal year 2000 laid the groundwork for the future building needs of the County and was centered on sound planning and solid financial research. The most recent Master Plan, amended in fiscal year 2003, reflects the changes in facility needs and options for Mental Health, Social Services, and Public Health. As of Fiscal Year 2013, the County no longer provides mental health services; as a result, the County had no facility needs for Mental Health. However, the County is currently renting the space used for mental health services to the MCO contracted to provide mental health services, Alliance Behavioral Healthcare, Inc. The Facility Master Plan as currently amended serves as the basis for the facility projects included in the Capital Improvement Plan.

Capital Improvement Plan

The County maintains a 10-year Capital Improvement Plan (CIP), which is fully updated every two years. During 2012-2013 fiscal year, the Board of County Commissioners (BOCC) adopted the 2014-2023 Capital Improvement Plan (CIP). The plan itself provides a blueprint which the County uses to meet the growing facility needs of the schools, libraries, museum, court system, public safety, human service agencies, general government needs and open space. The CIP also provides a financial overview of the financing options for the existing capital projects as well as those capital projects not yet implemented projected in the 10-year plan. Annually, the financing options are reviewed, as well as the projects and their estimated costs.

Accomplishments during the past fiscal year include the completion of Phase II of the Human Services Facility, Utility Performance Contracting and the Central Storage Facility. Projects currently under construction include the Criminal Justice Resource Multipurpose Room, Criminal Justice Resource Center Water Intrusion Repairs and the Urban Ministries Community Shelter Fire Sprinkler Upgrades. Other projects in various stages of design and regulatory approvals include the Judicial Building Renovation, the East Main Street Parking Lot ADA Ramp and Stair Installation and the Southwest Library Parking Lot Expansion. Architects have also been selected for the Emergency Medical Services Long Range Space Planning and Analysis and the Main Library Renovations as discussions are underway to outline the scope of work and request fee proposals for the design services for these projects.

In 2008, the County adopted a High Performance Building Policy incorporating sustainable design into County building projects. The Policy requires that new construction over 10,000 square feet shall achieve a minimum rating of LEED (Leadership in Energy and Environmental Design) "Gold", and that renovation projects obtain a "Certified" rating. The recently constructed Human Services building is pursuing the LEED "Gold" certification as the construction phase review is being performed by U. S. Green Building Council. Currently, the County has eight LEED certified buildings that have been completed which include the following: Triangle Wastewater Treatment Plant Administrative Building – "Certified", East Regional

Library – “Certified”, North Regional Library – “Silver”, South Regional Library – “Gold”, Animal Control Office Building - “Silver”, Southwest Library Renovation and Addition – “Silver”, the Criminal Justice Center Third Floor Renovation – “Silver”, and the recently completed Durham County Courthouse – “Gold”. Additional projects utilizing sustainable design guidelines are currently under design and construction.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to Durham County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the fourteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

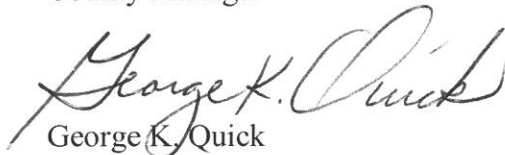
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Manager and the Board of County Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of Durham County’s finances.

Respectfully submitted,



Wendell M. Davis
County Manager



George K. Quick
Chief Financial Officer

Durham County Board of County Commissioners



Michael D. Page
Chairman



Brenda A. Howerton
Vice Chairman



Fred Foster Jr.



Wendy Jacobs



Ellen W. Reckhow

Durham County Administration



Wendell Davis
County Manager



George K. Quick
Chief Financial Officer



Durham County, North Carolina
General Administration
Organizational Chart

Citizens of Durham County

Board of County Commissioners*



Michael Page
Chairman
Brenda Howerton
Vice-Chairman
Fred Foster Jr.
Commissioner



Wendy Jacobs
Commissioner
Ellen Reckhow
Commissioner



County Manager
Wendell Davis

County Attorney
Lowell Siler

Clerk to the Board
V. Michelle Parker-Evans

Budget & Management Services
Keith Lane (Interim)

Internal Audit
Richard Edwards

Human Resources
Cora Wilson

Finance
George K. Quick

Deputy County Mgr
Lee Worsley

Assistant County Mgr
For Special Projects
Drew Cummings

Asst. To County Mgr

Assistant County Mgr
For Communications
Deborah Craig-Ray

Deputy County Mgr
Marqueta Welton

Planning & Development

Public Safety

Health & Human Services

Economic Development

Administrative Support/
General Government

Soil & Water Conservation
Eddie Culberson

Engineering & Environmental Services
Chris Roberts (Interim)

Forest Protection
Caleb Ferrell

City/County Inspections**
Gene Bradham

City/County Planning**
Steve Medlin

Information Services & Technology
Greg Marrow

Fire Marshal/Emergency Management
Jeff Batten

Sheriff's Dept./Jail*
Michael D. Andrews

Emergency Medical Services
Skip Kirkwood

Emergency Communications**
Jim Saukup

Youth Home
Angela Nunn

Criminal Justice Resource Center
Gudrun Parmer

Mental Health Services

Social Services
Michael Becketts

Public Health Services
Gayle Harris

Veteran Services
Lois Harvin-Ravin

Cooperative Extension
Delphine Sellars

Tax Administration
Kim Simpson

General Services
Motiroy Keambiroiro

Register of Deeds*
Willie L. Covington

Board of Elections
Michael Perry

Library
Tammy Baggett

IXX

* Elected Officials

**Joint City/County Departments



Government Finance Officers Association

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

Presented to

**County of Durham
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION
(Tab)

Report of Independent Auditor

Board of County Commissioners
Durham County, North Carolina
Durham, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durham County, North Carolina (the "County"), as of and for the year then ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Durham County ABC Board (the "Board"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board is based solely on the reports of the other auditors. 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 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. The financial statements of the Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2014, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the community health trust fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, the other supplementary information and the statistical section as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2014 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.



Raleigh, North Carolina
November 20, 2014

Management's Discussion and Analysis

As management of Durham County, North Carolina (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-xviii.

Financial Highlights

- The assets and deferred outflows of resources of Durham County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$80,587,411 (*net position*). However, of this amount, unrestricted net position has a deficit balance of (\$47,538,413) (*unrestricted net position*) which is primarily because of the debt the County has issued on behalf of the school system, Durham Technical Community College and the Museum of Life and Science to fund capital outlay as required by State law. The assets funded by the County are owned by the Durham Public School System, Durham Technical Community College and the Museum of Life and Science and are capitalized in their financial statements. Therefore, the County, as the issuing government, has incurred a liability without a corresponding increase in assets.
- The government's total net position increased by \$15,434,613, an increase of 23.69 percent, due to increases in both the governmental activities' net position and the business-type activities' net position of over \$8.97 million and \$6.47 million, respectively.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$196,898,549, a decrease of \$4,031,088 in comparison with the prior year. Approximately 17.94 percent of this total amount, or \$35,320,496, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$117,740,458 or 30.43 percent of total general fund expenditures, compared to fiscal year 2013 which was \$104,924,557 or 27.24 percent of total general fund expenditures. The net change in fund balance for fiscal year 2014 was an increase of over \$12.7 million with an increase in the fund balance available as a percentage of expenditures as well. The primary reasons for the increases are the revenue collections were 101.37 percent of budget while expenditures were only 91.58 percent of budget. The net change in fund balance increased by over \$17.4 million in fiscal year 2014 from fiscal year 2013. The primary reasons for the increase in the net change in fund balance are the increase in excess of revenues over expenditures of over \$16.9 million, the increase in transfers in of over \$2.2 million and the increase in transfers out of over \$1.7 million.
- The County's total debt decreased by \$8,548,485 (1.3 percent) during the current fiscal year. The key factors in this decrease were the annual retirement of governmental and business-type activities debt, the issuance of \$23,706,685 in general obligation bond anticipation notes, the increase in the County's net OPEB obligation of \$5,580,327 and \$394,029 in State Revolving Loans.
- Durham County continues to maintain its AAA bond rating.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Durham County.

Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the County's finances, using the full-accrual basis of accounting, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include general government, public safety, transportation, economic and physical development, environmental protection, human services, education, cultural and recreational and interest and fiscal charges. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include sewer utility services offered by Durham County. The final category is the component unit. Durham County ABC Board is legally separate from the County however the County is financially accountable for

the Board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

The government-wide financial statements can be found on pages 27-28 of this report.

Fund financial statements. The fund financial statements provide a more detailed look at the County's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Durham County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Durham County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for those functions reported as *governmental activities* in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the community health trust fund, the capital projects fund, and the debt service fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Durham County adopts an annual budget for its general fund and community health trust fund, as required by General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the general fund and the community health trust fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found on pages 29-36 of this report.

Proprietary funds. Durham County maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses an enterprise fund to account for its sewer utilities. This fund is the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities, only in more detail. The proprietary fund financial statements provide separate information for the sewer utility which is considered to be a major fund of the County.

The basic proprietary fund financial statements can be found on pages 37-39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. Durham County has twelve fiduciary funds, one of which is a pension trust fund, two of which are private-purpose trust funds and nine of which are agency funds.

The basic fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-101 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Durham County's progress in funding its obligation to provide pension benefits and postemployment benefits to its employees. Required supplementary information can be found on pages 103-108 of this report.

Following the required supplementary information, combining statements referred to earlier are provided to show details in connection with nonmajor governmental funds. Budgetary information for each fund as required by the North Carolina General Statutes and detailed comparative statements, including annually budgeted funds, can also be found in this section. Combining and individual fund statements and schedules can be found on pages 111-145 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$80,587,411 as of June 30, 2014. Net position is reported in three categories: net investment in capital assets, restricted net position and unrestricted net position.

The County's net position increased by \$15,434,613 for the fiscal year ended June 30, 2014. One of the largest portions in the amount of \$67,855,766 reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The County uses these capital assets to

provide services to citizens; consequently, these assets are *not* available for future spending. Although the County’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

DURHAM COUNTY’S NET POSITION

	Governmental		Business - type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$241,428,792	\$242,225,450	\$ 29,648,716	\$ 25,528,375	\$271,077,508	\$267,753,825
Capital assets	401,147,314	394,929,809	71,926,312	71,748,475	473,073,626	466,678,284
Total assets	<u>642,576,106</u>	<u>637,155,259</u>	<u>101,575,028</u>	<u>97,276,850</u>	<u>744,151,134</u>	<u>734,432,109</u>
Total deferred outflows of resource	7,336,969	8,180,246	716,152	807,907	8,053,121	8,988,153
Long-term liabilities outstanding	622,889,704	629,175,859	24,876,241	27,138,571	647,765,945	656,314,430
Other liabilities	22,528,287	20,195,682	681,402	680,576	23,209,689	20,876,258
Total liabilities	<u>645,417,991</u>	<u>649,371,541</u>	<u>25,557,643</u>	<u>27,819,147</u>	<u>670,975,634</u>	<u>677,190,688</u>
Total deferred inflows of resources	641,210	1,076,776	-	-	641,210	1,076,776
Net position:						
Net investment in capital assets	20,701,314	7,789,264	47,154,452	44,714,405	67,855,766	52,503,669
Restricted	52,415,572	81,325,452	7,854,486	6,232,518	60,270,058	87,557,970
Unrestricted	(69,263,012)	(94,227,528)	21,724,599	19,318,687	(47,538,413)	(74,908,841)
Total net position	<u>\$ 3,853,874</u>	<u>\$ (5,112,812)</u>	<u>\$ 76,733,537</u>	<u>\$ 70,265,610</u>	<u>\$ 80,587,411</u>	<u>\$ 65,152,798</u>

The second portion of the County’s net position in the amount of \$60,270,058 represents resources that are subject to external legal restrictions that limit the County’s ability to access and use these funds beyond the purpose for which they were provided. Unexpended bond proceeds, grant funding and statutorily restricted revenues are included in this category.

The remaining portion of net position is unrestricted net position. This balance of unrestricted net position may be used to meet the government’s ongoing obligations to citizens and creditors. At June 30, 2014, the unrestricted net position is a deficit in the amount of (\$47,538,413). The unrestricted deficit is attributable primarily to the general obligation bonds issued by the County for the public schools, Durham Technical Community College and the Museum for Life and Science. Even though the debt has been issued to finance the acquisition, construction and renovation for the public schools, Durham Technical Community College and the Museum of Life and Science, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it is not financing assets owned by the County. Therefore, this debt is reflected within the unrestricted portion of net position rather than as part of the category net investment in capital assets. In addition, as of fiscal year 2008, the unrestricted net position deficit includes pension liabilities for other postemployment benefits per GASB Statements No. 43 and No. 45. Also, as of fiscal year 2011, the restricted net position now includes Stabilization by State Statute per GASB Statement No. 54 which further increases the unrestricted net position deficit.

At the end of the current fiscal year, the County is not able to report positive balances in all three categories of net position for the government as a whole. However, the same did not hold true for the separate governmental and business-type activities. The unrestricted net position for the governmental activities had a deficit balance of (\$69,263,012) while the other two categories of net position, net investment in capital assets and restricted net position, and all three categories of net position of the business-type activities were positive. The unrestricted net position for the business-type activities had a positive balance of \$21,724,599.

DURHAM COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business - type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 26,142,700	\$ 25,142,175	\$ 12,007,107	\$ 11,748,514	\$ 38,149,807	\$ 36,890,689
Operating grants and contributions	50,005,628	53,016,379	-	-	50,005,628	53,016,379
Capital grants and contributions	3,933,909	1,501,002	780,802	471,600	4,714,711	1,972,602
General revenues:						
Taxes	315,456,947	299,029,295	-	-	315,456,947	299,029,295
Investment and interest income	5,086,255	1,977,962	42,036	29,074	5,128,291	2,007,036
Other revenues	4,574,741	4,709,427	25,889	493	4,600,630	4,709,920
Total revenues	<u>405,200,180</u>	<u>385,376,240</u>	<u>12,855,834</u>	<u>12,249,681</u>	<u>418,056,014</u>	<u>397,625,921</u>
Expenses:						
General government	55,772,804	57,034,487	-	-	55,772,804	57,034,487
Public safety	61,569,018	57,767,228	-	-	61,569,018	57,767,228
Transportation	12,500	12,500	-	-	12,500	12,500
Economic and physical development	5,490,387	4,916,125	-	-	5,490,387	4,916,125
Environmental Protection	3,657,826	3,632,359	-	-	3,657,826	3,632,359
Human services	85,440,041	88,141,193	-	-	85,440,041	88,141,193
Education	148,666,331	151,919,349	-	-	148,666,331	151,919,349
Cultural and recreational	12,671,110	11,688,669	-	-	12,671,110	11,688,669
Interest and fiscal charges	22,953,477	19,814,600	-	-	22,953,477	19,814,600
Sewer utility	-	-	6,387,907	5,761,082	6,387,907	5,761,082
Total expenses	<u>396,233,494</u>	<u>394,926,510</u>	<u>6,387,907</u>	<u>5,761,082</u>	<u>402,621,401</u>	<u>400,687,592</u>
Increase (decrease) in net position	8,966,686	(9,550,270)	6,467,927	6,488,599	15,434,613	(3,061,671)
Net position, beginning	(5,112,812)	4,437,458	70,265,610	63,777,011	65,152,798	68,214,469
Net position, ending	<u>\$ 3,853,874</u>	<u>\$ (5,112,812)</u>	<u>\$ 76,733,537</u>	<u>\$ 70,265,610</u>	<u>\$ 80,587,411</u>	<u>\$ 65,152,798</u>

Because the County funds Durham Public Schools', Durham Technical Community College's and the Museum of Life and Science's capital needs but does not carry the resulting assets on the County's financial statements, the County reports a net deficit on the statement of net position for governmental activities. In spite of this deficit reported in governmental activities, the County's finances are strong as evidenced by:

- Continued diligence in the collection of property taxes by maintaining an overall collection percentage of 99.32 percent for the current levy year for governmental activities.

- Planning and management of revenues and expenses through the use of financial models for capital and debt service.
- Continued low cost of bonded debt that is a direct result of the County's high bond rating by the rating agencies of Moody's and Standard and Poor's. The County considers this unique achievement to be a key factor in keeping the interest costs low on the County's outstanding debt.

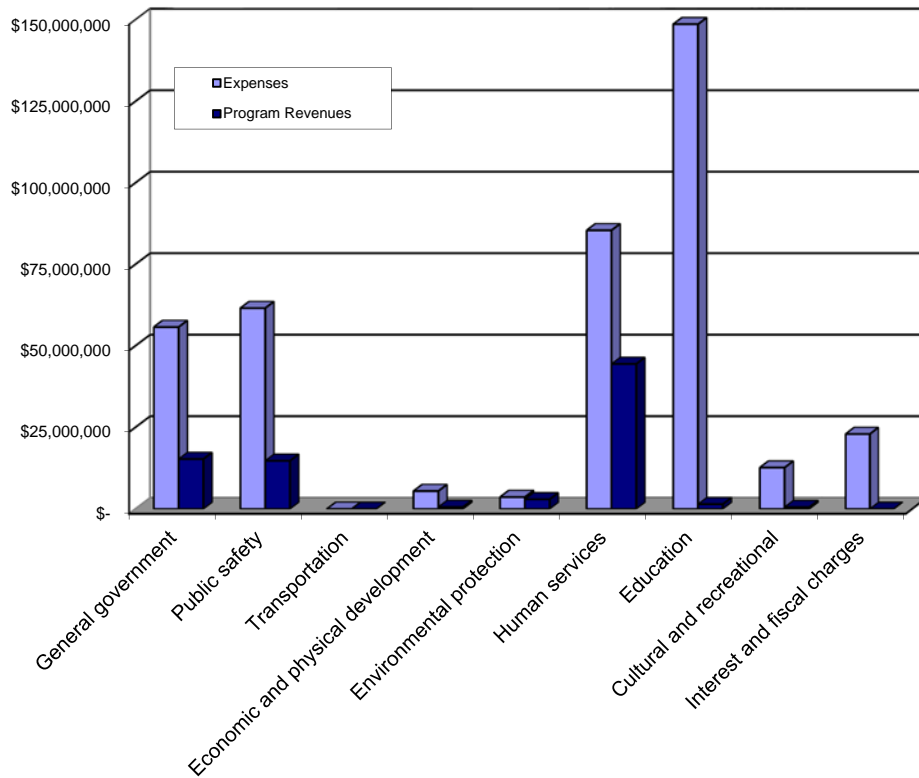
Governmental activities. The governmental activities increased the County's beginning net position by \$8,966,686 or 58.09% of the total increase in the net position of the County. The increase is due primarily because revenues increased in fiscal year 2014 compared to fiscal year 2013 by over \$19.8 million (5.14 percent) while expenses increased by only slightly over \$1.3 million (0.33 percent). This amount is an increase of 175.38 percent of the governmental activities beginning net position. In fiscal year 2014, property taxes levied for general purposes increased by slightly over \$15 million (6.56 percent) which was the revenue source increase for the fiscal year. This significant increase was primarily because of the increase in the tax rate of \$0.03 cents and the implementation of the new North Carolina Vehicle Tax System (NCVTS) also known as the "Tag and Tax Together System" by the State of North Carolina (State) whereby the State bills and collects the vehicle taxes and related fees at the time of vehicle registration annual renewal on behalf of the counties and municipalities. As a result of the transition to this method of registered vehicle ad-valorem tax billing and collection from the prior method, fourteen months of collections were recognized in fiscal year 2014. This was a one-time occurrence in order for the billings and collections to be current. In the prior method, property taxes on registered motor vehicles were due the first day of the fourth month after the vehicles were registered. The go-live was September of 2013. In addition, local option sales taxes increased for the fourth consecutive year by over \$2.3 million (4.01 percent) as a result of increased collections. Investments increased by over \$3.1 million (157.15 percent) which is primarily because the value in the financial derivative instrument for the County's SWAP Agreement per GASB Statement No. 53 decreased in fiscal year 2013 by over \$2.6 million while the value in fiscal year 2014 increased by over \$400 thousand. Animal taxes decreased by over \$1.8 million (336.27 percent) mainly because of a decrease in the accounts receivable of over \$1.3 million combined with decreased current year collections of just slightly over \$500 thousand. Program revenues capital grants and contributions increased by over \$2.4 million (162.09 percent) while charges for services increased by slightly over \$1 million (3.98 percent) combined with a decrease in operating grants and contributions of over \$3 million (5.68 percent). The increase in the capital grants and contributions was largely due to increased funding for capital projects for Durham Public Schools (DPS) and contributed capital for fire services. The decrease in operating grants and contributions is mostly due to a decrease in human services of over \$4.6 million (10.34 percent) because of a decrease in services provided combined with an increase in general government operating funding of over \$1.6 million (59 percent). There was no significant change in total governmental activities' expenses for fiscal year 2014 compared to fiscal year 2013. The County's finances continue to be strong, sound and stable because of solid, dedicated and committed financial management.

For the most part, increases in governmental activities' expenses closely paralleled inflation and growth in the demand for services. As previously stated, the County's total governmental activities' expenses increased only a little over \$1.3 million (0.33 percent). Public safety expenses increased

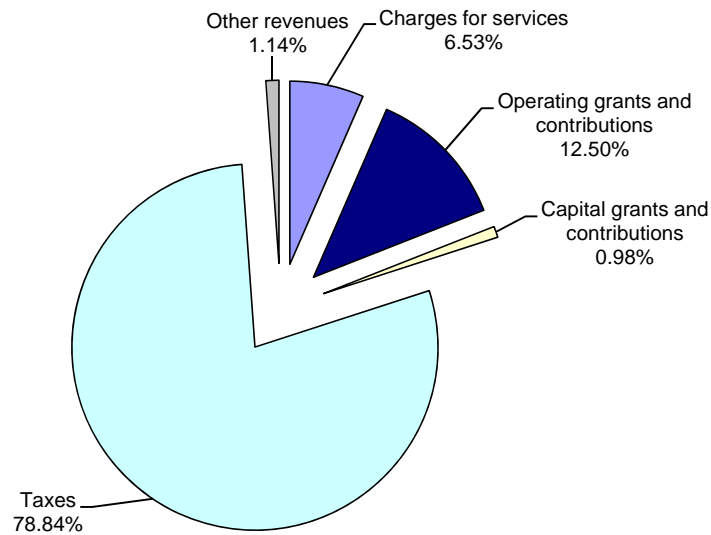
by over \$3.8 million (6.58 percent) primarily because of increased services in the law enforcement and emergency medical services. Interest and fiscal charges increased by over \$3.1 million (15.84 percent) mostly because of increased interest expense for the year. In addition, there were increases in cultural and recreational and economic and physical development of over \$982 thousand (8.41 percent) because of increased services of the library and \$574 thousand (11.68 percent) largely because of increases in economic incentive agreement payments to businesses, respectively. The decrease in education of over \$3.2 million (2.14 percent) was a combination of increased operating funding to DPS and Durham Technical Community College (DTCC) combined with a decrease in the amount of capital project expenses. Human services decreased by over \$2.7 million (3.06 percent) due in the most part to a decrease in services. In addition, general government decreased by over \$1.2 million (2.21 percent) with environmental protection increasing by a slightly over \$25 thousand (0.7 percent).

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Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

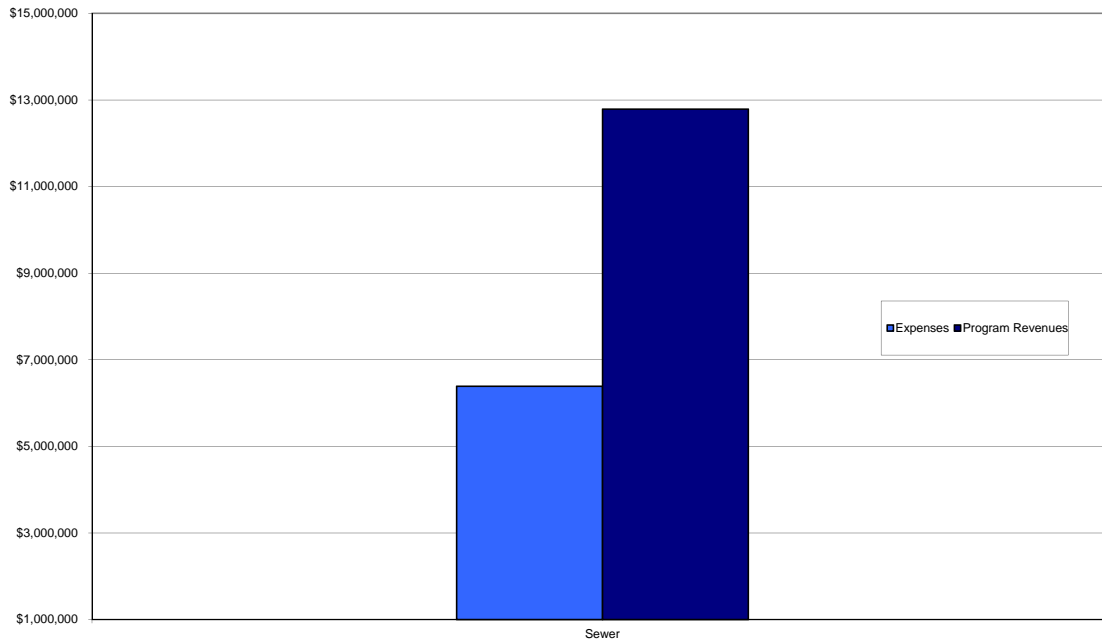


Business-type activities. Business-type activities increased the County's net position by \$6,467,927 accounting for 41.91 percent of the increase of the total growth in the government's net assets. Key elements of this are as follows:

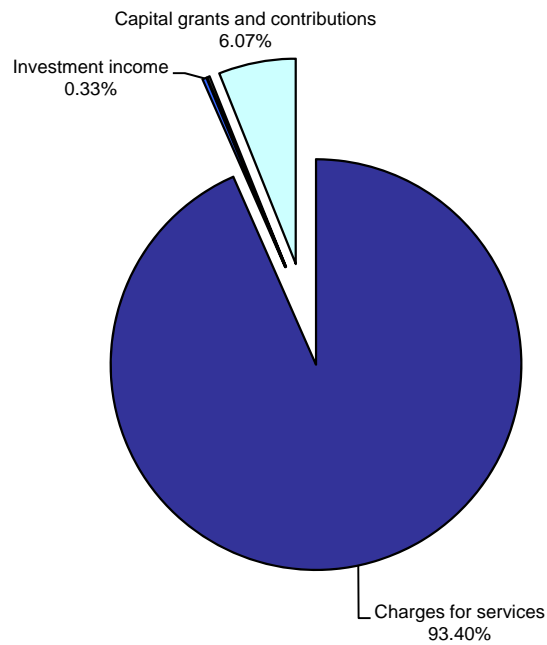
- Expenses increased \$626,825 (10.88 percent) because of increases in operating expenses and interest and fiscal charges netted with decreases in bond issuance costs and transfers out. There were no debt issuance costs or transfers out for fiscal year 2014. All categories of the operating expenses increased in fiscal year 2014. The overall increase is mostly because of increased services.
- Charges for services increased by \$258,593 (2.20 percent). There was a rate increase of 1.8 percent for all customers, both residential and industrial, effective July 1, 2013 in fiscal year 2014 as well as an increase in the capital recovery charges 1.5 percent. The capital recovery charges are part of connection fees for new customers and are used as a source of funding for capital acquisitions, construction and improvements. All other sewer utility charges remained the same.
- Sewer connection fees decreased by \$299,566 (46.77 percent) mainly because of decreased capital recovery charges as a result of fewer new connections in fiscal year 2014.
- Investment and interest income increased by \$12,962 (44.58 percent) primarily because of the increase in the change in the accrued interest receivable at year end combined with a slight increase in annual earnings.
- There was capital contributions of \$780,802 of intergovernmental revenues for funding of capital projects for fiscal year 2014; however, there were no capital contributions of sewer lines from private developers in fiscal year 2014 compared to \$471,600 in fiscal year 2013.
- There was \$394,029 of State Revolving Loan Proceeds received in fiscal year 2014 for funding of capital projects.

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Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Durham County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *usable* resources. Such information is useful in assessing the County's financing requirements. Specifically, *fund balance available for appropriation* can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$196,898,549, a decrease of \$4,031,088 in comparison with the prior year. Approximately 82.06 percent of this total amount (\$161,578,053) constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it is 1) non-spendable (\$1,020,631), 2) restricted by revenue source for specific purposes, programs and services (\$2,084,964), or 3) because it is restricted by State Statute (\$32,214,901).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, Durham County's fund balance available for appropriation in the general fund was \$117,740,458, while total fund balance reached \$147,358,836. The Board of County Commissioners of Durham County has determined that the County should maintain an available fund balance of 25 percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the County. As of June 30, 2014, the County has an available fund balance of 30.43 percent of general fund expenditures, while total fund balance represents 38.09 percent of that same amount. The percentage of available fund balance to total general fund expenditures increased from 27.24 percent for fiscal year 2013 to 30.43 percent for fiscal year 2014 an increase of 3.19 percent. The net change in fund balance for fiscal 2014 was an increase of over \$12.7 million. The primary reasons for the increases are the revenue collections were 101.37 percent of budget while expenditures were only 91.58 percent of budget. Property tax collections for the general fund increased by over \$15.8 million (6.91 percent). This significant increase was primarily because of the increase in the tax rate of \$0.03 cents and the implementation of the new NCVTS also known as the "Tag and Tax Together System" by the State whereby the State bills and collects the vehicle taxes and related fees at the time of vehicle registration annual renewal on behalf of counties and municipalities. As a result of the transition to this method of registered vehicle ad-valorem tax billing and collection from the prior method, fourteen months of collections were recognized in fiscal year 2014. This was a one-time occurrence in order for the billings and collections to be current. In the prior method, property taxes on registered motor vehicles were due the first day of the fourth month after the taxes were registered. The go-live was September of 2013. In addition, local option sales taxes increased for the fourth consecutive year by over \$2.3 million (4.01 percent) as a result of increased collections. Intergovernmental revenues decreased by over \$1.5 million (2.9 percent). This decrease is mostly due to a decrease in human services of over \$3 million as a result of a decrease in services provided combined with an increase in funding for general government services of over \$1.5 million. In addition, there was an increase in licenses and permits of over \$500 thousand mainly because of increased construction permits issued and rent increased by over \$253

thousand primarily because increased rental of County facilities. There was no significant change in the total general fund expenditures for fiscal year 2014 compared to fiscal year 2013. There was a decrease of total expenditures of slightly over \$48 thousand (0.1 percent). Even though there was virtually no change in total expenditures from fiscal year 2013 to fiscal year 2014, public safety and education had significant increases in expenditures of over \$5.4 million and 2.8 million, respectively, while human services and general government had substantial decreases in expenditures of over \$6.2 million and \$3.3 million, respectively. Restricted fund balance for the general fund increased by only slightly over \$100 thousand with unrestricted fund balance increasing by over \$12.6 million. The net change in fund balance increased by over \$17.4 million in fiscal year 2014 from fiscal year 2013. The primary reasons for the increase in the net change in fund balance are the increase in excess of revenues over expenditures of over \$16.9 million, the increase in transfers in of over \$2.2 million and the increase in transfers out of over \$1.7 million.

The fund balance of the County's general fund increased by \$12,729,526 during the current fiscal year. Key factors in the changes are as follows:

- The general fund taxes increased by 6.14 percent or \$17,956,906. This increase is for the most part the result of increased collections in the current year levy collections of \$15,893,430 (6.99 percent). This significant increase was primarily because of an increase in the tax rate of \$0.03 cents and the implementation of the new NCVTS also known as the "Tag and Tax Together System" by the State whereby the State bills and collects the vehicle taxes and related fees at the time of vehicle registration annual renewal on behalf of counties and municipalities. As a result of the transition to this method of registered vehicle ad-valorem tax billing and collection from the prior method, fourteen months of collections were recognized in fiscal year 2014. This was a one-time occurrence in order for the billings and collections to be current. In the prior method, property taxes on registered motor vehicles were due the first day of the fourth month after the taxes were registered. The go-live was September of 2013. Property tax collections of the County continue to be outstanding also as a result of continued collection efforts including participating in the North Carolina Local Government Debt Setoff Clearinghouse Program. In addition, local option sales tax increased by \$2,366,841 (4.01 percent) due to increased spending. This is the fourth consecutive year of increased collections which is excellent.
- Intergovernmental revenues of the general fund decreased by 2.9 percent or \$1,522,703. The decrease is primarily because of a decrease in human services funding of over \$3 million combined with an increase in funding for general government services of over \$1.5 million.
- Charges for services decreased \$163,764 (0.85 percent) mainly because of increases in emergency medical services, general government charges, solid waste fees and election registration lists of \$508,999 (8.81 percent), \$478,045 (16.86 percent), \$241,532 (15.84 percent) and \$330,886 (no charges collected in fiscal year 2013), respectively, coupled with decreases in register of deeds, environmental protection, public health, public protection, social services, collection fees, facility fees and other charges in the amounts of \$780,236 (25.92 percent), \$290,233 (54.22 percent), \$216,165 (41.56 percent), \$214,410 (8.66 percent), \$183,611 (65.48 percent), \$27,517 (1.85 percent), \$6,478 (1.64 percent) and \$6,107 (24.66 percent), respectively. The minor net decrease in fiscal year 2014 was the result of a combination of increased fees, decreased services, decreased collection fees due to the implementation of the NCVTS and elections held in fiscal year 2014.

- Investments decreased by \$390,883 or 10.8 percent for the most part due to the performance of the County's derivative financial instrument (SWAP).
- Licenses and permits increased by \$530,887 (64.23 percent) mostly because of increases in construction permits of \$507,815 (144.92 percent) combined with a slight increase in cablevision and franchise fees of \$21,708 (4.82 percent).
- Rent increased by \$253,063 (30.71 percent) mainly because of an increase in rent of County facilities, space in the Human Services Complex and the sublease of space in the Criminal Justice Resource Center and increased rental collection for the County Stadium and the American Tobacco Parking Deck.
- Other revenues increased by \$190,439 (4.36 percent) primarily because of an increase in other as a result of increased vending machine collections and insurance reimbursements as well as increases in confiscated property and the sale of surplus and real property combined with decreases in benefit plan revenues, employee and retiree out-of-pocket contribution for benefits, miscellaneous and inmate welfare funds.
- General government expenditures decreased \$3,307,552 (7.03 percent). This is due mainly because of a significant decrease in tax of \$6,222,551 (49.75 percent) combined with increases in risk management and insurance of \$828,646 (49.89 percent), general services of \$725,202 (7.53 percent), other general government of \$591,298 (26.32 percent), information systems of \$364,905 (6.38 percent), and human resources of \$245,573 (5.26 percent). Taxes decreased primarily because there was a legal settlement with IBM Corporation for tax years 2002 to current in fiscal year 2013 of over \$5.8 million combined with a decrease in contracted services. The increase in risk management and insurance is a combination of an increase in workers' compensation, unemployment insurance and unemployment insurance reserve. The increase in general services was primarily due to an increase in contracted services while the increase in information systems was a combination of increases in contracted services, maintenance and rental equipment, telephone and training. The increases in other general government were for the most part because of increased purchases in capital while human resources increased mainly as a result of increased self-insured benefit costs.
- Public safety increased by \$5,425,430 (10.55 percent). This is due mainly because of increases in county fire protection of \$2,200,062 (77.38 percent), emergency medical services of \$1,849,895 (20.63 percent) and the Sheriff's office of \$1,472,396 (9.03 percent). The increase in the county fire protection is for the most part because effective July 1, 2013 the County began providing fire services for the Bethesda Fire District rather than contracting with a volunteer fire department to provide these services. As such, the County purchased the fire stations in this district and related capital from the Bethesda Volunteer Fire Department for over \$1.1 million. The remaining increase is the result of the increased salaries and benefits and added operating costs for the Bethesda Fire District combined with increased benefit costs for the Fire Marshal's Office. The increase in emergency medical services is largely due to increased salaries and benefits of over \$1.08 million combined with increases in operating expenditures of over \$494 thousand and capital purchases of over \$272 thousand. The main reason for the increase in the Sheriff's office is primarily salaries and benefits of over \$1.1 million combined with operating increases of over \$300 thousand.
- Economic and physical development increased by \$560,765 (13.40 percent) primarily because of increases in industrial extension, soil and water conservation and other economic and physical development. Disbursements per the Industrial Extension Policy (IEP) Agreements increased with more incentives being met during the fiscal year. Soil and water conservation increased

essentially because of increased salaries and benefits. Other economic and physical development increased primarily because of increased payments to the Durham Chamber of Commerce coupled with a small increase in the payment to Downtown Durham Inc. and a decrease in contracted services.

- Human services' expenditures decreased by \$6,253,693 (6.83 percent). This decrease was principally due to the decrease in mental health of \$6,954,911 (49.42 percent). Because of the implementation of Medicaid Waiver 1915 (b)(c), whereby LMEs would operate as risk-based MCOs to manage local mental health, substance abuse and developmental disabilities services, effective for fiscal year 2013, the County no longer provided these services but rather contracted with the established MCO, Alliance Behavioral Healthcare, Inc. (Alliance). As a result, in fiscal year 2013, the County paid Alliance the balance of unspent funds of a joint loan with Wake County of over \$5.4 million. In addition, in fiscal year 2013, the County provided Alliance with over \$336 thousand in unspent restricted funds for mental health programs. In fiscal year 2013, the County contracted with Alliance as a sub-recipient to provide services for grant funding received by the County of over \$1.4 million compared to only \$457 thousand in fiscal year 2014. This is because the State agreed to transfer ownership of the multi-year grant from the County to Alliance as of October of 2013. Public health increased by \$952,611 (4.72 percent) mainly because of increases in salaries and benefits while social services decreased \$526,057 (0.94 percent) for the most part due to a decrease in services provided.
- Education increased by \$2,843,899 (2.31 percent) from the prior fiscal year. Of this increase, Durham Public Schools and Durham Technical Community College received increased funding for operating expenditures of \$2,436,649 and \$400,000, respectively, and other education received a minor increase in funding of \$7,250.
- Cultural and recreational increased by \$623,389 (5.65 percent) mainly because of increased salaries and benefits for the library.

The Community Health Trust Fund has a total fund balance of \$13,912,256, all of which is financing resources to be used for health related operating and capital expenditures as directed and approved by the Board of County Commissioners. The net increase in fund balance during the current year in the community health trust fund was \$128,309. The increase in fiscal year 2014 was a combination of increased investment earnings of over \$380 thousand, increased charges for services of \$2 thousand and increased operating transfers out by almost \$292 thousand. The increase in investment earnings is a result of the market as these funds are managed by investment managers in the market as approved by special legislation.

In fiscal year 2014, the primary revenue activity was the recognition of the annual amount from the lease (\$3,950,000). In addition, there was the recognition of the investment earnings (\$1,329,410) and other charges for services (\$58,300). An operating financing use, transfer out (\$5,209,401) also occurred. The amount transferred was to assist in the funding of health related expenditures in the general fund for volunteer fire department paramedic services, emergency management services, public health and the non-profit, Community Health Coalition. The policy on managing the funds of the community health trust is that the Board of County Commissioners allocates a percentage of the earnings from the previous calendar year to health related expenditures and reinvests the balance which allows the fund to grow. However, in fiscal year 2014, because of the needed assistance in funding health related costs, the BOCC voted to waive allocating only a percentage of the earnings

from the previous calendar year for fiscal year 2014. Management of these funds is performed by investment managers approved through special legislation, S.L. 1999-101, Senate Bill 653.

The Capital Projects Fund has a total fund balance of \$26,130,557, all of which is financing resources to be used for the acquisition, construction or improvement of major capital facilities other than those financed by proprietary funds. The net decrease in fund balance during the current year in the capital projects' fund was \$18,499,208 due primarily to the acquisition, construction or improvement of major capital facilities for the County, School System, Durham Technical Community College and Museum of Life and Science using the funding sources combined with the issuance of installment purchases. The County's activity was recorded to construction in progress in capital assets of the County while the Schools System's, Durham Technical Community College's and the Museum of Life and Science's activity was recorded in their capital assets as they hold title to those assets.

The primary revenue activity was the recognition of other financing sources, the issuance of installment purchases (\$23,706,685) and transfers (\$5,867,547). The fund also recognized intergovernmental revenues (\$2,592,784) and investments (\$23,444). In the expenditures, there was construction activity in the amount of \$40,539,044 and debt issuance costs (\$189,900). In addition, there were other financing uses in the transfer of \$9,960,724. Of this transfer amount, \$8,488,713 was transferred to the debt service fund and \$1,472,011 was transferred to the general fund. The construction activity was primarily for education, environmental protection and general government in the amounts of \$22,743,307, \$9,797,503 and \$7,293,368, respectively. The other construction activity occurred in cultural and recreational (\$687,139) and public safety (\$17,727).

The Debt Service Fund has a total fund balance of \$8,207,298, all of which is financing resources to be used for the retirement of the County's general long-term debt other than debt issued for and serviced by proprietary funds. The net increase in fund balance during the current year in the debt service fund was \$860,250 due primarily because the revenues and other financing sources were greater than the annual retirement of the principal and interest on the County's general long-term debt.

The primary funding activity was the recognition of other financing sources, the issuance of refunding bonds (\$44,635,000), the premium on the issuance of the refinancing (\$7,025,669) and transfers (\$58,008,152). The fund also recognized intergovernmental revenues (\$480,909), charges for services (\$440,678) and investments (\$15,767). In the expenditures, there was principal and interest for the retirement of general long-term debt in the amounts of \$34,261,816 and \$23,354,161, respectively. In addition, there were debt issuance costs for the refunding bonds of \$454,869. The payment to refund the debt was \$51,200,000.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer utility fund at the end of the fiscal year amounted to \$21,724,599. There was an increase in total net position of \$6,467,927. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The County's annual balanced budget is prepared on the modified accrual basis of accounting in accordance with the Budget & Fiscal Control Act of North Carolina General Statutes, and includes all appropriations required for debt service. The General Fund is the most significant fund budgeted.

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services or initiate new programs where timing is critical. Amendments to the General Fund budget totaled \$14,845,091 and can be summarized briefly as follows:

- \$6,962,581 in increases allocated to general administration were largely to honor commitments from fiscal year 2013 coupled with increases in appropriations primarily for additional self-insured benefits costs, salary increases as a result of the implementation of the first phase of the classification and compensation study, and funding of accrued compensatory leave payout for employees. There was also an increase for the funding of a Minority/Women Business Enterprise (M/WBE) Disparity Study.
- \$4,763,954 in increases allocated to public safety were primarily to honor commitments from fiscal year 2013, to appropriate unspent restricted funds in fiscal year 2014 and increases in appropriations for the purchase of capital assets from the Bethesda Volunteer Fire Department and funding of accrued compensatory leave payout for employees. In addition, there were increases in appropriations for emergency medical services to maintain services. Effective in the fourth quarter of fiscal year 2014, the County began providing paramedic services for the Parkwood District which were previously provided by Parkwood Volunteer Fire Department. Also, appropriations were made to recognize new grant and award funding for Emergency Management and the Sheriff's Office.
- \$494,853 in increases allocated to economic and physical development were primarily for support of the IEP Agreements with more incentives being met as well as cooperative extension due to the receipt of additional grant funding, funding for soil and water interns, funding of accrued compensatory leave payout for employees and to honor commitments from fiscal year 2013 and to appropriate unspent restricted funds in fiscal year 2014.
- \$264,691 in increases allocated to environmental protection were primarily to honor commitments from fiscal year 2013 and increases in appropriations for the funding for accrued compensatory leave payout for employees.
- \$7,302,307 in increases allocated to human services were primarily because of increases in social services and public health. The increases in social services and public health were to honor commitments from fiscal year 2013, to appropriate unspent restricted funds in fiscal year 2014 and to maintain services. The services are funded for the most part through the recognition of new grants and additional federal and state awards. In addition, there was increases in appropriations for the funding of accrued compensatory leave payout for employees and to recognize additional funding for coordinated transportation.

- \$350,720 in increases allocated to cultural and recreational were primarily to honor commitments from fiscal year 2013, to appropriate unspent restricted funds in fiscal year 2014, for funding of accrued compensatory leave payout for employees and to appropriate funding for a library endowment grant.
- \$5,294,015 in decreases in operating transfers was to reduce the amount to transfer to the debt service fund of over \$5.4 million coupled with a slight increase of \$200 thousand to the special revenue fund, Bethesda Fire Tax District, for the forgiveness of an interfund loan. In the closing of some County capital projects in fiscal year 2014, the unspent restricted funding for these projects of over \$5.4 million was transferred to debt service. As a result, the amount to be transferred from the general fund to debt service was reduced by the same amount.

Of this net increase, \$5,815,813 was to be funded from intergovernmental revenues, charges for services increased \$201,963, rental income increased \$69,000, other revenues funding increased \$260,000 and operating transfers in funding increased \$2,120,978. The remaining \$6,377,337 was to be budgeted from available fund balance. During the year, revenues exceeded budgetary estimates by \$5,269,450 while other financing sources did not exceed budgetary estimates by \$311,330; however, expenditures were far less than budgetary estimates with a positive variance of \$30,496,973, thus eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. Durham County's capital assets for its governmental and business-type activities as of June 30, 2014 totals \$473,073,626 (net of accumulated depreciation). These assets include land, easements, buildings, improvements, office furniture and equipment, machinery and equipment, computer hardware, computer software, vehicles and construction in progress. The total increase in the County's net capital assets for the current fiscal year was \$6,395,342 (1.37 percent). Governmental activities' increased \$6,217,505 (1.57 percent) and business-type activities increased \$177,837 (0.25 percent).

Major capital asset events during the current fiscal year included the following:

- Construction continued on the collection systems rehabilitation and phase III of the waste water treatment plant projects which had construction costs for the year of \$332,636 and \$422,525, respectively.
- Construction for the Durham Public School Projects continued in fiscal year 2014 in the amount of \$21,785,800.
- Construction for the Durham Technical Community College project for campus improvements occurred in fiscal year 2014 in the amount of \$957,507.
- Construction for NCML & Bioquest Projects for the Museum of Life and Science continued in fiscal year 2014 in the amount of \$655,804.

- Other construction activity for cultural and recreational expenses other than for the Museum occurred in the amount of \$31,336 for the Southwest Branch Library and the South Regional Library.
- Construction activity for environmental protection occurred in the amount of \$9,797,503 in environmental engineering primarily for the human services complex (\$8,435,396), utility performance contract project (\$710,816), and open space and farmland preservation (\$591,172). Other activity occurred on the criminal justice resource center and the judicial building renovations phase II.
- Construction activity for general government occurred in the amount of \$7,293,367. The major activity in general government was the 800 MHz radio system upgrade (\$2,900,000), the 12 County IT hardware replacement (\$2,188,483), the new justice center (\$1,179,839), the County storage facility (\$414,067) and the administrative building elevator renovation (\$235,854). Other activity occurred in the county stadium new signage, ongoing parking resurfacing, ongoing HVAC replacement, scattered site housing, FY12 HR ERP upgrade, Rougemont Community water system, urban ministry sprinkler upgrade, 12 sheriff technology upgrade, 13 telecommunications upgrade and single family rehabilitation projects.
- There was contributed capital for fire services in the amount of \$1,341,125 for fiscal year 2014 for governmental activities.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental		Business - type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 8,366,984	\$ 8,366,984	\$ 185,226	\$ 185,226	\$ 8,552,210	\$ 8,552,210
Easements	1,351,764	1,351,764	-	-	1,351,764	1,351,764
Improvements- water and sewer lines	-	-	13,711,751	14,288,703	13,711,751	14,288,703
Buildings	136,609,810	136,751,233	1,449,198	1,513,723	138,059,008	138,264,956
Office furniture and equipment	1,561,939	825,421	3,343	5,253	1,565,282	830,674
Machinery and equipment	1,981,117	1,851,269	260,487	174,121	2,241,604	2,025,390
Computer hardware	1,309,396	2,237,522	4,628	10,799	1,314,024	2,248,321
Computer software	1,942,885	82,080	-	-	1,942,885	82,080
Vehicles	4,616,750	2,947,032	74,095	88,227	4,690,845	3,035,259
Construction in progress	243,406,669	240,516,504	56,237,584	55,482,423	299,644,253	295,998,927
Total	\$ 401,147,314	\$ 394,929,809	\$ 71,926,312	\$ 71,748,475	\$ 473,073,626	\$ 466,678,284

Additional information on the County's capital assets can be found in Note D on pages 71-73 of this report.

Long-term debt. At the end of the current fiscal year, Durham County had total debt outstanding of \$594,036,595. Of this amount, \$323,228,226 comprises bonded debt backed by the full faith and credit of the government. Also included is \$10,190,000 of bonded debt secured by a pledge of and

lien upon, and payable solely from, the net receipts of the enterprise system, and in certain circumstances, by proceeds of the revenue bonds, investment earnings and certain net insurance and other proceeds. The revenue bonds are additionally secured by and payable from money and securities of certain funds, accounts and sub-accounts held by the trustee under the trust agreement and the first supplemental trust agreement. The balance consists of certificates of participation in the amount of \$234,683,853, installment notes in the amount of \$9,853,620, general obligation bond anticipation notes of \$2,939,821 and other financing agreements in the amount of \$13,141,075. The general obligation bond anticipation notes are also backed by the full faith and credit of the government.

DURHAM COUNTY'S OUTSTANDING DEBT
General Obligations, Revenue Bonds, Installment Purchases
and Other Financing Agreements

	Governmental		Business - type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 321,259,230	\$ 293,099,857	\$ 1,968,996	\$ 2,780,803	\$ 323,228,226	\$ 295,880,660
Revenue bonds	-	-	10,190,000	10,845,000	10,190,000	10,845,000
Certificates of participation	234,683,853	245,026,572	-	-	234,683,853	245,026,572
Installment notes payable	12,793,441	42,123,253	-	-	12,793,441	42,123,253
Other financing agreements	528,213	1,000,064	12,612,862	13,408,267	13,141,075	14,408,331
Total	\$ 569,264,737	\$ 581,249,746	\$ 24,771,858	\$ 27,034,070	\$ 594,036,595	\$ 608,283,816

The County's total debt excluding accrued compensated absences and net OPEB obligation decreased by \$14,247,221 (2.34 percent) during the current fiscal year. The key changes in this decrease was the reduction of debt as a result of the annual debt payments and the issuance of \$23,706,685 in general obligation bond anticipation notes and State Revolving Loans of \$394,029. There was a debt refunding that occurred in fiscal year 2014 through the issuance of general obligation bonds; however, they had no significant effect on the carrying value of debt. This is because of the premium that was received on the general obligation bonds refunding.

The County maintains bond ratings from Moody's Investors Service, Inc., Standard & Poor's Rating Services and the Carolina Municipal Advisory Council of Aaa, AAA and 90 (in the range equivalent to AAA), respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the County is \$2,562,000,302, leaving a legal debt margin of \$2,266,095,302. The net bonded debt per capita is \$1,040.

Additional information on the County's long-term debt can be found in Note E on pages 74-80 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is 5.3 percent as of June 2014, which is a decrease from a rate of 7.5 percent as of June 2013. The County's unemployment rate is lower than the State's and nation's unemployment rate of 6.4 percent and 6.1 percent, respectively, as of June 2014.
- The construction activity for non-residential and residential construction was over \$1 billion for calendar year 2013 compared to over \$901 million for the calendar year 2012. The increase in the value of construction activity of over \$178 million is a clear sign of continued growth and prosperity in the County's economy.
- The manufacturing sector employment decreased 11.20 percent (3,183 positions) for calendar year 2013 (25,238) compared to calendar year 2012 (28,421).
- The North Carolina Department of Revenue made an administrative rule change in reporting retail sales. Beginning in fiscal year 2006, reported retail sales are now reported on total taxable sales based on sales and use tax returns rather than gross retail sales as has been reported in the past years. The total taxable sales for Durham County for 2013 reported were \$5,501,325 compared to \$4,902,628 reported for fiscal year 2013, an increase of \$598,697 (12.21 percent). Total taxable sales are reported in thousands of dollars. The increase in retail sales is another indication of the County's strong economy.
- Economic development announcements for 2013 were over \$690 million, and economic announcements occurring through the third quarter of 2014 amounted to almost \$214 million.
- The per capita income for Durham MSA for 2012 is \$40,963, a decrease of 1.97 percent over 2011. Raleigh MSA has a per capita income of \$42,709. The per capita for the State and the nation increased from 2011 to 2012 to \$37,910 and \$45,188, an increase of 3.81 percent and 6.83 percent, respectively. The source for this information is the Bureau of Economic Analysis (BEA).
- Inflationary trends in the region compare favorably to the national indices.

All of these factors were considered in preparing the County's budget for the 2015 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$117,740,458 or 30.43 percent of total general fund expenditures, an increase of \$12,815,901 or 12.21 percent from the previous fiscal year. The County has appropriated \$13,961,475 of this amount for spending in the 2015 fiscal year budget. In addition, the tax rate was increased for the 2015 fiscal year from \$0.7744 to \$0.7931. Also, there were several charges for general fund services that were increased for the 2015 fiscal year in the departments of general services, public health and register of deeds. In addition, several charges for services were decreased or eliminated for the 2015 fiscal year in the departments of public health and sheriff. Transfers from the special revenue funds are budgeted for the 2015 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2015 fiscal year as a funding source for health related spending.

The sewer rates were increased for the 2015 budget year in the sewer utility fund. The sewer rates were increased by 2.07 percent for all customers, both residential and industrial, effective July 1, 2014. These rate increases were necessary to maintain operations and sufficient funds to service debt. The capital recovery charges were increased by 1.83 percent. The capital recovery charge is a part of connection fees for new customers and is used as a source of funding for capital acquisitions,

construction and improvements. In addition, the laboratory monitoring charges were increased for the 2015 budget year. All other sewer utility charges remained the same.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, 200 East Main Street, Floor 4M, Durham, NC 27701.

BASIC FINANCIAL STATEMENTS

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Assets				
Cash and cash equivalents / investments	\$ 168,045,807	\$ 21,056,027	\$ 189,101,834	\$ 3,426,018
Cash and cash equivalents / investments - restricted	20,200,671	7,854,486	28,055,157	-
Receivables:				
Accounts receivable	1,310,705	33,086	1,343,791	3,386
Accrued interest receivable	166,685	28,559	195,244	-
Net property taxes receivable	3,215,009	-	3,215,009	-
Solid waste receivable	35,066	-	35,066	-
Animal taxes receivable	355,125	-	355,125	-
Net emergency medical services receivable	1,625,708	-	1,625,708	-
Alliance advance loan receivable	2,008,000	-	2,008,000	-
Inventory	969,967	-	969,967	2,420,843
Due from other governments - federal and state agencies	23,506,339	57,256	23,563,595	-
Due from other governments - local	2,608,187	619,302	3,227,489	-
Prepays	50,664	-	50,664	126,578
Investment in joint venture	11,810,568	-	11,810,568	-
Pension assets	72,675	-	72,675	-
Derivative financial instrument	5,447,616	-	5,447,616	-
Capital assets:				
Nondepreciable:				
Land	8,366,984	185,226	8,552,210	2,219,417
Easements	1,351,764	-	1,351,764	-
Construction in progress	243,406,669	56,237,584	299,644,253	-
Depreciable:				
Land improvements - sewer and water lines	-	26,298,544	26,298,544	-
Buildings	211,990,858	4,103,344	216,094,202	3,578,013
Office furniture and equipment	3,012,712	13,374	3,026,086	-
Machinery and equipment	5,470,706	614,948	6,085,654	1,367,182
Computer hardware	3,839,097	45,160	3,884,257	-
Computer software	13,688,462	-	13,688,462	-
Vehicles	13,926,737	293,604	14,220,341	160,170
Leasehold improvements	-	-	-	1,272,157
Accumulated depreciation	(103,906,675)	(15,865,472)	(119,772,147)	(2,577,106)
Total assets	642,576,106	101,575,028	744,151,134	11,996,658
Deferred outflows of resources				
Unamortized loss on refundings	7,336,969	716,152	8,053,121	-
Total deferred outflows of resources	7,336,969	716,152	8,053,121	-
Liabilities				
Accounts payable	8,639,443	502,997	9,142,440	832,415
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	3,375,706	80,292	3,455,998	-
Accrued payroll and related amounts withheld	6,298,432	85,113	6,383,545	102,985
Due to other governments - federal and state agencies	17,149	-	17,149	627,030
Due to other governments - local	1,291,044	-	1,291,044	909,911
Security deposits	468,567	-	468,567	-
Retiree and COBRA prepaid benefit contributions	208,807	-	208,807	-
Escrow - register of deeds	2,229,139	-	2,229,139	-
Other liabilities	-	-	-	203,217
Long-term liabilities:				
Accrued compensated absences due within one year	4,448,760	63,936	4,512,696	-
Bonds and other notes payable due within one year	38,711,393	2,140,824	40,852,217	92,609
Net OPEB obligation	46,565,314	-	46,565,314	-
Accrued compensated absences	2,610,893	40,445	2,651,338	104,621
Bonds and other notes payable	530,553,344	22,631,036	553,184,380	1,354,114
Total liabilities	645,417,991	25,557,643	670,975,634	4,226,902
Deferred inflows of resources				
Prepaid taxes	641,210	-	641,210	-
Total deferred inflows of resources	641,210	-	641,210	-
Net position				
Net investment in capital assets	20,701,314	47,154,452	67,855,766	4,573,110
Restricted for:				
Stabilization by State Statute	32,214,901	-	32,214,901	-
Capital projects	18,116,468	7,854,486	25,970,954	-
Grants and technology	1,976,454	-	1,976,454	-
Fire services	107,749	-	107,749	-
Working capital	-	-	-	842,732
Unrestricted net position	(69,263,012)	21,724,599	(47,538,413)	2,353,914
Total net position	\$ 3,853,874	\$ 76,733,537	\$ 80,587,411	\$ 7,769,756

DURHAM COUNTY, NORTH CAROLINA

**Statement of Activities
Year Ended June 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Durham County ABC Board
	Expenses	Charges for Services	Operating	Capital	Primary Government			
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 55,772,804	\$ 9,710,327	\$ 4,464,142	\$ 1,123,462	\$ (40,474,873)	\$ -	\$ (40,474,873)	\$ -
Public safety	61,569,018	8,861,551	4,549,651	1,341,125	(46,816,691)	-	(46,816,691)	-
Transportation	12,500	-	-	-	(12,500)	-	(12,500)	-
Economic and physical development	5,490,387	18,654	588,110	-	(4,883,623)	-	(4,883,623)	-
Environmental protection	3,657,826	2,898,313	52,678	-	(706,835)	-	(706,835)	-
Human services	85,440,041	4,354,144	40,084,357	-	(41,001,540)	-	(41,001,540)	-
Education	148,666,331	-	-	1,469,322	(147,197,009)	-	(147,197,009)	-
Cultural and recreational	12,671,110	299,711	266,690	-	(12,104,709)	-	(12,104,709)	-
Interest and fiscal charges	22,953,477	-	-	-	(22,953,477)	-	(22,953,477)	-
Total governmental activities	<u>396,233,494</u>	<u>26,142,700</u>	<u>50,005,628</u>	<u>3,933,909</u>	<u>(316,151,257)</u>	<u>-</u>	<u>(316,151,257)</u>	<u>-</u>
Business-type activities:								
Sewer utility	6,387,907	12,007,107	-	780,802	-	6,400,002	6,400,002	-
Total business-type activities	<u>6,387,907</u>	<u>12,007,107</u>	<u>-</u>	<u>780,802</u>	<u>-</u>	<u>6,400,002</u>	<u>6,400,002</u>	<u>-</u>
Total primary government	<u>\$ 402,621,401</u>	<u>\$ 38,149,807</u>	<u>\$ 50,005,628</u>	<u>\$ 4,714,711</u>	<u>(316,151,257)</u>	<u>6,400,002</u>	<u>(309,751,255)</u>	<u>-</u>
Component units:								
Durham County ABC Board	\$ 27,940,449	\$ 28,735,744	\$ -	\$ -	-	-	-	795,295
Total component units	<u>\$ 27,940,449</u>	<u>\$ 28,735,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>795,295</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					244,922,483	-	244,922,483	-
Property taxes, levied for fire districts					6,661,282	-	6,661,282	-
Property taxes, levied for other districts purposes					736,793	-	736,793	-
Local option sales tax					61,414,402	-	61,414,402	-
Occupancy tax					2,592,696	-	2,592,696	-
Animal tax					(1,277,314)	-	(1,277,314)	-
Gross receipts tax					406,605	-	406,605	-
Investment and interest income					5,086,255	42,036	5,128,291	365
Other revenues					4,574,741	25,889	4,600,630	18,756
Total general revenues					<u>325,117,943</u>	<u>67,925</u>	<u>325,185,868</u>	<u>19,121</u>
Change in net position					8,966,686	6,467,927	15,434,613	814,416
Net position, beginning					(5,112,812)	70,265,610	65,152,798	6,955,340
Net position, ending					<u>\$ 3,853,874</u>	<u>\$ 76,733,537</u>	<u>\$ 80,587,411</u>	<u>\$ 7,769,756</u>

DURHAM COUNTY, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2014**

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents / investments	\$ 134,291,416	\$ 13,912,256	\$ 10,382,035	\$ 8,286,426	\$ 1,173,674	\$ 168,045,807
Cash and cash equivalents / investments - restricted	1,976,454	-	18,116,468	-	107,749	20,200,671
Receivables:						
Accounts receivable	1,310,683	-	-	22	-	1,310,705
Net property taxes receivable	3,144,772	-	-	-	70,237	3,215,009
Solid waste receivable	35,066	-	-	-	-	35,066
Animal taxes receivable	355,125	-	-	-	-	355,125
Net emergency medical services receivable	1,625,708	-	-	-	-	1,625,708
Alliance advance loan receivable	2,008,000	-	-	-	-	2,008,000
Inventory	969,967	-	-	-	-	969,967
Due from other governments - federal and state agencies	22,128,991	-	1,350,362	-	26,986	23,506,339
Due from other governments - local	2,607,297	-	-	890	-	2,608,187
Due from capital project fund	732,554	-	-	-	-	732,554
Prepaid expenditures	45,664	-	5,000	-	-	50,664
Total assets	<u>\$ 171,231,697</u>	<u>\$ 13,912,256</u>	<u>\$ 29,853,865</u>	<u>\$ 8,287,338</u>	<u>\$ 1,378,646</u>	<u>\$ 224,663,802</u>
Liabilities						
Accounts payable	\$ 5,566,187	\$ -	\$ 2,990,754	\$ 80,040	\$ 2,462	\$ 8,639,443
Accrued payroll and related amounts withheld	6,298,432	-	-	-	-	6,298,432
Due to other governments - federal and state agencies	17,149	-	-	-	-	17,149
Due to other governments - local	1,291,044	-	-	-	-	1,291,044
Due to general fund	-	-	732,554	-	-	732,554
Security deposits	468,567	-	-	-	-	468,567
Retiree and COBRA prepaid benefit contributions	208,807	-	-	-	-	208,807
Escrow - register of deeds	2,229,139	-	-	-	-	2,229,139
Total liabilities	<u>16,079,325</u>	<u>-</u>	<u>3,723,308</u>	<u>80,040</u>	<u>2,462</u>	<u>19,885,135</u>
Deferred inflows of resources						
Prepaid taxes	624,865	-	-	-	16,345	641,210
Net property taxes receivable	3,144,772	-	-	-	70,237	3,215,009
Solid waste receivable	35,066	-	-	-	-	35,066
Animal taxes receivable	355,125	-	-	-	-	355,125
Net emergency medical services receivable	1,625,708	-	-	-	-	1,625,708
Alliance advance loan receivable	2,008,000	-	-	-	-	2,008,000
Total deferred inflows of resources	<u>7,793,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,582</u>	<u>7,880,118</u>
Fund balances						
Non-spendable:						
Inventories	969,967	-	-	-	-	969,967
Prepaid expenditures	45,664	-	5,000	-	-	50,664
Restricted:						
Stabilization by State Statute	28,602,747	-	3,612,154	-	-	32,214,901
Museum	141,381	-	-	-	-	141,381
Tax technology	486,846	-	-	-	-	486,846
Sheriff	109,767	-	-	-	-	109,767
Fire marshal	182,803	-	-	-	107,749	290,552
Cooperative extension programs	41,494	-	-	-	-	41,494
Public health programs	231,086	-	-	-	-	231,086
Social services programs	105,929	-	-	-	-	105,929
Library programs	757	-	-	-	-	757
Criminal justice programs	254	-	-	-	-	254
Environmental protection programs	88,809	-	-	-	-	88,809
Register of deeds	587,328	-	-	-	-	587,328
Education	-	-	761	-	-	761
Committed:						
Risk management	6,337,886	-	-	-	-	6,337,886
Public health	338,151	-	-	-	-	338,151
Debt service	9,980,578	-	-	-	-	9,980,578
Sheriff inmate	217,058	-	-	-	-	217,058
Education: Article 46	2,796,683	-	-	-	-	2,796,683
OPEB	36,839,910	-	-	-	-	36,839,910
Self-insured health benefits	3,063,534	-	-	-	-	3,063,534
Assigned, reported in:						
General fund	13,961,475	-	-	-	-	13,961,475
Community health trust fund	-	13,912,256	-	-	-	13,912,256
Capital projects fund	-	-	22,512,642	-	-	22,512,642
Debt service	-	-	-	8,207,298	-	8,207,298
Assigned, reported in nonmajor:						
Special revenue	-	-	-	-	1,181,853	1,181,853
Unassigned, general	42,228,729	-	-	-	-	42,228,729
Total fund balances	<u>147,358,836</u>	<u>13,912,256</u>	<u>26,130,557</u>	<u>8,207,298</u>	<u>1,289,602</u>	<u>196,898,549</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 171,231,697</u>	<u>\$ 13,912,256</u>	<u>\$ 29,853,865</u>	<u>\$ 8,287,338</u>	<u>\$ 1,378,646</u>	<u>\$ 224,663,802</u>

DURHAM COUNTY, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2014**

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

Total fund balance - governmental funds	\$ 196,898,549
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	412,957,882
Other long-term assets used in governmental activities are not a current financial resource and, therefore, are not reported in the funds.	5,520,291
Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.	7,336,969
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	7,238,908
Long-term liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.	(626,098,725)
Net position of governmental activities	<u>\$ 3,853,874</u>

The notes to the financial statements are an integral part of this statement.

DURHAM COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2014

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 310,285,643	\$ -	\$ -	\$ -	\$ 7,407,217	\$ 317,692,860
Licenses and permits	1,357,467	-	-	-	-	1,357,467
Intergovernmental revenues	50,997,199	-	2,592,784	480,909	119,520	54,190,412
Investments	3,229,177	1,329,410	23,444	15,767	2,278	4,600,076
Rent	1,077,167	-	-	-	-	1,077,167
Charges for services	19,001,444	4,008,300	-	440,678	-	23,450,422
Other revenues	4,563,275	-	-	-	-	4,563,275
Total revenues	<u>390,511,372</u>	<u>5,337,710</u>	<u>2,616,228</u>	<u>937,354</u>	<u>7,529,015</u>	<u>406,931,679</u>
Expenditures						
Current:						
General government	43,774,012	-	7,293,368	-	-	51,067,380
Public safety	56,850,836	-	17,727	-	3,831,524	60,700,087
Transportation	12,500	-	-	-	-	12,500
Economic and physical development	4,744,692	-	-	-	734,851	5,479,543
Environmental protection	3,671,803	-	9,797,503	-	-	13,469,306
Human services	85,339,186	-	-	-	-	85,339,186
Education	125,721,000	-	22,743,307	-	-	148,464,307
Cultural and recreational	11,661,393	-	687,139	-	-	12,348,532
Debt service:						
Principal retirement	-	-	-	34,261,816	-	34,261,816
Interest and fiscal charges	-	-	-	23,354,161	-	23,354,161
Debt issuance costs	-	-	189,900	454,869	-	644,769
Total expenditures	<u>331,775,422</u>	<u>-</u>	<u>40,728,944</u>	<u>58,070,846</u>	<u>4,566,375</u>	<u>435,141,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,735,950</u>	<u>5,337,710</u>	<u>(38,112,716)</u>	<u>(57,133,492)</u>	<u>2,962,640</u>	<u>(28,209,908)</u>
Other financing sources (uses)						
Transfers in	9,105,483	-	5,867,547	58,008,152	200,000	73,181,182
Transfers out	(55,111,907)	(5,209,401)	(9,960,724)	(475,079)	(2,412,605)	(73,169,716)
Issuance of installment purchases	-	-	23,706,685	-	-	23,706,685
Premium on issuance of refinancing	-	-	-	7,025,669	-	7,025,669
Issuance of refunding bonds	-	-	-	44,635,000	-	44,635,000
Payment to refunded debt escrow agent	-	-	-	(51,200,000)	-	(51,200,000)
Total other financing sources (uses)	<u>(46,006,424)</u>	<u>(5,209,401)</u>	<u>19,613,508</u>	<u>57,993,742</u>	<u>(2,212,605)</u>	<u>24,178,820</u>
Net change in fund balances	<u>12,729,526</u>	<u>128,309</u>	<u>(18,499,208)</u>	<u>860,250</u>	<u>750,035</u>	<u>(4,031,088)</u>
Fund balance - beginning	<u>134,629,310</u>	<u>13,783,947</u>	<u>44,629,765</u>	<u>7,347,048</u>	<u>539,567</u>	<u>200,929,637</u>
Fund balance - ending	<u>\$ 147,358,836</u>	<u>\$ 13,912,256</u>	<u>\$ 26,130,557</u>	<u>\$ 8,207,298</u>	<u>\$ 1,289,602</u>	<u>\$ 196,898,549</u>

The notes to the financial statements are an integral part of this statement.

DURHAM COUNTY, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014

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

Net changes in fund balances - total governmental funds \$ (4,031,088)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year. 10,616,004

Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds. (843,277)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (3,119,424)

The issuance of long-term debt (e.g. bonds, leases) 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, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 6,344,471

Change in net position of governmental activities \$ 8,966,686

The notes to the financial statements are an integral part of this statement.

DURHAM COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2014**

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Revenues				
Taxes				
Current levy	\$ 221,865,672	\$ 235,217,332	\$ 243,255,521	\$ 8,038,189
Prior year's levy	16,151,660	2,800,000	1,639,534	(1,160,466)
Tax penalties and interest	560,000	560,000	779,231	219,231
Advertising and selling	15,000	15,000	26,461	11,461
Payments in lieu of taxes	45,000	45,000	50,056	5,056
Local option sales tax	57,730,067	57,730,067	61,414,402	3,684,335
Animal tax	-	-	94,291	94,291
Occupancy tax	2,225,000	2,225,000	2,592,696	367,696
Gross receipts tax	350,000	350,000	406,605	56,605
Solid waste tax	19,000	19,000	26,846	7,846
Total taxes	<u>298,961,399</u>	<u>298,961,399</u>	<u>310,285,643</u>	<u>11,324,244</u>
Intergovernmental revenues				
Beer and wine tax	130,000	130,000	175,125	45,125
Social services	35,987,494	40,491,653	35,264,940	(5,226,713)
Mental health	2,240,856	2,240,856	457,553	(1,783,303)
Public health	5,500,514	6,049,562	4,951,480	(1,098,082)
Library	366,425	367,625	266,690	(100,935)
ABC Board	1,500,000	1,500,000	1,500,000	-
Other	6,305,786	7,067,192	8,381,411	1,314,219
Total intergovernmental revenues	<u>52,031,075</u>	<u>57,846,888</u>	<u>50,997,199</u>	<u>(6,849,689)</u>
Charges for services				
Elections registration lists	324,000	324,000	330,886	6,886
Register of deeds	3,000,000	3,000,000	2,229,619	(770,381)
General government charges	3,107,111	3,107,111	3,313,449	206,338
Collection fees	1,528,155	1,528,155	1,462,323	(65,832)
Public protection	2,295,659	2,245,659	2,262,760	17,101
Environmental protection	115,800	115,800	245,058	129,258
Solid waste fees	1,729,424	1,729,424	1,765,944	36,520
Facilities fees	446,938	446,938	387,333	(59,605)
Library fees and charges	191,500	191,500	299,711	108,211
Public health	351,562	351,562	304,016	(47,546)
Social services	160,309	160,309	96,816	(63,493)
Emergency medical services charges	6,318,268	6,368,268	6,284,875	(83,393)
Other charges	25,380	227,343	18,654	(208,689)
Total charges for services	<u>19,594,106</u>	<u>19,796,069</u>	<u>19,001,444</u>	<u>(794,625)</u>
Investment and rental income				
Investment earnings	3,143,000	3,143,000	3,229,177	86,177
Rent	986,034	1,055,034	1,077,167	22,133
Total investment and rental income	<u>4,129,034</u>	<u>4,198,034</u>	<u>4,306,344</u>	<u>108,310</u>
Licenses and permits				
Construction permits	254,200	254,200	858,233	604,033
Cablevision and franchise fees	400,000	400,000	472,165	72,165
Wine and beer licenses	20,000	20,000	19,839	(161)
Other licenses and permits	5,000	5,000	7,230	2,230
Total licenses and permits	<u>679,200</u>	<u>679,200</u>	<u>1,357,467</u>	<u>678,267</u>

The notes to the financial statements are an integral part of this statement.

DURHAM COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues (continued)				
Other revenues				
Benefits plan	\$ 2,869,770	\$ 3,129,770	\$ 3,161,598	\$ 31,828
Miscellaneous	450,562	450,562	700,964	250,402
Confiscated property				
federal investigation	-	-	70,984	70,984
Inmate welfare	144,000	144,000	104,532	(39,468)
Sale of surplus property and materials	-	-	79,267	79,267
Sale of real property	-	-	20,752	20,752
Other	36,000	36,000	425,178	389,178
Total other revenues	3,500,332	3,760,332	4,563,275	802,943
Total revenues	378,895,146	385,241,922	390,511,372	5,269,450
Expenditures				
General administration				
Board of county commissioners	599,407	621,866	583,157	38,709
County manager	2,433,099	2,521,201	2,219,278	301,923
Finance	3,136,689	9,850,873	2,836,745	7,014,128
Tax	6,727,455	6,990,876	6,285,686	705,190
Legal	1,944,492	1,967,453	1,871,909	95,544
Court facilities	276,354	286,516	270,614	15,902
Human resources	6,337,215	5,546,040	4,910,450	635,590
Elections	1,449,025	1,450,393	1,074,417	375,976
Risk management and insurance	3,429,763	3,681,844	2,489,589	1,192,255
General services	13,035,129	13,288,066	10,354,113	2,933,953
Geographic information systems	402,389	402,389	402,389	-
Information systems	6,609,757	6,674,468	6,085,955	588,513
Register of deeds	1,803,393	1,859,489	1,552,222	307,267
Other	3,713,531	3,718,805	2,837,488	881,317
Total general administration	51,897,698	58,860,279	43,774,012	15,086,267
Economic and physical development				
Planning	950,670	950,670	950,670	-
Cooperative extension	1,295,271	1,487,890	1,262,566	225,324
Soil and water conservation	357,631	385,957	384,492	1,465
Open space management	77,175	147,575	12,810	134,765
Industrial extension	1,334,508	1,655,008	1,655,008	-
Other	605,339	488,347	479,146	9,201
Total economic and physical development	4,620,594	5,115,447	4,744,692	370,755
Human services				
Public health	22,486,629	24,152,510	21,150,059	3,002,451
Mental health	8,902,298	8,902,298	7,118,995	1,783,303
Social services	55,728,413	61,174,939	55,243,610	5,931,329
Other	1,928,440	2,118,340	1,826,522	291,818
Total human services	89,045,780	96,348,087	85,339,186	11,008,901
Education				
Durham public schools				
Current	118,233,311	118,233,311	118,233,311	-
Capital	1,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	5,725,689	5,725,689	5,725,689	-
Capital	302,500	302,500	302,500	-
Other education	89,500	89,500	89,500	-
Total education	125,721,000	125,721,000	125,721,000	-

The notes to the financial statements are an integral part of this statement.

DURHAM COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Expenditures (continued)				
Public safety				
Criminal justice partnership	\$ 3,579,758	\$ 3,543,265	\$ 3,128,263	\$ 415,002
County sheriff	16,935,980	18,248,100	17,781,818	466,282
County jail	15,732,274	15,739,021	15,352,225	386,796
Youth home	1,363,849	1,366,309	1,247,753	118,556
Animal control	1,689,043	1,766,883	1,666,552	100,331
Emergency communications center	1,049,410	1,049,410	1,007,539	41,871
Emergency medical services	9,849,984	11,727,352	10,818,747	908,605
County fire protection	3,690,238	5,487,957	5,043,426	444,531
Medical examiner	100,000	100,000	101,500	(1,500)
Other public safety	981,820	708,013	703,013	5,000
Total public safety	<u>54,972,356</u>	<u>59,736,310</u>	<u>56,850,836</u>	<u>2,885,474</u>
Transportation				
Airport authority	12,500	12,500	12,500	-
Total transportation	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Environmental protection				
Solid waste	2,087,804	2,115,460	1,920,767	194,693
Environmental engineering	1,865,265	2,059,813	1,715,006	344,807
Other	40,606	83,093	36,030	47,063
Total environmental protection	<u>3,993,675</u>	<u>4,258,366</u>	<u>3,671,803</u>	<u>586,563</u>
Cultural and recreational				
Library	10,161,269	10,511,989	9,952,976	559,013
Other	1,708,417	1,708,417	1,708,417	-
Total cultural and recreational	<u>11,869,686</u>	<u>12,220,406</u>	<u>11,661,393</u>	<u>559,013</u>
Total expenditures	<u>342,133,289</u>	<u>362,272,395</u>	<u>331,775,422</u>	<u>30,496,973</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>36,761,857</u>	<u>22,969,527</u>	<u>58,735,950</u>	<u>35,766,423</u>
Other financing sources (uses)				
Transfers in	7,295,835	9,416,813	9,105,483	(311,330)
Appropriated fund balance	16,348,230	22,725,567	-	(22,725,567)
Transfers out	(60,405,922)	(55,111,907)	(55,111,907)	-
Total other financing uses	<u>(36,761,857)</u>	<u>(22,969,527)</u>	<u>(46,006,424)</u>	<u>(23,036,897)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>12,729,526</u>	<u>\$ 12,729,526</u>
FUND BALANCE -BEGINNING OF YEAR			<u>134,629,310</u>	
FUND BALANCE - END OF YEAR			<u>\$ 147,358,836</u>	

The notes to the financial statements are an integral part of this statement.

DURHAM COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Community Health Trust Fund
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 1,329,410	\$ 1,329,410
Charges for services	3,950,000	3,950,000	4,008,300	58,300
Total revenues	<u>3,950,000</u>	<u>3,950,000</u>	<u>5,337,710</u>	<u>1,387,710</u>
Other financing sources (uses)				
Transfers out	(4,159,115)	(5,209,401)	(5,209,401)	-
Appropriated fund balance	209,115	1,259,401	-	(1,259,401)
Total other financing uses	<u>(3,950,000)</u>	<u>(3,950,000)</u>	<u>(5,209,401)</u>	<u>(1,259,401)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	128,309	<u>\$ 128,309</u>
FUND BALANCE - BEGINNING OF YEAR			<u>13,783,947</u>	
FUND BALANCE - END OF YEAR			<u>\$ 13,912,256</u>	

The notes to the financial statements are an integral part of this statement.

DURHAM COUNTY, NORTH CAROLINA

**Statement of Net Position
Proprietary Fund
June 30, 2014**

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Utility</u> <u>Fund</u>
Assets	
Current assets	
Cash and cash equivalents / investments	\$ 21,056,027
Cash and cash equivalents / investments - restricted	7,854,486
Receivables:	
Accounts receivable	33,086
Accrued interest receivable	28,559
Total receivables	<u>61,645</u>
Due from other governments - federal and state agencies	57,256
Due from other governments - local	619,302
Total current assets	<u>29,648,716</u>
Noncurrent assets	
Capital assets:	
Land	185,226
Land improvements - sewer and water lines	26,298,544
Building treatment plant	4,103,344
Office furniture and equipment	13,374
Machinery and equipment	614,948
Vehicles	293,604
Computer hardware	45,160
Construction in progress	56,237,584
Total capital assets	<u>87,791,784</u>
Less accumulated depreciation and amortization	<u>(15,865,472)</u>
Net capital assets	<u>71,926,312</u>
Total noncurrent assets	<u>71,926,312</u>
Total assets	<u>101,575,028</u>
Deferred outflows of resources	
Unamortized loss on refundings	716,152
Total deferred outflows of resources	<u>716,152</u>
Liabilities	
Current liabilities	
Current portion of accrued compensated absences	63,936
Current portion of long-term debt	2,140,824
Accounts payable	502,997
Arbitrage rebate payable	13,000
Accrued interest payable	80,292
Accrued payroll and related amounts withheld	85,113
Total current liabilities	<u>2,886,162</u>
Noncurrent liabilities	
Accrued compensated absences	40,445
Long-term debt	22,631,036
Total noncurrent liabilities	<u>22,671,481</u>
Total liabilities	<u>25,557,643</u>
Net position	
Net investment in capital assets	47,154,452
Restricted for capital projects	7,854,486
Unrestricted	21,724,599
Total net position	<u>\$ 76,733,537</u>

DURHAM COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2014**

	Enterprise Fund
	Sewer Utility Fund
Operating revenues	
Charges for services	\$ 11,666,172
Total operating revenues	<u>11,666,172</u>
Operating expenses	
Personnel services	1,685,154
Utilities	660,258
Maintenance and other	2,588,523
Depreciation	743,285
Total operating expenses	<u>5,677,220</u>
Operating income	<u>5,988,952</u>
Nonoperating revenue (expense)	
Investment and interest income	42,036
Sewer connection fees	340,935
Interest and fiscal charges	(710,687)
Miscellaneous	25,889
Total nonoperating revenue (expense)	<u>(301,827)</u>
Income before transfers and contributions	5,687,125
Capital contributions	<u>780,802</u>
Change in net position	6,467,927
Beginning net position	<u>70,265,610</u>
Total net position, ending	<u><u>\$ 76,733,537</u></u>

The notes to the financial statements are an integral part of this statement.

DURHAM COUNTY, NORTH CAROLINA

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

	<u>Enterprise Fund</u>
	<u>Sewer Utility Fund</u>
Operating activities	
Cash received from sales	\$ 12,173,007
Cash paid to employees	(1,686,184)
Cash paid for operating plant	(3,199,985)
Miscellaneous	25,889
Net cash provided (used) by operating activities	<u>7,312,727</u>
Noncapital financing activities	
Sewer connection fees received	340,935
Net cash provided (used) by noncapital financing activities	<u>340,935</u>
Capital and related financing activities	
State revolving loan proceeds	394,029
Principal payments on long-term debt	(2,555,965)
Interest paid	(766,267)
Intergovernmental revenues	780,802
Acquisition and construction costs of capital assets	(921,121)
Net cash provided (used) by capital and related financing activities	<u>(3,068,522)</u>
Investing activities	
Investment income and dividends	32,277
Net cash provided (used) by investing activities	<u>32,277</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>4,617,417</u>
Cash and cash equivalents/investments	
Beginning of year	<u>24,293,096</u>
End of year	<u>\$ 28,910,513</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 5,988,952
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	743,285
Change in assets and liabilities	
Accounts receivable	1,387
Due from other governments - federal and state agencies	499,779
Due from other governments - local	5,669
Accounts payable	48,796
Compensated absences and accrued payroll	(1,030)
Miscellaneous	25,889
Total adjustments	<u>1,323,775</u>
Net cash provided (used) by operating activities	<u>\$ 7,312,727</u>

DURHAM COUNTY, NORTH CAROLINA

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ -	\$ 37,620	\$ 1,267,523
Accounts receivable	-	-	370,930
U.S. government securities	1,526,756	-	-
Net property taxes receivable	-	-	1,973,111
Due from governmental agencies	-	-	1,027,730
Total assets	<u>1,526,756</u>	<u>37,620</u>	<u>\$ 4,639,294</u>
Liabilities			
Accounts payable	-	200	-
Accrued payroll and amounts withheld	16,380	-	-
Funds held for others	-	-	683,924
Due to governmental agencies	-	-	3,955,370
Total liabilities	<u>16,380</u>	<u>200</u>	<u>\$ 4,639,294</u>
Net position			
Held in trust for:			
Employee pension benefits	1,510,376	-	
Individuals, organizations, and other governments	-	37,420	
Total net position	<u>\$ 1,510,376</u>	<u>\$ 37,420</u>	

The notes to the financial statements are an integral part of this statement.

DURHAM COUNTY, NORTH CAROLINA

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014**

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds
Additions		
Employer contributions	\$ 366,262	\$ -
Employee contributions	-	5,479
Donations	-	314
Investment income	1,731	16
Total additions	<u>367,993</u>	<u>5,809</u>
Deductions		
Benefits	<u>252,537</u>	<u>1,100</u>
Total deductions	<u>252,537</u>	<u>1,100</u>
Change in net position	115,456	4,709
Total net position - beginning	<u>1,394,920</u>	<u>32,711</u>
Total net position - ending	<u><u>\$ 1,510,376</u></u>	<u><u>\$ 37,420</u></u>

The notes to the financial statements are an integral part of this statement.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Durham County, North Carolina (the “County”) is one of the 100 counties established in North Carolina under North Carolina General Statute 154-10. The County was incorporated in 1881 and covers an area of 299 square miles and has operated under the Commissioner-Manager form of government since 1930. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component unit, a legally separate entity for which the County is financially accountable. The discretely presented component unit noted below is reported in a separate column in the County’s financial statements to emphasize that it is legally separate from the County.

Discretely Presented Component Unit

Durham County ABC Board

The Durham County Board of Alcoholic Beverage Control (the “ABC Board”) operates retail liquor stores within the County and investigates violations of laws pertaining to retail liquor sales. The five members of the ABC Board’s governing board are appointed by the County. The ABC Board is required by State Statute to distribute gross receipts remaining after distributions provided for therein to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund.

Complete financial statements for the ABC Board may be obtained at its administrative office.

Durham County ABC Board
3620 Chapel Hill Boulevard
Durham, North Carolina 27707

Durham County Industrial Facility and Pollution Control Financing Authority

Durham County Industrial Facility and Pollution Control Financing Authority (the “Authority”) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board, all of whom are appointed by the County Commissioners. The County can remove any board member of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component unit (the ABC Board). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, 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 County and for each function of the County'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, including all taxes, are presented as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. 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 nonmajor funds.

Proprietary funds distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues, primarily charges for services, result from exchange transactions associated with the principal activities of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include professional and other services costs; personnel, utilities and maintenance; and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and federal and State grants. The primary expenditures are for public safety, economic and physical development, environmental, human services, education, cultural and recreational and general governmental services.

Community Health Trust Fund. This fund is used to account for and report the financial resources acquired through the leasing of Durham Regional Hospital to Duke University and the earnings of these financial resources and ensures the financial resources are used for health related operating and capital expenditures.

Capital Projects Fund. This fund is used to account for and report financial resources that are restricted, committed or assigned for capital outlays, including the acquisition, construction or improvement of major capital facilities and other capital assets other than those financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments. The capital projects fund is also used to accumulate funds to finance a capital improvement plan. The capital projects fund budget is adopted project ordinances on a project basis which are multi-year.

Debt Service Fund. This fund is used to account for and report financial resources that are restricted, committed, or assigned for principal and interest related costs for all general long-term debt other than debt issued for and serviced by proprietary funds.

The County reports the following major enterprise fund:

Sewer Utility Fund. This fund is used to account for and report the revenues and expenses related to the provision of sewer service.

The County also reports *Other Governmental Funds*, which are individually nonmajor, in total. The Bethesda Fire District, Lebanon Fire District, Parkwood Fire District, Redwood Fire District, New Hope Fire District, Eno Fire District, Bahama Fire District, Bethesda Service District, Butner Safety District and Special Park District are all special revenue fund types. They are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned for specified purposes other than debt service or capital projects.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following fiduciary fund types:

Law Enforcement Officers' Special Separation Allowance Pension Trust Fund. The pension trust fund is used to account for and report the activities of the Public Safety Employees Retirement System, which accumulates resources for pension benefit payments to qualified public safety employees.

George R. Linder Memorial Private-purpose Trust Fund. The private-purpose trust fund is used to account for and report resources legally held in trust for use of acquiring public speakers/lecturers for the Library and functions sponsored by the Library. The fund also receives gift donations to purchase books in the honor of individuals.

Vic Pearson Memorial Emergency Medical Services (EMS) Private-purpose Trust Fund. The private-purpose trust fund is used to account for and report resources legally held in trust for use of assisting EMS employees and/or their families after serious injuries, sickness and/or deaths to them or immediate family members.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for and report assets the County holds on behalf of others. The County maintains the following agency funds:

Child Support Trust Fund. The Child Support Trust Fund is used to account for and report certain escrow monies held in trust by the Department of Social Services for the accounts of designated parties.

Sheriff's Evidence Trust Fund. The Sheriff's Evidence Trust Fund is used to account for and report funds held by the Sheriff's Office as a result of gathering evidence.

Jail Inmate Trust Fund. The Jail Inmate Trust Fund is used to account for and report funds held in trust for jail inmates.

Sheriff's Trust Fund. The Sheriff's Trust Fund is used to account for and report funds held by the Sheriff's Office.

State Treasurer Department of Motor Vehicles Fund. The State Treasurer Department of Motor Vehicles Fund was used to account for and report the interest collected on delinquent motor vehicle taxes and the disposition of the interest pursuant to the implementation of House Bill 1779 for the purpose of developing and implementing an integrated computer system within the Division of Motor Vehicles that will allow for the combined assessment, billing and collection of property taxes on motor vehicles and the issuance of registration plates. The State implemented the new integrated computer system, the North Carolina Vehicle Tax System (NCVTS), also known as the "Tag and Tax Together" System in fiscal year 2014. Effective fiscal year 2014,

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

these funds are no longer remitted to the State but are now retained by the County and distributed to the tax jurisdictions accordingly. As such, this fund was closed in fiscal year 2014 with the insignificant balance in the fund being transferred to the County's general fund to offset some of the County's costs in the implementation. Therefore, these funds do not appear on the Combining Statement of Fiduciary Assets and Liabilities for Agency Funds. However, the activity is shown on the Combining Statement of Changes in Fiduciary Assets and Liabilities for Agency Funds.

Durham Public School Fund. The Durham Public School Fund is used to account for and report the late list penalty assessed on the late listing of property taxes on behalf of Durham Public Schools.

Town of Chapel Hill Tax Fund. The Town of Chapel Hill Tax Fund is used to account for and report taxes collected by the County on behalf of the Town of Chapel Hill.

City of Durham Tax Fund. The City of Durham Tax Fund is used to account for and report taxes collected by the County on behalf of the City of Durham.

City of Raleigh Tax Fund. The City of Raleigh Tax Fund is used to account for and report taxes collected by the County on behalf of the City of Raleigh.

Town of Morrisville Tax Fund. The Town of Morrisville Tax Fund is used to account for and report taxes collected by the County on behalf of the Town of Morrisville.

3. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual 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, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using 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 County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes and sales tax distributions. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales tax distributions collected and held by the State at year-end on behalf of the County are recognized as revenue within 90 days of year-end, and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

4. Budgetary Control

In compliance with the North Carolina Local Government Budget and Fiscal Control Act, the Board of County Commissioners adopts an annual budget ordinance using the modified basis of accounting for all governmental and proprietary funds except funds authorized by project ordinances. The annual budget for governmental funds and proprietary funds must be adopted

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

no later than July 1. Agency and pension trust funds are not required by state law to be budgeted. The capital project fund is budgeted under project ordinances by project and are multi-year and are controlled by project. Project appropriations continue until the projects are complete. The Debt Service Fund is also budgeted annually.

For those funds which annual budgets are adopted, appropriations are budgeted on a functional basis and amended as necessary during the fiscal year. The County Manager is authorized to transfer budgeted amounts within a function up to 15% cumulatively and up to \$20,000 between functions of the same fund with a report to the BOCC at the next regularly scheduled meeting. Any revisions that alter the total expenditures of any functional category which exceed \$20,000 whether by transfer or additional appropriated fund balance within a fund, all transfers between funds, and all transfers from the contingency account must be approved by the BOCC. The General Fund original budget and the amended final budget are reported in the basic financial statements. The original and the amended final budget for all other governmental major funds and nonmajor funds, the schedule of expenditures compared with project authorizations for the capital projects fund and the Non-GAAP Basis for the major proprietary fund are reported in the Combining and Individual Fund Statements and Schedules elsewhere in this report.

The following summarizes the supplementary appropriations made for the major governmental funds other than the capital projects fund during fiscal year 2014:

	Original Budget	Total Amendments	Revised Budget
General	<u>\$ 402,539,211</u>	<u>\$ 14,845,091</u>	<u>\$ 417,384,302</u>
Community Health Trust	<u>\$ 4,159,115</u>	<u>\$ 1,050,286</u>	<u>\$ 5,209,401</u>
Debt Service	<u>\$ 59,871,757</u>	<u>\$ -</u>	<u>\$ 59,871,757</u>

All annual appropriations lapse at each fiscal year-end.

5. Equity in Pooled Cash and Cash Equivalent/Investments

Pooled cash and investments are maintained and used by all funds except the Pension Trust Fund, Child Support, Sheriff, Jail Inmate, Vic Pearson Private-purpose Trust Fund, George R. Linder Private-purpose Trust Fund, and funds of the Durham County Facility and Pollution Control Financing Authority. The Child Support, Sheriff, and Jail Inmate trust accounts are maintained in demand deposit accounts. Funds of the Durham County Facility and Pollution Control Financing Authority are maintained by a trustee in accordance with legal agreements.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Durham County ABC Board considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Deposits and Investments

All deposits of the County and the ABC Board are made in board-designated official depositories and are secured as required by North Carolina General Statute 159-31. The County and the ABC Board may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the County and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

All of the County's and the ABC Board's deposits are either covered by federal depository insurance or are collateralized by using one of two options. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the County's or the ABC Board's agent in the entity's name.

Under the Pooling Method, all uninsured deposits are collateralized with a pool of 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 County and the ABC Board, these deposits are considered to be held by their agent in the entities' names. 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 County or the ABC Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC 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 depositor using the Pooling Method.

At June 30, 2014, the County's deposits had a carrying amount of \$59,268,503 and a bank balance of \$54,028,776. Of the bank balance, \$771,065 was covered by federal depository insurance, and \$53,257,711 was covered by collateral held under the Pooling Method. At June 30, 2014, the amount held in trust related to the Law Enforcement Separation Allowance is \$1,526,756.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At June 30, 2014, the ABC Board's deposits had a carrying amount of \$3,426,018 and a bank balance of \$3,542,460. Of the bank balance, \$500,000 was covered by federal depository insurance and \$3,042,460 was covered by collateral held under the Pooling Method. North Carolina General Statute 159-30 authorizes the County and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States of America; 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; and the North Carolina Capital Management Trust, a SEC-registered mutual fund. It is the County's policy to hold investments to maturity in order to realize full book value and interest earnings.

The County's and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. Investments with a maturity of one year or less at acquisition are reported at amortized cost.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of June 30, 2014, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6</u>			
		<u>Months</u>	<u>6-12 Months</u>	<u>1 - 5 Years</u>	<u>5 -15 Years</u>
US Government Agencies	\$ 67,997,873	\$ 21,008,643	\$ 12,011,720	\$ 34,977,510	\$ -
Commercial Paper	5,989,379	5,989,379	-	-	-
NC Capital Management Trust-Cash Portfolio	72,880,317	72,880,317	-	-	-
NC Capital Management Trust-Term Portfolio *	5,015,740	-	5,015,740	-	-
Community Health Trust	9,321,133	6,132,947	143,280	1,939,293	1,105,613
Certificate of Deposit	3,024,211	3,024,211	-	-	-
Total:	\$ 164,228,653	\$ 109,035,497	\$ 17,170,740	\$ 36,916,803	\$ 1,105,613

*Because the NC Capital Management Trust Term Portfolio yield and share price change daily and are based on changes in interest rates and market condition, 6-12 months were used.

Interest Rate Risk:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of 12 months or less. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of not more than three years.

Credit Risk:

The County has no formal policy regarding credit risk, but maintains internal management procedures that limit the County's investments to the provisions of North Carolina General Statute 159-30 that restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County invests in commercial paper bearing the highest credit rating, as determined by nationally recognized statistical rating organizations (NRSROs) and banker's acceptances where the accepting bank or its holding company are incorporated in North Carolina. As of June 30, 2014, the County's investments in commercial paper were rated A1 by Standard & Poor's, F1 by Fitch Ratings, and P1 by Moody's Investors Service. In addition, all of the County's commercial paper carries a long-term debt rating of A or better. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2014. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government, and agencies obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk:

The County places no limit on the amount that the County may invest in any one issuer. More than 62 percent of the County's investments are in the Federal Home Loan Bank and Federal Farm Credit Bank. These investments are 34% and 28% respectively, of the County's total investments. All securities owned by the County at June 30, 2014 were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank.

Interest rate swap

Effective July 30, 2004, the County entered into a floating-to-floating or basis swap on \$125,810,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B and 2004 A&B General Obligation Bonds. Effective September 1, 2009, the swap was modified to increase the notional amount to \$186,365,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008A&B General Obligation Bonds and 2009A Certificates of Participation. Effective July 1, 2011, the swap was modified to increase the notional amount to \$216,051,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008 A&B, 2010 A&B General Obligation Bonds and 2009 A&B Certificates of Participation. The notional amount of the Swap Agreement is equal to the par value of selected associated bonds. The objective of the swap was to create economics (generate present value savings) similar to a 65% of LIBOR synthetic fixed-rate financing without the County having to issue actual refunding bonds. The Swap Agreement provides for the County to make payments to the counterparty based on the taxable-equivalent Bond Market Association (BMA) index and for the counterparty to make reciprocal payments based on a floating rate priced at six-month LIBOR plus a net amount of 0.952%. The agreement matures March 1, 2031. The derivatives contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The basis swap agreement is an investment derivative under GASB Statement No. 53.

Fair value:

As of June 30, 2014, the swap had a positive fair value totaling \$5,447,616, estimated using the zero-coupon method. This method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps. The positive fair value is reported as an asset, derivative financial instrument, with the accumulated increase in the fair value of the hedging derivative reported as

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

deferred inflows of resources in the Statement of Net Position. The fair value increased by \$426,046 in fiscal year 2014. The changes in fair value are reported in investment income in the Statement of Activities.

<u>Associated Bond Issues</u>	(In Thousands)						
	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Variable Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008 A&B 2009 A Certificates of Participation General Obligation Bonds and Certificates of Participation	\$216,051	7/1/11	3/1/31	3.733% + BMA/ * Divisor	1.132% + 6-month LIBOR	\$5,447,616	Aaa/AA

* Divisor equals .065 from Effective Date - 3/1/09 and 0.604 thereafter

Risks:

The County is exposed to the following risks in connection with the swap:

Credit risk:

As of June 30, 2014, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding swap in the amount of \$5,447,616 because the swap had a positive fair value. However, should the relationship between the tax-exempt and taxable interest rates change and the fair values of the swap become negative, the County would not be exposed to credit risk in the amount of the derivative's fair value. Both County and the counterparty's payment obligations under the swap are guaranteed by Aaa/AA/AA rated Bank of New York Mellon.

Basis and tax risk:

The County will be exposed to additional interest expense payments if there is a shortfall between the variable payment received by the County on the swap and the variable payment owed by the County. Basis risk refers to a temporary shortfall usually caused by a disruption in the supply/demand for tax-exempt securities. Tax risk refers to a persistent or more permanent shortfall caused by a structural change in the U.S. tax code.

Termination risk:

The County or the counterparty may terminate the swap if the other party and its Credit Support Provider, Bank of New York Mellon, fail to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, the County would be liable to the counterparty for a payment equal to the swap's fair value.

The ABC Board did not have any investments as of June 30, 2014.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Receivables

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written-off in prior years.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Taxes</u>	<u>Solid Waste</u>	<u>Emergency Medical Services</u>	<u>Community Development Mortgage Loans</u>	<u>Alliance Advance Loan</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental activities:									
General	\$ 1,408,659	\$ 150,428	\$ 3,508,023	\$ 35,066	\$ 29,888,604	\$ 456,635	\$ 2,008,000	\$ 24,736,288	\$ 62,191,703
Capital projects	-	16,257	-	-	-	-	-	1,350,362	1,366,619
Debt Service	22	-	-	-	-	-	-	890	912
Other governmental	-	-	70,392	-	-	-	-	26,986	97,378
Total receivables	1,408,681	166,685	3,578,415	35,066	29,888,604	456,635	2,008,000	26,114,526	63,656,612
Allowance for doubtful accounts	(97,976)	-	(8,281)	-	(28,262,896)	(456,635)	-	-	(28,825,788)
Total governmental activities	\$ 1,310,705	\$ 166,685	\$ 3,570,134	\$ 35,066	\$ 1,625,708	\$ -	\$ 2,008,000	\$ 26,114,526	\$ 34,830,824
Business-type activities:									
Sewer utility	\$ 33,086	\$ 28,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 676,558	\$ 738,203
Total receivables	33,086	28,559	-	-	-	-	-	676,558	738,203
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-
Total business-type activities	\$ 33,086	\$ 28,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 676,558	\$ 738,203

The Community Development Mortgage Loans Receivable consists of certain proceeds from bonds that have been used to make non-interest-bearing loans to qualifying individuals in accordance with the County's Community Development Program. These loans contain various provisions, including deferral periods and forgiveness of indebtedness if certain conditions are met. Due to the uncertainty of collectability, the full amount of the outstanding loans receivable balance as of June 30, 2014 of \$456,635 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has one item that meets this criterion – unamortized loss on bond refundings.

In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County had six items that meet the criterion for this category – prepaid taxes, net property taxes receivable, solid waste receivable, animal taxes receivable, net emergency medical services receivable and Alliance advance loan receivable.

8. Inventories

Inventories of the County are valued at cost using the first-in, first-out (FIFO) method. Inventories of the ABC Board are valued at the lower of cost (FIFO) or market. The County's General Fund inventory consists of expendable supplies held for consumption that are recorded as expenditures when consumed rather than when purchased. The General Fund inventories reported on the Balance Sheet are offset by a restricted fund balance, which indicates that it does not constitute a resource available for appropriation even though it is a component of net current assets. The inventory of the ABC Board consists of liquor and wine held for sale. The cost of the ABC Board inventory is recorded as an expense as it is sold.

9. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as tangible and non-consumable with an acquisition cost of \$5,000 or more or intangible with an acquisition cost or fair market value, if donated or gifted, of \$50,000 or more and an estimated life in excess of one year. Purchased or constructed capital assets are recorded at original cost at the time of acquisition or completion. Donated capital assets are recorded at their estimated fair value at the date of donation.

The County maintains school construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to these Durham County Board of Education properties, and the construction has not been included in capital assets.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The properties are reflected as capital assets in the financial statements of the Durham County Board of Education.

The County maintains museum construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to this Museum of Life and Science property, and the construction has not been included in the capital assets. The property is reflected as a capital asset in the financial statements of the Museum of Life and Science.

The County maintains community college construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to this Durham Technical Community College property, and the construction has not been included in the capital assets. The property is reflected as a capital asset in the financial statements of Durham Technical Community College.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Any interest incurred during the construction phase of business type activities is included as part of the capitalized value of the assets constructed. Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Office furniture and equipment	7 years
Machinery and equipment	5 years
Vehicles	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvement	Life of the lease
Sewer system	50 years
Construction in progress (CIP)	N/A
Capital leases	Life of the lease
Easements	Indefinite, to be monitored for impairment

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The ABC Board's capital assets are stated at cost and are being depreciated over their estimated useful lives on a straight-line basis as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings	25 – 40 years
Vehicles	3 – 5 years
Furniture and equipment	5 – 12 years
Leasehold improvements	5 – 20 years

The ABC Board defines capital assets as assets with an individual cost in excess of \$500 and an estimated life in excess of one year.

Leasehold improvements are depreciated over the terms of the lease agreement.

Upon disposition of an asset of the County and the ABC Board, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period.

10. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Compensated Absences

Permanent employees of the County can earn vacation leave at the rate of 11 days per year for the first two years up to a maximum of 25 days per year after twenty-five years. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is 30 days. At the end of each calendar year, the accumulated vacation leave in excess of 225 hours for employees who work a 37.5 hour workweek, 240 hours for employees who work a 40 hour work week, 252 hours for employees who work a 42 hour workweek, and 336 hours for employees who work 56 hours workweek as of the first full pay period in January is converted to sick leave. The maximum amount of vacation leave that can be carried forward to January 1 is 225, 240, 252, and 336 hours, respectively. At termination, employees are paid for any accumulated vacation leave up to the maximum amount. Accumulated vacation leave and salary related payments at June 30, 2014 amounted to \$7,164,034. Of this amount, \$7,059,653 is recorded as a liability in the government-wide financial statements for governmental activities, and \$104,381 is recorded as a liability in the proprietary fund financial statements and the government-wide financial statements for business-type activities. ABC Board employees may accumulate up to 30 days earned vacation and such leave is fully vested when earned. The ABC Board's accumulated earned vacation and related expenses at June 30, 2014 and 2013 amounted to \$104,621 and \$108,109. The current portion of the ABC Board's accumulated vacation pay is not considered to be material.

Permanent employees of the County earn sick leave at the rate of 12 days per year. There is no limit on the accumulation of sick leave for either the County or the ABC Board. Accumulated sick leave for the County at June 30, 2014 amounted to \$24,194,599 in total. Upon separation from the County or the ABC Board, there is no compensation for earned sick leave. Therefore, sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Accumulated sick leave with the County used as retirement credit is limited to one month for every 20 days of sick leave. Since the County and the ABC Board have no obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Encumbrances

As required by North Carolina General Statutes, encumbrance accounting is employed in the governmental funds. The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. These amounts are included in the Stabilization by State Statute amount in restricted fund balance. Amounts outstanding at June 30, 2014 are as follows:

	Major Funds		Nonmajor Funds
General Fund	Community Health Trust	Capital Projects Fund	Other Governmental Funds
\$ 1,823,222	\$ -	\$ 2,261,792	\$ -

13. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Prepaid expenditures – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

- Restricted for Stabilization of State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. This statute restricts appropriation of fund balance 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 these amounts stand at the close of the fiscal year preceding the budget year. This restriction is only applied to annually budgeted governmental funds.
- Restricted for museum – portion of fund balance that is restricted by revenue source for North Carolina Museum of Life and Science purposes.
- Restricted for tax technology – portion of fund balance that is restricted by revenue source for tax technology purposes.
- Restricted for sheriff – portion of fund balance that is restricted by revenue source for sheriff and law enforcement purposes.
- Restricted for fire marshal – portion of fund balance that is restricted by revenue source for fire and emergency management purposes.
- Restricted for cooperative extension programs – portion of fund balance that is restricted by revenue source for cooperative extension programs.
- Restricted for public health programs – portion of fund balance that is restricted by revenue source for public health programs.
- Restricted for social services programs – portion of fund balance that is restricted by revenue source for social services programs.
- Restricted for library programs – portion of fund balance that is restricted by revenue source for library programs.
- Restricted for criminal justice programs – portion of fund balance that is restricted by revenue source for criminal justice programs.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted for environmental protection programs – portion of fund balance that is restricted by revenue source for environmental protection programs.
- Restricted for register of deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds Office.
- Restricted for education – portion of fund balance restricted by revenue source that can be used only for school capital or school debt service for Durham Public Schools.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of the Durham County’s governing body, the Board of County Commissioners (highest level of decision-making authority). Note that only the highest level action that constitutes the most binding constraint can be considered a commitment for fund balance classification purposes. For committed fund balance, majority action by the County’s Board of County Commissioners is required to be taken to establish (and modify or rescind) a fund balance commitment.

- Committed for risk management – portion of fund balance that can only be used for catastrophic occurrences.
- Committed for public health – portion of fund balance that can only be used for public health purposes.
- Committed for debt service – portion of fund balance that can only be used for debt service.
- Committed for sheriff inmate – portion of fund balance that can only be used for supporting items or services that directly benefit the inmates.
- Committed for education; article 46– portion of fund balance that can only be used for education purposes.
- Committed for OPEB – the portion of fund balance that can only be used for Other Post-Employment Benefits (OPEB).
- Committed for self-insured health benefits – portion of fund balance that can only be used for the County’s self-insured benefits (medical and dental).

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned Fund Balance – portion of fund balance that has been assigned by the County’s governing body for specific purposes. Per the County’s Fund Balance Policy, only the County’s governing body, the Board of County Commissioners, can authorize the assignment of fund balance. The Board has not delegated this level of authority.

- Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.
- For remaining unrestricted and uncommitted fund balance for all governmental funds other than the general fund.

The following schedule presents the assigned fund balances at June 30, 2014:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Special Revenue Funds
Assigned Fund Balance:					
Assigned for subsequent year	\$ 13,961,475	\$ 5,755,493	\$ -	\$ -	\$ 59,703
Assigned for health related purposes	-	8,156,763	-	-	-
Assigned for capital projects	-	-	22,512,642	-	-
Assigned for fire districts	-	-	-	-	1,194,846
Assigned for public safety purposes	-	-	-	-	21,264
Assigned for economic development purposes	-	-	-	-	13,789
Assigned for debt service	-	-	-	8,207,298	-
	<u>\$ 13,961,475</u>	<u>\$ 13,912,256</u>	<u>\$ 22,512,642</u>	<u>\$ 8,207,298</u>	<u>\$ 1,289,602</u>

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Use for other governmental funds only for negative residuals (e.g., deficit fund balances).

Durham County has guidelines established whereby the Chief Financial Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local funds, and County funds.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Durham County has an adopted fund balance policy. Included in the policy for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Chief Financial Officer may deviate from this priority after consultation with the County Manager. In addition, per the policy, the goal for the unassigned fund balance of the General Fund is 9% of total actual expenditures and the goal of total fund balance available as a percentage of expenditures is 25%. Once the 25% level has been achieved, the amount over 25% shall be used to fund the annual OPEB contribution to meet the OPEB obligation, pay-as-you-go capital projects or other non-reoccurring expenditures. In addition, the OPEB portion of the total fund balance for the general fund shall not exceed 25% of the total fund balance to ensure that the committed for OPEB portion of fund balance remains reasonably proportionate to the total fund balance for the general fund as a whole to include unassigned fund balance. Management has been instructed to conduct business in such a manor to achieve these goals. As of June 30, 2014, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 10.91% and 30.43%, respectively.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

15. Interest rate swap

The County enters into interest rate swap agreements to modify interest rates on outstanding debt. The amounts of the derivative instrument, the change in the derivative instrument and the net interest expenditures and/or revenues resulting from these agreements are recorded in the financial statements.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between total *fund balance for the governmental funds* and *net position for governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$(193,044,675) consists of the following:

1. “Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.”

Capital assets (net of depreciation)	\$401,147,314
Investment in joint venture	<u>11,810,568</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$412,957,882</u>

2. “Other long-term assets used in governmental activities are not a current financial resource and, therefore, are not reported in the funds.

Derivative financial instrument	\$ 5,447,616
Pension asset	<u>72,675</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 5,520,291</u>

3. “Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.”

Unamortized loss on debt refundings	\$ 7,336,969
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 7,336,969</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

**B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)**

4. "Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds."

Property taxes receivable (net)	\$ 3,215,009
Solid waste receivable	35,066
Animal taxes receivable	355,125
Emergency medical services receivable (net)	1,625,708
Alliance advance loan receivable	<u>2,008,000</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 7,238,908</u>
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5. "Long-term liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds."

Bonds and other notes payable due within one year	\$ (38,711,393)
Bonds and other notes payable	(530,553,344)
Net OPEB obligation	(46,565,314)
Accrued compensated absences	(7,059,653)
Accrued interest payable	<u>(3,375,706)</u>

Subtotal	(626,265,410)
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Less: accrued interest receivable	<u>166,685</u>
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Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$(626,098,725)</u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

**B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances for the governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. The total adjustment of \$(12,997,774) is comprised of the following:

1. “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.”

Capital outlay	\$ 19,571,472
Less: depreciation expense	(8,732,116)
Plus: increase in investment in joint venture	4,398,499
Plus: increase in investment in joint venture from completed construction in process	<u>(4,621,851)</u>
Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	<u>\$ 10,616,004</u>

2. “Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.”

Amortization on loss of debt refunding	<u>\$ (843,277)</u>
Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	<u>\$ (843,277)</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

3. "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds."

Decrease in deferred revenue of taxes (net)	\$ (837,462)
Increase in deferred revenue of emergency medical services receivable (net)	228,566
Decrease in deferred revenue of animal tax receivable	(1,371,605)
Increase in deferred revenue of solid waste receivable	2,232
Decrease in Alliance advance loan receivable	(1,592,000)
Increase in derivative financial instrument	426,046
Increase in pension asset	<u>24,799</u>
 Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	 <u><u>\$ (3,119,424)</u></u>

4. "The issuance of long-term debt (e.g., bonds, leases) 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, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items."

Principal repayments	\$ 34,261,816
Increase in debt (net)	(17,141,685)
Increase in OPEB liability	(5,580,327)
Increase in accrued interest payable	(1,817)
Increase in accrued compensated absences	(118,527)
Increase in accrued interest receivable	60,133
Increase in bond premium	(7,025,669)
Amortization of bond premium	<u>1,890,547</u>
 Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	 <u><u>\$ 6,344,471</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

C. PROPERTY TAXES

Property Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013. Assessed values are established at market value. A revaluation of all real property is required to be performed no less than every eight years. The last revaluation affecting these financial statements was completed for the list of January 1, 2008.

Property taxes, other than taxes for special districts and agency funds, are levied under the “single tax levy” concept whereby all tax revenues are recorded as revenues of the General Fund.

As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Interest On Unpaid Motor Vehicle Property Taxes

During fiscal year 2007, the North Carolina General Assembly enacted House Bill 1779 which provided for the creation of a combined motor vehicle registration renewal and property tax collection system. The Bill called for an increase in the first month’s interest on uncollected property taxes on registered motor vehicles. This applied to all property tax levied on registered motor vehicles. The additional interest collected on behalf of the County was required to be remitted to the Department of State Treasurer and be used by the Division of Motor Vehicles to create a combined registration and collection system. The State implemented the new integrated computer system, the North Carolina Vehicle Tax System (NCVTS), also known as the “Tag and Tax Together” System in fiscal year 2014. Effective fiscal year 2014, this interest is no longer remitted to the State but is now retained by the County and distributed to the tax jurisdictions accordingly.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

D. CAPITAL ASSETS

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

Governmental Activities:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,366,984	\$ -	\$ -	\$ 8,366,984
Easements	1,351,764	-	-	1,351,764
Construction in progress	240,516,504	14,144,131	(11,253,966)	243,406,669
Total nondepreciable capital assets	<u>250,235,252</u>	<u>14,144,131</u>	<u>(11,253,966)</u>	<u>253,125,417</u>
Depreciable capital assets:				
Buildings	206,935,421	5,055,437	-	211,990,858
Office furniture and Equipment	2,021,146	991,566	-	3,012,712
Machinery and Equipment	4,762,715	829,093	(121,102)	5,470,706
Computer Hardware	10,715,965	130,988	(7,007,856)	3,839,097
Computer Software	12,547,108	1,964,813	(823,459)	13,688,462
Vehicles	11,659,616	3,087,559	(820,438)	13,926,737
Total depreciable capital assets	<u>248,641,971</u>	<u>12,059,456</u>	<u>(8,772,855)</u>	<u>251,928,572</u>
Less accumulated depreciation for:				
Buildings	70,184,188	5,196,860	-	75,381,048
Office furniture and Equipment	1,195,725	255,048	-	1,450,773
Machinery and Equipment	2,911,446	699,245	(121,102)	3,489,589
Computer Hardware	8,478,443	1,059,114	(7,007,856)	2,529,701
Computer Software	12,465,028	104,008	(823,459)	11,745,577
Vehicles	8,712,584	1,417,841	(820,438)	9,309,987
Total accumulated depreciation	<u>103,947,414</u>	<u>8,732,116</u>	<u>(8,772,855)</u>	<u>103,906,675</u>
Total depreciable capital assets, net	<u>144,694,557</u>	<u>3,327,340</u>	<u>-</u>	<u>148,021,897</u>
Governmental activities capital assets, net	<u>\$ 394,929,809</u>	<u>\$ 17,471,471</u>	<u>\$ (11,253,966)</u>	<u>\$ 401,147,314</u>

During 2014, the County incurred \$21,785,800 of expenses for public school construction. The County maintains school construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to these Durham County Board of Education properties, and the construction has not been included in the County's capital assets but rather are reflected as capital assets in the financial statements of the Durham County Board of Education.

Durham County does not own infrastructure and, therefore, does not report infrastructure.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 5,689,325
Public safety	2,425,572
Environmental protection	11,149
Human Services	258,732
Educational	202,024
Cultural and recreational	145,314
Total depreciation expense	<u>\$ 8,732,116</u>

Business-type Activities/Sewer Utility Fund:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 185,226	\$ -	\$ -	\$ 185,226
Construction In Progress	55,482,423	755,161	-	56,237,584
Total nondepreciable capital assets	<u>55,667,649</u>	<u>755,161</u>	<u>-</u>	<u>56,422,810</u>
Depreciable capital assets:				
Land Improvements: Water and Sewer Lines	26,298,544	-	-	26,298,544
Buildings	4,103,344	-	-	4,103,344
Office furniture and Equipment	13,374	-	-	13,374
Machinery and Equipment	485,968	144,367	(15,387)	614,948
Computer Hardware	45,160	-	-	45,160
Vehicles	272,011	21,593	-	293,604
Total depreciable capital assets	<u>31,218,401</u>	<u>165,960</u>	<u>(15,387)</u>	<u>31,368,974</u>
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	12,009,841	576,952	-	12,586,793
Buildings	2,589,621	64,525	-	2,654,146
Office furniture and Equipment	8,121	1,910	-	10,031
Machinery and Equipment	311,847	58,001	(15,387)	354,461
Computer Hardware	34,361	6,171	-	40,532
Vehicles	183,784	35,725	-	219,509
Total accumulated depreciation	<u>15,137,575</u>	<u>743,284</u>	<u>(15,387)</u>	<u>15,865,472</u>
Total depreciable capital assets, net	<u>16,080,826</u>	<u>(577,324)</u>	<u>-</u>	<u>15,503,502</u>
Business-type activities capital assets, net	<u>\$ 71,748,475</u>	<u>\$ 177,837</u>	<u>\$ -</u>	<u>\$ 71,926,312</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 2,219,417	\$ -	\$ -	\$ 2,219,417
Total nondepreciable capital assets	<u>2,219,417</u>	<u>-</u>	<u>-</u>	<u>2,219,417</u>
Depreciable capital assets:				
Buildings and improvements	3,573,505	4,508	-	3,578,013
Leasehold improvements	1,272,157	-	-	1,272,157
Vehicles	202,654	-	(42,484)	160,170
Machinery and equipment	1,363,942	268,954	(265,714)	1,367,182
Total depreciable capital assets	<u>6,412,258</u>	<u>273,462</u>	<u>(308,198)</u>	<u>6,377,522</u>
Less accumulated depreciation for:				
Buildings and improvements	938,506	85,547	-	1,024,053
Leasehold improvements	454,378	45,917	-	500,295
Vehicles	58,819	7,259	(21,435)	44,643
Machinery and equipment	1,140,556	134,430	(266,871)	1,008,115
Total accumulated depreciation	<u>2,592,259</u>	<u>273,153</u>	<u>(288,306)</u>	<u>2,577,106</u>
Total depreciable capital assets, net	<u>3,819,999</u>	<u>309</u>	<u>(19,892)</u>	<u>3,800,416</u>
Business-type activities capital assets, net	<u>\$ 6,039,416</u>	<u>\$ 309</u>	<u>\$ (19,892)</u>	<u>\$ 6,019,833</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2014:

	Beginning Balance June 30, 2013	Increases	Decreases	Ending Balance June 30, 2014	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 271,884,337	\$ 44,635,000	\$ 21,918,468	\$ 294,600,869	\$ 24,300,597
Certificates of participation	55,660,000	-	3,095,000	52,565,000	3,095,000
Limited obligation bonds	173,060,000	-	6,940,000	166,120,000	6,935,000
Installment notes payable	42,123,253	23,706,685	53,036,498	12,793,440	1,378,043
Unamortized bond premium	37,522,092	7,025,669	1,890,547	42,657,214	2,551,899
Net OPEB obligation	40,984,987	8,075,269	2,494,942	46,565,314	-
Accrued compensated absences	6,941,126	3,969,264	3,850,737	7,059,653	4,448,760
Other financing agreements	1,000,064	-	471,850	528,214	450,854
Total governmental activities	\$ 629,175,859	\$ 87,411,887	\$ 93,698,042	\$ 622,889,704	\$ 43,160,153
Business-type activities:					
General obligation bonds	\$ 2,015,663	\$ -	\$ 711,532	\$ 1,304,131	\$ 699,403
State revolving loans	13,408,267	394,029	1,189,432	12,612,864	671,146
Revenue bonds	10,845,000	-	655,000	10,190,000	670,000
Unamortized bond premium	765,140	-	100,275	664,865	100,275
Accrued compensated absences	104,501	42,449	42,569	104,381	63,936
Total business-type activities	\$ 27,138,571	\$ 436,478	\$ 2,698,808	\$ 24,876,241	\$ 2,204,760

For governmental activities and business-type activities, the compensated absences are liquidated by the General Fund and Sewer Utility Fund, respectively.

The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to eight percent (8%) of the appraised value of property subject to taxation less property valued for abatement. At June 30, 2014, such statutory limit for the County was \$2,463,732,716 providing a legal debt margin of \$2,167,827,716.

Defeasance of debt

In fiscal year 2010, the county defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

E. LONG-TERM OBLIGATIONS (continued)

placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2010, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$48,609,998. The carrying values of the Refunding Bonds, Series 2009, which refunded 2000 Public Improvement Bonds and 2002B Public Improvement Bonds, were adjusted for the loss from defeasance (net of amortization) of \$4,239,510. As of June 30, 2014, the loss from defeasance (net of amortization) was \$2,759,538. This advance refunding was undertaken to reduce the total debt service payments over the next 12 years by \$3,013,418 and resulted in an economic gain of \$2,499,031.

In fiscal year 2011, the County defeased various bond issues by creating irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2011, the amount of defeased debt outstanding and removed from the County's liabilities amounted to \$64,055,000. Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the Refunding Bonds, Series 2011, which refunded 2004A&B Public Improvement Bonds and 2006A&B Public Improvement Bonds, have been adjusted for the loss of defeasance (net of amortization) of \$6,286,444. As of June 30, 2014, the loss from defeasance (net of amortization) was \$4,714,834. This advance refunding was undertaken to reduce the total debt service payments over the next 12 years by \$4,064,220 and resulted in an economic gain of \$2,832,738.

In fiscal year 2012, the County issued \$64,670,000 of General Obligation Bonds at a total interest cost of 1.19%. A portion of these bonds were issued with the purpose to defease \$16,480,000 of the principal amount outstanding of the Public Improvements 2002 Series A bonds and 2002 Series B bonds for a net aggregate difference in debt service between the refunding debt and the refunded debt in the amount of \$270,400. There was no gain or loss on the defeasance of this debt.

In fiscal year 2012, the County issued \$63,780,000 of fixed rate Limited Obligation Bonds. A portion of these bonds were issued with the purpose to defease \$55,985,000 of variable rate 2009B Certificates of Participation for a net aggregate difference in debt service between the refunding debt and the refunded debt in the amount of \$0. There was no gain or loss on the defeasance of this debt.

In fiscal year 2013, the County issued \$112,470,000 of fixed rate Limited Obligation Bonds. All of these bonds were issued with the purpose to defease \$125,000,000 of variable rate 2010 Certificates of Participation for a net aggregate difference in debt service between the refunding debt and the refunded debt in the amount of \$2,399. There was no gain or loss on the defeasance of this debt.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

E. LONG-TERM OBLIGATIONS (continued)

In fiscal year 2014, the County issued \$51,200,000 of General Obligation Bonds at a total interest cost of 2.87%. All of these bonds were issued with the purpose to defease \$51,200,000 of variable rate 2011 Bond Anticipation Notes for a net aggregate difference in debt service between the refunding debt and the refunded debt in the amount of \$460,669. There was no gain or loss on the defeasance of this debt.

General obligation bonds

Durham County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds have been issued for governmental activities, \$44,635,000 was issued in fiscal year 2014.

Interest requirements for the general obligation bonds are payable semi-annually at annual rates varying from 2.00% to 5.50%. These debt obligations are backed by the full faith, credit and taxing power of the County. General Fund revenues are used to repay general long-term debt obligations.

Two-thirds (2/3s) bonds

Durham County issues 2/3s bonds to provide funds for the acquisition and construction of major capital facilities. 2/3s bonds are similar to general obligation bonds in that they also are direct obligations and pledge the full faith and credit of the government. There were no 2/3s bonds issued in fiscal year 2014.

Certificates of participation

Durham County issues certificates of participation (COPs) for the acquisition and construction of major capital facilities. On March 31, 2010 COPs were issued for governmental activities in the amount not to exceed \$125,000,000 outstanding at any time. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

Limited Obligation Bonds

Durham County issues limited obligation bonds (LOBs) for the acquisition and construction of major capital facilities. Limited obligation bonds are direct obligations and pledge the full faith and credit of the government.

Bond anticipation notes

Durham County issues general obligation bond anticipation notes (BANs) for the acquisition and construction of major capital facilities. The BANs have been issued for governmental activities. The County has authorized the issuance of the BANs up to \$39,000,000 outstanding at any time.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

E. LONG-TERM OBLIGATIONS (continued)

The BANs are general obligations of the County, and the County has pledged its faith and credit to the payment of principal and interest on the BANs. In addition, the County has entered into a Standby Note Purchase Agreement which expires when the BANs will mature on June 18, 2017 and is subject to prior redemption at the option of the County. The BANs will be replaced by general obligation bonds. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

E. LONG-TERM OBLIGATIONS (continued)

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2014 are as follows:

Purpose:	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Outstanding June 30, 2014
<u>Governmental activities:</u>					
Public improvement, Series 2006A (2/3 Bonds)	4.00% to 5.00%	5/1/2006	6/1/2023	\$ 11,380,000	\$ 2,000,000
Public improvement, Series 2006B	4.00% to 5.00%	5/1/2006	6/1/2023	49,225,000	8,000,000
Public improvement, Series 2008A (2/3 Bonds)	3.50% to 5.00%	5/8/2008	4/1/2027	12,100,000	9,700,000
Public improvement, Series 2008B	3.50% to 5.00%	5/9/2008	4/1/2027	34,090,000	27,790,000
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	43,272,209	42,785,869
Public improvement, Series 2010A	2.00% to 5.00%	11/10/2010	11/1/2018	25,980,000	16,190,000
Public improvement, Series 2010B	3.51% to 5.23%	11/10/2010	11/1/2030	34,020,000	34,020,000
Refunding 2011	3.00% to 5.00%	6/8/2011	11/1/2022	61,750,000	61,750,000
Public improvement, Series 2012	3.00% to 5.00%	4/25/2012	4/1/2032	64,670,000	47,730,000
Public improvement refunding, Series 2014	2.00% to 5.00%	6/3/2014	4/1/2034	44,635,000	44,635,000
Certificate of participation, Series 2009A	4.00% to 5.00%	4/15/2009	6/1/2031	61,850,000	52,565,000
Limited Obligation Bonds, 2012	2.00% to 5.00%	3/29/2012	6/1/2032	63,780,000	57,400,000
Limited Obligation Bonds, 2013	1.50% to 5.00%	3/28/2013	6/1/2043	112,470,000	108,720,000
Bond Anticipation Notes	Variable Rate	8/28/2008	8/1/2014	60,000,000	2,939,821
Installment purchase, garage facility	4.415%	8/20/2003	8/20/2018	14,502,000	5,313,203
Installment purchase, utility performance	2.285%	9/18/2012	9/18/2028	4,549,000	4,540,417
Other financing agreements					
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	87,316
800 Mhz radio system upgrade	4.64%	9/27/2005	6/30/2015	5,012,454	440,897
Total governmental activities					<u>\$ 526,607,523</u>
<u>Business-type activities:</u>					
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	3,822,791	1,304,131
Refunding Revenue bonds, 2012					
sewer plant expansion/improvements	2.49%	8/23/2012	6/11/2027	13,985,000	10,190,000
Enterprise State Revolving Loan I	2.22%	10/7/2012	5/1/2032	-	2,500,357
Enterprise State Revolving Loan II	2.22%	1/28/2011	5/1/2033	-	10,112,507
Total business-type activities					<u>24,106,995</u>
Total bonded indebtedness					<u><u>\$ 550,714,518</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2014 to amortize outstanding debt and funds available for draw under installment purchase contracts including interest payments, exclusive of accrued compensated absences are as follows:

Governmental activities:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Limited Obligation Bonds		Installment Note Payable		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 24,300,597	\$ 12,875,158	\$ 3,095,000	\$ 2,483,806	\$ 6,935,000	\$ 6,989,663	\$ 1,828,898	\$ 182,899	\$ -	\$ -	\$ 36,159,495	\$ 22,531,526
2015	24,207,615	12,252,820	3,095,000	2,348,956	6,940,000	6,744,163	1,416,769	159,131	-	-	35,659,384	21,505,070
2016	23,937,658	11,136,345	3,095,000	2,225,156	6,940,000	6,429,063	1,446,048	134,853	-	-	35,418,706	19,925,417
2017	23,799,999	10,058,712	3,095,000	2,083,381	6,935,000	6,113,963	1,477,892	110,008	-	-	35,307,891	18,366,064
2018	23,460,000	8,974,562	3,090,000	1,959,581	6,940,000	5,930,188	896,116	84,563	-	-	34,386,116	16,948,894
2019-2023	99,650,000	28,988,535	15,460,000	7,535,531	34,690,000	25,851,763	1,562,082	297,990	-	-	151,362,082	62,673,819
2024-2028	51,745,000	11,544,675	15,455,000	3,836,819	34,685,000	18,394,063	1,754,027	28,229	-	-	103,639,027	33,803,786
2029-2044	23,500,000	2,315,726	6,180,000	463,500	62,055,000	18,235,000	-	-	-	-	91,735,000	21,014,226
	<u>\$ 294,600,869</u>	<u>\$ 98,146,533</u>	<u>\$ 52,565,000</u>	<u>\$ 22,936,730</u>	<u>\$ 166,120,000</u>	<u>\$ 94,687,866</u>	<u>\$ 10,381,832</u>	<u>\$ 997,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 523,667,701</u>	<u>\$ 216,768,802</u>

Business-type activities:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Limited Obligation Bonds		State Revolving Loan		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 699,403	\$ 59,106	\$ -	\$ -	\$ -	\$ -	\$ 671,146	\$ 280,006	\$ 670,000	\$ 253,731	\$ 2,040,549	\$ 592,843
2015	572,385	31,130	-	-	-	-	671,146	265,106	690,000	237,048	1,933,531	533,284
2016	32,343	1,617	-	-	-	-	671,146	250,207	705,000	219,867	1,408,489	471,691
2017	-	-	-	-	-	-	671,146	235,307	725,000	202,313	1,396,146	437,620
2018	-	-	-	-	-	-	671,146	220,408	745,000	184,260	1,416,146	404,668
2019-2023	-	-	-	-	-	-	3,355,729	878,547	4,010,000	633,456	7,365,729	1,512,003
2024-2028	-	-	-	-	-	-	3,355,729	506,061	2,645,000	132,842	6,000,729	638,903
2029-2044	-	-	-	-	-	-	2,545,676	136,659	-	-	2,545,676	136,659
	<u>\$ 1,304,131</u>	<u>\$ 91,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,612,864</u>	<u>\$ 2,772,301</u>	<u>\$ 10,190,000</u>	<u>\$ 1,863,517</u>	<u>\$ 24,106,995</u>	<u>\$ 4,727,671</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

E. LONG-TERM OBLIGATIONS (continued)

Revenue bonds

The County also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

In fiscal year 2003, \$24,515,000 of revenue bonds was issued to finance the construction project to expand the existing wastewater treatment facilities. In fiscal year 2013, \$13,985,000 of refunded revenue bonds were issued to refund the 2003 revenue bonds outstanding. The bonds are payable through 2028. The total principal and interest remaining to be paid on the bonds is \$12,053,517. Principal and interest paid for the year and total customer revenues were \$925,041 and \$11,666,172, respectively. Interest requirements for the revenue bonds are also payable annually at a fixed rate of 2.49%. These debt obligations are secured by a pledge of and lien upon, and payable solely from, the net receipts of the enterprise system and, in certain circumstances, by proceeds of the revenue bonds, investment earnings and certain net insurance and other proceeds. The revenue bonds are additionally secured by and payable from money and securities of certain funds, accounts and sub-accounts held by the trustee under the trust agreement and the first supplemental trust agreement. Sewer Utility Fund revenues are used to repay sewer utility long-term obligations. There were no revenue bonds issued in fiscal year 2014.

The ABC Board's long-term debt was \$1,354,114 as of June 30, 2014.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$634,923 for the year ended June 30, 2014. The future minimum rental payments due under the leases at June 30, 2014 are as follows:

YEAR ENDING JUNE 30,	COUNTY	ABC BOARD
2015	\$ 347,669	\$ 63,516
2016	265,316	31,932
2017	77,698	-
2018	6,601	-
2019	6,601	-
TOTAL	\$ 703,885	\$ 95,448

Leased Facilities

Pursuant to agreements executed between the County, Durham Regional Hospital and Duke, effective July 1, 1998, the County began leasing its Hospital facilities to Duke under the terms of an operating lease expiring on June 30, 2018. The cost of leased facilities to the County was \$63,605,860, and the accumulated depreciation and carrying value as of June 30, 2014 were \$25,435,868 and \$38,169,992, respectively. Under the terms of the original agreement, annual minimum lease payments to be remitted to the County for use of the facility were \$3,500,000. These funds are accounted for in the Community Health Trust Fund.

In addition, under the terms of the original agreement, the County was to receive \$1,500,000 annually for the support of emergency medical services previously provided by the Hospital and assumed by the County under the agreements. These funds are accounted for in the General Fund. In addition, Duke agreed to remit \$2,100,000 to the Lincoln Community Health Center, formerly a component unit of the Hospital, for the provision of health services to the citizens of the County. The County has treated this agreement as an operating lease.

A revision to the agreement was entered into on June 29, 2007. Under the terms of the revised agreement, Duke agreed to release its interest in the portion of Durham Regional Hospital commonly known as the Oakleigh Building and the adjacent lot to the Oakleigh Building to be used as a mental health and substance abuse treatment facility by the mental health services of the County. Additionally, a onetime payment of \$500,000 was paid to the County upon the full execution of the amendment, and the annual minimum lease payments to be remitted to the County for use of the facility were reduced to \$3,200,000 effective for fiscal year 2009. Also effective fiscal year 2009, Duke will pay to the County \$100,000 annually over a ten year period

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

F. COMMITMENTS (continued)

for the support of mental health services. There were no changes regarding emergency medical services or medical services provided at LCHC.

On November 24, 2008, a second amendment to the lease agreement and a first amendment to the operating agreement were approved by the Board of County Commissioners, Durham County Hospital Corporation and Duke University Health System. Under the terms of the revised agreement, beginning January 1, 2009, the term of the lease agreement was extended for an additional 40-year term until June 30, 2049, with the term automatically extending each year for one additional year. Under this agreement, the County was paid an additional \$375,000 for fiscal year 2009. For a period of nine (9) years, from July 1, 2009 until June 30, 2018, the County will receive payments of \$3,950,000 per year. For fiscal year 2019, the County will receive payment in the amount of \$2,600,000. From July 1, 2019 through fiscal year 2031, the County will receive \$1,250,000 annually. From July 1, 2031 through the remainder of the lease term, the County will not receive any further payments for the sublease of the Premises.

Also under the terms of the revised agreement, in support of emergency medical services, an additional \$350,000 payment was paid to the County during fiscal year 2009. In fiscal year 2013 and 2014, the County received \$2,297,513 and \$2,345,072 for these services, respectively. Through the remainder of the lease terms, payments made to the County will be adjusted for inflation using the CPI Index Adjustment. Under the revised agreement, Duke paid an additional \$375,000 to Lincoln Community Health Center for fiscal year 2009. LCHC received payments of \$2,976,324 and \$3,037,934 for fiscal year 2013 and 2014, respectively. Through the remainder of the lease terms, payments made to the LCHC would be adjusted for inflation using the CPI Index Adjustment. If LCHC ceases to exist without a successor entity that operates in the same manner, payment will be made to the County to support public health initiative for the citizens of Durham County.

2. Industrial Extension Policy

The Industrial Extensions Policy (IEP) provides for the expenditure of public funds for the promotion of local economic development when the BOCC considers such development serves a public purpose. The BOCC considers the promotion of local economic development when it assists in the creation of a more stable economy by providing displaced workers with continuing employment opportunities, attracting better paying and more highly skilled jobs, diversifying the local economy and creating a broader tax base from which Durham County can draw funding for other programs that benefit the general health, safety and welfare of the citizens. Any industrial enterprise seeking to qualify for economic development investment funds must provide the County with a written statement which includes specific information as outlined in the policy. They then must receive approval from the BOCC prior to the undertaking of construction. The Board evaluates each enterprise on a case by case basis prior to making a decision whether to provide economic development investment funds. Any enterprise desiring to use economic development investment funds must enter into a performance agreement with Durham County.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

F. COMMITMENTS (continued)

The determination of whether satisfactory progress has been made shall be the sole discretion of Durham County based upon the performance guidelines set out in the performance agreement. The BOCC views the promotion of the local economic development as an investment in the future of Durham County.

The annual requirements to amortize reimbursements payable under this policy at June 30, 2014 are as follows:

<u>YEAR ENDING JUNE 30,</u>	Governmental activities	
	PRINCIPAL	INTEREST
	2015	\$ 1,633,341
2016	1,847,365	-
2017	1,556,947	-
2018	713,208	-
2019	539,873	-
2020-2024	2,511,865	-
2025-2029	1,524,365	-
2030-2034	529,746	-
	\$ 10,856,710	\$ -

Interest requirements related to the Industrial Extensions Policy are nominal.

3. School Facilities

In June 2013, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2014 – 2023 that included school projects totaling \$330,260,205 funded through voter approved general obligation bond referendums in November 2001, November 2003, and November 2007 totaling \$298,763,205, 2/3's general obligation bonds in the amount of \$10,650,000, certificates of participation (COPS) in the amount of \$9,550,000, miscellaneous revenue in the amount of \$5,172,000, and County contributions of \$6,125,000. Total construction in progress for fiscal year 2014 for these projects was \$21,785,800 while total combined construction in progress since inception was \$164,685,557.

4. Construction

The total ten-year estimated and funded project costs of the CIP until June of 2023 is \$921,336,927. The plan continues to serve as a blueprint to meet the growing facility needs of the County. The funding sources for the CIP include: general obligation bonds, 2/3's general obligation bonds, certificates of participation (COPs), bond anticipation notes (BANs), limited obligation bonds (LOBs), revenue bonds, county contributions, sewer utility contributions and other miscellaneous revenues.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

F. COMMITMENTS (continued)

The CIP allocated funding for fiscal year 2014 in the amount of \$9,943,311. Funds provided approximately \$5,306,811 for capital projects of general governmental activities, \$750,000 for business-type activities, \$3,074,500 for environmental protection activities, and \$812,000 for human service activities.

In December 2002, revenue bonds issued in the amount of \$24,515,000 as a funding source for the continuation of the wastewater treatment plant improvements (Phase II) is complete. The wastewater treatment plant improvement (Phase III) is currently under construction. The funding source for this phase of the wastewater treatment plant improvements (Phase III) is from a State Revolving Fund.

As part of the ten year CIP for fiscal years 2014-2023, a general obligation bond referendum totaling \$207,100,000 was approved by Durham County citizens as a funding source. The referendum funded \$194,240,000 for school facilities, \$8,680,000 for community colleges, and \$4,180,000 for museum facilities. As of fiscal year end, \$167,200,000 of the November 2007 voter approved general obligations bonds was issued.

5. Capital commitments

The County had commitments at June 30, 2014 of approximately \$26,810 for the expansion of the wastewater treatment plant and construction of sewer distribution systems.

Funding for the active projects for governmental activities and business-type activities include general obligation bonds, 2/3's bonds, certificates of participation (COPS), limited obligation bonds (LOBs), revenue bonds, general contributions, sewer utility contributions and other miscellaneous revenues.

6. Other commitments

Reimbursement for expenditures incurred from improvements to property of the Durham Public School System, Durham Technical Community College and various not-for-profit organizations are made upon request by the school systems, Community College and organizations. Because Durham County is not a party to the contracts, the unexecuted balances of such contracts are considered obligations of the Durham Public School System, Durham Technical Community College and various not-for-profit organizations. Additional payments, if any, to be made by Durham County, will be from future appropriations.

The County participates in a number of Federal and State of North Carolina grant awards programs. The disbursements of funds under these programs are subject to audit in accordance with the Office of Management and Budget Circular A-133, "Audits of State and Local Governments, and Non-Profit Organizations".

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

F. COMMITMENTS (continued)

The amounts, if any, of expenditures which may be disallowed by the granting agencies resulting from such audit cannot be determined at this time, although the County expects they would be immaterial.

G. INTERFUND BALANCES AND ACTIVITIES

The following is a schedule of interfund receivable and payable balances as of June 30, 2014:

Due to:		
General Fund from Capital Projects Fund		
Amount due per BOCC approved interfund loan	\$	<u>732,554</u>
Due from:		
Capital Projects Fund to General Fund		
Amount due per BOCC approved interfund loan	\$	<u>732,554</u>

The due to General Fund from Capital Projects Fund is because of an interfund loan approved by the BOCC for advance funding to begin construction activity on capital projects until the proceeds from the issuance of debt are received at which time reimbursement will take place.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

G. INTERFUND BALANCES AND ACTIVITIES (continued)

Transfers:

The following is a summary of transfers for the year ended June 30, 2014:

	Transfers in:				Total
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfers out:					
General fund	\$ -	\$ 5,392,468	\$ 49,519,439	\$ 200,000	\$ 55,111,907
Community health trust fund	5,209,401	-	-	-	5,209,401
Capital projects fund	1,472,011	-	8,488,713	-	9,960,724
Debt service fund	-	475,079	-	-	475,079
Nonmajor governmental funds	2,412,605	-	-	-	2,412,605
Agency Fund	11,466	-	-	-	11,466
Total transfers	\$ 9,105,483	\$ 5,867,547	\$ 58,008,152	\$ 200,000	\$ 73,181,182

Transfers from the General Fund to the Capital Projects Fund, the Debt Service Fund and Nonmajor Governmental Fund are for funding general government construction projects per Durham County's Capital Improvement Plan, general government debt payments, and debt forgiveness to the Bethesda Fire Tax Fund, respectively.

Transfers from the Community Health Trust Fund to the General Fund are funding health-related expenditures.

Transfers from the Capital Projects Fund to the General Fund and Debt Service Fund are for unspent unrestricted funds to support future general government construction projects and for unspent restricted funding for general government debt payments, respectively.

Transfer from Debt Service Fund to the Capital Projects Fund are for funding construction of new capital projects.

Transfers from Nonmajor Governmental Funds to the General Fund are for funding public safety expenditures.

Transfers from the Agency Fund to the General Fund are due to the closing of the NC State Treasurer DMV Agency Fund which was created to remit additional interest penalties to the State to fund the North Carolina Vehicle Property Tax System (NCVTS), also known as the "Tag and Tax Together System." The NCVTS was implemented as of September of 2013.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

1. North Carolina Local Governmental Employees' Retirement System

Plan Description. The County and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of North Carolina General Statute (NCGS) Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental 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 LGERS. 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 six percent (6%) of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 6.74% and 6.77% of annual covered payroll. The contribution requirements of members and of Durham County and the ABC Board are established, and may be amended, by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$6,003,706, \$5,446,265, and \$5,671,112, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$139,150, \$139,208, and \$149,016, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

2. Law Enforcement Officers' Special Separation Allowance

Plan Description. The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of NCGS Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County's financial statements as a Pension Trust Fund. There is not a stand alone report available for this defined benefit pension plan.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	14
Active plan members	<u>176</u>
Total	<u><u>190</u></u>

Summary of Significant Accounting Policies:

Basis of Accounting. The County presents the Separation Allowance in the financial statements using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method used to Value Investments. Investments are reported at fair value. Short-term debt, deposits, repurchase agreements and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value.

Contributions. The County is required by Article 12D of NCGS Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$366,262 or 4.25% of annual covered payroll. There were no contributions made by employees.

The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the fiscal year ended June 30, 2014 was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increase ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The remaining amortization period as of December 31, 2012 was eighteen years.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Annual Pension Cost and Net Pension Asset. The County’s annual pension cost and net pension asset to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 339,956
Interest on net pension obligation	(2,394)
Adjustment to annual required contribution	<u>3,901</u>
Annual pension cost	341,463
Employer contributions made for fiscal year ending 6/30/2014	<u>366,262</u>
Increase (decrease) in net pension obligation	(24,799)
Net pension obligation, beginning of fiscal year	<u>(47,876)</u>
Net pension obligation, end of fiscal year	<u><u>\$ (72,675)</u></u>

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (“APC”)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
June 30, 2014	\$ 341,463	107.26%	\$ (72,675)
June 30, 2013	293,124	107.28%	(47,876)
June 30, 2012	284,726	99.82%	(26,546)

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was 36.10 percent funded. The actuarial accrued liability for benefits was \$4,011,770 and the actuarial value of assets was \$1,448,309, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,563,461. The covered payroll (annual payroll of active employees covered by the plan) was \$8,289,920 and the ratio of the UAAL to the covered payroll was 30.92%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value plan assets are increasing or decreasing over time relative to actuarial accrued liability for benefits.

3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County and the ABC Board contribute to the Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of NCGS Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy. Article 12 E of NCGS Chapter 143 requires the County to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2014 were \$613,466, which consisted of \$430,896 from the County and \$182,570 from the law enforcement officers. The ABC Board also contributes to the Supplemental Retirement Income Plan. The ABC Board's contributions to the Plan for the year ended June 30, 2014 totaled \$6,319 which consisted of \$5,519 from the ABC Board and \$800 from the law enforcement officers employed by the ABC Board. The County's and the ABC Board's required contributions and the officers' voluntary contributions represented 5% and 2.12%, and 5% and 5%, respectively, of the covered payroll.

4. Registers of Deeds' Supplemental Pension Fund

Plan Description. Durham County also contributes to the Registers of Deeds' Supplemental Pension Fund (the "Fund"), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Government Employees' Retirement System ("LGERS") or an equivalent locally sponsored plan. Article 3 of NCGS Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5% of the monthly receipts collected pursuant to Article 1 of NCGS 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2014, the County's required and actual contributions were \$23,656.

5. North Carolina Firemens' and Rescue Squad Workers' Pension Fund

Plan Description. All regular and volunteer firemen whose qualifications are certified by the Board of County Commissioners are eligible to participate in the North Carolina Firemens' and Rescue Squad Workers' Pension Fund (The "Fund"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fund is included in the Comprehensive Annual Financial Report (CAFR) of the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy. The County may contribute, for pension benefits, \$10 per month per participant and has no pension plan obligations beyond the amounts paid into the Fund. For the year end June 30, 2014, the County contributed \$1,880.

6. Supplemental Retirement Income Plan for Non-Law Enforcement Personnel

Plan Description. The County provides pension benefits for all its non-law enforcement employees, working more than twenty hours per week, through a defined contribution plan administered by Prudential. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Board of County Commissioners (BOCC) has established the plan which requires the County to contribute each month an amount equal to 5% of each employee's salary, and all amounts contributed are vested immediately. Employees are not required to contribute to the plan. The BOCC has the authority to establish and amend the plan's provisions and the authority to establish and amend the contribution requirements to the plan.

Funding Policy. The County's contributions were calculated using a covered payroll amount of \$76,044,137. The County's total payroll was \$86,710,100. Total contributions for the year ended June 30, 2014 were \$5,916,112, which consisted of \$3,813,274 from the County and \$2,102,838 from the non-law enforcement personnel. The County's required contribution and the non-law enforcement personnel's voluntary contribution represented 6.82% of the covered payroll amount.

7. Other Post-Employment Benefits

Plan Description. Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). For employees hired on or after July 1, 2006, this plan provides post-employment healthcare benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the County. Also, the plan provides post-employment healthcare benefits to employees hired after July 1, 2006 who are age 60 or more with twenty-five years or more of continuous service. Prior to July 1, 2006, employees qualified for the same level of benefits after at least twenty years of creditable service with the County. The County pays full cost of coverage for these benefits until they reach age 65 or until they are eligible to receive Medicare benefits, whichever comes first. At that time such coverage is terminated, and the County pays full cost of a Medicare supplement policy. Also, retirees with at least ten years of service can purchase coverage at the County's group rates for themselves and for their dependents at the County's group rate for healthcare, dental and vision until they become Medicare eligible. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The BOCC may amend the benefit provisions. A separate report was not issued for the plan.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Membership of the HCB Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	471	19
Active plan members	<u>1,634</u>	<u>172</u>
Total	<u><u>2,105</u></u>	<u><u>191</u></u>

Funding Policy. The County pays 95% of the cost of Basic coverage healthcare benefits to qualified retirees. The County pays 100% of the cost of the Core coverage healthcare benefit to qualified retirees who complete an annual health risk assessment. These benefits are provided under a County resolution that can be amended by the BOCC. The County's members pay monthly for themselves with ten to twenty-four years of service and for dependent coverage at the County's group rates. For retirees that qualify for full cost coverage, the monthly rates for healthcare are: for retiree only coverage, the monthly rates are \$103 for the Premium option, \$0 for the Core option, \$0 for the Basic option; for family dependent coverage, the monthly rates are \$1,404 for the premium option, \$985 for the Core option and \$733 for the Basic option; for the spouse only coverage, the monthly rates are \$854 for the Premium option, \$547 for the Core option and \$437 for the Basic option; and for the child only coverage, the monthly rates are \$444 for the Premium option, \$367 for the Core option and \$317 for the Basic option. For retirees with ten to twenty-four years of service, the monthly rates for healthcare are: for retiree only coverage, the monthly rates are \$638 for the Premium option, \$535 for the Core option, \$497 for the Basic option; for retiree/family dependent coverage, the monthly rates are \$1,939 for the premium option, \$1,520 for the Core option and \$1,268 for the Basic option; for the retiree/spouse only coverage, the monthly rates are \$1,389 for the Premium option, \$1,082 for the Core option and \$972 for the Basic option; and for the retiree/child only coverage, the monthly rates are \$979 for the Premium option, \$902 for the Core option and \$852 for the Basic option. Retirees with ten or more years of service can participate in the County's dental plan at the County's group rates for themselves and dependents. For retiree only, the monthly rate is \$54; for retiree/family dependent coverage, the monthly rate is \$153; for retiree/spouse only coverage, the monthly rate is \$122; and for the retiree/child coverage, the monthly rate was \$112. Retirees with ten or more years of service can also participate in the County's vision plan at the County's group rates for themselves and dependents. For retiree only, the monthly rate is \$9.50; for retiree/family dependent coverage, the monthly rate is \$23; for retiree/spouse only coverage, the monthly rate is \$14.65; and for the retiree/child coverage, the monthly rate was \$15.35. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The County at this time has chosen to fund the healthcare benefits on a pay as you go basis.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The current ARC rate is 9.54% of annual covered payroll. For the current year, the County contributed \$2,494,942 or 2.95% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 2.58% and .37% of covered payroll, respectively. For the current year, the County did not contribute to an irrevocable trust but rather set aside funding for the HCB Plan in the fund balance of the General Fund in the amount of \$4,187,877 which represents 52.34% of ARC. The total committed fund balance for OPEB as of fiscal year end for the General Fund was \$36,839,910. Currently, 537 retirees are eligible for health benefits. The County's obligation to contribute to the HCB Plan is established and may be amended by the BOCC.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. Those expenditures are paid as they come due.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 8,002,006
Valuation Discount Rate	4.00%
Interest on net OPEB obligation	1,639,399
Amortization Factor	26.1695
Adjustment to annual required contribution	<u>(1,566,136)</u>
Annual OPEB cost (expense)	\$ 8,075,269
Employer contributions made	<u>2,494,942</u>
Increase (decrease) in net OPEB obligation	\$ 5,580,327
Net OPEB obligation, beginning of year	<u>40,984,987</u>
Net OPEB obligation, end of year	<u>\$46,565,314</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended <u>June 30</u>	Annual <u>OPEB Cost</u>	Percentage of Annual <u>OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
2014	\$ 8,075,269	30.90%	\$46,565,314
2013	8,065,601	32.90%	40,984,987
2012	7,481,180	29.28%	35,575,947

Funding Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$95,709,409. The covered payroll (annual payroll of active employees covered by the plan) was \$79,334,694 and the ratio of the UAAL to the covered payroll was 120.60%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past progress, presented as required supplementary information following the notes to the financial statements and presented as multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return, representative values of the annual rates of separation, deaths after retirement according to the 1994 Group Annuity Mortality table with Projection Scale AA, asset valuation method of market value, annual medical cost trend rates, pre-medicare 8.50 to 5.00 percent and post-medicare 6.25 to 5.00 percent annually, ultimate trend rate year is 2018 with a 3.00% inflation rate, per capita costs adjusted to reflect expected cost changes related to age, anticipated plan participation of 100% and annual expected claim estimates for pre-65 and post-65. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

8. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to his/her death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000.

All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. Contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Due to a surplus, the State temporarily stopped employer contributions to the LGERS Death Benefit Plan effective for the fiscal year ended June 30, 2014. Because the County has contributed to the death benefit plan for more than twenty years, the County is not required to contribute to the plan for three fiscal years. Because of the State's decision, the County did not make contributions for

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

employees not engaged in law enforcement and for law enforcement officers for the fiscal year ended June 30, 2014.

The net position of the Death Benefit Plan is not available for future benefit payments but will be used to reduce future contribution requirements.

I. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damaged to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County accounts for and finances the risks of loss in the General Fund.

Benefits Plan – The County has a partially self-funded benefits plan. The County funds a core plan (health, dental, vision, life insurance and dependent coverage). The County reports claims expenditures and liabilities in the General Fund. During fiscal year 2014, a total of \$19,823,333 was incurred for benefits and administrative costs of the plan. As of June 30, 2014, the incurred but not reported liability was \$1,360,000.

Workers' Compensation – The County maintains a limited risk, self-insurance program to provide workers' compensation benefits to County employees. Premiums for Workers' Compensation are paid by other funds of the County and are available to pay claims of the program. A total of \$966,595 was incurred for benefits during the fiscal year 2014.

The County is self-insured for workers' compensation. The County also has a program to limit or otherwise handle liability exposures which includes auto liability, general liability, employment practices and professional liability. Payments for claims have not exceeded appropriated funds in any of the past three fiscal years. The County maintains a property insurance policy to cover its buildings. Durham County maintains a committed fund balance for risk management.

In accordance with North Carolina General Statute 159-29, the County's Chief Financial Officer and Tax Collector are each individually bonded for \$250,000. In addition, the County's Sheriff and Register of Deeds are each individually bonded \$25,000 and \$50,000, respectively. Other employees who have access to cash and inventory are covered under a blanket bond in the amount of \$250,000.

Durham County ABC Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settlement claims have not exceeded coverage in any of the past three fiscal years.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

I. RISK MANAGEMENT (continued)

In accordance with G.S. 18B-700(I), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

J. LITIGATION

The County follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or estimable in amount. There are currently legal actions against the County which are being vigorously defended, that are not fixed and cannot be estimated in amount; however, the County Attorney estimates that any potential liability resulting from this litigation would not have a material adverse effect on the financial position of the County.

K. JOINTLY GOVERNED ORGANIZATIONS

Triangle J Council of Governments

Durham County, in conjunction with five other counties and thirty municipalities, established the Triangle J Council of Governments (“Council”). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council’s governing board. The County paid membership fees of \$54,964 to the Council during the fiscal year ended June 30, 2014. There is no on-going financial interest or responsibility by the County.

Triangle Transit Authority

Durham County, in conjunction with other area local governments, is a member of the Research Triangle Regional Public Transportation Authority. Durham County appoints one member to the governing board and jointly appoints a second member with the City of Durham (the “City”). The

Authority possesses final decision making ability and is solely responsible for the management, budget and fiscal operations of the Authority.

L. JOINT VENTURES WITHOUT EQUITY INTEREST

Durham and Wake Counties Research and Production Service District and Advisory Committee

The Durham and Wake Counties Research and Production Service District Advisory Committee is a special taxing district governed by a ten-member board of which the individuals must be recommended by the Research Triangle Park and Tenants Association. The function of the Board is to make recommendations to the County Commissioners concerning the budget and tax rate to be set for the Special District/Research Triangle Park area. The District is a joint venture of the two Boards of County Commissioners; however, the County does not have an equity interest in the District.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)

The District may issue bonds or other obligations pursuant to the provisions of the Local Government Bond Act of the North Carolina General Statutes and is empowered to cause taxes to be levied upon all taxable property within its district in Durham and Wake Counties sufficient to meet financial obligations. The County does not approve the budget of the District, nor does the County control the collection or disbursement of District funds.

The following is a summary of certain unaudited financial information of the District for the year ended June 30, 2014:

Total assets	\$ 1,213,425
Total liabilities	<u>(115,943)</u>
Total equity	<u>\$ 1,097,482</u>
Total revenues	\$ 1,392,898
Total expenditures	<u>(1,276,226)</u>
Decrease in fund balance	<u>\$ 116,672</u>

Complete financial statements may be obtained at the Durham and Wake Counties Research and Production Service District Advisory Committee, Post Office Box 12255, Research Triangle Park, North Carolina 27709.

Raleigh-Durham Airport Authority

The Raleigh-Durham Airport Authority is governed by a board appointed to plan and conduct the operations of the Raleigh-Durham International Airport (the "Airport Authority"). The eight-member governing body is jointly appointed by the City of Durham, City of Raleigh, County of

Durham and County of Wake, with each member government appointing two members to the Airport Authority Board. The Airport Authority Board selects the management and determines the budget and financing requirements for airport operations. The County and other participating governments each appropriate \$12,500 annually to cover administration expenses incurred by the Airport Authority.

The participating governments have no equity interest in the joint venture, so no equity interest is reflected in the County's financial statements. Complete financial statements for the Airport Authority may be obtained from the airport's administrative offices at 1051 Cargo Drive, Raleigh, North Carolina 27623.

Durham Technical Community College

Durham County provides funds to Durham Technical Community College, primarily for capital

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)

improvement and maintenance of facilities. In accordance with State law, the County appoints four of the thirteen Board of Trustee members. The County does not designate management or significantly influence operations, and the College is not accountable to the County for its fiscal matters beyond the County's appropriation to the College. The County's fiscal year 2014 appropriation of approximately \$5.725 million to the College represents approximately 16.00% of its total current non-operating revenues, with the majority of funding being provided by the State of North Carolina Department of Community Colleges. In addition, the County contributed \$302,500 to capital outlay bringing the County's contribution to Durham Technical Community College capital outlay to 63.00%. The County does not have an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2014. Complete financial statements for the College may be obtained at their administrative offices at 1637 Lawson Street, Durham, North Carolina 27703.

M. JOINT VENTURES WITH EQUITY INTEREST

Durham Convention and Visitors Bureau

The Durham Convention and Visitors Bureau (the "Bureau") was established in fiscal year 1989 in conjunction with a County occupancy tax levy to promote and solicit business, conventions, meetings and tourism in Durham County. The governing body of the Bureau is an eleven-member Board of Directors with five members appointed by the City of Durham, five members appointed by the County of Durham and one member jointly appointed.

Funding is derived from the occupancy tax levied upon the rental of rooms, lodging or similar accommodations. Monthly, the County is required to distribute to the Bureau a percentage of the tax collected. The Bureau is a joint venture between the County of Durham and the City of Durham with the County having a 57.5% equity interest and the City having a 42.5% equity interest.

The Durham County Board of Commissioners and the Durham City Council must approve the budget and all amendments.

At June 30, 2014, the County recorded an equity interest in the Bureau of \$742,200 which is included in the investment in joint venture in the statement of net position. Complete financial statements may be obtained at the administrative offices at 101 East Morgan Street, Durham, North Carolina 27701.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

M. JOINT VENTURES WITH EQUITY INTEREST (continued)

Durham Civic Center Authority

The Durham Civic Center Authority (the “Authority”) is a joint venture established by the County and the City and is assigned such powers as necessary, reasonable and practicable for the operation and maintenance of the Civic Center Facility. The Authority consists of seven members who are appointed to three-year terms. Three members are appointed by the County and three members by the City with the seventh member being selected by the six members appointed by the County and City. The members elect from its membership a Chairman and Vice Chairman of the Authority.

Policies, procedures and fees related to the Civic Center operation are recommended by the Authority and approved by the County and City. Employees of the Authority are jointly appointed by the County and City Managers, and any employees so appointed are employees of the City. All budgeting and accounting of the Authority, including collection and disbursement of Authority funds, are a part of the budgeting and accounting system of the City.

On October 9, 1987, the County and City of Durham entered into agreements with a private developer to purchase an eighty-two thousand (82,000) square foot Civic Center. The County and City initially deposited \$17,300,000 (\$3,000,000 by the County and \$14,300,000 by the City) in escrow which together with interest earned was used to purchase the facility. As of June 30, 2006, the County had attained 50% equity interest in the Civic Center by the initial deposit of \$3,000,000 and additional equity purchases of \$8,089,177 per the agreement. Therefore, the County has fulfilled its agreement regarding the Civic Center and no additional equity purchases are due.

In January 2004, the City of Durham refunded debt that included the Civic Center Authority’s long-term debt. Therefore, the Civic Center Authority’s long-term debt consists of \$1,110,123 in general obligation bonds issued by the City of Durham, maturing in varying installments from 1997 to 2008 with interest at 2.00% to 4.00%. The debt is being serviced from property tax revenues of the City and amounts for additional equity purchases made by the County. The County’s net investment in the Authority is reported in the investment in joint venture in the statement of net position. At June 30, 2014, the County’s equity interest in the Authority was \$11,068,368.

The County also shares with the City in funding all costs arising out of the management, operation, maintenance and repair of the Civic Center. In 2014, the amount funded by the County was approximately \$162,219. Complete financial statements for the Authority may be obtained from the City of Durham’s administrative offices at 101 City Hall Plaza, Durham, North Carolina 27701.

The total investment in joint venture for Durham County recorded in the statement of net position for governmental activities for the above two ventures at June 30, 2014 is \$11,810,568.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

N. BENEFIT PAYMENTS ISSUED BY FEDERAL AND STATE

The amounts listed below were paid directly to individual recipients by the state from federal and state monies. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the state. These amounts disclose this additional aid to County recipients which do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	Federal	State
Medicaid Title XIX	\$ 188,036,545	\$ 102,009,495
Children Health Insurance Program	6,670,981	2,104,692
Food Stamp	66,846,748	-
Temporary Assistance for Needy Families	1,389,726	-
Special Assistance to Adult	-	2,149,560
Title IV-E Adoption Assistance	899,509	235,954
IV-B Adoption Assistance	-	744,979
Refugee Assistance	61,865	-
Total Direct Federal and State Awards	\$ 263,905,374	\$ 107,244,680

O. SUBSEQUENT EVENTS

The County has evaluated subsequent events through November 20, 2014, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION
(Tab)

DURHAM COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability ("AAL") Project Unit Credit (B)	Unfunded AAL ("UAAL") (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a percentage of Covered payroll [(B-A)/C]
December 31, 2004	771,369	1,619,670	848,301	47.63%	6,644,935	12.77%
December 31, 2005	917,145	1,584,272	667,127	57.89%	7,001,821	9.53%
December 31, 2006	990,493	1,780,366	789,873	55.63%	7,264,791	10.87%
December 31, 2007	947,134	2,184,572	1,237,438	43.36%	7,612,751	16.25%
December 31, 2008	1,050,679	2,504,144	1,453,465	41.96%	7,893,250	18.41%
December 31, 2009	1,114,755	3,512,206	2,397,451	31.74%	7,717,626	31.06%
December 31, 2010	1,284,867	3,439,501	2,154,634	37.36%	7,735,575	27.86%
December 31, 2011	1,342,095	3,579,234	2,237,139	37.50%	7,545,748	29.65%
December 31, 2012	1,372,152	4,000,318	2,628,166	34.30%	7,986,429	32.91%
December 31, 2013	1,448,309	4,011,770	2,563,461	36.10%	8,289,920	30.92%

DURHAM COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	138,885	114.89%
2006	162,469	106.14%
2007	143,800	0.00%
2008	162,267	102.15%
2009	198,118	104.91%
2010	217,461	99.46%
2011	300,964	99.74%
2012	284,465	99.91%
2013	292,799	107.40%
2014	339,956	107.74%

DURHAM COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance Notes to Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2013
Actuarial cost method	Project unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	4.25% to 7.85%
*Includes inflation at:	3.00%
Cost of living adjustments	None

DURHAM COUNTY, NORTH CAROLINA

**Other Postemployment Benefits
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability ("AAL") Project Unit Credit (B)	Unfunded AAL ("UAAL") (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a percentage of Covered payroll [(B-A)/C]
December 31, 2005	\$ -	\$ 150,676,744	\$ 150,676,744	0.00%	\$ 62,503,289	241.10%
December 31, 2008	-	80,802,284	80,802,284	0.00%	78,956,072	102.30%
December 31, 2010	-	92,462,774	92,462,774	0.00%	83,767,601	110.40%
December 31, 2012	-	95,709,409	95,709,409	0.00%	79,334,694	120.60%

DURHAM COUNTY, NORTH CAROLINA

Other Postemployment Benefits Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	\$ 13,552,376	6.37%
2009	7,168,139	15.54%
2010	7,168,139	16.24%
2011	7,436,944	26.12%
2012	7,436,944	29.45%
2013	8,065,601	33.20%
2014	8,002,006	31.18%

DURHAM COUNTY, NORTH CAROLINA

Other Postemployment Benefits Notes to Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Amortization factor	26.1695
Remaining amortization period	30 years
Asset valuation method	Market value of assets

Actuarial assumptions:

Investment rate of return*	4.00%
Medical cost trend rate:	
Pre-medicare	8.50% to 5.00%
Post-medicare	6.25% to 5.00%
Year of ultimate trend rate	2018

*Includes inflation at: 3.00%

**OTHER SUPPLEMENTARY INFORMATION
(TAB)**

**COMBINING and INDIVIDUAL
FUND STATEMENTS and SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

Debt Service Fund – to account for and report financial resources that are restricted, committed or assigned for principal and interest related costs for all general long-term debt other than debt issued for and serviced by proprietary funds.

Capital Projects Fund – to account for and report financial resources that are restricted, committed or assigned for capital outlays, including the acquisition, construction or improvement of major capital facilities and other capital assets other than those financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Debt Service Fund
 Year Ended June 30, 2014

	Budget		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Investments	\$ 15,082	\$ 15,082	\$ 15,767	\$ 685
Intergovernmental revenues	518,221	518,221	480,909	(37,312)
Charges for services	250,000	250,000	440,678	190,678
Total revenues	<u>783,303</u>	<u>783,303</u>	<u>937,354</u>	<u>154,051</u>
Expenditures				
Debt service:				
Principal retirement	35,780,220	35,305,220	34,261,816	1,043,404
Interest and fiscal charges	24,091,537	24,091,458	23,354,161	737,297
Debt issuance costs	-	-	454,869	(454,869)
Total expenditures	<u>59,871,757</u>	<u>59,396,678</u>	<u>58,070,846</u>	<u>1,325,832</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(59,088,454)</u>	<u>(58,613,375)</u>	<u>(57,133,492)</u>	<u>1,479,883</u>
Other financing sources (uses)				
Transfers in	59,063,454	59,063,454	58,008,152	(1,055,302)
Transfers out	-	(475,079)	(475,079)	-
Premium on issuance of refinancing	-	-	7,025,669	7,025,669
Issuance of refunding bonds	-	-	44,635,000	44,635,000
Payment to refunded debt escrow agent	-	-	(51,200,000)	(51,200,000)
Appropriated fund balance	25,000	25,000	-	(25,000)
Total other financing sources (uses)	<u>59,088,454</u>	<u>58,613,375</u>	<u>57,993,742</u>	<u>(619,633)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>860,250</u>	<u>\$ 860,250</u>
Fund balance - beginning			<u>7,347,048</u>	
Fund balance - ending			<u>\$ 8,207,298</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Expenditures Compared with Project Authorizations
Capital Projects Fund
From Project Inception and for the Fiscal Years Ended June 30, 2014**

PROJECT	EXPENDITURES		SPENT TO DATE	REMAINING COMMITMENT
	CURRENT YEAR	PRIOR YEARS		
Durham Public School Projects	\$ 21,785,800	\$ 142,899,757	\$ 164,685,557	\$ 214,518,792
Justice Center	1,179,839	112,145,036	113,324,875	2,921,580
NCML & Bioquest	265,818	14,475,018	14,740,836	399,976
NCMLS New Exhibits Project	389,985	-	389,985	110,015
County Storage Facility	414,067	2,662,278	3,076,345	23,655
Human Services Complex	8,435,396	80,150,401	88,585,797	1,663,062
Southwest Branch Library	23,336	6,274,092	6,297,428	224,999
County Stadium New Signage Project	8,250	-	8,250	216,750
Administrative Building Elevator Renovation	235,854	-	235,854	385,346
Judicial Building Renovation Phase II	558	201	759	1,960,240
Ongoing Parking Resurfacing Project	7,590	-	7,590	234,132
Ongoing HVAC Replacement Project	31,693	-	31,693	584,082
South Regional Library	8,000	9,058,483	9,066,483	618,072
Scattered Site Housing Program	-	525,234	525,234	51,707
Crim Justice Resource Center	59,561	3,626,978	3,686,539	597,635
Open Space/Farmland Preservation	591,172	6,927,888	7,519,060	3,681,695
DTCC Campus Improvements	957,507	6,349,992	7,307,499	892,501
DTCC Newton Building	-	-	-	4,000,000
DTCC Northern Durham	-	-	-	1,000,000
DTCC Main Campus Extension	-	1,800,000	1,800,000	200,000
Scattered Site Housing Project III	43,394	16,238	59,632	340,369
EMS Station #1 Renovations	17,727	204,116	221,843	1,476,656
Fiber Optic Network	-	569,620	569,620	211,380
FY12 HR ERP Upgrade	68,881	2,079,526	2,148,407	381,844
Rougemont Community Water System	72,228	-	72,228	1,197,772
Urban Ministry Sprinkler Upgrade Project	600	-	600	474,400
12 County IT Hardware Replacement	2,188,483	1,002,307	3,190,790	4,721,123
2014 800 MHZ Radio System Upgrade Project	2,900,000	-	2,900,000	-
12 Sheriff Technology Upgrade	1,928	586,490	588,418	11,482
13 Telecommunications Upgrade	88,752	-	88,752	211,248
Utility Performance Contract Project	710,816	3,764,744	4,475,560	73,440
FY12 BW Technical Upgrade	-	210,378	210,378	29,622
Single Family Rehabilitation Project	51,809	241,019	292,828	1,973
	<u>\$ 40,539,044</u>	<u>\$ 395,569,796</u>	<u>\$ 436,108,840</u>	<u>\$ 243,415,548</u>

FIDUCIARY FUNDS

Private-purpose Trust Funds

George R. Linder Memorial Private-purpose Trust Fund – to account for and report resources legally held in trust for the use of acquiring public speakers/lecturers for the Library and functions sponsored by the Library. The fund also receives gift donations to purchase books in the honor of individuals.

Vic Pearson Emergency Medical Services (EMS) Memorial Private-purpose Trust Fund – to account for and report resources legally held in trust for use of assisting EMS employees and/or their families after serious injuries, sickness and/or deaths to them or immediate family members.

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DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Net Position
Private-purpose Trust Funds
June 30, 2014**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Assets			
Cash and cash equivalents	\$ 5,781	\$ 31,839	\$ 37,620
Total assets	<u>5,781</u>	<u>31,839</u>	<u>37,620</u>
Liabilities			
Accounts payable	-	200	200
Total liabilities	<u>-</u>	<u>200</u>	<u>200</u>
Net position			
Held in trust for:			
Individuals, organizations, and other governments	5,781	31,639	37,420
Total net position	<u>\$ 5,781</u>	<u>\$ 31,639</u>	<u>\$ 37,420</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Net Position
Private-purpose Trust Funds
Year Ended June 30, 2014**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Additions			
Employee contributions	\$ -	\$ 5,479	\$ 5,479
Donations	-	314	314
Investment income	7	9	16
Total additions	<u>7</u>	<u>5,802</u>	<u>5,809</u>
Deductions			
Benefits	-	1,100	1,100
Total deductions	<u>-</u>	<u>1,100</u>	<u>1,100</u>
Change in net position	7	4,702	4,709
Total net position - beginning	<u>5,774</u>	<u>26,937</u>	<u>32,711</u>
Total net position - ending	<u>\$ 5,781</u>	<u>\$ 31,639</u>	<u>\$ 37,420</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned for specified purposes other than debt service or capital projects.

Fire Tax District Funds – to account for and report the proceeds of special district taxes for the Bethesda, Lebanon, Parkwood, Redwood, New Hope, Eno, and Bahama Volunteer Fire Departments. Payments of the amounts appropriated for the seven fire districts are made on a monthly basis during the fiscal year.

Bethesda Service Tax District Fund – to account for and report the proceeds of special service district taxes for providing fire protection to the Bethesda Rural Fire District. As of July 1, 2013, the County provides the fire services to this district. Funding is transferred from this fund to the County's general fund as a funding source for the cost of providing these fire services.

Butner Safety District Fund – to account for and report the proceeds of the special district established through State Legislation for the police and fire protection for Camp Butner State Preservation. Payments of the amounts appropriated are made to the State of North Carolina.

Special Park District Fund – to account for and report the proceeds of special district taxes for maintenance and beautification of the Research Triangle Park. Payments of the amounts appropriated are made on a monthly basis during the fiscal year.

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DURHAM COUNTY, NORTH CAROLINA

Combined Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue Funds
Assets	
Cash and cash equivalents / investments	\$ 1,173,674
Cash and cash equivalents / investments - restricted	107,749
Net property taxes receivable	70,237
Due from other governments - federal and state agencies	26,986
Total assets	<u><u>\$ 1,378,646</u></u>
Liabilities	
Accounts payable	\$ 2,462
Total liabilities	<u>2,462</u>
Deferred inflows of resources	
Prepaid taxes	16,345
Net property taxes receivable	70,237
Total deferred inflows of resources	<u>86,582</u>
Fund balances	
Assigned for subsequent year	59,703
Assigned	1,229,899
Total fund balances	<u>1,289,602</u>
Total liabilities, deferred inflow of resources and fund balances	<u><u>\$ 1,378,646</u></u>

DURHAM COUNTY, NORTH CAROLINA

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014**

	Special Revenue Funds
Revenues	
Taxes	\$ 7,407,217
Intergovernmental revenues	119,520
Investments	2,278
Total revenues	<u>7,529,015</u>
Expenditures	
Current:	
Public safety	3,831,524
Economic and physical development	734,851
Total expenditures	<u>4,566,375</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,962,640</u>
Other financing sources (uses)	
Transfers in	200,000
Transfers out	<u>(2,412,605)</u>
Total other financing sources (uses)	<u>(2,212,605)</u>
Net change in fund balances	750,035
Fund balance - beginning	<u>539,567</u>
Fund balance - ending	<u>\$ 1,289,602</u>

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DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2014

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Assets				
Cash and cash equivalents / investments	\$ 6,763	\$ 476,140	\$ 67,318	\$ 71,184
Cash and cash equivalents / investments - restricted	-	-	-	-
Net property taxes receivable	6,992	10,859	4,532	20,572
Due from other governments - federal and state agencies	-	9,288	3,635	5,513
Total assets	<u>\$ 13,755</u>	<u>\$ 496,287</u>	<u>\$ 75,485</u>	<u>\$ 97,269</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 504	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>504</u>	<u>-</u>
Deferred inflows of resources				
Prepaid taxes	-	117	9,375	6,028
Net property taxes receivable	6,992	10,859	4,532	20,572
Total deferred inflows of resources	<u>6,992</u>	<u>10,976</u>	<u>13,907</u>	<u>26,600</u>
Fund balances				
Assigned for subsequent year	-	55,203	-	-
Assigned	6,763	430,108	61,074	70,669
Total fund balances	<u>6,763</u>	<u>485,311</u>	<u>61,074</u>	<u>70,669</u>
Total liabilities , deferred inflows of resources and fund balances	<u>\$ 13,755</u>	<u>\$ 496,287</u>	<u>\$ 75,485</u>	<u>\$ 97,269</u>

			Bethesda Service Tax District	Butner Safety District Fund	Special Park District Fund	Total Nonmajor Special Revenue Funds
<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>				
\$ 28,479	\$ 32,259	\$ 163,170	\$ 291,495	\$ 21,264	\$ 15,602	\$ 1,173,674
-	-	-	107,749	-	-	107,749
977	746	4,784	17,661	139	2,975	70,237
451	329	2,432	5,300	-	38	26,986
<u>\$ 29,907</u>	<u>\$ 33,334</u>	<u>\$ 170,386</u>	<u>\$ 422,205</u>	<u>\$ 21,403</u>	<u>\$ 18,615</u>	<u>\$ 1,378,646</u>
\$ 35	\$ -	\$ 253	\$ -	\$ -	\$ 1,670	\$ 2,462
35	-	253	-	-	1,670	2,462
-	-	141	503	-	181	16,345
977	746	4,784	17,661	139	2,975	70,237
977	746	4,925	18,164	139	3,156	86,582
-	-	4,500	-	-	-	59,703
28,895	32,588	160,708	404,041	21,264	13,789	1,229,899
28,895	32,588	165,208	404,041	21,264	13,789	1,289,602
<u>\$ 29,907</u>	<u>\$ 33,334</u>	<u>\$ 170,386</u>	<u>\$ 422,205</u>	<u>\$ 21,403</u>	<u>\$ 18,615</u>	<u>\$ 1,378,646</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2014

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Revenues				
Taxes	\$ 13,520	\$ 1,119,815	\$ 1,579,597	\$ 788,193
Intergovernmental revenues	1,122	1,929	563	1,653
Investments	75	659	151	164
Total revenues	<u>14,717</u>	<u>1,122,403</u>	<u>1,580,311</u>	<u>790,010</u>
Expenditures				
Current:				
Public safety	-	486,073	1,494,672	755,391
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>486,073</u>	<u>1,494,672</u>	<u>755,391</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,717</u>	<u>636,330</u>	<u>85,639</u>	<u>34,619</u>
Other financing sources (uses)				
Transfers in	200,000	-	-	-
Transfers out	-	(527,778)	-	-
Total other financing sources (uses)	<u>200,000</u>	<u>(527,778)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	214,717	108,552	85,639	34,619
Fund balance - beginning	<u>(207,954)</u>	<u>376,759</u>	<u>(24,565)</u>	<u>36,050</u>
Fund balance - ending	<u>\$ 6,763</u>	<u>\$ 485,311</u>	<u>\$ 61,074</u>	<u>\$ 70,669</u>

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<u>Bethesda Service Tax District</u>	<u>Butner Safety District Fund</u>	<u>Special Park District Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 85,814	\$ 32,494	\$ 805,528	\$ 2,246,591	\$ 4	\$ 735,661	\$ 7,407,217
23	21	533	113,653	14	9	119,520
59	61	543	468	25	73	2,278
<u>85,896</u>	<u>32,576</u>	<u>806,604</u>	<u>2,360,712</u>	<u>43</u>	<u>735,743</u>	<u>7,529,015</u>
78,942	32,076	912,526	71,844	-	-	3,831,524
-	-	-	-	-	734,851	734,851
<u>78,942</u>	<u>32,076</u>	<u>912,526</u>	<u>71,844</u>	<u>-</u>	<u>734,851</u>	<u>4,566,375</u>
6,954	500	(105,922)	2,288,868	43	892	2,962,640
-	-	-	-	-	-	200,000
-	-	-	(1,884,827)	-	-	(2,412,605)
-	-	-	(1,884,827)	-	-	(2,212,605)
6,954	500	(105,922)	404,041	43	892	750,035
21,941	32,088	271,130	-	21,221	12,897	539,567
<u>\$ 28,895</u>	<u>\$ 32,588</u>	<u>\$ 165,208</u>	<u>\$ 404,041</u>	<u>\$ 21,264</u>	<u>\$ 13,789</u>	<u>\$ 1,289,602</u>

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Bethesda Fire Tax District Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ 13,520	\$ 13,520
Intergovernmental revenues	-	-	1,122	1,122
Investments	-	-	75	75
Total revenues	<u>-</u>	<u>-</u>	<u>14,717</u>	<u>14,717</u>
Other financing sources (uses)				
Transfers in	-	200,000	200,000	-
Transfers out	-	(50,000)	-	50,000
Appropriated fund balance	-	(150,000)	-	150,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	214,717	<u>\$ 214,717</u>
Fund balance - beginning			<u>(207,954)</u>	
Fund balance - ending			<u>\$ 6,763</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Lebanon Fire Tax District Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,059,659	\$ 1,063,159	\$ 1,119,815	\$ 56,656
Intergovernmental revenues	-	-	1,929	1,929
Investments	-	-	659	659
Total revenues	<u>1,059,659</u>	<u>1,063,159</u>	<u>1,122,403</u>	<u>59,244</u>
Expenditures				
Public safety	484,323	487,823	486,073	1,750
Total expenditures	<u>484,323</u>	<u>487,823</u>	<u>486,073</u>	<u>1,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>575,336</u>	<u>575,336</u>	<u>636,330</u>	<u>60,994</u>
Other financing sources (uses)				
Transfers out	(610,536)	(610,536)	(527,778)	82,758
Appropriated fund balance	35,200	35,200	-	(35,200)
Total other financing sources (uses)	<u>(575,336)</u>	<u>(575,336)</u>	<u>(527,778)</u>	<u>47,558</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	108,552	<u>\$ 108,552</u>
Fund balance - beginning			<u>376,759</u>	
Fund balance - ending			<u>\$ 485,311</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Parkwood Fire Tax District Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,501,988	\$ 1,503,238	\$ 1,579,597	\$ 76,359
Intergovernmental revenues	-	-	563	563
Investments	-	-	151	151
Total revenues	<u>1,501,988</u>	<u>1,503,238</u>	<u>1,580,311</u>	<u>77,073</u>
Expenditures				
Public safety	<u>1,501,988</u>	<u>1,503,238</u>	<u>1,494,672</u>	<u>8,566</u>
Total expenditures	<u>1,501,988</u>	<u>1,503,238</u>	<u>1,494,672</u>	<u>8,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>85,639</u>	<u>85,639</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 85,639	 <u>\$ 85,639</u>
 Fund balance - beginning			 <u>(24,565)</u>	
Fund balance - ending			 <u>\$ 61,074</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Redwood Fire Tax District Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 744,319	\$ 746,319	\$ 788,193	\$ 41,874
Intergovernmental revenues	-	-	1,653	1,653
Investments	-	-	164	164
Total revenues	<u>744,319</u>	<u>746,319</u>	<u>790,010</u>	<u>43,691</u>
Expenditures				
Public safety	754,319	756,319	755,391	928
Total expenditures	<u>754,319</u>	<u>756,319</u>	<u>755,391</u>	<u>928</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,000)</u>	<u>(10,000)</u>	<u>34,619</u>	<u>44,619</u>
Other financing sources (uses)				
Appropriated fund balance	10,000	10,000	-	(10,000)
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	34,619	<u>\$ 34,619</u>
Fund balance - beginning			<u>36,050</u>	
Fund balance - ending			<u>\$ 70,669</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- New Hope Fire Tax District Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 78,871	\$ 79,071	\$ 85,814	\$ 6,743
Intergovernmental revenues	-	-	23	23
Investments	-	-	59	59
Total revenues	<u>78,871</u>	<u>79,071</u>	<u>85,896</u>	<u>6,825</u>
Expenditures				
Public safety	78,871	79,071	78,942	129
Total expenditures	<u>78,871</u>	<u>79,071</u>	<u>78,942</u>	<u>129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>6,954</u>	<u>6,954</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 6,954	 <u>\$ 6,954</u>
 Fund balance - beginning			 <u>21,941</u>	
Fund balance - ending			 <u>\$ 28,895</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Eno Fire Tax District Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 32,029	\$ 32,029	\$ 32,494	\$ 465
Intergovernmental revenues	-	-	21	21
Investments	-	-	61	61
Total revenues	<u>32,029</u>	<u>32,029</u>	<u>32,576</u>	<u>547</u>
Expenditures				
Public safety	<u>32,029</u>	<u>32,229</u>	<u>32,076</u>	<u>153</u>
Total expenditures	<u>32,029</u>	<u>32,229</u>	<u>32,076</u>	<u>153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(200)</u>	<u>500</u>	<u>700</u>
Other financing sources (uses)				
Appropriated fund balance	<u>-</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Total other financing sources (uses)	<u>-</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>500</u>	<u>\$ 500</u>
Fund balance - beginning			<u>32,088</u>	
Fund balance - ending			<u>\$ 32,588</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Bahama Fire Tax District Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 800,085	\$ 800,085	\$ 805,528	\$ 5,443
Intergovernmental revenues	-	-	533	533
Investments	-	-	543	543
Total revenues	<u>800,085</u>	<u>800,085</u>	<u>806,604</u>	<u>6,519</u>
Expenditures				
Public safety	861,160	913,019	912,526	493
Total expenditures	<u>861,160</u>	<u>913,019</u>	<u>912,526</u>	<u>493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(61,075)</u>	<u>(112,934)</u>	<u>(105,922)</u>	<u>7,012</u>
Other financing sources (uses)				
Appropriated fund balance	61,075	112,934	-	(112,934)
Total other financing sources (uses)	<u>61,075</u>	<u>112,934</u>	<u>-</u>	<u>(112,934)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(105,922)</u>	<u>\$ (105,922)</u>
Fund balance - beginning			<u>271,130</u>	
Fund balance - ending			<u>\$ 165,208</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Bethesda Service Tax District Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 2,132,065	\$ 2,134,065	\$ 2,246,591	\$ 112,526
Intergovernmental revenues	-	-	113,653	113,653
Investments	-	-	468	468
Total revenues	<u>2,132,065</u>	<u>2,134,065</u>	<u>2,360,712</u>	<u>226,647</u>
Expenditures				
Public safety	-	71,000	71,844	(844)
Total expenditures	<u>-</u>	<u>71,000</u>	<u>71,844</u>	<u>(844)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,132,065</u>	<u>2,063,065</u>	<u>2,288,868</u>	<u>225,803</u>
Other financing sources (uses)				
Transfers out	(2,132,065)	(2,063,065)	(1,884,827)	178,238
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>(2,132,065)</u>	<u>(2,063,065)</u>	<u>(1,884,827)</u>	<u>178,238</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	404,041	<u>\$ 404,041</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ 404,041</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Butner Safety District Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ 4	\$ 4
Intergovernmental revenues	-	-	14	14
Investments	-	-	25	25
Total revenues	<u>-</u>	<u>-</u>	<u>43</u>	<u>43</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 43	 <u>\$ 43</u>
 Fund balance - beginning			 <u>21,221</u>	
 Fund balance - ending			 <u>\$ 21,264</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Special Park District Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 690,250	\$ 740,250	\$ 735,661	\$ (4,589)
Intergovernmental revenues	-	-	9	9
Investments	-	-	73	73
Total revenues	<u>690,250</u>	<u>740,250</u>	<u>735,743</u>	<u>(4,507)</u>
Expenditures				
Economic and physical development	690,250	740,350	734,851	5,499
Total expenditures	<u>690,250</u>	<u>740,350</u>	<u>734,851</u>	<u>5,499</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(100)</u>	<u>892</u>	<u>992</u>
Other financing sources (uses)				
Appropriated fund balance	-	100	-	(100)
Total other financing sources (uses)	<u>-</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Special items	-	-	-	-
Extraordinary items	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>892</u>	<u>\$ 892</u>
Fund balance - beginning			<u>12,897</u>	
Fund balance - ending			<u>\$ 13,789</u>	

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ENTERPRISE FUND

Sewer Utility Fund – to account for the provision of sewer utility services in the County which are financed in a manner similar to private business enterprises – where the intent is that costs of providing services be recovered primarily through user charges.

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DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual -
(Non-GAAP Basis) Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 10,824,694	\$ 11,667,559	\$ 842,865
Expenditures:			
Operating	5,389,005	4,724,788	664,217
Repairs and maintenance	338,000	210,177	127,823
Excess (deficiency) of revenues over (under) expenditures	5,097,689	6,732,594	1,634,905
Other Financing Sources (Uses):			
Capital expenses	(2,991,744)	(921,121)	2,070,623
Debt service	(3,401,010)	(3,322,232)	78,778
Investment income	10,777	32,277	21,500
Sewer connection fees	511,940	340,935	(171,005)
Intergovernmental revenues	-	780,802	780,802
Miscellaneous	-	25,889	25,889
State revolving loan proceeds	-	394,029	394,029
Total other financing sources (uses)	(5,870,037)	(2,669,421)	3,200,616
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(772,348)	4,063,173	4,835,521
Fund balance appropriated	<u>772,348</u>	<u>-</u>	<u>772,348</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 4,063,173</u>	<u>\$ 4,063,173</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2014**

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$ 4,063,173
RECONCILING ITEMS:	
Capital outlay	921,121
Debt principal payments	2,555,965
State revolving loan proceeds	(394,029)
Decrease in accrued interest payable	47,060
Decrease in accrued payroll	910
Decrease in accrued vacation	120
Increase in accrued interest receivable	9,759
Decrease in accounts receivable	(1,387)
Depreciation	(743,285)
Amortization of loss on refundings	(91,755)
Amortization of bond premium	100,275
CHANGE IN NET POSITION (GAAP BASIS)	<u>\$ 6,467,927</u>

FIDUCIARY FUNDS

Agency Funds – To account for certain escrow monies held in trust by the Department of Social Services for the accounts of designated parties; to account for funds held in trust for jail inmates; to account for funds held in trust for evidence; to account for funds held by the Sheriff’s office; to account for interest on delinquent vehicle taxes collected by the County on behalf of the State Treasurer Department of Motor Vehicles; to account for late list penalties collected on taxes by the County on behalf of the Durham Public Schools; and to account for taxes collected by the County on behalf of the City of Durham, the Town of Chapel Hill, the City of Raleigh, and the Town of Morrisville.

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014**

	Child Support Trust Fund	Sheriff's Evidence Trust Fund	Jail Inmate Trust Fund	Sheriff's Trust Fund
Assets				
Cash and cash equivalents	\$ 256,160	\$ 289,672	\$ 43,596	\$ 94,496
Accounts receivable	-	-	-	-
Net property taxes receivable	-	-	-	-
Due from governmental agencies	-	-	-	-
Total assets	<u>\$ 256,160</u>	<u>\$ 289,672</u>	<u>\$ 43,596</u>	<u>\$ 94,496</u>
Liabilities				
Funds held for others	\$ 256,160	\$ 289,672	\$ 43,596	\$ 94,496
Due to governmental agencies	-	-	-	-
Total liabilities	<u>\$ 256,160</u>	<u>\$ 289,672</u>	<u>\$ 43,596</u>	<u>\$ 94,496</u>

Durham Public School Fund	Town of Chapel Hill Tax Fund	City of Durham Tax Fund	City of Raleigh Tax Fund	Town of Morrisville Tax Fund	Totals
\$ 31,422	\$ 54,126	\$ 491,004	\$ 7,047	\$ -	\$ 1,267,523
138,416	1,631	230,074	795	14	370,930
-	19,931	1,949,726	3,454	-	1,973,111
-	15,394	1,004,460	7,780	96	1,027,730
<u>\$ 169,838</u>	<u>\$ 91,082</u>	<u>\$ 3,675,264</u>	<u>\$ 19,076</u>	<u>\$ 110</u>	<u>\$ 4,639,294</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 683,924
169,838	91,082	3,675,264	19,076	110	3,955,370
<u>\$ 169,838</u>	<u>\$ 91,082</u>	<u>\$ 3,675,264</u>	<u>\$ 19,076</u>	<u>\$ 110</u>	<u>\$ 4,639,294</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
<u>Child Support Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 170,743	\$ 1,141,664	\$ 1,056,247	\$ 256,160
Liabilities				
Funds held for others	\$ 170,743	\$ 1,141,664	\$ 1,056,247	\$ 256,160
<u>Sheriff's Evidence Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 370,583	\$ 75,976	\$ 156,887	\$ 289,672
Liabilities				
Funds held for others	\$ 370,583	\$ 75,976	\$ 156,887	\$ 289,672
<u>Jail Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 57,510	\$ 997,865	\$ 1,011,779	\$ 43,596
Liabilities				
Funds held for others	\$ 57,510	\$ 997,865	\$ 1,011,779	\$ 43,596
<u>Sheriff's Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 40,626	\$ 773,524	\$ 719,654	\$ 94,496
Liabilities				
Funds held for others	\$ 40,626	\$ 773,524	\$ 719,654	\$ 94,496
<u>State Treasurer DMV Fund</u>				
Assets				
Cash and cash equivalents	\$ 27,138	\$ 28,748	\$ 55,886	\$ -
Accounts receivable	4,347	-	4,347	-
Total assets	\$ 31,485	\$ 28,748	\$ 60,233	\$ -
Liabilities				
Due to governmental agencies	\$ 31,485	\$ 28,748	\$ 60,233	\$ -
<u>Durham Public School Fund</u>				
Assets				
Cash and cash equivalents	\$ 23,669	\$ 1,278,791	\$ 1,271,038	\$ 31,422
Accounts receivable	193,689	918,346	973,619	138,416
Total assets	\$ 217,358	\$ 2,197,137	\$ 2,244,657	\$ 169,838
Liabilities				
Due to governmental agencies	\$ 217,358	\$ 2,197,137	\$ 2,244,657	\$ 169,838

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2014**

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
<u>Town of Chapel Hill Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 65,976	\$ 5,737,774	\$ 5,749,624	\$ 54,126
Accounts receivable	7,200	22,720	28,289	1,631
Net property taxes receivable	15,955	2,701,132	2,697,156	19,931
Due from governmental agencies	-	15,394	-	15,394
Total assets	<u>\$ 89,131</u>	<u>\$ 8,477,020</u>	<u>\$ 8,475,069</u>	<u>\$ 91,082</u>
Liabilities				
Due to governmental agencies	<u>\$ 89,131</u>	<u>\$ 8,477,020</u>	<u>\$ 8,475,069</u>	<u>\$ 91,082</u>
<u>City of Durham Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 712,430	\$ 291,541,998	\$ 291,763,424	\$ 491,004
Accounts receivable	794,623	1,033,584	1,598,133	230,074
Net property taxes receivable	2,519,387	134,613,842	135,183,503	1,949,726
Due from governmental agencies	-	1,004,460	-	1,004,460
Total assets	<u>\$ 4,026,440</u>	<u>\$ 428,193,884</u>	<u>\$ 428,545,060</u>	<u>\$ 3,675,264</u>
Liabilities				
Due to governmental agencies	<u>\$ 4,026,440</u>	<u>\$ 428,193,884</u>	<u>\$ 428,545,060</u>	<u>\$ 3,675,264</u>
<u>City of Raleigh Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 14,202	\$ 1,432,925	\$ 1,440,080	\$ 7,047
Accounts receivable	6,015	14,910	20,130	795
Net property taxes receivable	4,855	624,082	625,483	3,454
Due from governmental agencies	-	7,780	-	7,780
Total assets	<u>\$ 25,072</u>	<u>\$ 2,079,697</u>	<u>\$ 2,085,693</u>	<u>\$ 19,076</u>
Liabilities				
Due to governmental agencies	<u>\$ 25,072</u>	<u>\$ 2,079,697</u>	<u>\$ 2,085,693</u>	<u>\$ 19,076</u>
<u>Town of Morrisville Tax Fund</u>				
Cash and cash equivalents	\$ 149	\$ 35,784	\$ 35,933	\$ -
Accounts receivable	40	104	130	14
Net property taxes receivable	13	37,762	37,775	-
Due from governmental agencies	-	96	-	96
Total assets	<u>\$ 202</u>	<u>\$ 73,746</u>	<u>\$ 73,838</u>	<u>\$ 110</u>
Liabilities				
Due to governmental agencies	<u>\$ 202</u>	<u>\$ 73,746</u>	<u>\$ 73,838</u>	<u>\$ 110</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 1,483,026	\$ 303,045,049	\$ 303,260,552	\$ 1,267,523
Accounts receivable	1,005,914	1,989,664	2,624,648	370,930
Net property taxes receivable	2,540,210	137,976,818	138,543,917	1,973,111
Due from governmental agencies	-	1,027,730	-	1,027,730
Total assets	<u>\$ 5,029,150</u>	<u>\$ 444,039,261</u>	<u>\$ 444,429,117</u>	<u>\$ 4,639,294</u>
Liabilities				
Funds held for others	\$ 639,462	\$ 2,989,029	\$ 2,944,567	\$ 683,924
Due to governmental agencies	4,389,688	441,050,232	441,484,550	3,955,370
Total liabilities	<u>\$ 5,029,150</u>	<u>\$ 444,039,261</u>	<u>\$ 444,429,117</u>	<u>\$ 4,639,294</u>

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**CAPITAL ASSETS, LONG-TERM DEBT
and OTHER INFORMATION**

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DURHAM COUNTY, NORTH CAROLINA

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity¹ as of June 30, 2014

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
General Government:					
County commissioners	\$ 948,128	\$ -	\$ -	\$ -	\$ -
Finance	3,435,726	-	-	-	-
Tax administration	3,412,010	-	-	-	24,345
County Attorney	12,380	-	-	-	-
Court facilities	14,441,523	-	-	14,441,523	-
Register of deeds	2,452,092	-	-	-	944,572
General services	139,465,172	4,790,491	-	132,774,793	184,147
Information Technology	6,771,766	-	-	-	1,530,253
Human resources	22,350	-	-	-	11,530
Budget	10,897	-	-	-	-
Total general government	170,972,044	4,790,491	-	147,216,316	2,694,847
Public Safety:					
Sheriff	50,781,841	1,398,962	-	39,455,838	219,120
County fire protection	1,515,842	-	-	384,060	6,744
Emergency Management	1,926,092	-	-	1,144,636	45,635
Animal control	3,792,044	-	-	3,259,400	20,704
Criminal Justice Partnership	935,318	-	-	844,521	-
Youth home	439,449	-	-	367,000	-
Emergency medical services	6,573,785	-	-	1,947,348	-
Total public safety	65,964,371	1,398,962	-	47,402,803	292,203
Environmental Protection:					
Environmental engineering	1,817,314	1,523,280	-	77,873	7,315
Open Space and Real Estate	1,999,515	647,751	1,351,764	-	-
Total Environmental Protection	3,816,829	2,171,031	1,351,764	77,873	7,315
Economic and Physical Development:					
Cooperative extension	34,495	-	-	-	-
Planning	6,500	6,500	-	-	-
Soil and Erosion	29,732	-	-	-	-
Total Economic and Physical Development	70,727	6,500	-	-	-
Human Services:					
Public health	747,888	-	-	-	-
Mental health	713,710	-	-	-	-
Social services	3,801,913	-	-	3,101,314	-
Other human services	601,832	-	-	-	-
Total human services	5,865,343	-	-	3,101,314	-

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ 948,128	\$ -	\$ -	\$ -	\$ -
43,381	-	-	3,392,345	-
111,860	9,473	287,615	2,978,717	-
-	12,380	-	-	-
-	-	-	-	-
31,650	110,272	-	1,365,598	-
832,698	19,055	855,238	8,750	-
133,904	3,291,649	-	1,815,960	-
-	10,820	-	-	-
-	10,897	-	-	-
<u>2,101,621</u>	<u>3,464,546</u>	<u>1,142,853</u>	<u>9,561,370</u>	<u>-</u>
1,142,351	248,037	6,570,510	1,747,023	-
24,811	-	1,034,138	66,089	-
557,492	5,336	95,993	77,000	-
109,351	-	364,566	38,023	-
-	-	90,797	-	-
6,195	-	66,254	-	-
<u>1,189,740</u>	<u>40,330</u>	<u>2,660,546</u>	<u>735,821</u>	<u>-</u>
<u>3,029,940</u>	<u>293,703</u>	<u>10,882,804</u>	<u>2,663,956</u>	<u>-</u>
15,795	-	193,051	-	-
-	-	-	-	-
<u>15,795</u>	<u>-</u>	<u>193,051</u>	<u>-</u>	<u>-</u>
-	-	34,495	-	-
-	-	-	-	-
-	-	<u>29,732</u>	-	-
-	-	64,227	-	-
77,205	5,700	461,755	203,228	-
42,324	6,165	-	665,221	-
33,230	52,110	399,348	215,911	-
-	-	601,832	-	-
<u>152,759</u>	<u>63,975</u>	<u>1,462,935</u>	<u>1,084,360</u>	<u>-</u>

DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹ as of June 30, 2014**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
Education:					
Public school building	\$ 8,080,942	\$ -	\$ -	\$ 8,080,942	\$ -
Cultural and Recreational:					
Library	6,877,064	-	-	6,111,610	18,347
Capital Projects:					
Construction in progress	243,406,669	-	-	-	-
Total Capital Assets	\$ 505,053,989	\$ 8,366,984	\$ 1,351,764	\$ 211,990,858	\$ 3,012,712

¹ This schedule presents only the capital asset balances related to governmental funds.

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ -	\$ -	\$ -	\$ -	\$ -
170,591	16,873	180,867	378,776	-
-	-	-	-	243,406,669
<u>\$5,470,706</u>	<u>\$ 3,839,097</u>	<u>\$ 13,926,737</u>	<u>\$ 13,688,462</u>	<u>\$ 243,406,669</u>

DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹**

Year Ended June 30, 2014

	Capital Assets July 1, 2013	Additions	Transfers and Deletions	Capital Assets June 30, 2014
General Government:				
Board of county commissioners	\$ 948,128	\$ -	\$ -	\$ 948,128
Finance	3,435,726	-	-	3,435,726
Tax administration	3,412,010	-	-	3,412,010
County attorney	12,380	-	-	12,380
Court facilities	14,441,523	-	-	14,441,523
Board of elections	25,850	-	(25,850)	-
Register of deeds	1,527,520	924,572	-	2,452,092
General services	135,106,598	4,405,463	(46,889)	139,465,172
Information Technology	12,814,288	1,759,299	(7,801,821)	6,771,766
Human Resources	22,350	-	-	22,350
Budget	-	10,897	-	10,897
Total general government	<u>171,746,373</u>	<u>7,100,231</u>	<u>(7,874,560)</u>	<u>170,972,044</u>
Public Safety:				
County sheriff	49,998,917	1,204,729	(421,805)	50,781,841
Fire marshal	709,001	2,063,136	(29,339)	2,742,798
Emergency management	699,136	-	-	699,136
Criminal justice partnership	941,318	-	(6,000)	935,318
Animal control	3,859,828	-	(67,784)	3,792,044
Youth home	433,254	6,195	-	439,449
Emergency medical services	5,438,117	1,479,531	(343,863)	6,573,785
Total public safety	<u>62,079,571</u>	<u>4,753,591</u>	<u>(868,791)</u>	<u>65,964,371</u>
Environmental Protection:				
Environmental engineering	1,828,114	-	(10,800)	1,817,314
Open Space	1,999,515	-	-	1,999,515
Total Environmental Protection	<u>3,827,629</u>	<u>-</u>	<u>(10,800)</u>	<u>3,816,829</u>

¹ This schedule presents only the capital asset balances related to governmental funds.

DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹**

Year Ended June 30, 2014

	Capital Assets July 1, 2013	Additions	Transfers and Deletions	Capital Assets June 30, 2014
Economic and Physical Development:				
Cooperative extension	\$ 34,495	\$ -	\$ -	\$ 34,495
Planning	6,500	-	-	6,500
Soil and Erosion	29,732	-	-	29,732
Total Economic and Physical Development	<u>70,727</u>	<u>-</u>	<u>-</u>	<u>70,727</u>
Human Services:				
Public health	747,888	-	-	747,888
Mental health	713,710	-	-	713,710
Social services	3,820,617	-	(18,704)	3,801,913
Other human services	413,071	188,761	-	601,832
Total human services	<u>5,695,286</u>	<u>188,761</u>	<u>(18,704)</u>	<u>5,865,343</u>
Education:				
DPS Building	<u>8,080,942</u>	<u>-</u>	<u>-</u>	<u>8,080,942</u>
Cultural and Recreational:				
Library	<u>6,860,191</u>	<u>16,873</u>	<u>-</u>	<u>6,877,064</u>
Capital Projects:				
Construction in progress	<u>240,516,504</u>	<u>14,144,131</u>	<u>(11,253,966)</u>	<u>243,406,669</u>
Total Capital Assets	<u><u>\$ 498,877,223</u></u>	<u><u>\$ 26,203,587</u></u>	<u><u>\$ (20,026,821)</u></u>	<u><u>\$ 505,053,989</u></u>

¹ This schedule presents only the capital asset balances related to governmental funds.

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2014

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-13	Issued During Year	Adjusted During Year	Defeased During Year
General Long-Term Debt						
Bonded Debt:						
PUBLIC IMPROVEMENT,SERIES 2004A (2/3 Bonds)	4.00%-5.00%	5/1/04	\$ 800,000	\$ -	\$ -	\$ -
PUBLIC IMPROVEMENT,SERIES 2004B	4.00%-5.00%	5/1/04	3,200,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2006A	4.00%-5.00%	5/1/06	2,750,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2006B	4.00%-5.00%	5/1/06	12,000,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2008A	3.50%-5.00%	5/1/08	10,100,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2008B	3.50%-5.00%	5/1/08	28,840,000	-	-	-
REFUNDING, SERIES 2009	2.00%-5.00%	11/3/09	42,904,337	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010A	2.00%-5.00%	11/10/10	19,380,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010B	3.51%-5.23%	11/10/10	34,020,000	-	-	-
REFUNDING, SERIES 2011	3.00%-5.00%	6/08/11	61,750,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2012	3.00%-5.00%	04/25/12	56,140,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING,SERIES 2014	2.00%-5.00%	06/3/14	-	44,635,000	-	-
UNAMORTIZED BOND PREMIUM			21,215,520	7,025,669	-	-
Total Bonded Debt			<u>293,099,857</u>	<u>51,660,669</u>	<u>-</u>	<u>-</u>
Other Long-Term Debt						
Installment Purchase Agreements:						
Certificates of Participation						
COPs 2009 FIXED			55,660,000	-	-	-
LOBS 2012	2.00%-5.00%	03/29/12	60,590,000	-	-	-
LOBS 2013	1.50%-5.00%	03/28/13	112,470,000	-	-	-
UNAMORTIZED BOND PREMIUM			16,306,572	-	-	-
Total Certificates Of Participation			<u>245,026,572</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Agreements						
Total Installment Purchase Agreements			<u>43,123,317</u>	<u>23,706,685</u>	<u>-</u>	<u>51,200,000</u>
Earned Vacation Pay			288,149,889	23,706,685	-	51,200,000
Net OPEB Obligation			6,941,126	-	3,969,264	-
Total Other Long-Term Debt			<u>40,984,987</u>	<u>23,706,685</u>	<u>12,044,533</u>	<u>51,200,000</u>
Total General Long-Term Debt			<u>\$ 629,175,859</u>	<u>\$ 75,367,354</u>	<u>\$ 12,044,533</u>	<u>\$ 51,200,000</u>

Due Fiscal Year 2013-2014		Amount Outstanding 6-30-14	Due Fiscal Year 2014 - 2015		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 800,000	\$ 32,000	\$ -	\$ -	\$ -	\$ -
3,200,000	136,000	-	-	-	-
750,000	127,500	2,000,000	1,000,000	90,000	1,000,000
4,000,000	490,000	8,000,000	4,000,000	330,000	4,000,000
400,000	443,250	9,700,000	400,000	427,250	9,300,000
1,050,000	1,289,438	27,790,000	1,050,000	1,254,000	26,740,000
118,468	2,087,333	42,785,869	5,580,597	2,082,594	37,205,272
3,190,000	889,250	16,190,000	3,215,000	729,125	12,975,000
-	1,480,630	34,020,000	-	1,480,630	34,020,000
-	2,741,750	61,750,000	3,905,000	2,673,650	57,845,000
8,410,000	2,458,519	47,730,000	2,920,000	2,122,119	44,810,000
-	-	44,635,000	2,230,000	1,685,790	42,405,000
1,582,828	-	26,658,361	1,924,868	-	24,733,493
23,501,296	12,175,670	321,259,230	26,225,465	12,875,158	295,033,765
3,095,000	2,600,156	52,565,000	3,095,000	2,483,806	49,470,000
3,190,000	2,333,075	57,400,000	3,190,000	2,237,375	54,210,000
3,750,000	5,672,063	108,720,000	3,745,000	4,752,288	104,975,000
307,715	-	15,998,853	627,031	-	15,371,822
10,342,715	10,605,294	234,683,853	10,657,031	9,473,469	224,026,822
2,308,348	534,531	13,321,654	1,828,897	182,899	11,492,757
63,851,067	11,139,825	248,005,507	12,485,928	9,656,368	235,519,579
3,850,737	-	7,059,653	4,448,760	-	2,610,893
2,494,942	-	46,565,314	-	-	46,565,314
70,196,746	11,139,825	301,630,474	16,934,688	9,656,368	284,695,786
\$ 93,698,042	\$ 23,315,495	\$ 622,889,704	\$ 43,160,153	\$ 22,531,526	\$ 579,729,551

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2014 (continued)

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-13	Issued During Year	Adjusted During Year	Defeased During Year
Proprietary Debt						
Enterprise Fund:						
Refunding, Series 2009	3.00%-4.75%	12/1/02	\$ 2,015,663	\$ -	\$ -	\$ -
Enterprise Revolving Loan	2.22%	7/1/10	3,157,553	-	-	-
Enterprise Revolving Loan II	2.22%	7/1/10	10,250,714	394,029	-	-
Revenue Bonds Refunding, Series 2012	2.49%	08/23/12	10,845,000	-	-	-
Unamortized Bond Premium			765,140	-	-	-
Total Enterprise Fund Bonded Debt			<u>27,034,070</u>	<u>394,029</u>	<u>-</u>	<u>-</u>
Earned Vacation Pay			104,501	-	42,449	-
Total Proprietary Debt			<u>\$ 27,138,571</u>	<u>\$ 394,029</u>	<u>\$ 42,449</u>	<u>\$ -</u>
Total General Long-Term and Proprietary Debt			<u>\$ 656,314,430</u>	<u>\$ 75,761,383</u>	<u>\$ 12,086,982</u>	<u>\$ 51,200,000</u>

Due Fiscal Year 2013-2014		Amount Outstanding 6-30-14	Due Fiscal Year 2014-2015		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 711,532	\$ 87,567	\$ 1,304,131	\$ 699,403	\$ 59,106	\$ 604,728
657,196	70,098	2,500,357	138,909	55,508	2,361,448
532,236	333,752	10,112,507	532,237	224,498	9,580,270
655,000	270,041	10,190,000	670,000	253,731	9,520,000
100,275	-	664,865	100,275	-	564,590
<u>2,656,239</u>	<u>761,458</u>	<u>24,771,860</u>	<u>2,140,824</u>	<u>592,843</u>	<u>22,631,036</u>
42,569	-	104,381	63,936	-	40,445
<u>\$ 2,698,808</u>	<u>\$ 761,458</u>	<u>\$ 24,876,241</u>	<u>\$ 2,204,760</u>	<u>\$ 592,843</u>	<u>\$ 22,671,481</u>
<u>\$ 96,396,850</u>	<u>\$ 24,076,953</u>	<u>\$ 647,765,945</u>	<u>\$ 45,364,913</u>	<u>\$ 23,124,369</u>	<u>\$ 602,401,032</u>

DURHAM COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy Year Ended June 30, 2014

Property Valuations	
Real property	\$ 25,254,108,336
Personal property	3,300,458,222
Public service	489,915,862
DMV-registered vehicles	<u>2,980,521,352</u>
Total subject to tax	<u>\$ 32,025,003,772</u>
Real property/personal property/corporate excess levy	\$ 356,535,360
DMV -registered vehicles levy	<u>30,830,373</u>
Gross Levy	\$ 387,365,733
Abatements/discoveries	<u>267,600</u>
Net Levy	387,633,333
Uncollected at June 30, 2014	<u>2,564,474</u>
Current year taxes collected	<u>\$ 385,068,859</u>
Percent of current taxes collected	<u>99.34%</u>

This schedule includes current year levy and collections for the Agency Funds and excludes current year levy and collections of Special Revenue Funds.

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable By Fund
Year Ended June 30, 2014**

Year of Levy	Uncollected Balance July 1, 2013	Current Year Gross Levy	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2014
2013	\$ -	\$ 387,365,733	\$ 385,068,859	\$ 267,600	\$ 2,564,474
2012	4,009,648	-	2,649,446	(300,482)	1,059,720
2011	886,255	-	(67,418)	(613,214)	340,459
2010	766,532	-	137,951	(71,225)	557,356
2009	365,156	-	44,992	(110,382)	209,782
2008	185,102	-	18,419	(6,337)	160,346
2007 and prior	317,736	-	9,590	(69,421)	238,725
	<u>\$ 6,530,429</u>	<u>\$ 387,365,733</u>	<u>\$ 387,861,839</u>	<u>\$ (903,461)</u>	<u>5,130,862</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(12,979)</u>
Ad valorem taxes receivable (net)					<u>\$ 5,117,883</u>
Receivable by fund, net:					
General Fund			\$ 2,849,177		
Capital financing			<u>295,595</u>		
General Fund					3,144,772
City of Durham			1,949,726		
City of Chapel Hill			19,931		
City of Raleigh			<u>3,454</u>		
Agency funds					<u>1,973,111</u>
					<u>\$ 5,117,883</u>

Note: This schedule includes the general fund and agency funds.

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable by Levy Year
Year Ended June 30, 2014**

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 387,365,733	\$ 385,068,859	\$ 267,600	\$ 2,564,474
2012-2013	4,009,648	-	2,649,446	(300,482)	1,059,720
2011-2012	886,255	-	(67,418)	(613,214)	340,459
2010-2011	766,532	-	137,951	(71,225)	557,356
2009-2010	365,156	-	44,992	(110,382)	209,782
2008-2009	185,102	-	18,419	(6,337)	160,346
2007 and prior	317,736	-	9,590	(69,421)	238,725
	<u>\$ 6,530,429</u>	<u>\$ 387,365,733</u>	<u>\$ 387,861,839</u>	<u>\$ (903,461)</u>	<u>5,130,862</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(12,979)</u>
Ad valorem taxes receivable (net)					<u>\$ 5,117,883</u>
Reconciliation with revenues:					
Taxes - ad valorem - governmental funds					\$ 244,880,405
Taxes - ad valorem - agency funds					<u>142,981,434</u>
Total collections and credits					<u>\$ 387,861,839</u>

Note: This schedule includes the general fund and agency funds.

STATISTICAL SECTION
(TAB)

FINANCIAL TRENDS INFORMATON

Schedule of Net Position by Component

This schedule is a summary of the County's net position for the last 10 fiscal years. Information can be obtained from the Statement of Net Position in the financial statements for each of the fiscal years. The Net Position must be presented in the three different components and in the aggregate.

Schedule of Changes in Net Position

This schedule is a summary of the changes in net position for the last 10 fiscal years. Information can be obtained from the Statement of Activities in the financial statements for each of the fiscal years.

Schedule of Fund Balances, Governmental Funds

This schedule is a summary of the governmental funds fund balances for the last 10 fiscal years. Information can be obtained from the Governmental Funds Balance Sheet in the financial statements for each of the fiscal years. The General Fund is reported in five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent; nonspendable, restricted, committed, assigned and unassigned fund balance. The remaining Governmental Funds are grouped together but split out into the appropriate fund balance classifications.

Schedule of Changes in Fund Balances of Governmental Funds

This schedule is required to show three items: the net change in fund balance over the last 10 fiscal years, provide the debt service as a percentage of noncapital expenditures ratio, and debt service must be broken out into principal and interest. The schedule also shows the revenues by source and expenditures by function. This information can be obtained from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances in the financial statements for each of the fiscal years.

Government-wide Expenses by Function

This schedule is a summary of the expenses by functional area for the last 10 fiscal years. Information can be obtained from the Statement of Activities in the financial statements for each of the fiscal years.

Government-wide Revenues

This schedule is a summary of the revenues by source for the last 10 fiscal years. Information can be obtained from the Statement of Activities in the financial statements for each of the fiscal years.

General Government Expenditures by Function

This schedule is a summary of general government expenditures by function for the last 10 fiscal years for all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Community Health Trust Fund. This information can be obtained from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances in the financial statements for each of the fiscal years.

General Government Revenues by Source

This schedule is a summary of general government revenues by source for the last 10 fiscal years for all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Community Health Trust Fund. This information can be obtained from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances in the financial statements for each of the fiscal years.

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DURHAM COUNTY, NORTH CAROLINA

**Net Position by Component
Last Ten Fiscal Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 58,793,546	\$ 63,614,759	\$ 80,186,886	\$ 126,736,015	\$ 50,531,593	\$ 34,361,023	\$ 70,418,094	\$ 20,244,058	\$ 7,789,264	\$ 20,701,314
Restricted	99,001,424	130,208,539	110,473,407	148,287,555	268,604,489	176,971,865	122,052,513	95,772,487	81,325,452	52,415,572
Unrestricted	(79,696,301)	(98,865,832)	(82,503,842)	(134,159,338)	(197,614,990)	(141,958,766)	(159,248,940)	(109,675,884)	(94,227,528)	(69,263,012)
Total governmental activities net position	<u>\$ 78,098,669</u>	<u>\$ 94,957,466</u>	<u>\$ 108,156,451</u>	<u>\$ 140,864,232</u>	<u>\$ 121,521,092</u>	<u>\$ 69,374,122</u>	<u>\$ 33,221,667</u>	<u>\$ 6,340,661</u>	<u>\$ (5,112,812)</u>	<u>\$ 3,853,874</u>
Business-type activities										
Net investment in capital assets	\$ 20,812,310	\$ 24,680,549	\$ 27,357,125	\$ 28,475,844	\$ 31,884,317	\$ 34,304,997	\$ 37,969,224	\$ 46,827,067	\$ 44,714,405	\$ 47,154,452
Restricted	750,592	963,121	2,180,110	6,217,552	6,263,697	6,303,037	7,635,822	8,650,213	6,232,518	7,854,486
Unrestricted	10,471,031	10,636,796	10,104,513	8,481,270	8,850,009	10,980,746	13,012,822	15,010,061	19,318,687	21,724,599
Total business-type activities net position	<u>\$ 32,033,933</u>	<u>\$ 36,280,466</u>	<u>\$ 39,641,748</u>	<u>\$ 43,174,666</u>	<u>\$ 46,998,023</u>	<u>\$ 51,588,780</u>	<u>\$ 58,617,868</u>	<u>\$ 70,487,341</u>	<u>\$ 70,265,610</u>	<u>\$ 76,733,537</u>
Primary government										
Net investment in capital assets	\$ 79,605,856	\$ 88,295,308	\$ 107,544,011	\$ 155,211,859	\$ 82,415,910	\$ 68,666,020	\$ 108,387,318	\$ 67,071,125	\$ 52,503,669	\$ 67,855,766
Restricted	99,752,016	131,171,660	112,653,517	154,505,107	274,868,186	183,274,902	129,688,335	104,422,700	87,557,970	60,270,058
Unrestricted	(69,225,270)	(88,229,036)	(72,399,329)	(125,678,068)	(188,764,981)	(130,978,020)	(146,236,118)	(94,665,823)	(74,908,841)	(47,538,413)
Total primary government net position	<u>\$ 110,132,602</u>	<u>\$ 131,237,932</u>	<u>\$ 147,798,199</u>	<u>\$ 184,038,898</u>	<u>\$ 168,519,115</u>	<u>\$ 120,962,902</u>	<u>\$ 91,839,535</u>	<u>\$ 76,828,002</u>	<u>\$ 65,152,798</u>	<u>\$ 80,587,411</u>

DURHAM COUNTY, NORTH CAROLINA

**Changes in Net Position
Last Ten Fiscal Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 26,351,619	\$ 28,142,742	\$ 61,082,121	\$ 53,369,519	\$ 47,393,464	\$ 12,365,748	\$ 45,989,651	\$ 50,482,000	\$ 57,034,487	\$ 55,772,804
Public safety	45,099,164	52,182,047	49,069,987	51,025,747	52,889,080	55,255,454	53,964,797	54,806,448	57,767,228	61,569,018
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Economic and physical development	2,243,791	3,246,027	10,262,137	4,483,362	6,746,267	28,751,080	5,272,311	4,616,413	4,916,125	5,490,387
Environmental protection	2,760,078	2,817,714	3,022,401	3,261,121	3,800,698	2,456,029	3,542,985	3,694,850	3,632,359	3,657,826
Human services	341,183,062	344,328,289	371,034,045	405,376,336	437,677,600	108,607,392	109,093,936	115,743,251	88,141,193	85,440,041
Education	104,106,885	105,485,526	106,234,157	117,349,760	143,520,618	176,005,516	185,533,592	159,834,958	151,919,349	148,666,331
Cultural and recreational	7,375,565	11,569,884	12,136,121	10,909,020	11,998,176	25,220,574	12,510,214	12,075,639	11,688,669	12,671,110
Nondepartmental	11,197,360	15,342,913	-	-	-	-	-	-	-	-
Interest and fiscal charges	16,740,531	11,422,405	15,535,909	14,218,611	14,785,542	11,499,010	17,368,443	17,226,788	19,814,600	22,953,477
Total governmental activities	557,070,555	574,550,047	628,389,378	660,005,976	718,823,945	420,173,303	433,288,429	418,492,847	394,926,510	396,233,494
Business-type activities:										
Sewer utility	5,306,714	4,210,944	5,124,493	5,870,964	5,277,448	5,061,620	5,356,000	5,563,907	5,761,082	6,387,907
Total primary government expenses	562,377,269	578,760,991	633,513,871	665,876,940	724,101,393	425,234,923	438,644,429	424,056,754	400,687,592	402,621,401
Program Revenues										
Governmental activities:										
Charges for services:										
General government	7,419,425	8,427,778	8,787,807	9,670,581	8,052,809	8,835,568	8,399,578	9,276,517	9,250,904	9,710,327
Public safety	7,100,689	7,958,685	9,458,116	9,205,688	(272,050)	7,062,164	6,608,128	7,873,528	8,376,150	8,861,551
Transportation	15,323	-	-	-	-	-	-	-	-	-
Economic and physical development	10,588	10,588	5,956	15,523	25,867	47,284	21,352	13,564	24,524	18,654
Environmental protection	5,824,811	7,183,222	2,858,342	2,652,468	2,279,440	2,464,213	2,228,883	2,095,494	2,441,809	2,898,313
Human services	28,870,290	27,649,080	4,470,817	6,478,384	4,895,166	4,804,562	4,890,085	4,580,101	4,750,608	4,354,144
Cultural and recreational	279,545	260,841	289,708	233,515	236,530	234,076	270,157	284,754	298,180	299,711
Operating grants and contributions:										
General government	2,463,328	2,590,512	2,505,275	2,240,883	1,795,706	3,160,839	3,524,446	3,349,194	2,807,583	4,464,142
Public safety	2,148,442	3,231,746	4,262,803	2,604,222	4,970,328	5,445,725	4,522,824	4,544,100	4,483,911	4,549,651
Economic and physical development	380,608	440,969	551,745	711,079	1,685,798	1,453,149	1,086,038	857,200	732,984	588,110
Environmental protection	-	-	-	10,476	45,221	45,083	41,268	103,703	62,078	52,678
Human services	273,354,673	275,404,044	328,749,307	352,332,661	390,413,674	69,803,505	66,461,771	70,908,533	44,706,570	40,084,357
Cultural and recreational	250,378	386,952	297,356	263,204	362,201	322,150	268,013	246,509	223,253	266,690
Capital grants and contributions:										
General government	416,024	-	45,271	113,804	5,319,847	1,000,000	6,079,370	1,213,509	1,044,849	1,123,462
Public safety	24,580	-	-	-	-	-	-	-	257,499	1,341,125
Environmental protection	-	335,000	419,511	500,000	501,087	250,691	1,390,353	3,191,675	-	-
Education	140,637	2,565,712	8,083,680	26,352,299	13,481,375	1,063,268	1,086,766	172,946	102,473	1,469,322
Cultural and recreational	-	-	-	-	-	-	-	-	96,181	-
Total governmental activities program revenues	328,699,341	336,445,129	370,785,694	413,384,787	433,792,999	105,992,277	106,879,032	108,711,327	79,659,556	80,082,237
Business-type activities:										
Charges for services: sewer utility	5,376,090	7,650,033	7,848,710	8,333,612	8,595,153	9,563,353	10,594,336	11,181,310	11,748,514	12,007,107
Capital grants and contributions: sewer utility	-	159,600	-	126,416	164,857	32,330	1,784,691	6,260,051	471,600	780,802
Total business-type activities program revenues	5,376,090	7,809,633	7,848,710	8,460,028	8,760,010	9,595,683	12,379,027	17,441,361	12,220,114	12,787,909
Total primary government program revenues	334,075,431	344,254,762	378,634,404	421,844,815	442,553,009	115,587,960	119,258,059	126,152,688	91,879,670	92,870,146

DURHAM COUNTY, NORTH CAROLINA

**Changes in Net Position (continued)
Last Ten Fiscal Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	\$(228,371,214)	\$(238,104,918)	\$(257,603,684)	\$(246,621,189)	\$(285,030,946)	\$(314,181,026)	\$(326,409,397)	\$(309,781,520)	\$(315,266,954)	\$(316,151,257)
Business-type activities	69,376	3,598,689	2,724,217	2,589,064	3,482,562	4,534,063	7,023,027	11,877,454	6,459,032	6,400,002
Total primary government net expense	<u>\$(228,301,838)</u>	<u>\$(234,506,229)</u>	<u>\$(254,879,467)</u>	<u>\$(244,032,125)</u>	<u>\$(281,548,384)</u>	<u>\$(309,646,963)</u>	<u>\$(319,386,370)</u>	<u>\$(297,904,066)</u>	<u>\$(308,807,922)</u>	<u>\$(309,751,255)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	165,038,984	174,904,779	180,257,334	197,270,197	204,580,914	208,903,551	222,573,221	224,187,284	229,853,877	244,922,483
Property taxes, levied for fire districts	3,739,469	3,985,570	4,067,755	4,857,931	5,461,784	5,664,512	5,669,812	5,803,682	6,064,378	6,661,282
Property taxes, levied for other districts purposes	324,597	327,758	323,940	671,192	656,807	714,072	723,815	713,502	739,049	736,793
Local option sales tax	45,384,056	49,624,207	55,347,250	56,069,488	47,108,208	41,675,831	44,546,245	51,371,060	59,047,561	61,414,402
Occupancy tax	2,433,608	2,210,411	2,466,816	2,640,307	2,211,214	1,932,872	2,116,103	2,246,761	2,436,586	2,592,696
Animal tax	482,165	443,996	437,639	405,546	938,241	907,395	1,184,766	915,504	540,618	(1,277,314)
Gross receipts tax	185,738	199,465	204,714	220,678	230,687	329,430	333,207	345,126	347,226	406,605
Investment and interest income	9,320,860	10,141,571	13,321,460	7,650,534	3,123,327	3,216,562	7,335,369	9,886,557	1,977,962	5,086,255
Other revenues	11,139,896	12,923,685	14,127,991	813,880	1,096,491	1,047,400	5,774,404	8,604,913	4,709,427	4,574,741
Amortization of bond premium	193,174	202,273	247,770	251,141	280,133	-	-	-	-	-
Total governmental activities	<u>238,242,547</u>	<u>254,963,715</u>	<u>270,802,669</u>	<u>270,850,894</u>	<u>265,687,806</u>	<u>264,391,625</u>	<u>290,256,942</u>	<u>304,074,389</u>	<u>305,716,684</u>	<u>325,117,943</u>
Business-type activities:										
Investment and interest income	626,115	611,070	603,131	847,304	306,961	52,902	5,121	(7,981)	29,074	42,036
Other revenues	-	2,940	100	62,716	-	3,792	940	-	493	25,889
Amortization of bond premium	33,834	33,834	33,834	33,834	33,834	-	-	-	-	-
Total business-type activities	<u>659,949</u>	<u>647,844</u>	<u>637,065</u>	<u>943,854</u>	<u>340,795</u>	<u>56,694</u>	<u>6,061</u>	<u>(7,981)</u>	<u>29,567</u>	<u>67,925</u>
Total primary government	<u>238,902,496</u>	<u>255,611,559</u>	<u>271,439,734</u>	<u>271,794,748</u>	<u>266,028,601</u>	<u>264,448,319</u>	<u>290,263,003</u>	<u>304,066,408</u>	<u>305,746,251</u>	<u>325,185,868</u>
Change in Net Position										
Government activities	9,871,333	16,858,797	13,198,985	24,229,705	(19,343,140)	(49,789,401)	(36,152,455)	(5,707,131)	(9,550,270)	8,966,686
Business-type activities	729,325	4,246,533	3,361,282	3,532,918	3,823,357	4,590,757	7,029,088	11,869,473	6,488,599	6,467,927
Total primary government	<u>\$ 10,600,658</u>	<u>\$ 21,105,330</u>	<u>\$ 16,560,267</u>	<u>\$ 27,762,623</u>	<u>\$ (15,519,783)</u>	<u>\$ (45,198,644)</u>	<u>\$ (29,123,367)</u>	<u>\$ 6,162,342</u>	<u>\$ (3,061,671)</u>	<u>\$ 15,434,613</u>

Notes:

- (1) Investment and rental income were combined and reported until Fiscal Year 2007. Therefore, the amounts in "Investments" for Fiscal Years 2005 and 2006 represent both investments and rental income. As of Fiscal Year 2007, rental income is reported as program revenue of the function that generates the revenue.
- (2) As of Fiscal Year 2007, the County no longer reports "Nondepartmental" revenues and expenses. These revenues and expenses are now reported in the function they pertain to, general government.
- (3) As of Fiscal Year 2010, the amortization of the bond premium is no longer reported under "General Revenues and Other Changes in Net Assets" but rather as a component of interest and fiscal charges expense.

DURHAM COUNTY, NORTH CAROLINA

**Fund Balances, Governmental Funds
Last Ten Fiscal Years**

June 30	General Fund						All Other Governmental Funds						All Governmental Funds
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Total
2014	\$ 1,015,631	\$ 30,579,201	\$ 59,573,800	\$ 13,961,475	\$ 42,228,729	\$ 147,358,836	\$ 5,000	\$ 3,720,664	\$ -	\$ 45,814,049	\$ -	\$ 49,539,713	\$ 196,898,549
2013	1,002,364	30,539,412	51,109,294	16,348,230	35,630,010	134,629,310	-	10,529,068	-	56,003,778	(232,519)	66,300,327	200,929,637
2012	1,055,346	30,431,788	47,694,892	11,612,648	45,477,059	136,271,733	-	21,048,123	-	46,976,875	-	68,024,998	204,296,731
2011	869,092	25,392,181	33,904,565	8,148,653	49,205,996	117,520,487	-	33,189,054	-	51,139,509	-	84,328,563	201,849,050
2010	810,373	27,702,979	26,675,483	6,203,505	40,241,722	101,634,062	-	41,636,490	-	76,976,301	-	118,612,791	220,246,853
2009	790,316	27,353,153	18,151,896	7,592,000	38,300,379	92,187,744	33,922	82,039,274	-	93,713,294	-	175,786,490	267,974,234
2008	802,015	32,479,932	12,053,302	17,548,466	32,229,265	95,112,980	-	20,341,463	-	98,329,236	-	118,670,699	213,783,679
2007	767,010	27,586,231	12,865,309	19,209,735	32,375,511	92,803,796	-	333,754	-	105,117,653	-	105,451,407	198,255,203
2006	677,533	25,557,710	4,912,289	14,232,400	29,881,008	75,260,940	-	1,108,764	-	130,877,671	-	131,986,435	207,247,375
2005	469,045	31,151,323	4,547,678	14,990,000	16,378,545	67,536,591	-	2,742,602	-	90,120,604	-	92,863,206	160,399,797

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

DURHAM COUNTY, NORTH CAROLINA

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 217,778,065	\$ 231,888,087	\$ 243,726,551	\$ 262,694,951	\$ 259,542,906	\$ 260,158,664	\$ 277,130,082	\$ 285,218,594	\$ 299,126,290	\$ 317,692,860
Licenses and permits	4,065,033	5,312,774	880,944	1,049,599	744,881	688,093	703,439	794,976	826,580	1,357,467
Intergovernmental	92,975,384	97,702,568	126,958,857	132,739,075	129,353,073	82,439,834	84,463,129	84,587,369	54,163,701	54,190,412
Investments	9,297,592	10,073,093	12,776,308	7,764,319	3,039,158	5,021,717	3,617,037	2,543,564	4,637,119	4,600,076
Rent	-	-	1,985,592	2,088,862	607,818	507,071	555,648	591,285	824,104	1,077,167
Charges for services	43,684,623	44,676,761	21,906,991	23,815,640	20,891,632	22,062,286	21,226,569	22,667,005	23,350,074	23,450,422
Other revenues	11,139,896	12,923,685	14,127,991	659,642	943,020	753,316	5,519,764	8,282,993	4,372,836	4,563,275
Total revenues	<u>378,940,593</u>	<u>402,576,968</u>	<u>422,363,234</u>	<u>430,812,088</u>	<u>415,122,488</u>	<u>371,630,981</u>	<u>393,215,668</u>	<u>404,685,786</u>	<u>387,300,704</u>	<u>406,931,679</u>
Expenditures										
General government	24,030,548	25,873,688	53,083,781	40,055,970	43,642,897	47,288,312	85,546,409	74,378,948	69,537,969	51,067,380
Public safety	42,812,116	45,997,598	48,084,025	49,037,837	51,260,744	51,139,790	52,050,280	53,832,256	56,386,531	60,700,087
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Economic and physical development	2,986,331	2,725,118	3,250,610	4,468,630	6,726,068	5,378,982	5,158,399	4,606,868	4,914,778	5,479,543
Environmental protection	2,403,268	2,821,303	2,991,804	10,742,700	8,853,660	30,505,276	26,494,114	20,700,688	20,301,762	13,469,306
Human services	155,505,806	158,201,370	156,237,699	172,690,598	162,360,553	107,552,239	108,524,800	109,066,287	91,592,879	85,339,186
Education	83,044,943	89,560,342	96,175,984	135,475,191	154,707,374	143,481,659	185,338,838	159,632,934	151,717,325	148,464,307
Cultural and recreational	7,492,517	8,188,661	9,894,487	11,508,607	14,618,455	20,714,654	13,687,066	12,032,600	11,454,684	12,348,532
Nondepartmental	11,197,360	15,342,913	-	-	-	-	-	-	-	-
Capital projects	41,033,820	37,337,665	23,050,573	-	-	-	-	-	-	-
Debt service:										
Principal retirement	21,476,140	23,163,537	25,140,527	25,249,056	27,266,955	25,431,125	53,158,145	109,738,119	34,520,922	34,261,816
Interest and fiscal charges	13,440,112	12,771,432	14,362,230	13,257,396	14,376,279	16,568,325	16,477,835	17,434,904	19,468,651	23,354,161
Debt issuance costs	-	-	123,167	83,939	1,546,769	994,584	1,060,066	1,115,755	818,130	644,769
Amortization of lease discount	1,150,000	1,150,000	1,150,000	1,150,000	-	-	-	-	-	-
Total expenditures	<u>406,585,461</u>	<u>423,146,127</u>	<u>433,557,387</u>	<u>463,732,424</u>	<u>485,372,254</u>	<u>449,067,446</u>	<u>547,508,452</u>	<u>562,551,859</u>	<u>460,726,131</u>	<u>435,141,587</u>
Excess of revenues over (under) expenditures	<u>(27,644,868)</u>	<u>(20,569,159)</u>	<u>(11,194,153)</u>	<u>(32,920,336)</u>	<u>(70,249,766)</u>	<u>(77,436,465)</u>	<u>(154,292,784)</u>	<u>(157,866,073)</u>	<u>(73,425,427)</u>	<u>(28,209,908)</u>
Other Financing Sources (Uses)										
Transfers in	39,523,513	43,462,928	49,535,192	54,831,910	50,509,388	52,852,625	52,214,136	114,501,549	61,645,051	73,181,182
Transfers out	(39,523,513)	(43,462,928)	(49,493,211)	(54,677,672)	(50,349,388)	(52,558,541)	(51,959,497)	(114,179,629)	(61,308,460)	(73,169,716)
Costs on issuance of debt	-	(1,000)	-	-	-	-	-	-	-	-
Premium on issuance of debt	-	982,737	-	404,574	1,207,038	-	3,738,451	7,299,951	-	-
Issuance of bonds	-	60,605,000	-	46,190,000	-	-	60,000,000	49,105,000	-	-
Premium on issuance of refinancing	-	-	-	-	-	-	-	-	-	7,025,669
Issuance of refunding bonds	-	-	-	-	-	49,171,920	71,955,824	73,276,601	125,002,399	44,635,000
Payment to refunded debt escrow agent	-	-	-	-	-	(48,776,331)	(71,425,002)	(72,630,409)	(124,462,399)	(51,200,000)
Issuance of installment purchases	1,410,000	5,830,000	2,160,000	1,700,000	123,073,283	29,019,411	71,371,069	102,940,691	66,114,555	23,706,685
Total other financing sources (uses)	<u>1,410,000</u>	<u>67,416,737</u>	<u>2,201,981</u>	<u>48,448,812</u>	<u>124,440,321</u>	<u>29,709,084</u>	<u>135,894,981</u>	<u>160,313,754</u>	<u>66,991,146</u>	<u>24,178,820</u>
Net change in fund balances	<u>\$ (26,234,868)</u>	<u>\$ 46,847,578</u>	<u>\$ (8,992,172)</u>	<u>\$ 15,528,476</u>	<u>\$ 54,190,555</u>	<u>\$ (47,727,381)</u>	<u>\$ (18,397,803)</u>	<u>\$ 2,447,681</u>	<u>\$ (6,434,281)</u>	<u>\$ (4,031,088)</u>

Debt service as a percentage of noncapital expenditures	9.35%	9.20%	9.75%	9.69%	9.80%	9.95%	15.00%	24.92%	13.08%	14.02%
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Notes:

- (1) Investment and rental income were combined and reported until Fiscal Year 2007. Therefore, the amounts in "Investments" for Fiscal Years 2002 through 2006 represent both investments and rental income.
- (2) As of Fiscal Year 2007, the County no longer reports "Nondepartmental" expenditures. These expenditures are now reported in general government.
- (3) As of Fiscal Year 2008, the County no longer reports "Capital project" expenditures separately in one line item. These expenditures are now reported in the functional areas they pertain to.
- (4) As of Fiscal Year 2014, the County reports the premium on the issuance of refunding bonds in a separate line item. Prior to fiscal year 2014 they were included in the "issuance of refunding bonds" with the new refunding debt issued.

DURHAM COUNTY, NORTH CAROLINA

Government-wide Expenses by Function Last Ten Fiscal Years

Fiscal Year Ended	General Government	Public Safety	Transportation	Economic and Physical Development	Environmental Protection	Human Services
2005	\$ 26,351,619	\$ 45,099,164	\$ 12,500	\$ 2,243,791	\$ 2,760,078	\$ 341,183,062
2006	28,142,742	52,182,047	12,500	3,246,027	2,817,714	344,328,289
2007	61,082,121	49,069,987	12,500	10,262,137	3,022,401	371,034,045
2008	53,369,519	51,025,747	12,500	4,483,362	3,261,121	405,376,336
2009	47,393,464	52,889,080	12,500	6,746,267	3,800,698	437,677,600
2010	12,365,748	55,255,454	12,500	28,751,080	2,456,029	108,607,392
2011	45,989,651	53,964,797	12,500	5,272,311	3,542,985	109,093,936
2012	50,482,000	54,806,448	12,500	4,616,413	3,694,850	115,743,251
2013	57,034,487	57,767,228	12,500	4,916,125	3,632,359	88,141,193
2014	55,772,804	61,569,018	12,500	5,490,387	3,657,826	85,440,041

Notes:

- (1) As of Fiscal Year 2007, the County no longer reports "Nondepartmental" expenses. These expenses are now reported in the function they pertain to, general government.
- (2) As of Fiscal Year 2010, the County no longer reports direct costs in the statement of activities' expenses with full note disclosure. The direct costs are now only disclosed in the notes to the financial statements.

Education	Cultural and Recreational	Nondepartmental Charges	Interest and Fiscal Charges	Sewer Utility	Total
\$ 104,106,885	\$ 7,375,565	\$ 11,197,360	\$ 16,740,531	\$ 5,306,714	\$ 562,377,269
105,485,526	11,569,884	15,342,913	11,422,405	4,210,944	578,760,991
106,234,157	12,136,121	-	15,535,909	5,124,493	633,513,871
117,349,760	10,909,020	-	14,218,611	5,870,964	665,876,940
143,520,618	11,998,176	-	14,785,542	5,277,448	724,101,393
176,005,516	25,220,574	-	11,499,010	5,061,620	425,234,923
185,533,592	12,510,214	-	17,368,443	5,356,000	438,644,429
159,834,958	12,075,639	-	17,226,788	5,563,907	424,056,754
151,919,349	11,688,669	-	19,814,600	5,761,082	400,687,592
148,666,331	12,671,110	-	22,953,477	6,387,907	402,621,401

DURHAM COUNTY, NORTH CAROLINA

Government-wide Revenues Last Ten Fiscal Years

Fiscal Year Ended	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment and Rental Income
2005	\$ 54,896,761	\$ 278,597,429	\$ 581,241	\$ 217,588,617	\$ 9,946,975
2006	59,140,227	282,054,223	3,060,312	231,696,186	10,752,641
2007	33,719,456	336,366,486	6,204,903	243,105,448	-
2008	36,589,771	358,162,525	27,092,519	262,135,339	-
2009	23,812,915	399,272,928	19,467,166	261,187,855	-
2010	33,011,220	80,230,451	2,346,289	260,127,663	-
2011	33,012,519	75,904,360	10,341,180	277,147,169	-
2012	35,305,268	80,009,239	10,838,181	285,582,919	-
2013	36,890,689	53,016,379	1,972,602	299,029,295	-
2014	38,149,807	50,005,628	4,714,711	315,456,947	-

Notes:

- (1) As of Fiscal Year 2007, investment income and rental income are reported separately with rental income being reported as program revenue of the function that generates the revenue.
- (2) As of Fiscal Year 2010, the amortization of the bond premium is no longer reported under "General Revenues and Other Changes in Net Assets" but rather as a component of interest and fiscal charges expense.
- (3) As of Fiscal Year 2010, the County no longer reports revenues from direct costs in the statement of activities' operating grants and contributions program revenues with full note disclosure. The direct costs are now only disclosed in the notes to the financial statements.

Investment and Interest Income	Other Revenues	Amortization of Bond Premium	Total
\$ -	\$ 11,139,896	\$ 227,008	\$ 572,977,927
-	12,926,625	236,107	599,866,321
13,924,591	14,128,091	281,604	647,730,579
8,497,838	876,596	284,975	693,639,563
3,430,288	1,096,491	313,967	708,581,610
3,269,464	1,051,192	-	380,036,279
7,340,490	5,775,344	-	409,521,062
9,878,576	8,604,913	-	430,219,096
2,007,036	4,709,920	-	397,625,921
5,128,291	4,600,630	-	418,056,014

DURHAM COUNTY, NORTH CAROLINA

**General Government Expenditures by Function (1)
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	General Government	Public Safety	Transportation	Environmental Protection	Education	Human Services
2005	\$ 24,030,548	\$ 42,812,116	\$ 12,500	\$ 2,403,268	\$ 83,044,943	\$ 155,505,806
2006	25,873,688	45,997,598	12,500	2,821,303	89,560,342	158,201,370
2007	53,083,781	48,084,025	12,500	2,991,804	96,175,984	156,237,699
2008	40,055,970	49,037,837	12,500	10,742,700	135,475,191	172,690,598
2009	43,642,897	51,260,744	12,500	8,853,660	154,707,374	162,360,553
2010	47,288,312	51,139,790	12,500	30,505,276	143,481,659	107,552,239
2011	85,546,409	52,050,280	12,500	26,494,114	185,338,838	108,524,800
2012	74,378,948	53,832,256	12,500	20,700,688	159,632,934	109,066,287
2013	69,537,969	56,386,531	12,500	20,301,762	151,717,325	91,592,879
2014	51,067,380	60,700,087	12,500	13,469,306	148,464,307	85,339,186

Notes:

- (1) General government expenditures include all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.
- (2) As of Fiscal Year 2007, the County no longer reports "Nondepartmental" expenditures. These expenditures are now reported in general government.
- (3) As of Fiscal Year 2008, the County no longer reports capital project expenditures separately but rather in the functional area in which they were expended.
- (4) As of Fiscal Year 2010, the County no longer reports direct costs in the basic financial statements with full note disclosure. The direct costs are now only disclosed in the notes to the financial statements.

Economic and Physical Development	Non- Departmental Charges	Cultural and Recreational	General Debt Service	Capital Projects	Total
\$ 2,986,331	\$ 11,197,360	\$ 7,492,517	\$ 36,066,252	\$ 41,033,820	\$ 406,585,461
2,725,118	15,342,913	8,188,661	37,084,969	37,337,665	423,146,127
3,250,610	-	9,894,487	40,775,924	23,050,573	433,557,387
4,468,630	-	11,508,607	39,740,391	-	463,732,424
6,726,068	-	14,618,455	43,190,003	-	485,372,254
5,378,982	-	20,714,654	42,994,034	-	449,067,446
5,158,399	-	13,687,066	70,696,046	-	547,508,452
4,606,868	-	12,032,600	128,288,778	-	562,551,859
4,914,778	-	11,454,684	54,807,703	-	460,726,131
5,479,543	-	12,348,532	58,260,746	-	435,141,587

DURHAM COUNTY, NORTH CAROLINA

General Government Revenues by Source (1) Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Property Taxes	Other Local Taxes	Licenses and Permits	Intergovernmental Revenues
2005	\$ 165,160,775	\$ 52,617,290	\$ 4,065,033	\$ 92,975,384
2006	175,025,932	56,862,155	5,312,774	97,702,568
2007	180,787,796	62,938,755	880,944	126,958,857
2008	197,270,197	65,424,754	1,049,599	132,739,075
2009	203,361,955	56,180,951	744,881	129,353,073
2010	209,175,709	50,982,955	688,093	82,439,834
2011	223,069,172	54,060,910	703,439	84,463,129
2012	223,996,640	61,221,954	794,976	84,587,369
2013	236,671,981	62,454,309	826,580	54,163,701
2014	253,158,020	64,534,840	1,357,467	54,190,412

Notes:

- (1) General government revenues include all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.
- (2) Investment and rental income were combined and reported until Fiscal Year 2007. Therefore, the amounts in investment income for Fiscal Years 2002 through 2006 represent both investments and rental income.
- (3) As of Fiscal Year 2010, the County no longer reports revenues from direct costs in the basic financial statements with full note disclosure. These revenues are now only disclosed in the notes to the financial statements.

Rental Income	Investment Income	Charges for Services	Other Revenues	Total
\$ -	\$ 9,297,592	\$ 43,684,623	\$ 11,139,896	\$ 378,940,593
-	10,073,095	44,676,760	12,923,685	402,576,969
1,985,592	12,776,308	21,906,991	14,127,991	422,363,234
2,088,862	7,764,319	23,815,640	659,642	430,812,088
607,818	3,039,158	20,891,632	943,020	415,122,488
507,071	5,021,717	22,062,286	753,316	371,630,981
555,648	3,617,037	21,226,569	5,519,764	393,215,668
591,285	2,543,564	22,667,005	8,282,993	404,685,786
824,104	4,637,119	23,350,074	4,372,836	387,300,704
1,077,167	4,600,076	23,450,422	4,563,275	406,931,679

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REVENUE CAPACITY INFORMATION

Principal Property Taxpayers

This schedule lists the largest taxpayers in the County. The GASB requires the ten largest be listed, unless less than ten are needed to reach 50% of the County's equalized assessed valuation. This information is to be presented for the current levy year and the levy year nine years prior. This information can be obtained from the County Tax Assessor's Office.

Schedule of Assessed Value and Actual Value of Taxable Property

This schedule presents real estate classes by type for the last 10 levy years as well as the county-wide tax rate, the range of special tax districts tax rates and the average County Tax Rate. This information can be obtained from the County Tax Assessor's Office.

Property Tax Levies and Collections

This schedule presents information for levies (original, adjustments and adjusted levies), amounts collected within the fiscal year of the levy with the percentage collection of original levy, and total amounts collected as of this fiscal year end with a percentage collection of adjusted levy. This information is provided for the last 10 fiscal years.

Property Tax Levies Direct and Overlapping Local Government Jurisdictions

This schedule lists the final adjusted tax levy direct and overlapping for all local government jurisdictions for the last 10 fiscal years.

Direct and Overlapping Property Tax Rates

This schedule presents information for direct and overlapping property tax rates for the last 10 fiscal years.

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DURHAM COUNTY, NORTH CAROLINA

**Principal Property Taxpayers
June 30, 2014
Current Year and Nine Years Ago**

Taxpayer	Fiscal Year 2014			Fiscal Year 2005		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
International Business Machine	\$561,513,886	1	1.93%	\$541,112,647	2	2.63%
Cree Inc	375,675,811	2	1.29%	119,489,018	6	0.58%
GlaxoSmithKline	355,899,743	3	1.23%	568,256,555	1	2.76%
AW North Carolina Inc	290,193,302	4	1.00%	225,450,525	4	1.09%
Merck Sharp & Dohme Corp	231,107,258	5	0.80%			
Duke Energy Corp	200,234,727	6	0.69%	166,542,350	5	0.81%
SouthPoint Mall LLC	171,969,004	7	0.59%	82,926,225	9	0.40%
EMC Corporation	168,490,898	8	0.58%			
EISAI Inc	114,111,026	9	0.39%			
Highwoods/Forsyth Limited Part	107,458,678	10	0.37%	100,250,001	7	0.49%
Verizon South Inc	-		-	229,779,772	3	1.12%
State Street Bank & Trust	-		-	83,584,221	8	0.41%
Vac Ltd Partnership	-		-	<u>66,579,433</u>	10	<u>0.32%</u>
	<u>\$2,576,654,333</u>		<u>8.87%</u>	<u>\$2,183,970,747</u>		<u>10.61%</u>

DURHAM COUNTY, NORTH CAROLINA

**Assessed Value and Actual Value of Taxable Property¹
Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property	Public Service Companies	Registered Vehicles	Total	County Direct Tax Rate³	Special Tax Districts Tax Rate³	Average County Tax Rate³
2005	\$16,281,035,800	\$2,323,311,138	\$523,810,967	\$1,473,351,385	\$20,601,509,290	0.7900	0.0600-0.2000	0.7690
2006	16,769,216,308	2,465,434,636	515,456,602	1,530,608,393	21,280,715,939	0.8090	0.0570-0.2500	0.7990
2007	17,319,467,597	2,518,003,626	517,286,245	1,680,614,666	22,035,372,134	0.8090	0.0570-0.2500	0.8765
2008	18,068,249,108	2,837,548,386	514,897,106	1,715,889,532	23,136,584,132	0.8340	0.0570-0.2500	0.9190
2009	23,508,752,957	2,824,338,529	517,202,960	1,690,561,506	28,540,855,952	0.7081	0.0570-0.2500	0.7981
2010	23,976,021,000	2,905,267,206	524,524,630	1,627,078,510	29,032,891,346	0.7081	0.0570-0.2500	0.8359
2011	24,353,954,146	3,074,419,178	501,907,483	1,530,317,547	29,460,598,354	0.7459	0.0599-0.2500	0.7981
2012	24,580,465,174	3,166,306,877	471,720,126	1,623,871,164	29,842,363,341	0.7459	0.0599-0.2500	0.7745
2013	24,909,554,030	3,304,053,564	494,110,311	1,739,032,299	30,446,750,204	0.7444	0.0599-0.1524	0.7734
2014	25,254,108,336	3,300,458,222	489,915,862	2,980,521,352	32,025,003,772	0.7744	0.0600-0.1518	0.8047

Notes:

- (1) All taxable property is subject to the County direct rate. Most property in unincorporated areas is subject to one of the seven fire district taxes. The County's property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the County except for certain registered motor vehicles which are assessed and collected throughout the year. Assessed valuations are established by the Board of County Commissioners at 100% of estimated market value for real property and 100% of estimated actual value for personal property. Public service company property is certified by the State of North Carolina at 100% of actual value, with no distinction between real and personal property values.
- (2) A revaluation of real property is required by N.C. General Statutes at least every eight years. The last revaluation was occurred on January 1, 2008.
- (3) Per \$100 of assessed value.

DURHAM COUNTY, NORTH CAROLINA

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments	Total Adjusted Levy	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2005	\$ 254,087,231	\$ 6,044,986	\$ 260,132,217	\$ 255,882,258	98.37%	\$ 4,030,761	\$ 259,913,019	99.92%
2006	268,261,053	7,235,630	275,496,683	271,744,257	98.64%	3,528,401	275,272,658	99.92%
2007	279,649,301	9,638,188	289,287,489	285,179,105	98.58%	3,097,327	288,276,432	99.65%
2008	300,961,051	16,452,438	317,413,489	313,396,710	98.73%	2,984,489	316,381,199	99.67%
2009	331,748,220	5,476,495	337,224,715	331,357,242	98.26%	4,796,649	336,153,891	99.68%
2010	329,213,965	13,906,211	343,120,176	338,558,945	98.67%	3,839,537	342,398,482	99.79%
2011	358,766,287	4,398,601	363,164,888	358,623,043	98.75%	2,953,608	361,576,651	99.56%
2012	353,038,243	3,837,833	356,876,076	352,704,112	98.83%	3,051,031	355,755,143	99.69%
2013	360,277,056	7,885,151	368,162,207	364,152,559	98.91%	2,669,340	366,821,899	99.64%
2014	387,365,732	267,700	387,633,332	385,068,858	99.34%	-	385,068,858	99.34%

Notes:

- (1) Amounts included above for fiscal years 2004 through 2011 represent taxes in the General Fund, the Special Tax District Funds and the Agency Funds.
- (2) Amounts included above for fiscal year 2012 represent taxes in the General Fund and the Agency Funds.

DURHAM COUNTY, NORTH CAROLINA

**Property Tax Levies Direct and Overlapping Local Government Jurisdictions
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Fire Tax Districts						
	Durham County	Bethesda	Lebanon	Parkwood	Redwood	Eno	New Hope
2005	\$ 163,927,481	\$ 999,637	\$ 630,488	\$ 1,113,464	\$ 470,247	\$ 18,237	\$ 39,978
2006	174,366,392	1,005,133	711,260	1,123,278	581,169	16,126	38,913
2007	180,373,799	1,005,468	735,683	1,124,990	593,633	16,905	42,190
2008	198,126,081	1,412,365	945,480	1,126,263	672,045	17,304	43,986
2009	205,500,231	1,563,641	1,078,805	1,399,989	744,154	23,125	52,735
2010	209,323,910	1,602,205	1,071,167	1,472,700	738,849	23,983	44,825
2011	223,648,890	1,502,509	1,070,918	1,550,213	728,283	24,035	57,296
2012	224,310,246	1,603,344	1,073,640	1,461,650	766,788	24,336	74,677
2013	229,802,881	1,760,488	1,075,946	1,522,095	764,284	24,325	76,341
2014	234,323,543	2,220,189	1,033,842	1,546,613	733,673	30,882	82,004

Notes

Effective July 1, 1988, the County collects all the County, City of Durham, and Fire Districts taxes levied within Durham County. Effective July 1, 1995, the County collects Town of Chapel Hill taxes levied within Durham County. Effective July 1, 2002, the County collects City of Raleigh taxes levied within Durham County. Effective July 1, 2011, the County collects Town of Morrisville taxes levied within Durham County.

The following property tax provisions apply to the County of Durham, City of Durham, Town of Chapel Hill, City of Raleigh and Town of Morrisville:

- a. Taxes are due September 1 of each year.
- b. Taxes are considered delinquent on January 6 (lien date) of the subsequent year.
- c. Discount on all County tax levies are at the discretion of the Board of Commissioners.
- d. Penalties are applied to delinquent taxes at the rate of two percent (2%) in January, and 3/4 of 1% per month thereafter until collected or foreclosure proceedings are consummated.
- e. Procedures allowed for collection of delinquent taxes include the use of garnishment, the North Carolina Debt Set Off Program and the sale of taxable property.

Bahama	Special Park District	Butner Safety District	City of Durham	City of Raleigh	Town of Chapel Hill	Town of Morrisville	Total Tax Levies
\$466,101	\$ 313,982	\$ 11,710	\$ 90,893,322	\$ 196,329	\$ 1,748,777	\$ -	\$ 260,829,753
495,685	312,622	15,152	95,880,460	249,910	1,458,824	-	276,254,924
545,082	306,857	16,189	102,559,123	323,866	1,512,542	-	289,156,326
696,347	657,705	16,203	110,402,329	351,249	2,946,132	-	317,413,489
662,490	666,263	20,319	122,039,098	419,553	3,054,312	-	337,224,715
714,101	722,154	17,585	124,304,979	452,134	2,631,582	-	343,120,175
749,909	709,205	17,631	12,983,774	485,766	2,636,459	-	246,164,888
806,759	696,499	17,059	129,390,469	550,646	2,614,275	10,440	363,400,828
854,020	746,927	315	135,132,373	595,878	2,619,338	11,738	374,986,949
802,114	735,854	3	132,998,548	623,283	2,689,258	16,747	377,836,553

DURHAM COUNTY, NORTH CAROLINA

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

(rate per \$100 of assessed value)

	2005	2006	2007	2008 ²	2009	2010	2011	2012	2013	2014
County direct rate										
Operating rate	\$ 0.7019	\$ 0.7144	\$ 0.7536	\$ 0.7801	\$ 0.6594	\$ 0.6604	\$ 0.6911	\$ 0.6865	\$ 0.6850	\$ 0.6850
Capital rate	0.0881	0.0946	0.0554	0.0539	0.0487	0.0477	0.0548	0.0594	0.0594	0.0894
Total general fund direct rate	0.7900	0.8090	0.8090	0.8340	0.7081	0.7081	0.7459	0.7459	0.7444	0.7744
Fire district rates	0.0600-0.1100	0.0570-0.1100	0.0570-0.1100	0.0570-0.1150	0.0570-0.1100	0.0570-0.1100	0.0599-0.1100	0.0599-0.1125	0.0599-0.1150	0.0600-0.1300
Other special district rates	0.1287-0.2000	0.1287-0.2500	0.1287-0.2500	0.1474-0.2500	0.1461-0.2500	0.1461-0.2500	0.1460-0.2500	0.1474-0.2500	0.1374-0.1524	0.1518-0.1668
Municipality Rates										
City of Durham	0.5830	0.5830	0.6030	0.6180	0.5400	0.5400	0.5519	0.5575	0.5675	0.5675
City of Durham BID	-	-	-	-	-	-	-	-	0.6375	0.6375
Town of Chapel Hill	0.5750	0.5220	0.5220	0.5220	0.5810	0.4940	0.4940	0.4940	0.4940	0.5140
City of Raleigh	0.3950	0.3950	0.4350	0.4350	0.3735	0.3735	0.3735	0.3735	0.3826	0.3826
Town of Morrisville	-	-	-	-	-	-	-	0.3665	0.3665	0.3900

Notes:

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

DEBT CAPACITY INFORMATION

Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

This information is presented for the last 10 fiscal years and includes population, taxable property assessed value, debt limit, gross bonded debt, net bonded debt, ratio of net bonded debt to taxable property assessed value and the net bonded debt per capita.

Legal Debt Margin Information

This schedule presents the computation of the legal debt margin and the total debt applicable to limit as a percentage of debt limit for the last 10 fiscal years.

Direct and Overlapping Governmental Activities Debt

This schedule presents the direct and overlapping debt for the County and the municipalities within the County as of fiscal year end.

Ratio of Annual Debt Service for Bonded Debt to Total General Government Expenditures

This schedule presents the debt service expenditures, general governmental expenditures and the ratio of total debt service to general governmental expenditures for the last 10 fiscal years.

Ratios of General Bonded Debt Outstanding

This schedule presents the general bonded debt outstanding, the percentage of actual taxable value of property and per capita for the last 10 fiscal years.

Ratios of Outstanding Debt by Type

This schedule presents a summary of outstanding debt by type and the percentage of personal income and per capita for the last 10 fiscal years.

DURHAM COUNTY, NORTH CAROLINA

**Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years**

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

NOTE:

- (1) Estimate from Durham City/County Planning Department
- (2) All other population estimates are based upon estimates reported by the North Carolina Department of Administration, Division of Management and Budget, Research and Planning Department.
- (3) Estimate from Durham Chamber of Commerce

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

DURHAM COUNTY, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Assessed Value of Property	\$ 20,601,509,290	\$ 21,280,715,939	\$ 22,035,372,134	\$ 23,136,584,132	\$ 28,540,855,952
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,648,120,743	1,702,457,275	1,762,829,771	1,850,926,731	2,283,268,476
Amount of Debt Applicable to Limit General Obligation Bonds	<u>221,945,003</u>	<u>265,660,003</u>	<u>247,445,003</u>	<u>275,570,002</u>	<u>255,335,002</u>
Total net debt applicable to limit	<u>221,945,003</u>	<u>265,660,003</u>	<u>247,445,003</u>	<u>275,570,002</u>	<u>255,335,002</u>
Legal Debt Margin	<u>\$ 1,426,175,740</u>	<u>\$ 1,436,797,272</u>	<u>\$ 1,515,384,768</u>	<u>\$ 1,575,356,729</u>	<u>\$ 2,027,933,474</u>
Total net debt applicable to limit as a percentage of debt limit	<u>13.47%</u>	<u>15.60%</u>	<u>14.04%</u>	<u>14.89%</u>	<u>11.18%</u>

Note: The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to 8 percent of the appraised value of property subject to taxation. The legal debt margin is the difference between the debt limit and the County's net debt outstanding applicable to the limit, and represents the County's legal borrowing authority.

Fiscal Year				
2010	2011	2012	2013	2014
\$ 29,032,891,346	\$ 29,460,598,354	\$ 29,842,363,341	\$ 30,446,750,204	\$ 32,025,003,772
2,322,631,308	2,356,847,868	2,387,389,067	2,435,740,016	2,562,000,302
<u>233,930,000</u>	<u>272,680,000</u>	<u>298,585,000</u>	<u>273,900,000</u>	<u>295,905,000</u>
<u>233,930,000</u>	<u>272,680,000</u>	<u>298,585,000</u>	<u>273,900,000</u>	<u>295,905,000</u>
<u>\$ 2,088,701,308</u>	<u>\$ 2,084,167,868</u>	<u>\$ 2,088,804,067</u>	<u>\$ 2,161,840,016</u>	<u>\$ 2,266,095,302</u>
<u>10.07%</u>	<u>11.57%</u>	<u>12.51%</u>	<u>11.25%</u>	<u>11.55%</u>

DURHAM COUNTY, NORTH CAROLINA

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2014**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Municipality:			
City of Durham	\$ 241,495,744	100%	\$ 241,495,744
Town of Chapel Hill	28,141,000	0%	-
City of Raleigh	320,200,001	0%	-
Overlapping debt	<u>589,836,745</u>		<u>241,495,744</u>
Direct debt	569,264,737		569,264,737
Total direct and overlapping debt	<u><u>\$ 1,159,101,482</u></u>		<u><u>\$ 810,760,481</u></u>

Source: Overlapping debt provided by each municipality.

Note: Percentage of overlap based on assessed property values.

DURHAM COUNTY, NORTH CAROLINA

**Ratio of Annual Debt Service for Debt to Total Expenditures - Governmental Funds
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Debt Service Expenditures			Total Debt Service Expenditures	Total Governmental Expenditures	Ratio of Total Debt Service to Total Governmental Expenditures
	Principal	Interest and Fiscal Charges	Other Expenditures			
2005	\$ 21,476,140	\$ 13,440,112	\$ 1,150,000	\$ 36,066,252	\$ 406,585,461	8.87%
2006	23,163,537	12,771,432	1,150,000	37,084,969	423,146,127	8.76%
2007	25,140,527	14,362,230	1,273,167	40,775,924	433,557,387	9.40%
2008	25,249,056	13,257,396	1,233,939	39,740,391	463,732,424	8.57%
2009	27,266,955	14,376,279	1,546,769	43,190,003	485,372,254	8.90%
2010	25,431,125	16,568,325	994,584	42,994,034	449,067,446	9.57%
2011	53,158,145	16,477,835	1,060,066	70,696,046	547,508,452	12.91%
2012	109,738,119	17,434,904	1,115,755	128,288,778	562,551,859	22.80%
2013	34,520,922	19,468,651	818,130	54,807,703	460,726,131	11.90%
2014	34,261,816	23,354,161	644,769	58,260,746	435,141,587	13.39%

DURHAM COUNTY, NORTH CAROLINA

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property¹	Per Capita²
2005	\$ 221,945,003	1.08%	898.84
2006	265,660,003	1.25%	1,064.11
2007	247,445,003	1.12%	970.75
2008	275,570,002	1.19%	1,054.99
2009	255,335,002	0.89%	961.10
2010	233,930,000	0.82%	873.37
2011	272,680,000	0.93%	1,001.93
2012	298,585,000	1.00%	1,081.99
2013	273,900,000	0.90%	986.71
2014	295,905,000	0.96%	1,040.32

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

(1) See Schedule of Assessed Value and Actual Value of Taxable Property for property assessed/actual value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

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DURHAM COUNTY, NORTH CAROLINA

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Certificates of Participation	Limited Obligation Bonds	Installment Purchases	Total Governmental Activities
2005	\$ 217,267,904	\$ 24,560,000	\$ -	\$ 23,807,269	\$ 265,635,173
2006	261,832,322	22,325,000	-	30,123,804	314,281,126
2007	250,643,354	19,985,000	-	27,018,746	297,647,100
2008	270,784,681	17,525,000	-	23,506,871	311,816,552
2009	251,040,046	132,775,000	-	23,806,105	407,621,151
2010	228,692,055	132,724,828	-	46,985,373	408,402,256
2011	274,834,584	175,502,889	-	41,513,714	491,851,187
2012	309,594,156	146,886,804	67,752,814	17,613,939	541,847,713
2013	293,099,857	55,660,000	189,366,572	43,123,317	581,249,746
2014	321,259,230	52,565,000	182,118,853	13,321,654	569,264,737

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

(1) See Schedule for demographic and economic statistics for personal income and population data.

Business-Type Activities						
General Obligation Bonds	Refunding Revenue Bonds	State Revolving Loans	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income¹	Per Capita¹
\$ 6,280,895	\$ 23,245,000	\$ -	\$ 29,525,895	\$ 295,161,068	3.75%	1,188.86
5,778,015	21,935,000	-	27,713,015	341,994,141	4.35%	1,362.06
5,279,734	20,580,000	-	25,859,734	323,506,834	3.86%	1,235.88
4,785,321	19,155,000	-	23,940,321	335,756,873	3.82%	1,285.41
4,294,956	17,660,000	-	21,954,956	429,576,107	4.51%	1,616.95
4,010,321	16,641,908	-	20,652,229	429,054,485	4.20%	1,601.85
3,671,868	14,926,976	-	18,598,844	510,450,031	4.89%	1,875.58
2,911,318	14,315,087	-	17,226,405	559,074,118	5.49%	2,025.92
2,357,603	11,268,200	13,408,267	27,034,070	608,283,816	5.76%	2,191.32
1,304,131	10,854,865	12,612,864	24,771,860	594,036,597	5.19%	2,088.46

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OPERATING INFORMATION

Full-time Equivalent County Government Employees by Function

The County is required to present the number of employees by each function for the last 10 fiscal years.

Operating Indicators by Function

This schedule shows various operating indicators of the County by function for the last 10 fiscal years.

Capital Asset Statistics by Function

This schedule shows various capital assets statistics by function for the last 10 fiscal years.

DURHAM COUNTY, NORTH CAROLINA

Full-time Equivalent County Government Employees by Function Last Ten Fiscal Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government	213	216	243	252
Public safety	585	585	590	600
Economic and physical development	8	8	30	33
Environmental protection	29	28	11	13
Human services	659	644	651	677
Cultural and recreational	74	73	90	99
Utilities	5	5	4	6
Total	<u>1,573</u>	<u>1,559</u>	<u>1,619</u>	<u>1,680</u>

Source: Durham County Human Resources Department

2009	2010	2011	2012	2013	2014
248	245	247	253	264	258
624	599	610	616	644	673
31	32	30	30	30	29
14	18	18	16	16	19
692	700	681	700	610	624
98	105	101	105	105	104
21	18	20	21	21	20
<u>1,728</u>	<u>1,717</u>	<u>1,707</u>	<u>1,741</u>	<u>1,690</u>	<u>1,727</u>

DURHAM COUNTY, NORTH CAROLINA

Operating Indicators By Function Last Ten Fiscal Years

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Administration										
Registered voters (6)	201,880	199,756	195,050	182,192	180,403	181,012	156,879	146,097	161,350	154,645
Taxable real estate parcels (7)	104,350	103,757	102,556	86,008	87,245	105,618	104,548	100,427	92,600	89,785
Tax bills (7)**	143,659	377,327	317,556	240,597	237,229	271,331	300,886	267,305	327,282	310,855
Human Services										
Adult care home residents served through on-site inspections (8)	941	885	875	845	853	826	811	889	886	884
Persons testing for HIV/STD (9)	38,482	52,251	43,265	53,584	66,169	65,924	67,765	60,122	62,013	64,698
Food assistance individuals (8)	43,289	49,281	44,238	42,034	34,178	29,727	23,730	22,527	21,706	20,291
Education										
Students attending public school (1)	33,295	32,484	32,671	32,566	32,551	31,938	31,732	32,749	31,981	31,719
Public school teachers (2)	2,318	2,247	2,300	2,245	2,671	2,326	2,368	2,419	2,368	2,293
Community college students-average semester (3)	20,470	22,974	24,416	24,769	25,561	25,810	25,509	25,444	24,849	25,230
Community college faculty (3)	328	322	337	162	161	150	154	148	139	139
Community Development and Cultural (5)										
Residential permits issued - new ***	1,270	1,141	856	997	993	883	1,713	2,153	2,284	2,058
Commercial permits issued - new ***	135	83	109	93	73	81	209	274	229	301
Building permits - additional, alterations ***	2,320	2,362	2,533	2,368	2,212	2,230	1,694	1,705	1,739	1,581
Inspections performed	38,801	31,589	27,635	26,086	26,295	25,183	*	*	*	*
Environmental Services										
Animal control service calls (10)	11,859	11,111	15,682	13,911	15,628	18,152	16,213	12,390	12,526	11,405
Animals impounded (10)	3,025	3,361	6,315	6,397	6,921	7,148	6,755	6,684	6,613	6,906
Sanitation inspections (9)	7,243	5,841	7,040	6,876	7,462	6,860	7,606	8,130	8,419	8,433
Public Safety										
Detention intake (11)	11,967	12,350	12,457	12,267	11,926	12,219	12,395	12,456	12,743	12,672
Civil processes served (11)	28,482	35,842	33,181	32,472	35,210	33,727	33,643	32,967	33,174	34,281
Pistol permits processed (11)	1,446	1,715	1,938	1,923	1,726	1,774	1,687	1,051	1,261	1,373
Average daily jail population (11)	521	560	551	554	582	598	629	597	549	509
Fire/medical incidents responded to by contracting fire departments (4)	9,152	11,096	11,870	12,402	11,733	12,344	11,925	10,000	6,239	7,599
Durham EMS trips (4)	32,882	28,337	27,742	26,696	27,405	26,260	25,111	23,132	21,766	19,839

* Information not available.

** Includes only those bills that were billed and to be collected, excludes corrected bills.

***Community Development and Cultural permits are for the complete previous calendar year ending during each fiscal year.

(1) North Carolina Department of Public Instruction--2000-2005 Final Average Daily Membership. Durham County Public Schools--2006-2009.

(2) Durham County Public Schools.

(3) Durham Technical Community College.

(4) Durham County Emergency Management Department.

(5) Durham City/County Planning Department.

(6) Durham County Board of Elections.

(7) Durham County Tax Department.

(8) Durham County Department of Social Services.

(9) Durham County Public Health Department.

(10) Durham County Animal Control.

(11) Durham County Sheriff Department.

DURHAM COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government (1)										
Rentable square footage	767,652	767,652	766,682	733,361	733,361	744,461	726,461	726,461	721,454	*
Human Services (2)										
Number of centers	2	4	4	4	4	4	6	6	6	6
Education (3)										
Number of schools	56	56	56	55	53	53	46	46	46	46
Number of higher education institutions	4	4	4	4	4	4	4	4	5	5
Community Development and Cultural (4)										
Libraries - branches	7	8	8	8	8	8	8	8	9	8
Volume of library books	704,947	698,715	704,093	661,687	603,930	565,245	609,544	584,299	514,958	496,926
Number of County parks	2	2	2	2	2	2	2	2	2	60
Public Safety										
Sheriff - Stations (5)	5	5	5	5	5	5	5	5	5	5
Detention capacity (5)	736	736	736	736	736	736	736	736	736	736
Fire protection - City Stations (6)	16	16	16	15	15	15	15	15	14	14
Fire protection - Volunteer Stations (6)	12	12	12	11	11	11	11	11	11	11
EMS - Stations (7)	11	9	6	6	6	6	6	6	6	6

*Information not available.

(1) Durham County Open Space Department

(2) Durham County Public Health and Social Services Departments

(3) Durham Public Schools

(4) Durham County Public Library

(5) Durham County Sheriff's Department

(6) Durham County Fire Department

(7) Durham County Emergency Medical Services

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DEMOGRAPHIC & ECONOMIC INFORMATION

Property Value and Construction

This information is presented for the last 10 fiscal years and includes the building value of permits issued and the total assessed valuation.

Demographic and Economic Statistics

This information is presented for the last 10 fiscal years and includes population, personal income for the County, school enrollment and the unemployment rate.

Principal Employers

This schedule presents the 10 largest employers, including the number of employees located inside the County boundaries. This is shown for the current year and nine years ago.

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DURHAM COUNTY, NORTH CAROLINA

Property Value and Construction Last Ten Fiscal Years

Fiscal Year Ended June 30,	Building Value of Permits Issued (1)	Assessed Valuation (2)
2005	\$ 897,110,133	\$ 20,601,509,290
2006	833,845,052	21,280,715,939
2007	908,064,082	22,035,372,939
2008	937,163,464	23,136,584,132
2009	832,707,556	28,540,855,952
2010	854,185,593	29,032,891,346
2011	918,447,009	29,460,598,354
2012	782,358,521	29,842,363,341
2013	912,531,665	30,444,978,195
2014	1,107,015,215	30,796,658,950

NOTES:

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

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

DURHAM COUNTY, NORTH CAROLINA

Demographic and Economic Statistics Last Ten Years

Year	Population Estimates ¹	Personal Income ² (thousands of dollars)	Per Capita Personal Income ³	School Enrollment ⁴	Unemployment Rate ⁵
2005	246,924	\$ 8,235,669	\$ 33,505	30,947	4.6%
2006	249,654	8,784,739	37,262	31,719	3.9%
2007	254,902	9,526,901	36,388	31,981	3.8%
2008	261,206	10,204,867	38,923	32,749	5.5%
2009	265,670	10,435,368	39,383	32,854	8.0%
2010	267,849	10,190,008	38,795	32,551	7.8%
2011	271,238	10,567,605	38,654	32,566	8.4%
2012	275,960	11,454,941	40,963	32,671	8.2%
2013	277,588	*	*	32,484	7.6%
2014	284,437	*	*	33,296	5.3%

* Information not yet available

- (1) The 2001-2004 and 2009-2014 estimates are from the Durham City/County Planning Department. 2005-2008 estimates are provided by the North Carolina Department of Administration, Division of Management and Budget, Research and Planning Service.
- (2) Bureau of Economic Analysis.
- (3) All per capita income data is for the calendar year ended in each fiscal year. 2007-2014 is actual per capita income provided by Bureau of Economic Analysis. 2005 and 2006 is projected per capita income provided by Woods & Poole Economics, Inc.
- (4) North Carolina Department of Public Instruction, 2000-2005 Final Average Daily Membership. Durham County Public Schools, 2006-2014 Final Average Daily Membership.
- (5) North Carolina Employment Security Commission.

DURHAM COUNTY, NORTH CAROLINA

Principal Employers Current Year and Nine Years Ago

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Duke University & Health System	35,998	1	19.47%	26,324	1	15.54%
International Business Machines (IBM)	7,000	2	3.79%	11,527	2	6.81%
Durham Public Schools	4,600	3	2.49%	5,076	4	3.00%
GlaxoSmithKline	3,700	4	2.00%	5,179	3	3.06%
Blue Cross Blue Shield of North Carolina	3,200	5	1.73%			
Durham City Government	2,401	6	1.30%	2,202	7	1.30%
Fidelity Investments	2,400	7	1.30%			
Quintiles Transnational Corp.	2,300	9	1.24%			
Lenovo Group, Ltd.				2,300	6	1.36%
Veterans Affairs (VA) Medical Center	2,162	10	1.17%	2,086	8	1.23%
Nortel Networks				2,600	5	1.54%
Research Triangle Institute	2,300	8	1.24%	2,003	9	1.18%
Durham County Government				1,774	10	1.05%
	<u>66,061</u>		<u>35.73%</u>	<u>61,071</u>		<u>36.07%</u>

Source: Durham Chamber of Commerce and Bureau of Labor Statistics

COMPLIANCE SECTION

Report of Independent Auditor on the Revenue Bond Covenant Compliance

Board of County Commissioners
Durham County, North Carolina
Durham North Carolina

Report on the Schedule

We have audited the accompanying schedule of debt covenant compliance (the “schedule”) of Durham County, North Carolina (the “County”), as of and for the year ended June 30, 2014 as defined in the official statement for the Trust Agreement, dated December 1, 2002, with First-Citizens Bank & Trust Company.

Management’s Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the schedule 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 *Governmental Auditing Standards* issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule referred to above is presented fairly, in all material respects as, described in the Trust Agreement referred to in the first paragraph, of the County as of and for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2014 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance. We did not audit the financial statements of the Durham County ABC Board (the "Board"). Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board is based solely on the reports of the other auditors.

Restricted Use

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Berkant CP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
November 20, 2014

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Debt Covenant Compliance
Year Ended June 30, 2014**

	Enterprise Fund Sewer Utility Fund
Operating revenues	
Charges for services	\$ 11,666,172
Total operating revenues	<u>11,666,172</u>
Operating expenses	
Personnel services	1,685,154
Utilities	660,258
Maintenance and other	2,588,523
Depreciation	743,285
Total operating expenses	<u>5,677,220</u>
Operating income (loss)	<u>5,988,952</u>
Add:	
Depreciation expense	<u>743,285</u>
Income available for debt service	<u><u>\$ 6,732,237</u></u>
Fiscal year revenue bond debt payments	\$ 925,041
Fiscal year total debt payments	\$ 3,317,422
Senior lien debt service coverage	7.28
Total debt service coverage	2.03
Series 2003 Revenue Bond Covenant Requirement	
Senior lien debt service coverage	1.20
Total debt service coverage	1.00



Acknowledgments

The preparation of the annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. The audit process was effectively managed by Larry DeWalt, Senior Accountant, under the guidance and direction of Susan F. Tezai, CPA, Deputy Chief Financial Officer.

Additional support in the audit process and related accounting activities was provided by:

Jessica Brown-Linton, Assistant Chief Financial Officer

Dennis Roberts, Senior Accountant

Sarah Hill, Accountant

Dave Jerrido, Accountant

Kimerly Mann, Accountant

Kimberly Thompson, Accountant

Tiffany Long, Accountant

Catherine Davis, Compliance Manager

