

County of Durham, North Carolina

A Comprehensive
Annual
Financial Report



For year ended June 30, 2010

County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010

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Prepared by the Durham County Finance Department

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INTRODUCTORY SECTION (TAB)



Letter of Transmittal

October 27, 2010

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, 2010.

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 & Holland, 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, 2010, 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, 2010 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 auditor's 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 267,849. 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, mental 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.

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 Durham Civic Center Authority. 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, this comparison is presented on page 35 as part of the basic financial statements for the governmental funds. For nonmajor governmental funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 113.

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 March, 2009, the Durham MSA was ranked third in *Forbes'* "Best Place for Business and Careers".

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 2009 totaled over \$1.3 billion, with plans to create over 2,400 new jobs in the County.

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. Such recognition continues in the face of the nationwide economic downturn: in May 2010, *Forbes* ranked Durham as the #1 "for the Best Mid-Sized Cities [sic] for Jobs" and in May 2010 Yahoo Finance listed Durham "as one of the 20 Cities Surviving the Recession".

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 fiftieth year, RTP is the largest and longest-operating research park in the county. RTP is the nation's largest and most successful research and development-oriented business park. The more than 170 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 42,000 full-time employees and an estimated 10,000 contract employees.

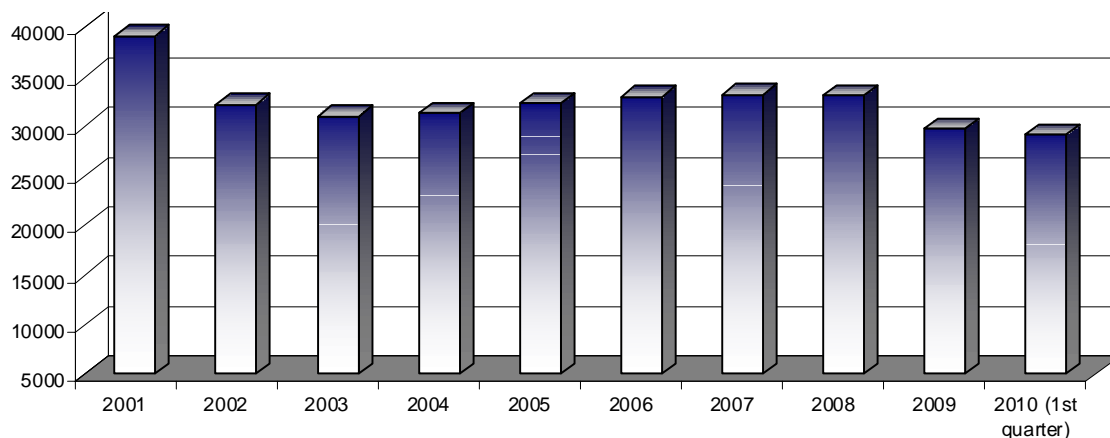
Between the years 2004-2010, approximately 87 companies have located to or expanded in the Park. These 87 locates and expansions represent over \$800 million in projected capital investment and over 6,600 new jobs. In September, 2010, Durham was ranked the best place to work for 2010 by McKinney of the Advertising Age.

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. 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 Durham is called the City of Medicine because of its vibrant healthcare industry, which includes more than 300 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 ranked tenth Best Hospital in the US by *US News & World Report*, July 10, 2010; a wealth of ongoing medical research; and growing clinical opportunities which attract medical doctors. 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.

Manufacturing



Source: Employment Security Commission (ESC)

Note: The ESC changed from using the SIC codes to the newer NAICS codes for counting employment. Therefore, the annual numbers have changed slightly from the fiscal year 2001-2002 report to reflect the new numbers for each year.

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 33,113 in 2008 to 29,741 in 2009. While experiencing a 10.18 percent loss of manufacturing jobs for calendar year 2009 and 2.20 percent during the first quarter of calendar year 2010 due to the recession and economic downturn, manufacturing remains an important employment base with 29,086 jobs in the County,

Telecommunications

Durham's telecommunications infrastructure is among the most advanced in the nation, providing high-speed multimedia transmission. Verizon is the incumbent provider of phone service to Durham County, which has been a 100% fiber optic, SONET-ring-based telecom system since 1993. Verizon has in place 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 in many ways comparable to a much larger city, but with a down-home charm. *NBC's Today Show* ranked Durham "4th most affordable city in America" in March 2010. In September 2010, *Money Magazine* ranked Durham #1 on its list as the Best Place to Retire. In addition, Durham boasts nationally acclaimed restaurants and performance facilities 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)
Glaxo SmithKline
Durham Public Schools
Durham City Government
Veterans Administration Medical Center
Research Triangle Institute
Durham County Government
National Institute of Environmental Health Sciences
Blue Cross Blue Shield of North Carolina
North Carolina Central University
Cree, Inc.
US Environmental Protection Agency
AW North Carolina, Inc.
Quintiles Transnational
Fidelity Investments
Teleflex
BioMerieux
PBM Graphics

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 2009 were \$1,338,428,700. Economic development announcements occurring through the second quarter of 2010 amounted to over \$173 million.

Economic Development Statistics

Per Capita Income

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

	2002	2003	2004	2005	2006	2007	2008	2009
Triangle MSA	\$ 33,490	\$ 34,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Durham MSA	-	-	32,482	33,505	37,262	38,923	39,383	40,116
Raleigh/Cary MSA	-	-	36,309	37,270	37,107	38,648	39,580	37,849
North Carolina	28,215	29,219	29,541	30,429	32,338	33,636	34,483	34,719
United States	31,065	32,209	33,127	34,212	36,629	38,564	40,189	39,626

Source: Bureau of Economic Analysis

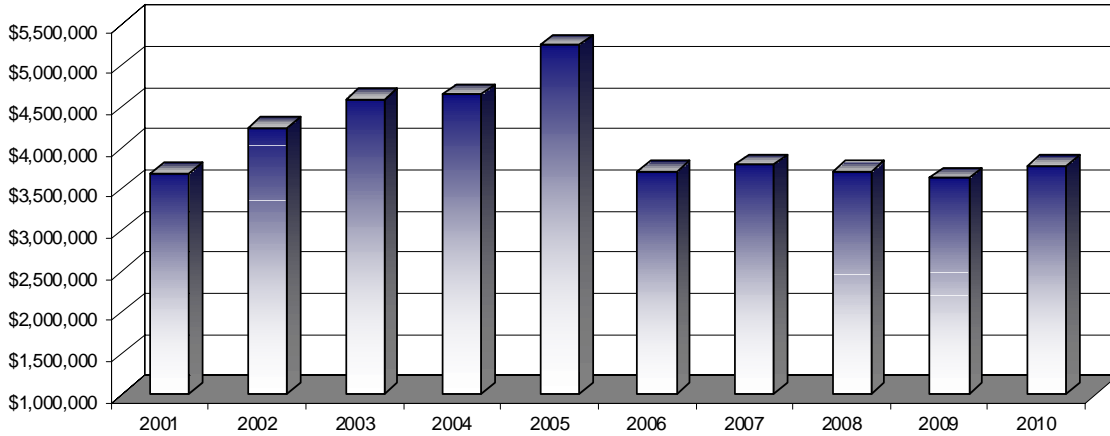
Prior to 2004, Durham was considered a part of the Triangle Metropolitan Statistical Area.

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
2001	3,688,799		6.7%
2002	4,057,352		10.0%
2003	4,597,853		13.3%
2004	4,646,891		1.1%
2005	5,085,956		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	3,778,439	4.08%

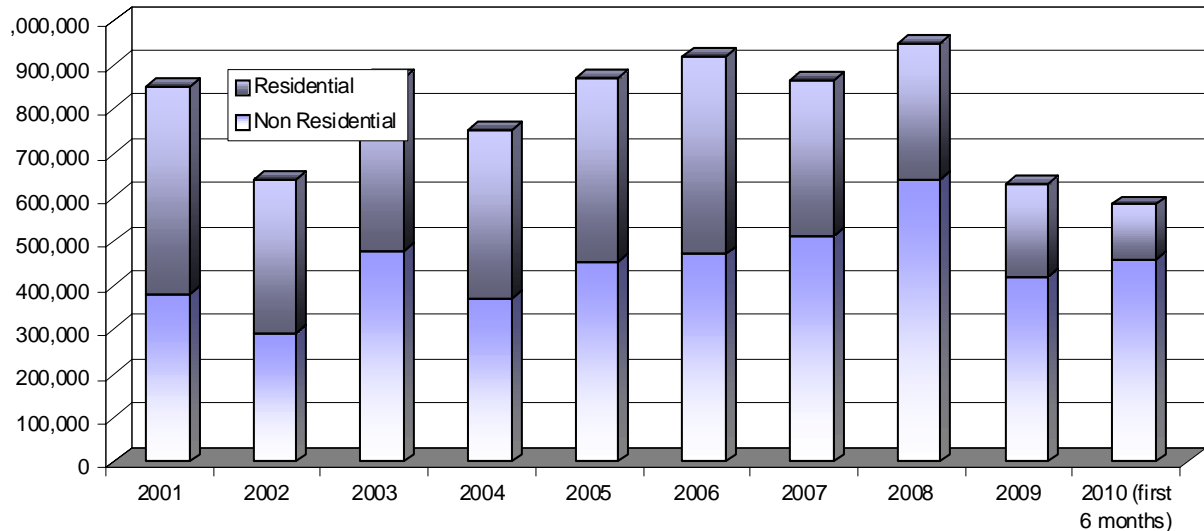
Note: The NC Department of Revenue made an administrative rule change to report Retail sales, beginning in Fiscal Year 2006, based on total taxable sales reported on sales and use tax returns by July of the Fiscal Year in question, rather than gross retail sales. Therefore, 2006 Retail sales total is 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.



For fiscal years 2003, 2004, and 2005, Durham exceeded \$4.5 billion in gross retail sales activity. In fiscal year 2006, the NC Department of Revenue made a rule change to report total taxable sales reported on sales and use tax returns and no longer total gross retail sales. Therefore, in fiscal year 2006 the total taxable sales reported shows a decline, but it is due to the difference in reporting methods. In fiscal year 2010, the total taxable sales reported were \$3.8 billion, an increase of \$148 million (4.1%), reflecting a positive turnaround to the national recession.

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.



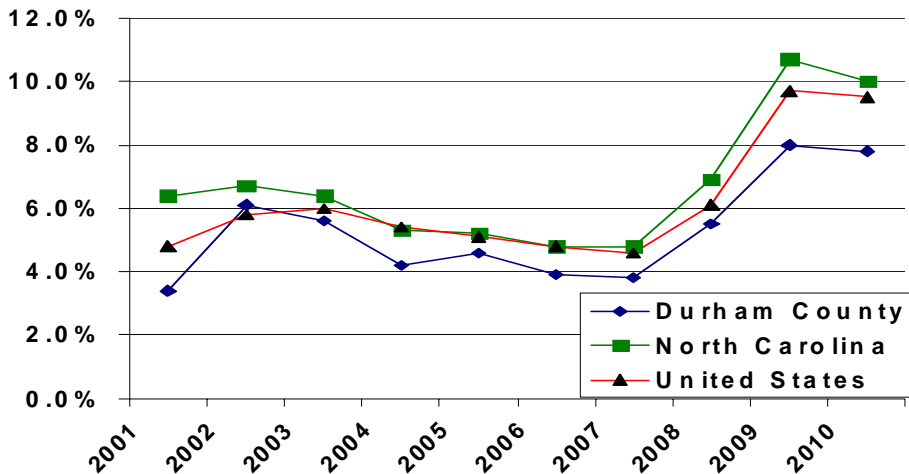
As of June 30, 2010, the total number of occupied dwelling units in Durham County was 104,117. Also, for the first six months of 2010, 1357 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. From 2008 to 2009, there was an overall decrease in the value of all building permits issued in the County. The decrease was in both the value of non-residential

construction and residential construction activity. During the fiscal year 2009, the growth was evenly distributed across the County.

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
2001	3.4%	6.4%	4.8%
2002	6.1%	6.7%	5.8%
2003	5.6%	6.4%	6.0%
2004	4.2%	5.3%	5.4%
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%



As of August 2010, the County’s unemployment rate was 7.5%. This reflects a .5% decrease from August 2009, comparing favorably to the larger unemployment rate decrease of .7% and .2% for the state and nationwide, respectively. This is primarily because of the County’s commitment to create more jobs within the County and maintain 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 Master Plan was amended in fiscal year 2003 to reflect the changes in facility needs for the Human Services Agencies, particularly Mental Health, and to analyze several potential options for meeting the facility needs of Social Services, Public Health and Mental Health. 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 2008-2009 fiscal year, the Board of County Commissioners (BOCC) adopted the 2010-2019 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 renovations to the Durham County Memorial Stadium. Also, Durham County shifted the budget for 2010-11 to help Durham Public School spare teachers that were facing layoffs due to budget cuts. Projects under construction include the Human Services Complex located on the 400 & 500 Blocks of East Main St., which will open late in 2010. There's also the construction of the New Justice Center (courthouse) and parking deck to be built concurrently with expected completion dates of the fall of 2012 for the courthouse and 2011 for the parking deck. The New Justice Center and parking structure are being built on parcels adjacent to the Durham County Detention Facility.

The 2001 & 2003 Bond Projects accomplishments include the completion of the renovation and expansion of the Southwest Library in May 2010 and the construction of the new South Regional Library in July 2010. 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. Both the new County Courthouse and the Human Services building projects currently under construction are pursuing the LEED "Gold" certification. Currently, the County has four LEED certified buildings which include the following: Triangle Wastewater Treatment Plant Administrative Building – "Certified", East Regional Library – "Certified", North Regional Library – "Silver" and the recently completed Animal Control Office building which received a LEED "Silver" rating. Three additional projects – the South Regional Library, Southwest Library Renovation and Addition and the Criminal Justice Resource Center Renovation are slated to receive some level of LEED Certification in the year 2010. Additional projects utilizing sustainable design guidelines are currently under design and construction.

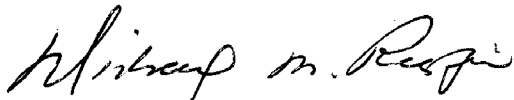
Awards and Acknowledgements

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, 2009. This was the tenth 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.

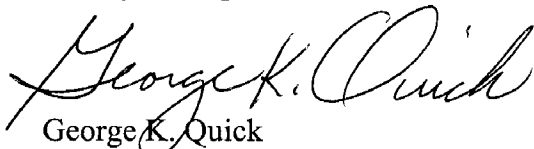
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Michael M. Ruffin
County Manager



George K. Quick
Finance Director

Durham County Board of County Commissioners



Michael D. Page
Chairman



Ellen W. Reckhow
Vice Chairman



Becky M. Heron



Joe Bowser



Brenda Howerton

Durham County Administration

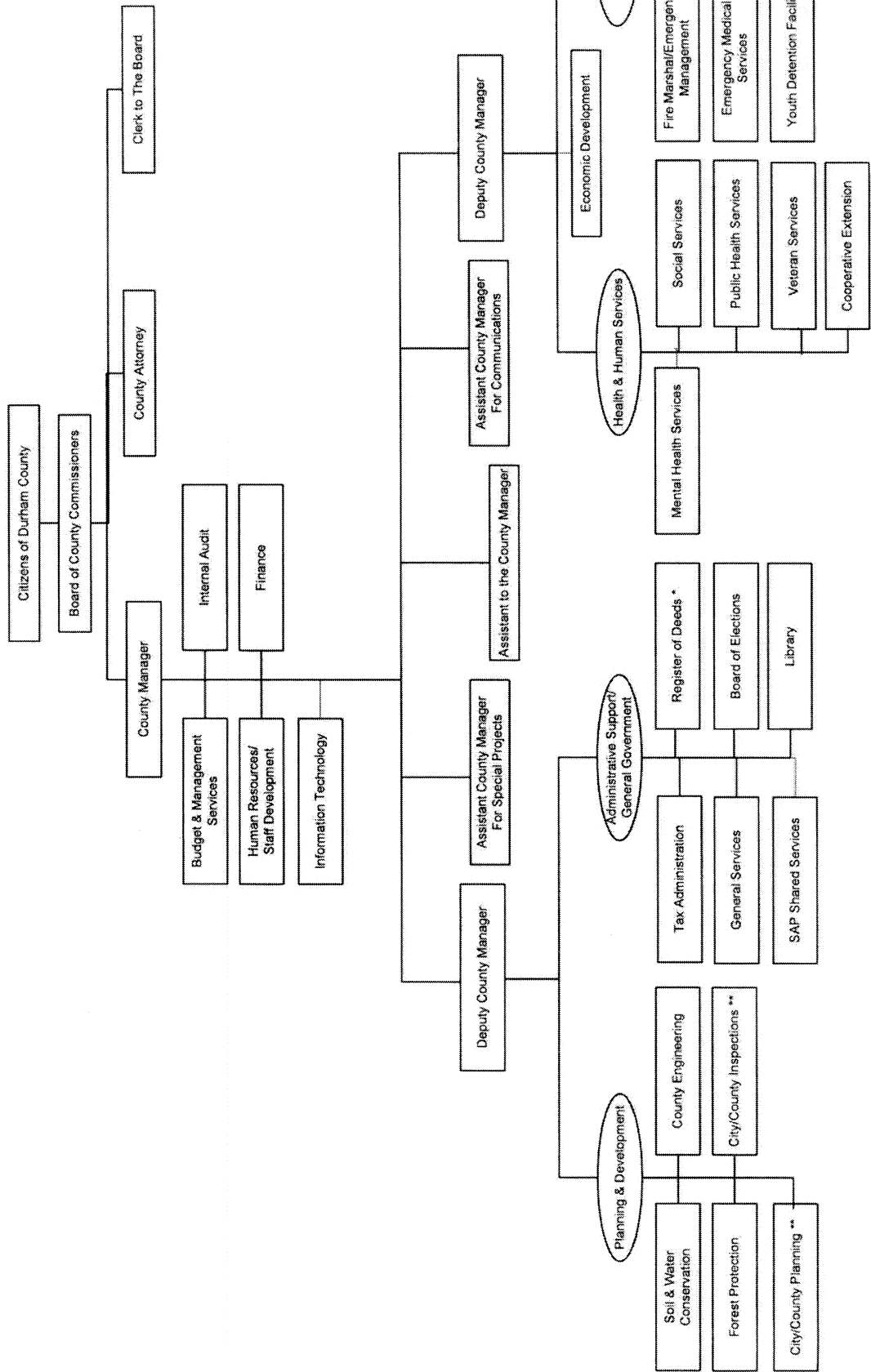


Mike Ruffin
County Manager



George K. Quick
Finance Director

Durham County, North Carolina General Administration Organizational Chart



* Elected Officials

** Joint City/County Departments

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emmer".

Executive Director

FINANCIAL SECTION (TAB)



INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Durham County, North Carolina

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 the Durham County, North Carolina (the "County"), as of and for the year then ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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. 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 Durham County ABC 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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Durham County ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our 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, 2010, and the respective changes in financial position and the cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund and community health trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2010 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* and should be considered in assessing the results of our audit.

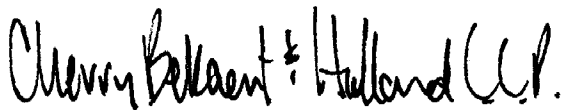
As discussed in the notes to the financial statements the County implemented *Governmental Accounting Standards Board Statement Number 53*. The implementation of this statement required that the County retroactively record the fair value of investment derivatives. Accordingly beginning net assets for June 30, 2009 has been restated to properly reflect the recording of the fair value of the County's investment derivative.

The Management's Discussion and Analysis and the Required Supplementary Information as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the County. The other supplementary information 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory or statistical sections of this report and, accordingly, we express no opinion on such data.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in black ink that reads "Cherry Bekaert & Holland LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
October 27, 2010

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, 2010. 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-xvii.

Financial Highlights

- The assets of Durham County exceeded its liabilities at the close of the most recent fiscal year by \$120,962,902 (*net assets*). However, of this amount, unrestricted net assets has a deficit balance of (\$63,986,445) (*unrestricted net assets*) which is primarily because of the general obligation 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 coupled with the recording of pension liabilities for other postemployment benefits (OPEB) according to GASB Statements No. 43 and No. 45. The assets funded by the County are owned by the 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 assets decreased by \$45,198,644, a decrease of 27.20 percent, due to decreases in the governmental activities' net assets.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$220,246,853, a decrease of \$47,727,381 in comparison with the prior year. Approximately 67.20 percent of this total amount, \$148,008,952, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$71,072,132 or 20.08 percent of total general fund expenditures, compared to fiscal year 2009 which was \$61,852,737 or 16.50 percent of total general fund expenditures. There net change in fund balance for fiscal year 2010 was an increase of over \$9.4 million with an increase in the percentage of unreserved fund balance to expenditures as well. The primarily reasons for the increases are the revenue collections were over 100 percent of budget while expenditures were only 93.60 percent of budget and over \$9.2 million of the increase in fund balance is in unreserved fund balance. The net change in fund balance increased by over \$12.3 million in fiscal year 2010 from fiscal year 2009. The primary reasons for the increase are the increase in excess of revenues over expenditures of over \$18.2 million, the increase in transfers out of over \$4.5 million, the decrease in transfers in of over \$2.2 million and the increase in the issuance of installment purchases of over \$800 thousand.
- The reserved for encumbrances increased by over \$1 million because of increased obligations at year end due to the economy.
- The County's total debt increased by \$2,470,782 (0.54 percent) during the current fiscal year. The key factors in this increase were the annual retirement of governmental and business-type activities debt, the issuance of installment purchases of \$29,019,411, reduction of debt carrying value of \$5,469,176 because of the defeasance of debt due to a refunding and an increase in the County's net OPEB obligation of \$6,004,042.

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. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, using the full-accrual basis of accounting, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, transportation, economic and physical development, environmental protection, human services, education, cultural and recreational and interest and fiscal charges. The business-type activities of the County include sewer utilities.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate entity, the ABC Board, for which the County is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 29-30 of this report.

Fund financial statements. 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. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike

the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. *Governmental funds* are reported using the modified accrual basis of accounting which provides a current financial resources focus. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains thirteen 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 and the capital projects 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.

The County adopts an annual appropriated 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. A budgetary comparison statement elsewhere in this report has been provided for the general fund and the community health trust fund to demonstrate compliance with this budget and whether or not the County succeeded in providing the services as planned when the budget was adopted.

The basic governmental fund financial statements can be found on pages 31-38 of this report.

Proprietary funds. The 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 enterprise funds to account for its sewer utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, 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 39-41 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. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 42-43 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 45-98 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 99-104 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information on pensions and postemployment benefits. Combining and individual fund statements and schedules can be found on pages 107-141 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the County, assets exceeded liabilities by \$120,962,902 as of June 30, 2010. Net assets are reported in three categories: capital assets, net of related debt, restricted net assets and unrestricted net assets.

A major portion of the County's net assets in the amount of \$68,666,020 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt issued to acquire those assets that are still outstanding. 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 related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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DURHAM COUNTY'S NET ASSETS

	Governmental Activities		Business - type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 263,041,669	\$ 304,541,386	\$ 18,439,136	\$ 15,791,247	\$ 281,480,805	\$ 320,332,633
Capital assets	277,698,410	273,721,034	54,217,387	54,255,703	331,915,797	327,976,737
Total assets	540,740,079	578,262,420	72,656,523	70,046,950	613,396,602	648,309,370
Long-term liabilities outstanding	439,812,181	435,422,723	20,713,821	22,632,497	460,526,002	458,055,220
Other liabilities	31,553,776	21,318,605	353,922	416,430	31,907,698	21,735,035
Total liabilities	471,365,957	456,741,328	21,067,743	23,048,927	492,433,700	479,790,255
Net assets:						
Invested in capital assets, net						
of related debt	34,361,023	50,531,593	34,304,997	31,884,317	68,666,020	82,415,910
Restricted	109,980,290	162,060,835	6,303,037	6,263,697	116,283,327	168,324,532
Unrestricted	(74,967,191)	(91,071,336)	10,980,746	8,850,009	(63,986,445)	(82,221,327)
Total net assets	\$ 69,374,122	\$ 121,521,092	\$ 51,588,780	\$ 46,998,023	\$ 120,962,902	\$ 168,519,115

The second portion of the County's net assets in the amount of \$116,283,327 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 and statutorily restricted revenues are included in this category.

The remaining portion of net assets is unrestricted net assets. This balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2010, the unrestricted net assets are a deficit in the amount of (\$63,986,445). The unrestricted deficit is attributable primarily to the general obligation bonds, certificates of participation and general obligation bond anticipation notes 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 for the County since it is not financing assets owned by the County. Therefore, this debt is reflected within the unrestricted portion of net assets rather than capital assets, net of related debt. In addition, as of fiscal year 2008, the unrestricted net assets deficit includes pension liabilities for other postemployment benefits per GASB Statements No. 43 and No. 45, and as of fiscal year 2010, the unrestricted net assets deficit includes the derivative financial instrument liability for the County's SWAP Agreement per GASB Statement No. 53.

At the end of the current fiscal year, the County is not able to report positive balances in all three categories of net assets for the government as a whole. However, the same did not hold true for the separate governmental and business-type activities. The unrestricted net assets for the governmental activities had a deficit balance of (\$74,967,191) while the other two categories of net assets, capital net of related debt and restricted, and all three categories of net assets of the business-type activities

were positive. The unrestricted net assets for the business-type activities had a positive balance of \$10,980,746.

The government's net assets decreased by \$45,198,644 during the current fiscal year. This amount is a decrease of 27.20 percent. For the second consecutive year, the County has experienced a decrease in net assets. A portion of this decrease is again due to the recession and the decline in the economy, however, over \$33 million is a result of the donation of educational properties to the Durham County Board of Education. In fiscal year 2010, operating grants and contributions decreased over \$319 million primarily because as of fiscal year 2010, the County changed its method of accounting and reporting of direct costs from federal and state awards. These costs represent payments directly to individual recipients by the state from federal and state monies. For fiscal years 2010 and 2009, these amounts were over \$355 million and \$320 million, respectively. Prior to fiscal year 2010, the revenues and expenses were included in the basic financial statements with disclosure in the notes to the financial statements. As of fiscal year 2010, these monies will no longer be included in the basic financial statements but will continue to be disclosed in the notes to the financial statements. The previous financial system could not record and monitor these monies and the financial activity without budgetary control. Therefore, these monies were included in the County's adopted budget and reported in the basic financial statements. The current financial system does have the capability to record and monitor these monies and financial activity without budgetary control and has been configured to do so. As a result, these funds will no longer be included in the County's adopted budget or the basic financial statements. The amounts paid to individual recipients by the state from federal and state monies are disclosed in Note N of the notes to the financial statements. Capital grants and contributions decreased by over \$17.1 million primarily because of a decrease in education of over \$12.4 million combined with a decrease in general government of over \$4.3 million. The Durham County Board of Education did not donate any properties to the County for fiscal year 2010 compared to donated property of over \$13 million in fiscal year 2009. Charges for services increased by over \$9.1 million mainly because of an increase of over \$7.3 million in public safety combined with an increase in sewer utility and general government of over \$968 thousand and \$782 thousand, respectively. The increase in public safety charges for services is primarily because in fiscal year 2009 there was a change in the calculation for the emergency medical services net realizable receivable which caused a significant decrease for that fiscal year of over \$7 million. The increase in sewer utility is because of increased rates while the increase in general government is the result of a net increase for all general government charges. Property taxes levied for general purposes increased by over \$4.3 million for fiscal year 2010. In addition, there was a decrease again in local option sales tax for the year of over \$5.4 million due to the recession and the economic downturn. Also, in fiscal year 2010, there were increases in property taxes levied for fire districts, property taxes levied for other district purposes and gross receipts tax. Likewise, in fiscal year 2010, there were decreases in occupancy tax, animal tax, investments and other revenues. The net of revenues for all areas offset the decreases in expenses which were over \$298.8 million. The significant decrease was in human services of over \$329 million. This was primarily because as of fiscal year 2010, the County changed its method of accounting and reporting of direct costs from federal and state awards as discussed earlier in this paragraph. In addition to the change in the method of accounting and reporting, fewer services were provided than originally anticipated and planned for, especially in the areas of social services and mental health. Education increased by over \$32.4 million primarily because of properties donated to the Durham County Board of Education in the amount of over \$33.4 million. Economic and physical development and

cultural and recreational increased over \$22 million and \$13.2 million, respectively, while general government decreased by over \$35 million. This was mainly because expenses for building projects that were closed in fiscal year 2010 were initially charged over the years while the projects were in progress to the functional areas of economic and physical development and cultural and recreational. When these projects were closed in fiscal year 2010, they were closed to building and grounds in the general services business area as final assets which is in the general government functional area. Despite the national recession and struggling economy, the County's finances are strong, sound and stable because of solid, dedicated and committed financial management.

DURHAM COUNTY'S CHANGES IN NET ASSETS

	Governmental		Business - type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 23,447,867	\$ 15,217,762	\$ 9,563,353	\$ 8,595,153	\$ 33,011,220	\$ 23,812,915
Operating grants and contributions	80,230,451	399,272,928	-	-	80,230,451	399,272,928
Capital grants and contributions	2,313,959	19,302,309	32,330	164,857	2,346,289	19,467,166
General revenues:						
Taxes	260,127,663	261,187,855	-	-	260,127,663	261,187,855
Investment and interest income	3,216,562	3,123,327	52,902	306,961	3,269,464	3,430,288
Other revenues	1,047,400	1,096,491	3,792	-	1,051,192	1,096,491
Total revenues	<u>370,383,902</u>	<u>699,200,672</u>	<u>9,652,377</u>	<u>9,066,971</u>	<u>380,036,279</u>	<u>708,267,643</u>
Expenses:						
General government	12,365,748	47,393,464	-	-	12,365,748	47,393,464
Public safety	55,255,454	52,889,080	-	-	55,255,454	52,889,080
Transportation	12,500	12,500	-	-	12,500	12,500
Economic and physical development	28,751,080	6,746,267	-	-	28,751,080	6,746,267
Environmental Protection	2,456,029	3,800,698	-	-	2,456,029	3,800,698
Human services	108,607,392	437,677,600	-	-	108,607,392	437,677,600
Education	176,005,516	143,520,618	-	-	176,005,516	143,520,618
Cultural and recreational	25,220,574	11,998,176	-	-	25,220,574	11,998,176
Interest and fiscal charges	11,499,010	14,505,409	-	-	11,499,010	14,505,409
Sewer utility	-	-	5,061,620	5,243,614	5,061,620	5,243,614
Total expenses	<u>420,173,303</u>	<u>718,543,812</u>	<u>5,061,620</u>	<u>5,243,614</u>	<u>425,234,923</u>	<u>723,787,426</u>
Increase (decrease) in net assets	(49,789,401)	(19,343,140)	4,590,757	3,823,357	(45,198,644)	(15,519,783)
Net assets – 7/1/2009	<u>121,521,092</u>	<u>140,864,232</u>	<u>46,998,023</u>	<u>43,174,666</u>	<u>168,519,115</u>	<u>184,038,898</u>
Prior period adjustment (Note Q)	<u>(2,357,569)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,357,569)</u>	<u>-</u>
Adjusted net assets - 7/1/2009	<u>119,163,523</u>	<u>140,864,232</u>	<u>46,998,023</u>	<u>43,174,666</u>	<u>166,161,546</u>	<u>184,038,898</u>
Net assets – 6/30/2010	<u>\$ 69,374,122</u>	<u>\$ 121,521,092</u>	<u>\$ 51,588,780</u>	<u>\$ 46,998,023</u>	<u>\$ 120,962,902</u>	<u>\$ 168,519,115</u>

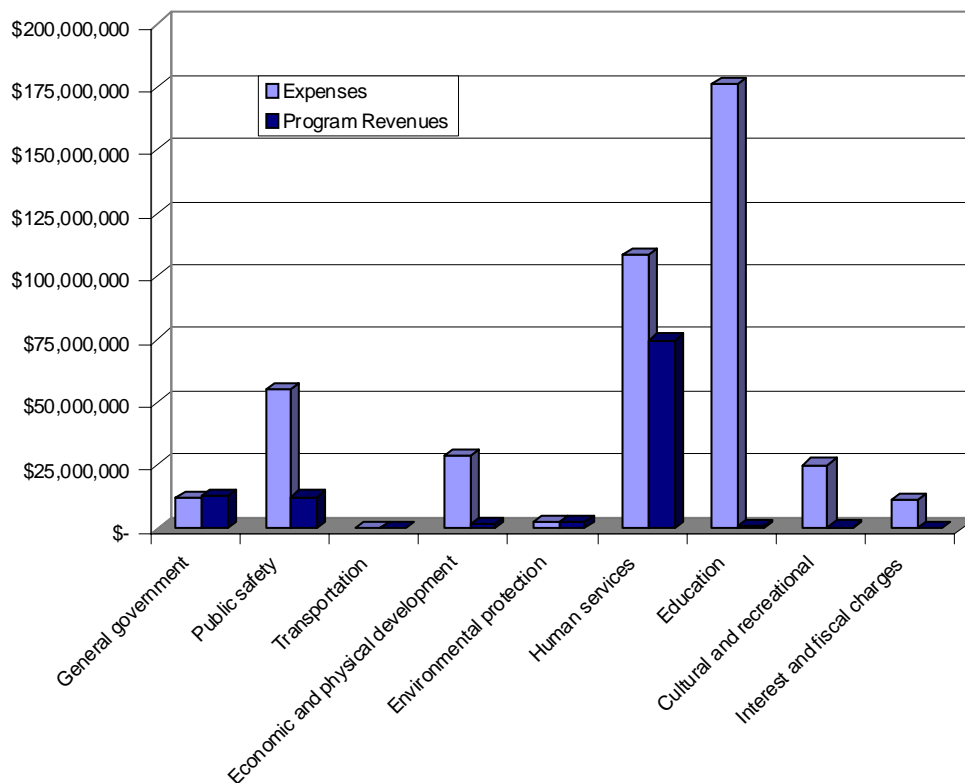
- Property taxes levied for general purposes increased by \$4,322,637 (2.11 percent) during the year. This increase is primarily because of the Tax Department's continued collection efforts including participating in the North Carolina Local Government Debt Setoff Clearinghouse Program.

- Local option sales tax decreased by \$5,432,377 (11.53 percent) during the year. The decrease was due to the recession and the economic downturn. With the continued mortgage crisis, unemployment, poor investment market, etc., people have continued to be reluctant to go out and spend money than in previous fiscal years saving instead for necessities.
- Intergovernmental revenues and contributions decreased by \$336,163,354 (80.28 percent). The primary reasons for this decrease are decreases in human services, education and general government. Operating grants and contributions decreased over \$319 million primarily because as of fiscal year 2010, the County changed its method of accounting and reporting of direct costs from federal and state awards. These costs represent payments directly to individual recipients by the state from federal and state monies. For fiscal years 2010 and 2009, these amounts were over \$354 million and \$320 million, respectively. Prior to fiscal year 2010, the revenues and expenses were included in the basic financial statements with disclosure in the notes to the financial statements. As of fiscal year 2010, these monies will no longer be included in the basic financial statements but will continue to be disclosed in the notes to the financial statements. The previous financial system could not record and monitor these monies and the activity without budgetary control. Therefore, these monies were included in the County's adopted budget and reported in the basic financial statements. The current financial system does have the capability to record and monitor these monies and financial activity without budgetary control and has been configured to do so. As a result, these funds will no longer be included in the County's adopted budget or the basic financial statements. The amounts paid to individual recipients by the state from federal and state monies are disclosed in Note N of the notes to the financial statements. Capital grants and contributions decreased by over \$17.1 million mainly because of a decrease in education of over \$12.4 million combined with a decrease in general government of over \$4.3 million. The agreement entered into in fiscal year 2007 regarding educational properties whereby the County would hold title to these properties and fund major improvements to these properties was dissolved in fiscal year 2010. Therefore, the Durham County Board of Education did not donate any properties to the County in fiscal year 2010 compared to over \$13 million in fiscal year 2009. The decrease in general government was a reduction in revenues for debt service.
- Charges for services increased by \$9,198,305 (38.63 percent). Most of this increase is because of an increase in the charges for services in public safety of over \$7.3 million combined with increases in sewer utility and general government of over \$968 thousand and \$782 thousand, respectively. The increase in public safety is mainly because in fiscal year 2009 there was a change in the calculation for the emergency medical services net realizable receivable which caused a significant decrease for that fiscal year of over \$7 million. The increase in sewer utility is because of increased rates while the increase in general government is the result of a net increase for all general government charges.

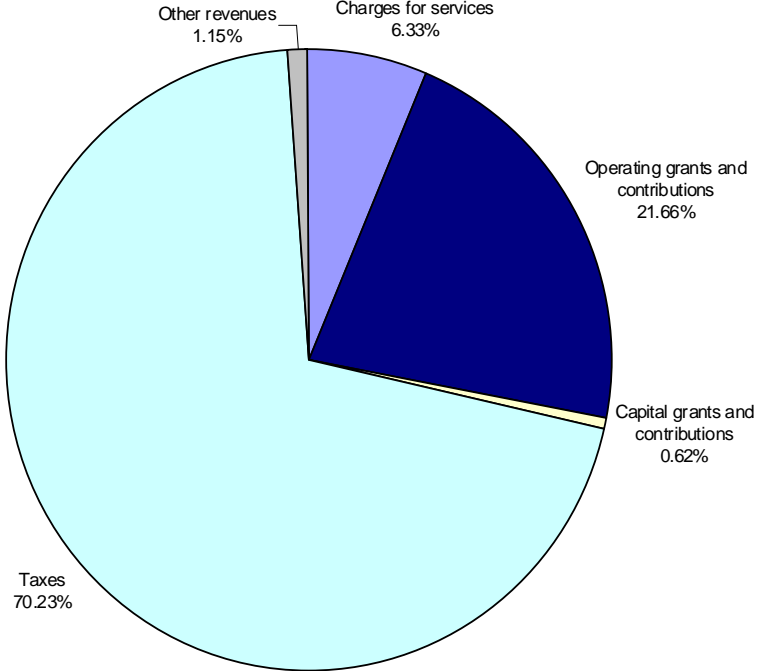
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The overall expenses for the County decreased by \$298,866,470 (41.27 percent) due to decreases in both governmental activities and business-type activities expenses. The largest decrease was in human services, which decreased \$329,070,208 (75.19 percent) due primarily because as of fiscal year 2010, the County changed its method of accounting and reporting of direct costs from federal and state awards as discussed in the third bullet above. Also, see Note N. In addition to the change in the method of accounting and reporting, fewer services were provided than

originally anticipated and planned for, especially in the areas of social services and mental health. Education increased by over \$32.4 million mainly because of properties donated to the Durham County Board of Education in the amount of \$33.4 million. The agreement entered into in fiscal year 2007 regarding educational properties whereby the County would hold title to these properties and fund major improvements to these properties was dissolved in fiscal year 2010. Therefore, all properties held by the County under this agreement were donated. Economic and physical development and cultural and recreational increased over \$22 million and \$13.2 million, respectively, while general government decreased by over \$35 million. This was primarily because expenses for building projects that were closed in fiscal year 2010 were initially expensed and capitalized to construction in progress over the years while the projects were in progress to the functional areas of economic and physical development and cultural and recreational. When these projects were closed in fiscal year 2010, they were closed to building and grounds in the general services business area as final assets which is in the general government functional area. In addition, public safety expenses increased by \$2,366,374 (4.47 percent) for the most part because of increased services. Environmental protection decreased by \$1,344,669 (35.38 percent) mostly because of expenses that were capitalized. Interest and fiscal charges decreased \$3,286,532 (22.23 percent) for the most part because of the unamortized loss on the refunding of bonds of over \$3.9 million coupled with the change in the accrued interest payable and increased interest expenses for the year. Sewer utility expenses decreased \$215,828 (4.09 percent) primarily because of increases in interest and fiscal charges and transfers out netted with decreases in assessments and operating expenses. During fiscal year 2009, the County ceased contracting for the waste water treatment plant facilities and began operating the plant internally. As a result, in fiscal year 2010, there are no longer contracted services expenses for the wastewater treatment plant for sewer utilities.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



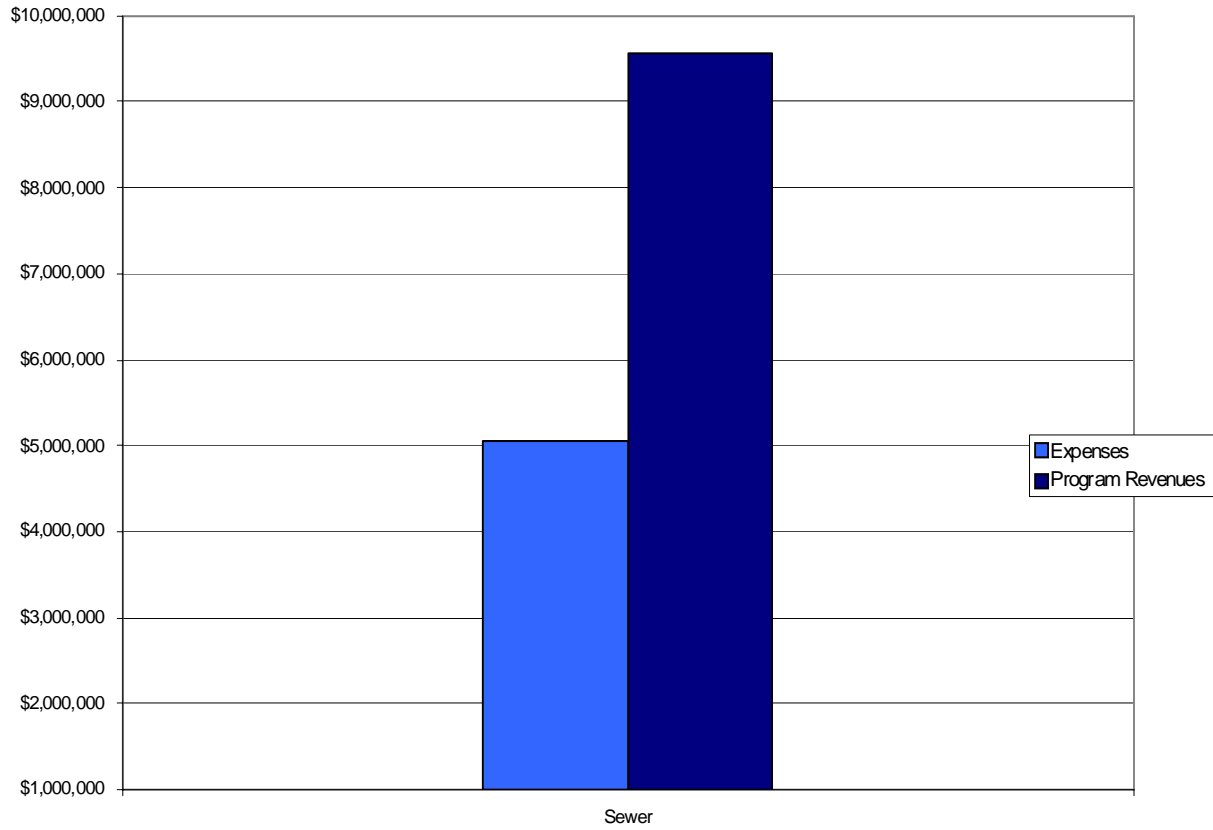
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Business-type activities. Business-type activities increased the County's net assets by \$4,590,757 offsetting the decrease in governmental activities' net assets by 9.52 percent. Key elements of this are as follows:

- Expenses decreased \$215,828 mainly because of increases in interest and fiscal charges and transfers out netted with decreases in assessments and operating expenses. During fiscal year 2009, the County ceased contracting the operations of the waste water treatment plant facilities and began operating the plant internally. As a result, in fiscal year 2010, there are no longer contracted services expenses for the wastewater plant facilities.
- Charges for services increased by \$968,200 (11.26 percent). There was a rate increase of 7 percent for all customers, both residential and industrial, effective July 1, 2009 in fiscal year 2010 with no increase in the capital recovery charges. 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.
- Investment and interest income decreased by \$254,059 (82.77 percent) because of the effect the recession and the decline in the economy had on the market.
- There was capital contributions (sewer lines) from private developers in fiscal year 2010 of \$12,685 compared to \$145,300 in fiscal year 2009.
- There were intergovernmental revenues of \$19,645 received for the water reuse project in fiscal year 2010.

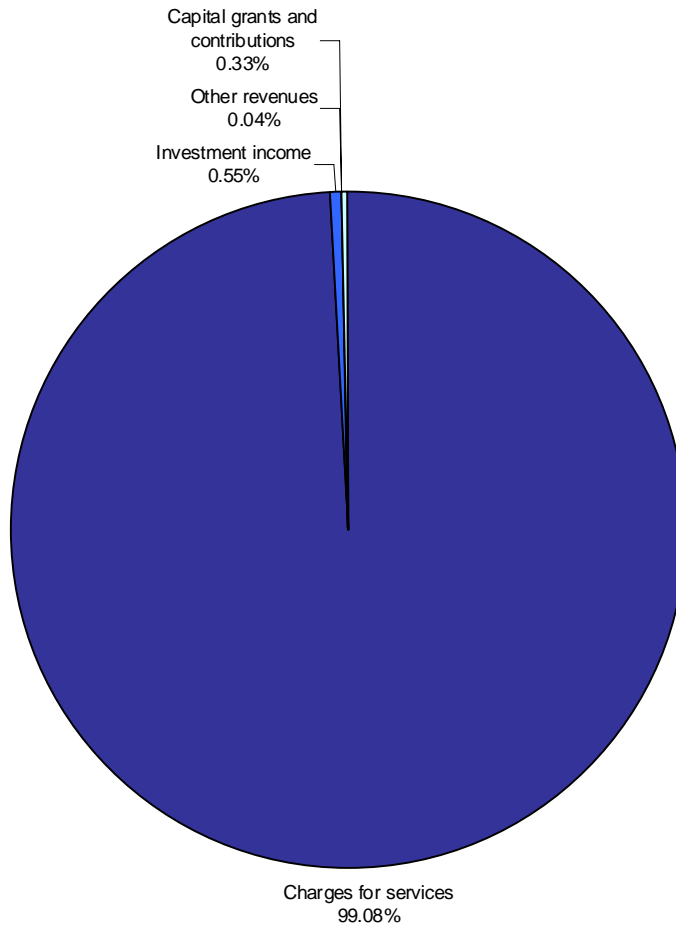
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Expenses and Program Revenues – Business-type Activities



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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 the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in

assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as 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 \$220,246,853, a decrease of \$47,727,381 in comparison with the prior year. Approximately 67.20 percent of this total amount (\$148,008,952) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to honor contracts and purchase orders of the prior period (\$41,523,991), 2) for a variety of other restricted purposes (\$5,246,332) or 3) because it is reserved by state statute (\$25,467,578).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$71,072,132, while total fund balance grew and reached \$101,634,062. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20.08 percent of total general fund expenditures, while total fund balance represents 28.71 percent of that same amount. The percentage of unreserved fund balance to total general fund expenditures increased from 16.50 percent for fiscal year 2009 to 20.08 percent for fiscal year 2010 an increase of 3.58 percent. The net change in fund balance for fiscal 2010 was an increase of over \$9.4 million. The primary reasons for the increases are the revenue collections were over 100 percent of budget while the expenditures were only 93.60 percent of budget. Over \$9.2 million of the increase in fund balance is in unreserved fund balance. The net change in fund balance increased by over \$12.3 million in fiscal year 2010 from fiscal year 2009. The primary reasons for the increase are the increase in excess of revenues over expenditures of over \$18.2 million, the increase in transfers out of over \$4.5 million, the decrease in transfers in of over \$2.2 million and the increase in the issuance of installment purchases of over \$800 thousand.

The fund balance of the County's general fund increased by \$9,446,318 during the current fiscal year. Key factors in this growth are as follows:

- Intergovernmental revenues of the general fund decreased by 34.84 percent or \$42,898,804. This decrease is because as of fiscal year 2010, the County changed its method of accounting and reporting of direct costs from federal and state awards. These costs represent payments directly to individual recipients by the state from federal and state monies. Prior to fiscal year 2010, the revenues and expenditures were included in the basic financial statements with disclosure in the notes to the financial statements. As of fiscal year 2010, these monies will no longer be included in the basic financial statements but will continue to be disclosed in the notes to the financial statements. The previous financial system could not record and monitor these monies and the financial activity without budgetary control. Therefore, these monies were included in the County's adopted budget and reported in the basic financial statements. The current financial system does have the capability to record and monitor these monies and financial activity without budgetary control and has been configured to do so. As a result, these monies will no longer be included in the County's adopted budget or the basic financial statements. The amounts paid to individual recipients by the state from federal and state monies are disclosed in Note N of the notes to the financial statements. Offsetting the decrease for social services were

increases in public health, mental health and other of over \$1.1, \$1.6 and \$1.6 million, respectively.

- The general fund taxes increased only by 0.12 percent or \$310,189. While the increase is insignificant, it is the net effect of significant within the general fund taxes. This increase is primarily the result of increases in the amount of current year levy collections and the prior year's levy collections netted with decreases in local option sales tax. Current year levy collections and prior year's levy collections increased by \$4,622,693 (2.29 percent) and \$1,246,175 (127.8 percent), respectively whereas the local option sales tax decreased by \$5,432,377 (11.53 percent). The increase in the general fund's percentage of current year and prior year's levy collections was because of continued collection efforts including participating in the North Carolina Debt Setoff Clearinghouse Program. The decrease in the local option sales tax collections continues to be the result of the recession and economic downturn.
- Charges for services increased \$822,888 (4.84 percent) mainly because of increases in general government charges, elections registration lists, environmental protection, emergency medical services' charges and register of deeds netted with decreases in public health and social services. General government charges, elections registration lists, environmental protection, emergency medical services' charges and register of deeds increased by \$491,344 (19.19 percent), \$252,530 (262.78 percent), \$223,835 (32.16 percent), \$178,338 (3.55 percent) and \$161,133 (6.28 percent), respectively, while public health and social services decreased by \$308,627 (43.51 percent) and \$147,221 (48.28 percent), respectively. The increase in general government charges, elections registration lists, environmental protection, emergency medical services' charges and register of deeds were a result of increased services while the decrease in public health and social services were a result of decreased administrative services.
- Investments increased by \$411,534 or 15.17 percent despite the recession and economic downturn.
- Licenses and permits decreased by \$56,788 (7.62 percent) because of the reduction in construction permits, a result of the recession and economic downturn.
- Rent decreased by \$100,747 (17.34 percent) because of the reduction in renting of County recreational and other facilities.
- General government expenditures decreased \$1,313,311 (3.73 percent). This is due mainly because of increased services of tax of \$1,013,719 (17.28 percent) netted with a decrease in other of \$1,363,141 (77.59 percent) and other insignificant decreases occurring in other areas such as register of deeds, general services and information systems.
- Economic and physical development decreased by \$1,339,600 (21.96 percent) primarily because of decreased disbursements per the IEP Agreements with less incentives being met coupled with less grant funded incentives for local businesses netted with increased services in cooperative extension.
- Human services' expenditures decreased by \$54,808,314 (33.76 percent). This decrease is primarily because as of fiscal year 2010, the County changed its method of accounting and reporting of direct costs from federal and state awards as discussed in the first bullet above. Also, see Note N. In addition, to the change in the method of accounting and reporting, fewer services were provided than originally anticipated and planned for in all areas of human services, especially in the areas of social services and mental health.
- Education decreased by \$3,348,976 from the prior fiscal year. Of this decrease, Durham Public Schools received decreased funding of \$3,360,481 while Durham Technical Community College and other education received increased funding of \$9,608 and \$1,897, respectively.

- Due to the economic downturn, in the budgetary process for fiscal year 2010, the County's management recommended to continue with restrictions from fiscal year 2009 as well as further budget reductions to ensure the recession would not have a severe negative impact on Durham County's financial position. During the budgetary process, the Board and management reassessed the County's financial position, and the Board approved these measures for the fiscal year 2010 budget. Those restrictions included no employee pay increases and suspension of the longevity program. Further budget reductions included the elimination of vacant positions, the reduction of departmental budgets by an average of 6.6 percent, 2.8 percent reduction for current expenditure funding for Durham Public Schools and Durham Technical Community College, 6.6 percent reduction in current expenditure funding of the North Carolina Museum of Life and Science and reduced funding for nonprofit agencies.

The Community Health Trust Fund has a total fund balance of \$12,431,038, 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 decrease in fund balance during the current year in the community health trust fund was \$2,828,595. For the third consecutive fiscal year and the only three years since inception of the fund which was in fiscal year 1999, the Community Health Trust Fund has had a decrease in fund balance. The decrease in fiscal year 2010 was due primarily to increased investment earnings of over \$2.7 million and charges for services of over \$300 thousand netted with decreasing the operating transfers to assist in funding health related costs in the general fund while increasing the operating transfers to assist in funding health related debt for the human services complex capital project in the debt service fund. The net increase of operating transfers was over \$3.4 million. For the first time since fiscal year 2007, there was positive investment earnings reported despite the economic crisis and the effect it has had on the market as these funds are managed by investment managers in the market as approved through special legislation.

In fiscal year 2010, 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 (\$1,495,002) and other charges for services (\$54,100). An operating financing use, operating transfer out (\$8,327,697) occurred. Of that transfer amount, \$3,763,517 was to assist in the funding of health related expenditures in the general fund and \$4,564,180 was to assist in the funding of health related debt in the debt service fund for the human services complex capital project. 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 2010, 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 for fiscal year 2010. 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 \$100,487,422, 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 \$57,523,410 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 (\$28,132,198) and transfers (\$1,745,000). The fund also recognized intergovernmental revenues (\$2,209,383) and investments (\$384,030). In the expenditures, there was construction activity in the amount of \$86,358,496, debt issuance costs (\$597,345) and other general government expenditures for banking services (\$50) and there were other financing uses in the transfer of \$3,038,130. The construction activity was primarily for education and environmental protection in the amounts of \$36,530,806 and \$26,831,332, respectively. The other construction activity occurred in general government (\$13,421,804), cultural and recreational (\$9,573,329) and public safety (\$1,225).

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 assets of the sewer utility fund at the end of the year amounted to \$10,980,746. There was an increase in total net assets of \$4,590,757. 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 \$349,931,999 and can be summarized briefly as follows:

- \$310,283 in increases allocated to general administration was largely to honor commitments from fiscal year 2009 and to appropriate unspent restricted funds in fiscal year 2010 coupled with increases primarily for tax and legal fees. The increases for tax were primarily for appropriation for increased contracted services for business personal property audit firms while the increase in the legal fees was for the modification of the SWAP Agreement which was effective September 1, 2009.
- \$1,894,029 in increases allocated to public safety was primarily for the sheriff's office, emergency management and county fire protection. Increases for the sheriff's office and emergency management were primarily to honor commitments from fiscal year 2009 and to appropriate unspent restricted funds in fiscal year 2010. In addition, increases for the sheriff's

office were for grant funded capital outlay. Increases for county fire protection were for increased firefighter services and an additional firefighter position.

- \$1,068,946 in increases allocated to economic and physical development was primarily for cooperative extension and economic development. Increases for cooperative extension were because of increases in services, increases in contracted services due to receipt of additional grant funding and to honor commitments from fiscal year 2009 and to appropriate unspent restricted funds in fiscal year 2010. Economic development increased as a result of receiving NC One Fund grants.
- \$166,390 in increases allocated to environmental protection was primarily to honor commitments from fiscal year 2009 and a grant award for the Sustainability Program.
- \$353,525,991 in decreases allocated to human services was primarily because as of fiscal year 2010, the County changed its method of accounting and reporting of direct costs from federal and state awards. These costs represent payments directly to individual recipients by the state from federal and state monies. Prior to fiscal year 2010, the revenues and expenditures were included in the basic financial statements. As of fiscal year 2010, these monies will no longer be included in the basic financial statements but will continue to be disclosed in the notes to the financial statements. The previous financial system could not record and monitor these monies and the financial activity without budgetary control. Therefore, these monies were included in the County's adopted budget and reported in the basic financial statements. The current financial system does have the capability to record and monitor these monies and financial activity without budgetary control and has been configured to do so. As a result, these monies will no longer be included in the County's adopted budget or the basic financial statements. This significant decrease was offset by increases in social services, mental health and public health mainly to honor commitments from fiscal year 2009, to appropriate unspent restricted funds for fiscal year 2010 and to provide increased services. The increased services are funded for the most part through the recognition of new grants and additional federal and state awards.
- \$154,344 in increases allocated to cultural and recreational was to honor commitments from fiscal year 2009, recognition of grants and donations to the Library and funding for increases in operating expenditures of other cultural and recreational facilities.

Of this net decrease, \$2,503,000 was to be funded from additional taxes, intergovernmental revenues funding decreased \$356,639,988, other revenues funding decreased \$1,621,101 and operating transfers in funding decreased \$105,692. The remaining \$5,931,782 was to be budgeted from available fund balance. However, during the year, while revenues exceeded budgetary estimates by \$481,115, expenditures were far less than budgetary estimates with a positive variance of \$21,541,720, thus eliminating the need to draw upon existing fund balance.

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Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$331,915,797 (net of accumulated depreciation). This investment in capital assets includes 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 investment in capital assets for the current fiscal year was 1.20 percent (a 1.45 percent increase for governmental activities and a 0.07 percent decrease for business-type activities).

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

- Construction continued on the additional wastewater treatment facilities and the collection systems rehabilitation which had construction costs for the year of \$212,007 and \$193,943, respectively. Construction began on the reused wastewater facilities project which had costs for the year of \$92,133.
- Construction for the Durham Public School Projects continued in fiscal year 2010 in the amount of \$33,203,960.
- Construction for the Durham Technical Community College Projects continued in fiscal year 2010 in the amount of \$3,326,846.
- Construction for NCML & Bioquest Project for the Museum of Life and Science continued in fiscal year 2010 in the amount of \$977,850.
- Other construction activity for cultural and recreational other than for the Museum occurred in the amount of \$8,597,235 for the North Durham Library, Stanford Warren Library, Southwest Branch Library, South Regional Library as well as the renovations to the main library.
- Construction activity for environmental protection occurred in the amount of \$26,831,332 in environmental engineering primarily for the human services complex (\$23,004,626), criminal justice resource center (\$2,046,635), open space and farmland preservation (\$1,280,753), administrative building renovations (\$226,091) and the animal shelter building office (\$86,785). Other activity occurred on the Lincoln Community Health Center renovations, New Hope/Duke land acquisition, mental health crisis center renovations and the judicial building renovations.

- Construction activity for general government occurred in the amount of \$13,421,804. The major activity in general government was the county stadium renovations (\$6,241,593), new justice center (\$5,250,905), the computer replacement project (\$1,392,961), the register of deeds preservation project (\$288,742) and the telecommunication system upgrade project (\$212,317). Other activity occurred in the BOCC chamber upgrade and the County storage facility.
- There was contributed capital of a conservation easement in the amount of \$104,576 for fiscal year 2010.
- There was a disposal of governmental activities' capital assets in the amount of \$45,682,685 with a loss on the disposal of the capital assets in the amount of \$33,429,540.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business - type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 6,843,704	\$ 6,837,204	\$ 185,226	\$ 185,226	\$ 7,028,930	\$ 7,022,430
Easements	1,351,764	-	-	-	1,351,764	-
Improvements- water and sewer lines	-	-	14,120,055	14,590,410	14,120,055	14,590,410
Buildings	145,094,715	137,363,314	1,707,297	1,771,822	146,802,012	139,135,136
Office furniture and equipment	1,371,109	52,742	10,985	12,896	1,382,094	65,638
Machinery and equipment	948,896	713,535	89,822	57,815	1,038,718	771,350
Computer hardware	4,875,888	182,345	14,498	22,974	4,890,386	205,319
Computer software	613,095	4,447,272	-	-	613,095	4,447,272
Vehicles	2,498,320	3,793,712	76,192	99,331	2,574,512	3,893,043
Construction in progress	114,100,919	120,330,910	38,013,312	37,515,229	152,114,231	157,846,139
Total	\$ 277,698,410	\$ 273,721,034	\$ 54,217,387	\$ 54,255,703	\$ 331,915,797	\$ 327,976,737

Additional information on the County's capital assets can be found in Note D on pages 69-71 of this report.

Long-term debt. At the end of the current fiscal year, Durham County had total debt outstanding of \$429,054,485. Of this amount, \$233,254,284 comprises bonded debt backed by the full faith and credit of the government. Also included is \$16,090,000 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 \$132,724,828, installment notes in the amount of \$21,055,919, general obligation bond anticipation notes of \$23,387,866 and other financing agreements in the amount of \$2,541,588. 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			
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 228,692,055	\$ 253,683,590	\$ 4,562,229	\$ 4,923,179	\$ 233,254,284	\$ 258,606,769
Revenue bonds	-	-	16,090,000	17,660,000	16,090,000	17,660,000
Certificates of participation	132,724,828	132,775,000	-	-	132,724,828	132,775,000
Installment notes payable	44,443,785	20,712,884	-	-	44,443,785	20,712,884
Other financing agreements	2,541,588	3,093,221	-	-	2,541,588	3,093,221
Total	\$ 408,402,256	\$ 410,264,695	\$ 20,652,229	\$ 22,583,179	\$ 429,054,485	\$ 432,847,874

The County's total debt excluding accrued compensated absences and net OPEB obligation decreased by \$3,793,389 (0.88 percent) during the current fiscal year. The key factors in this decrease was the reduction of debt as a result of the annual debt payments, the net issuance of \$2,654,828 in certificates of participation, the issuance of \$18,149,583 in general obligation bond anticipation notes, the issuance of \$8,215,000 in installment purchases and the decrease in the carrying value of debt because of the defeasance of debt due to a refunding of \$5,469,176.

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 \$2,322,631,308, leaving a legal debt margin of \$2,088,701,308. The net bonded debt per capita is \$873.

Additional information on the County's long-term debt can be found in Note E on pages 72-77 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is 7.8 percent as of June 2010, which is a decrease from a rate of 8.4 percent as of June 2009. The County's unemployment rate remains high due to the recession and economic downturn; however, it has improved over this past year. In addition, the County's unemployment rate compares favorably to the State's and nation's average unemployment rate as of June 2010 of 10 percent and 9.5 percent, respectively.
- The construction activity for non-residential and residential construction was over \$627 million for calendar year 2009 compared to over \$946 million for the calendar year 2008. The value of construction activity decreased due to the economy being in a recession.

- The manufacturing sector employment decreased 10.18 percent (3,372 positions) for calendar year 2009 (29,741) compared to calendar year 2008 (33,113). As of the 1st quarter of calendar year 2010, the number has decreased again to 29,086 positions (655 decrease, 2.20 percent). The decrease is due to the recession and economic downturn.
- 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 2010 reported were \$3,778,439 compared to \$3,283,972 reported for fiscal year 2009, an increase of \$494,467 (15.06 percent). Total taxable sales are reported in thousands of dollars. Retail sales increased despite the current recession and economic downturn.
- Economic development announcements for 2009 were over \$1.338 million, and economic announcements occurring through the second quarter of 2010 amounted to over \$173 million.
- The per capita income for Durham MSA for 2009 is \$40,116, an increase of 1.86 percent over 2008. The Raleigh/Cary MSA has a per capita income of \$37,849. The per capita for the State increased from 2008 to 2009 to \$34,719, a decrease of 1.77 percent, while the per capita for the nation increased from 2008 to 2009 to \$39,626, an increase of 11.67 percent.
- 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 2010 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$71,072,132. The County has appropriated \$6,203,505 of this amount for spending in the 2011 fiscal year budget. There was an increase in the general fund tax rate of 3.78 cents for the 2010 levy year for funding of debt service and Durham Public Schools. In addition, there were a significant amount of charges for general fund services that were increased for the 2011 fiscal year in the departments of general services, sheriff, erosion control, fire marshal and public health. Transfers from the special revenue funds are budgeted for the 2011 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2011 fiscal year as a funding source for health related spending, and a transfer from the sewer utility fund is budgeted for 2011 to reimburse the general fund for sewer utility indirect costs and employee insurance benefits paid by the general fund.

The sewer rates were increased for the 2011 budget year in the sewer utility fund. The sewer rates were increased by 8 percent for all customers, both residential and industrial, effective July 1, 2010. These rate increases were necessary to maintain operations and sufficient funds to service debt. However, there was no increase in the capital recovery charges. 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. All other sewer utility charges remained the same with the exception of the wastewater monitoring charge rates. The wastewater monitoring charge rates were revised to correspond with the laboratory's current monitoring charge rates.

In addition, in fiscal year 2011, because of the continued recession and economic downturn, there were other financial and operating actions taken. They include no raises for employees, the longevity program has been suspended, departmental budgets reduced an average of 1.63 percent, Durham Technical Community College funding reduced by 3 percent, North Carolina Museum of

Life and Science funding reduced by 3 percent and suspended funding for open space matching grants. The County's plan is to move forward in fiscal year 2011 closely monitoring revenues and expenditures and to reassess the County's financial position mid-year.

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 Finance Director, 200 East Main Street, Floor 4M, Durham, NC 27701.

BASIC FINANCIAL STATEMENTS

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Assets				
Cash and cash equivalents / investments	\$ 111,895,918	\$ 11,079,498	\$ 122,975,416	\$ 2,064,315
Cash and cash equivalents / investments - restricted	109,980,290	6,303,037	116,283,327	-
Receivables:				
Accounts receivable	2,203,996	24,365	2,228,361	1,089
Accrued interest receivable	662,308	104,115	766,423	-
Net taxes receivable	4,534,445	-	4,534,445	-
Solid waste receivable	21,951	-	21,951	-
Animal taxes receivable	880,985	-	880,985	-
Net emergency medical services receivable	1,342,743	-	1,342,743	-
Inventory	759,168	-	759,168	1,797,737
Due from other governments - federal and state agencies	17,752,421	30,068	17,782,489	-
Due from other governments - local	2,409,823	512,038	2,921,861	-
Prepays	51,205	-	51,205	118,652
Bond issuance costs	2,943,204	537,442	3,480,646	-
Accumulated amortization bond issue costs	(296,179)	(151,427)	(447,606)	-
Investment in joint venture	7,871,472	-	7,871,472	-
Pension assets	27,919	-	27,919	-
Capital assets:				
Nondepreciable:				
Land	6,843,704	185,226	7,028,930	1,539,453
Easements	1,351,764	-	1,351,764	-
Construction in progress	114,100,919	38,013,312	152,114,231	-
Depreciable:				
Land improvements - sewer and water lines	-	24,418,944	24,418,944	850,584
Buildings	205,732,460	4,103,344	209,835,804	2,673,509
Office furniture and equipment	1,896,130	13,374	1,909,504	-
Machinery and equipment	3,177,069	315,538	3,492,607	1,154,348
Computer hardware	7,821,645	26,133	7,847,778	-
Computer software	13,897,206	-	13,897,206	-
Vehicles	10,319,996	155,693	10,475,689	87,119
Law enforcement	-	-	-	217,190
Accumulated depreciation	(87,442,483)	(13,014,177)	(100,456,660)	(2,007,671)
Total assets	540,740,079	72,656,523	613,396,602	8,496,325
Liabilities				
Accounts payable	17,969,043	187,997	18,157,040	672,210
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	2,813,734	97,251	2,910,985	-
Accrued payroll and related amounts withheld	4,583,961	55,674	4,639,635	79,723
Collections in advance	2,088,059	-	2,088,059	-
Due to other governments - federal and state agencies	-	-	-	522,074
Due to other governments - local	164,905	-	164,905	506,127
Derivative financial instrument	3,934,074	-	3,934,074	-
Other liabilities	-	-	-	76,067
Long-term liabilities:				
Net OPEB obligation	24,746,711	-	24,746,711	-
Accrued compensated absences due within one year	4,312,262	39,086	4,351,348	-
Bonds and other notes payable due within one year	46,381,261	2,053,385	48,434,646	458,145
Accrued compensated absences	2,350,952	22,506	2,373,458	112,432
Bonds and other notes payable	362,020,995	18,598,844	380,619,839	-
Total liabilities	471,365,957	21,067,743	492,433,700	2,426,778
Net assets				
Capital assets, net of related debt	34,361,023	34,304,997	68,666,020	4,056,387
Restricted for:				
Capital projects	107,633,032	6,303,037	113,936,069	-
Grants and technology	2,347,258	-	2,347,258	-
Working capital	-	-	-	686,311
Unrestricted net assets	(74,967,191)	10,980,746	(63,986,445)	1,326,849
Total net assets	\$ 69,374,122	\$ 51,588,780	\$ 120,962,902	\$ 6,069,547

DURHAM COUNTY, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities		Durham County ABC Board
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 12,365,748	\$ 8,835,568	\$ 3,160,839	\$ 1,000,000	\$ 630,659	\$ -	\$ -
Public safety	55,255,454	7,062,164	5,445,725	-	(42,747,565)	-	(42,747,565)
Transportation	12,500	-	-	-	(12,500)	-	(12,500)
Economic and physical development	28,751,080	47,284	1,453,149	-	(27,250,647)	-	(27,250,647)
Environmental protection	2,456,029	2,464,213	45,083	250,691	303,958	-	303,958
Human services	108,607,392	4,804,562	69,803,505	-	(33,999,325)	-	(33,999,325)
Education	176,005,516	-	-	1,063,268	(174,942,248)	-	(174,942,248)
Cultural and recreational	25,220,574	234,076	322,150	-	(24,664,348)	-	(24,664,348)
Interest and fiscal charges	11,499,010	-	-	-	(11,499,010)	-	(11,499,010)
Total governmental activities	420,173,303	23,447,867	80,230,451	2,313,959	(314,181,026)	-	(314,181,026)
Business-type activities:							
Sewer utility	5,061,620	9,563,353	-	32,330	-	4,534,063	4,534,063
Total business-type activities	5,061,620	9,563,353	-	32,330	-	4,534,063	4,534,063
Total primary government	\$ 425,234,923	\$ 33,011,220	\$ 80,230,451	\$ 2,346,289	(314,181,026)	4,534,063	(309,646,963)
Component units:							
Durham County ABC Board	\$ 23,284,574	\$ 23,319,059	\$ -	\$ -	-	-	34,485
Total component units	\$ 23,284,574	\$ 23,319,059	\$ -	\$ -	-	-	34,485
General revenues:							
Taxes:							
Property taxes, levied for general purposes					208,903,551	-	208,903,551
Property taxes, levied for fire districts					5,664,512	-	5,664,512
Property taxes, levied for other districts purposes					714,072	-	714,072
Local option sales tax					41,675,831	-	41,675,831
Occupancy tax					1,932,872	-	1,932,872
Animal tax					907,395	-	907,395
Gross receipts tax					329,430	-	329,430
Investment and interest income					52,902	3,269,464	4,557
Other revenues					1,047,400	3,792	1,051,192
Total general revenues					264,391,625	56,694	264,448,319
Change in net assets					(49,789,401)	4,590,757	(45,198,644)
Net assets - beginning					121,521,092	46,998,023	168,519,115
Prior period adjustment (Note Q)					(2,357,569)	-	(2,357,569)
Adjusted net assets - beginning					119,163,523	46,998,023	166,161,546
Net assets - ending					\$ 69,374,122	\$ 51,588,780	\$ 120,962,902
							\$ 6,069,547

DURHAM COUNTY, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2010**

	<u>General</u>	<u>Community Health Trust Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents / investments	\$ 87,722,204	\$ 12,431,038	\$ 5,960,097	\$ 5,782,579	\$ 111,895,918
Cash and cash equivalents / investments - restricted	2,347,258	-	107,633,032	-	109,980,290
Receivables:					
Accounts receivable	962,451	-	1,239,318	2,227	2,203,996
Net taxes receivable	4,459,557	-	-	74,888	4,534,445
Solid waste receivable	21,951	-	-	-	21,951
Animal taxes receivable	880,985	-	-	-	880,985
Net emergency medical services receivable	1,342,743	-	-	-	1,342,743
Inventory	759,168	-	-	-	759,168
Due from other governments - federal and state agencies	16,473,900	-	1,278,521	-	17,752,421
Due from other governments - local	2,409,823	-	-	-	2,409,823
Due from capital project fund	3,101,344	-	-	-	3,101,344
Prepaid expenditures	51,205	-	-	-	51,205
Total assets	<u>\$ 120,532,589</u>	<u>\$ 12,431,038</u>	<u>\$ 116,110,968</u>	<u>\$ 5,859,694</u>	<u>\$ 254,934,289</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 5,395,847	\$ -	\$ 12,522,202	\$ 50,994	\$ 17,969,043
Accrued payroll and related amounts withheld	4,583,961	-	-	-	4,583,961
Due to other governments - local	164,905	-	-	-	164,905
Due to general fund	-	-	3,101,344	-	3,101,344
Deferred revenues:					
Collections in advance	2,048,578	-	-	39,481	2,088,059
Taxes	4,459,557	-	-	74,888	4,534,445
Solid waste	21,951	-	-	-	21,951
Animal taxes	880,985	-	-	-	880,985
Emergency medical services	1,342,743	-	-	-	1,342,743
Total liabilities	<u>18,898,527</u>	<u>-</u>	<u>15,623,546</u>	<u>165,363</u>	<u>34,687,436</u>
Fund balances:					
Reserved:					
State statute	21,546,147	-	2,517,833	2,227	24,066,207
State statute - mental health	1,401,371	-	-	-	1,401,371
Encumbrances	2,401,634	-	39,115,788	-	41,517,422
Encumbrances - mental health	6,569	-	-	-	6,569
Other purposes	5,206,209	-	642	39,481	5,246,332
Unreserved, reported in:					
General fund	71,072,132	-	-	-	71,072,132
Community health trust fund	-	12,431,038	-	-	12,431,038
Capital projects fund	-	-	58,853,159	-	58,853,159
Unreserved, reported in nonmajor:					
Special revenue	-	-	-	983,192	983,192
Debt service	-	-	-	4,669,431	4,669,431
Total fund balances	<u>101,634,062</u>	<u>12,431,038</u>	<u>100,487,422</u>	<u>5,694,331</u>	<u>220,246,853</u>
Total liabilities and fund balances	<u>\$ 120,532,589</u>	<u>\$ 12,431,038</u>	<u>\$ 116,110,968</u>	<u>\$ 5,859,694</u>	<u>\$ 254,934,289</u>

DURHAM COUNTY, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2010**

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

Ending fund balance - governmental funds	\$ 220,246,853
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	285,597,801
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,780,124
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(443,250,656)
Net assets of governmental activities	<u>\$ 69,374,122</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, 2010

	General	Community Health Trust Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 253,764,502	\$ -	\$ -	\$ 6,394,162	\$ 260,158,664
Licenses and permits	688,093	-	-	-	688,093
Intergovernmental revenues	80,214,451	-	2,209,383	16,000	82,439,834
Investments	3,124,665	1,495,002	384,030	18,020	5,021,717
Rent	480,354	-	-	26,717	507,071
Charges for services	17,838,863	4,004,100	-	219,323	22,062,286
Other revenues	753,316	-	-	-	753,316
Total revenues	356,864,244	5,499,102	2,593,413	6,674,222	371,630,981
Expenditures					
Current:					
General government	33,866,458	-	13,421,854	-	47,288,312
Public safety	46,874,492	-	1,225	4,264,073	51,139,790
Transportation	12,500	-	-	-	12,500
Economic and physical development	4,759,495	-	-	619,487	5,378,982
Environmental protection	3,673,944	-	26,831,332	-	30,505,276
Human services	107,552,239	-	-	-	107,552,239
Education	106,950,853	-	36,530,806	-	143,481,659
Cultural and recreational	11,141,325	-	9,573,329	-	20,714,654
Debt service:					
Principal retirement	-	-	-	25,431,125	25,431,125
Interest and fiscal charges	-	-	-	16,568,325	16,568,325
Debt issuance costs	-	-	597,345	397,239	994,584
Total expenditures	314,831,306	-	86,955,891	47,280,249	449,067,446
Excess (deficiency) of revenues over (under) expenditures	42,032,938	5,499,102	(84,362,478)	(40,606,027)	(77,436,465)
Other financing sources (uses)					
Transfers in	5,717,625	-	1,745,000	45,390,000	52,852,625
Transfers out	(39,191,458)	(8,327,697)	(3,038,130)	(2,001,256)	(52,558,541)
Issuance of installment purchases	887,213	-	28,132,198	-	29,019,411
Refunding bond proceeds	-	-	-	49,171,920	49,171,920
Payment to refunded debt escrow agent	-	-	-	(48,776,331)	(48,776,331)
Total other financing sources (uses)	(32,586,620)	(8,327,697)	26,839,068	43,784,333	29,709,084
Net change in fund balances	9,446,318	(2,828,595)	(57,523,410)	3,178,306	(47,727,381)
Fund balance - beginning	92,187,744	15,259,633	158,010,832	2,516,025	267,974,234
Fund balance - ending	\$ 101,634,062	\$ 12,431,038	\$ 100,487,422	\$ 5,694,331	\$ 220,246,853

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, 2010**

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

Net change in fund balances - total governmental funds \$ (47,727,381)

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. 3,755,592

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 159,416

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. (5,977,028)

Change in net assets of governmental activities \$ (49,789,401)

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, 2010**

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Revenues				
Taxes				
Current levy	\$ 200,918,589	\$ 200,918,589	\$ 206,324,851	\$ 5,406,262
Prior year's levy	1,750,000	4,153,000	2,221,007	(1,931,993)
Tax penalties and interest	565,000	565,000	629,851	64,851
Advertising and selling	20,000	20,000	42,336	22,336
Payments in lieu of taxes	20,000	20,000	46,561	26,561
Local option sales tax	44,620,142	44,620,142	41,675,831	(2,944,311)
Animal tax	400,000	400,000	537,148	137,148
Occupancy tax	2,313,707	2,313,707	1,932,872	(380,835)
Gross receipts tax	150,000	250,000	329,430	79,430
Solid waste tax	20,000	20,000	24,615	4,615
Total taxes	<u>250,777,438</u>	<u>253,280,438</u>	<u>253,764,502</u>	<u>484,064</u>
Intergovernmental revenues				
Beer and wine tax	140,000	140,000	41,237	(98,763)
Social services	401,402,127	41,666,220	38,156,151	(3,510,069)
Mental health	24,935,656	24,935,656	23,846,487	(1,089,169)
Public health	5,659,043	7,065,459	7,123,644	58,185
Library	326,710	343,021	322,150	(20,871)
ABC Board	1,000,000	1,000,000	909,000	(91,000)
Other	6,375,824	8,049,016	9,815,782	1,766,766
Total intergovernmental revenues	<u>439,839,360</u>	<u>83,199,372</u>	<u>80,214,451</u>	<u>(2,984,921)</u>
Charges for services				
Elections registration lists	363,688	363,688	253,491	(110,197)
Register of deeds	3,050,000	3,050,000	2,727,187	(322,813)
General government charges	2,661,735	2,661,735	3,051,391	389,656
Collection fees	1,153,500	1,153,500	1,299,668	146,168
Public protection	1,528,095	1,528,095	1,681,287	153,192
Environmental protection	656,000	656,000	919,798	263,798
Solid waste fees	1,233,104	1,233,104	1,292,897	59,793
Facilities fees	520,000	520,000	490,773	(29,227)
Library fees and charges	207,200	207,200	234,076	26,876
Mental health	50,000	50,000	76,921	26,921
Public health	414,218	414,218	400,619	(13,599)
Social services	154,693	154,693	157,700	3,007
Emergency medical services charges	4,503,985	4,503,985	5,205,772	701,787
Other charges	5,000	5,000	47,283	42,283
Total charges for services	<u>16,501,218</u>	<u>16,501,218</u>	<u>17,838,863</u>	<u>1,337,645</u>
Investment and rental income				
Investment earnings	1,819,052	1,819,052	3,124,665	1,305,613
Rent	454,852	454,852	480,354	25,502
Total investment and rental income	<u>2,273,904</u>	<u>2,273,904</u>	<u>3,605,019</u>	<u>1,331,115</u>
Licenses and permits				
Construction permits	293,391	293,391	225,685	(67,706)
Cablevision and franchise fees	400,000	400,000	434,941	34,941
Wine and beer licenses	15,000	15,000	21,262	6,262
Other licenses and permits	5,000	5,000	6,205	1,205
Total licenses and permits	<u>713,391</u>	<u>713,391</u>	<u>688,093</u>	<u>(25,298)</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, 2010**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues (continued)				
Other revenues				
Miscellaneous	\$ 235,607	\$ 236,607	\$ 298,832	\$ 62,225
Confiscated property				
federal investigation	-	-	23,902	23,902
Sale of property and materials	1,800,000	177,899	45,257	(132,642)
Other	300	300	385,325	385,025
Total other revenues	2,035,907	414,806	753,316	338,510
Total revenues	712,141,218	356,383,129	356,864,244	481,115
Expenditures				
General administration				
Board of county commissioners	559,819	576,221	547,806	28,415
County manager	1,523,035	1,637,733	1,560,164	77,569
Finance	2,601,151	2,737,546	2,682,912	54,634
Tax	5,017,489	7,983,226	6,878,678	1,104,548
Legal	1,558,442	1,563,192	1,533,138	30,054
Court facilities	398,642	422,189	282,186	140,003
Human resources	14,383,242	11,204,039	3,015,153	8,188,886
Elections	1,449,000	1,449,000	1,103,146	345,854
Risk management and insurance	2,430,287	2,430,287	1,605,682	824,605
General services	7,400,920	7,443,597	7,295,630	147,967
Geographic information systems	341,932	341,932	360,589	(18,657)
Information systems	5,393,323	5,552,017	5,045,035	506,982
Register of deeds	1,612,591	1,612,591	1,562,694	49,897
Other	915,159	941,745	393,645	548,100
Total general administration	45,585,032	45,895,315	33,866,458	12,028,857
Economic and physical development				
Planning	1,116,253	1,116,253	1,157,608	(41,355)
Cooperative extension	1,149,967	1,677,850	1,345,462	332,388
Soil and water conservation	303,952	316,952	331,445	(14,493)
Open space management	77,175	105,238	17,275	87,963
Industrial extension	2,046,358	2,046,358	1,179,294	867,064
Other	484,411	984,411	728,411	256,000
Total economic and physical development	5,178,116	6,247,062	4,759,495	1,487,567
Human services				
Public health	19,963,743	21,445,770	20,342,332	1,103,438
Mental health	31,429,725	32,790,857	27,758,226	5,032,631
Social services	418,055,169	61,694,695	57,894,451	3,800,244
Other	1,706,656	1,697,980	1,557,230	140,750
Total human services	471,155,293	117,629,302	107,552,239	10,077,063
Education				
Durham public schools				
Current	99,807,663	100,807,663	100,807,663	-
Capital	2,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	4,189,944	4,189,944	4,189,944	-
Capital	480,074	480,074	480,074	-
Other education	103,172	103,172	103,172	-
Total education	106,950,853	106,950,853	106,950,853	-

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, 2010

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Expenditures (continued)				
Public safety				
Criminal justice partnership	\$ 2,375,819	\$ 2,418,100	\$ 2,196,819	\$ 221,281
County sheriff	14,107,152	15,206,874	15,922,340	(715,466)
County jail	12,495,943	12,643,668	13,438,735	(795,067)
Youth home	1,088,235	1,091,335	1,052,434	38,901
Animal control	1,527,287	1,531,582	1,578,771	(47,189)
Emergency communications center	930,228	930,228	886,814	43,414
Emergency medical services	6,895,425	6,946,459	7,429,185	(482,726)
County fire protection	2,370,842	2,772,822	2,638,565	134,257
Medical examiner	100,000	110,700	110,000	700
Other public safety	1,491,122	1,624,314	1,620,829	3,485
Total public safety	<u>43,382,053</u>	<u>45,276,082</u>	<u>46,874,492</u>	<u>(1,598,410)</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	1,983,811	1,983,811	2,010,776	(26,965)
Environmental engineering	1,416,843	1,583,233	1,603,614	(20,381)
Other	63,661	63,661	59,554	4,107
Total environmental protection	<u>3,464,315</u>	<u>3,630,705</u>	<u>3,673,944</u>	<u>(43,239)</u>
Cultural and recreational				
Library	8,765,538	8,817,882	9,146,132	(328,250)
Other	1,811,325	1,913,325	1,995,193	(81,868)
Total cultural and recreational	<u>10,576,863</u>	<u>10,731,207</u>	<u>11,141,325</u>	<u>(410,118)</u>
Total expenditures	<u>686,305,025</u>	<u>336,373,026</u>	<u>314,831,306</u>	<u>21,541,720</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>25,836,193</u>	<u>20,010,103</u>	<u>42,032,938</u>	<u>22,022,835</u>
Other financing sources (uses)				
Transfers in	5,763,265	5,657,573	5,717,625	60,052
Appropriated fund balance	7,592,000	13,523,782	-	(13,523,782)
Transfers out	(39,191,458)	(39,191,458)	(39,191,458)	-
Issuance of installment purchases	-	-	887,213	887,213
Total other financing uses	<u>(25,836,193)</u>	<u>(20,010,103)</u>	<u>(32,586,620)</u>	<u>(12,576,517)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>9,446,318</u>	<u>\$ 9,446,318</u>
FUND BALANCE - BEGINNING OF YEAR			<u>92,187,744</u>	
FUND BALANCE - END OF YEAR			<u>\$ 101,634,062</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 1,495,002	\$ 1,495,002
Charges for services	3,950,000	3,950,000	4,004,100	54,100
Total revenues	<u>3,950,000</u>	<u>3,950,000</u>	<u>5,499,102</u>	<u>1,549,102</u>
Other financing sources (uses)				
Transfers out	(8,514,180)	(8,327,697)	(8,327,697)	-
Appropriated fund balance	4,564,180	4,377,697	-	(4,377,697)
Total other financing uses	<u>(3,950,000)</u>	<u>(3,950,000)</u>	<u>(8,327,697)</u>	<u>(4,377,697)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	(2,828,595)	<u>\$ (2,828,595)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>15,259,633</u>	
FUND BALANCE - END OF YEAR			<u>\$ 12,431,038</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Assets

Proprietary Fund

June 30, 2010

	<u>Enterprise Fund</u>
	<u>Sewer Utility Fund</u>
Assets	
Current assets	
Cash and cash equivalents / investments	\$ 11,079,498
Cash and cash equivalents / investments - restricted	6,303,037
Receivables:	
Accounts receivable	24,365
Accrued interest receivable	104,115
Total receivables	<u>128,480</u>
Due from other governments - federal and state agencies	30,068
Due from other governments - local	512,038
Total current assets	<u>18,053,121</u>
Noncurrent assets	
Bond issuance costs	537,442
Accumulated amortization - bond issuance costs	(151,427)
Capital assets:	
Land	185,226
Land improvements - sewer and water lines	24,418,944
Building treatment plant	4,103,344
Office furniture and equipment	13,374
Machinery and equipment	315,538
Vehicles	155,693
Computer hardware	26,133
Construction in progress	38,013,312
Total capital assets	<u>67,231,564</u>
Less accumulated depreciation and amortization	<u>(13,014,177)</u>
Net capital assets	<u>54,217,387</u>
Total noncurrent assets	<u>54,603,402</u>
Total assets	<u>72,656,523</u>
Liabilities	
Current liabilities	
Current portion of accrued compensated absences	39,086
Current portion of long-term debt	2,053,385
Accounts payable	187,997
Arbitrage rebate payable	13,000
Accrued interest payable	97,251
Accrued payroll and related amounts withheld	55,674
Total current liabilities	<u>2,446,393</u>
Noncurrent liabilities	
Accrued compensated absences	22,506
Long-term debt	18,598,844
Total noncurrent liabilities	<u>18,621,350</u>
Total liabilities	<u>21,067,743</u>
Net assets	
Net assets - capital net of debt	34,304,997
Net assets - restricted	6,303,037
Net assets - unrestricted	10,980,746
Total net assets	<u>\$ 51,588,780</u>

DURHAM COUNTY, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Fund

Year Ended June 30, 2010

	Enterprise Fund
	Sewer Utility Fund
Operating revenues	
Charges for services	\$ 9,051,806
Total operating revenues	<u>9,051,806</u>
Operating expenses	
Personnel services	1,194,534
Utilities	396,802
Maintenance and other	1,579,622
Depreciation and amortization	596,743
Total operating expenses	<u>3,767,701</u>
Operating income (loss)	<u>5,284,105</u>
Nonoperating revenue (expense)	
Investment and interest income	52,902
Sewer connection fees	511,547
Intergovernmental revenues	19,645
Interest and fiscal charges	(999,835)
Miscellaneous	3,792
Total nonoperating revenue (expense)	<u>(411,949)</u>
Income (loss) before transfers and contributions	4,872,156
Transfers out	(294,084)
Capital contributions	<u>12,685</u>
Change in net assets	4,590,757
Total net assets - beginning	<u>46,998,023</u>
Total net assets - ending	<u><u>\$ 51,588,780</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, 2010

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Utility</u> <u>Fund</u>
Operating activities	
Cash received from sales	\$ 9,084,413
Cash paid to employees	(1,182,754)
Cash paid for operating plant	(2,029,564)
Net cash provided (used) by operating activities	<u>5,872,095</u>
Noncapital financing activities	
Sewer connection fees received	511,547
Transfers out	(294,084)
Intergovernmental revenues	19,645
Miscellaneous	3,792
Net cash provided (used) by noncapital financing activities	<u>240,900</u>
Capital and related financing activities	
Bond proceeds from refunding	4,343,985
Defeasance of bonds from refunding	(4,309,038)
Bond issuance costs	(25,348)
Principal payments on long-term debt	(1,919,192)
Interest paid	(1,033,652)
Acquisition and construction costs of capital assets	(545,742)
Net cash provided (used) by capital and related financing activities	<u>(3,488,987)</u>
Investing activities	
Investment income and dividends	84,779
Net cash provided (used) by investing activities	<u>84,779</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>2,708,787</u>
Cash and cash equivalents/investments	
Beginning of year	<u>14,673,748</u>
End of year	<u>\$ 17,382,535</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 5,284,105
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	596,743
Change in assets and liabilities	
Accounts receivable	(3,476)
Due from other governments - federal and state agencies	(9,702)
Due from other governments - local	45,785
Accounts payable and accrued expenses	(53,140)
Other liabilities	11,780
Total adjustments	<u>587,990</u>
Net cash provided (used) by operating activities	<u>\$ 5,872,095</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:	
Capital contributions	<u>\$ 12,685</u>

DURHAM COUNTY, NORTH CAROLINA

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010**

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ -	\$ 21,528	\$ 4,357,513
U.S. government securities	1,248,266	-	-
Net taxes receivable	-	-	3,446,610
Total assets	<u>1,248,266</u>	<u>21,528</u>	<u>\$ 7,804,123</u>
Liabilities			
Accounts payable	-	100	-
Accrued payroll and amounts withheld	11,301	-	-
Funds held for others	-	-	689,154
Due to governmental agencies	-	-	7,114,969
Total liabilities	<u>11,301</u>	<u>100</u>	<u>\$ 7,804,123</u>
Net assets			
Held in trust for:			
Employee pension benefits	1,236,965	-	
Individuals, organizations, and other governments	-	21,428	
Total net assets	<u>\$ 1,236,965</u>	<u>\$ 21,428</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2010

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds
Additions		
Employer contributions	\$ 216,288	\$ -
Employee contributions	-	2,236
Investment income	6,355	139
Total additions	<u>222,643</u>	<u>2,375</u>
Deductions		
Benefits	<u>189,323</u>	<u>900</u>
Total deductions	<u>189,323</u>	<u>900</u>
Change in net assets	33,320	1,475
Total net assets - beginning	<u>1,203,645</u>	<u>19,953</u>
Total net assets - ending	<u><u>\$ 1,236,965</u></u>	<u><u>\$ 21,428</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, 2010

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, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (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, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following major governmental funds:

General Fund. This is the County's general operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Health Trust Fund. This fund accounts for the financial resources acquired through the leasing of Durham Regional Hospital to Duke University and accounts for 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 accounts for financial resources to be used for the acquisition, construction or improvement of major capital facilities other than those financed by proprietary funds. The capital projects fund is also used to accumulate funds to finance a capital improvement plan. Amounts totaling 10.78% of dedicated property tax revenue and other dedicated revenue are to fund various capital projects and capital acquisitions over an extended period of time. The capital projects fund budget is adopted on a project basis which is multi-year.

The County reports the following major enterprise fund:

Sewer Utility Fund. This fund accounts for 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, Butner Safety District, Special Park District, and Emergency Services are all special revenue fund types. They are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted for specific purposes. However, the Emergency Services Fund was closed in fiscal year 2010 with the funds transferred into the Debt Service Fund to be used as a funding source for debt issued for emergency services capital. Therefore, this fund does not appear on the Combining Balance Sheet for Nonmajor Special Revenue Funds; however, the activity is shown on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances for Nonmajor Special Revenue Funds. The Debt Service Fund is also included in *Other Governmental Funds* and is used to account for the payment of principal, interest and related costs for all general long-term debt other than debt issued for and serviced by proprietary funds.

The County reports the following fiduciary fund types:

Law Enforcement Officer's Special Separation Allowance Pension Trust Fund. The pension trust fund accounts for the activities of the Public Safety Employees Retirement System, which accumulates resources for pension benefit payments to qualified public safety employees.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

George R. Linder Memorial Private-purpose Trust Fund. The private-purpose trust fund is used to account for 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 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 assets the County holds on behalf of others. The County maintains the following agency funds:

Child Support Trust Fund. The Child Support Trust Fund accounts for 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 accounts for funds held by the Sheriff's Office as a result of gathering evidence.

Jail Inmate Trust Fund. The Jail Inmate Trust Fund accounts for funds held in trust for jail inmates.

Sheriff's Trust Fund. The Sheriff's Trust Fund accounts for funds held by the Sheriff's Office.

State Treasurer Department of Motor Vehicles Fund. The State Treasurer Department of Motor Vehicles Fund is used to account for 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.

Durham Public School Fund. The Durham Public School Fund is used to account for 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 accounts for taxes collected by the County on behalf of the Town of Chapel Hill.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

City of Durham Tax Fund. The City of Durham Tax Fund accounts for taxes collected by the County on behalf of the City of Durham.

City of Raleigh Tax Fund. The City of Raleigh Tax Fund accounts for taxes collected by the County on behalf of the City of Raleigh.

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, except for agency funds, are reported using the economic resources measurement focus and the accrual basis of accounting. The government-wide and proprietary 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.

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. Property taxes, franchise taxes and interest are not accrued as revenue because the amount is not susceptible to accrual at June 30, since taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as reserved fund balance.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Budgetary Control

As required by the North Carolina Budget and Fiscal Control Act, the County adopts an annual budget ordinance for all funds except those authorized by project ordinance. County governmental funds budgeted under project ordinances include the community development and grant projects and the capital projects funds.

The appropriations in the various funds are formally budgeted on a functional basis. 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 annual budget, which is prepared on the modified accrual basis of accounting as required by North Carolina law, is amended from time to time by the Commissioners. The original budget and the amended final budget are displayed in the basic financial statements for the major funds with the exception of the capital projects fund. The schedule of expenditures compared with project authorizations for the capital projects fund, the original budget and the amended final budget for nonmajor funds and the amended final budget, Non-GAAP Basis, for the major proprietary fund are reported in the Combining and Individual Fund Statements and Schedules elsewhere in this report. During the year, several supplementary appropriations were necessary.

The following summarizes the supplementary appropriations made for the major governmental funds other than the capital projects fund during fiscal year 2010:

	<u>Original Budget</u>	<u>Total Amendments</u>	<u>Revised Budget</u>
General	\$ 725,496,483	(\$349,931,999)	<u>\$ 375,564,484</u>
Community Health Trust	\$ 8,514,180	(\$ 186,483)	<u>\$ 8,327,697</u>

All annual appropriations lapse at each fiscal year-end and must be reappropriated in the following fiscal year's budget.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In fiscal year 2010, the County changed its method of accounting and reporting of direct costs from federal and state awards. These costs represent payments directly to individual recipients by the state from federal and state monies. Prior to fiscal year 2010, the revenues and expenditures were included in the basic financial statements with disclosure in the notes to the financial statements. As of fiscal year 2010, these monies will no longer be included in the basic financial statements but will continue to be disclosed in the notes to the financial statements. The previous financial system could not record and monitor these monies and the activity without budgetary control. Therefore, these monies were included in the County's adopted budget and reported in the basic financial statements. The current financial system does have the capability to record and monitor these monies and financial activity without budgetary control and has been configured to do so. As a result, these funds will no longer be included in the County's adopted budget or the basic financial statements. The amounts paid to individual recipients by the state from federal and state monies are disclosed in Note N.

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.

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010, the County's deposits had a carrying amount of \$103,039,549 and a bank balance of \$110,432,753. Of the bank balance, \$608,942 was covered by federal depository insurance, and \$109,823,811 was covered by collateral held under the Pooling Method.

At June 30, 2010, the ABC Board's deposits had a carrying amount of \$2,055,335 and a bank balance of \$1,997,273. Of the bank balance, \$560,438 was covered by federal depository insurance and \$1,436,835 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of June 30, 2010 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>
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
US Government Treasuries	-	-	-	-
US Government Agencies	80,269,366	38,057,376	12,057,195	30,154,795
Commercial Paper	-	-	-	-
NC Capital Management Trust-Cash Portfolio	49,537,757	49,537,757	49,537,757	-
Community Health Trust	8,373,229	4,414,650	4,414,650	2,323,441
Certificate of Deposit	2,500,000	-	-	2,500,000
Total:	<u>\$ 140,680,352</u>	<u>\$ 92,009,783</u>	<u>\$ 66,009,602</u>	<u>\$ 34,978,236</u>

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, 2010, 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, 2010. 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.

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk:

The County places no limit on the amount that the County may invest in any one issuer. More than 78 percent of the County's investments are in the Federal Home Loan Bank and Federal National Mortgage Association. These investments are 43% and 35% respectively, of the County's total investments. All securities owned by the County at June 30, 2010 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. 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, 2010, the swap had a negative fair value totaling (\$3,934,074) million, 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 negative fair value is reported as a liability, derivative financial instrument, in the Statement of Net Assets. The negative fair value increased by \$1,576,505 in fiscal year 2010. The changes in fair value are reported in investment income in the Statement of Activities.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associated Bond Issues	(In Thousands)						
	Notional Amount	Effective Date	Termination Date	Variable Rate Paid	Variable Rate Received	Fair Value	Counterparty Credit Rating
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	\$186,365	9/1/09	3/1/31	3.733% + BMA/ *	4.685% + 6-month	(\$3,900)	Aaa/AA
				Divisor	LIBOR		

* 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, 2010, the County was not exposed to credit risk, or the risk of economic loss due to a counterparty default on its outstanding swap because the swap had a negative fair value. However, should the relationship between the tax-exempt and taxable interest rates change and the fair values of the swap become positive, the County would 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/AAA 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, 2010.

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The receivables as of June 30, 2010 for the County's individual major funds and non-major, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Accounts	Accrued Interest	Taxes	Solid Waste	Emergency Medical Services	Community Development Mortgage Loans	Due from		Total
							Other Governments	Government	
Governmental activities:									
General	\$ 962,451	\$ 589,379	\$ 5,348,055	\$ 21,951	\$ 24,695,588	\$ 481,980	\$ 18,883,633	\$ 50,983,037	
Capital projects	1,239,318	72,929	-	-	-	-	1,278,520	2,590,767	
Other governmental	-	-	74,516	-	-	-	-	74,516	
Total receivables	2,201,769	662,308	5,422,571	21,951	24,695,588	481,980	20,162,153	53,648,320	
Allowance for doubtful accounts	-	-	(7,141)	-	(23,352,845)	(481,980)	-	(23,841,966)	
Total governmental activities	\$ 2,201,769	\$ 662,308	\$ 5,415,430	\$ 21,951	\$ 1,342,743	\$ -	\$ 20,162,153	\$ 29,806,354	
Business-type activities:									
Sewer utility	\$ 24,365	\$ 104,115	\$ -	\$ -	\$ -	\$ -	\$ 542,106	\$ 670,586	
Total receivables	24,365	104,115	-	-	-	-	542,106	670,586	
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	
Total business-type activities	\$ 24,365	\$ 104,115	\$ -	\$ -	\$ -	\$ -	\$ 542,106	\$ 670,586	

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 collectibility, the full amount of the outstanding loans receivable balance as of June 30, 2010 of \$481,980 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred	Unearned
Net property taxes receivable (general fund)	\$ 4,459,557	\$ -
Net property taxes receivable (special revenue)	74,888	-
Collections in advance (general fund)	-	2,048,578
Collections in advance (special revenue)	-	39,481
Emergency medical services receivable (general fund)	1,342,743	-
Solid waste fees receivable (general fund)	21,951	-
Animal taxes receivable (general fund)	880,985	-
Total deferred/unearned revenue for governmental funds	\$ 6,780,124	\$ 2,088,059

7. 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 fund balance reserve, 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.

8. 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. In fiscal year 2007, the County and Durham County Board of Education entered into an agreement regarding the donation of school properties whereby the County would hold title to these properties and fund major improvements to

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

these properties. As of fiscal year 2009, twenty-two of these title transfers had been executed and were thusly included in the County's capital assets with the construction activity on these assets being included in construction in progress in the County's capital assets as well. However, the County did not hold title to all other Durham County Board of Education properties, and therefore, the construction for those properties were not included in the County's capital assets. Those properties were reflected as capital assets in the financial statements of the Durham County Board of Education. However, as of fiscal year 2010, the County and Durham County Board of Education dissolved this agreement with the properties being held by the County being donated, transferred, to the Durham County Board of Education. Therefore, the construction is no longer included in the County's capital assets as well. The property and construction activity is reflected as a capital asset 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 project. 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 project. 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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

9. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related 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.

10. 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 and 252 hours for employees who work a 42 hour 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 and 252 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, 2010 amounted to \$6,724,806. Of this amount, \$6,663,214 is recorded as a liability in the government-wide financial statements for governmental activities, and \$61,592 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, 2010 amounted to \$112,432. The current portion of the ABC Board's accumulated vacation pay is not considered to be material.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010 amounted to \$19,754,300 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 each two years of service. 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.

11. Encumbrances

As required by North Carolina General Statutes, encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

12. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State Statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. State law [G.S. 159-13(b) (16)] restricts the 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 those amounts stand at the close of the fiscal year preceding the budget year.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The governmental fund types classify fund balances as follows:

Reserved:

- Reserved for encumbrances – represents commitments for the expenditure of funds under purchase orders and contracts other than for mental health human services.
- Reserved for encumbrances – mental health – represents commitments for the expenditure of funds under purchase orders and contracts for mental health human services.
- Reserved by State Statute – represents the amount of revenue that has been recognized other than for mental health services on an accrual basis for financial statement purposes, but which is not available for appropriation in accordance with State Statute.
- Reserved by State Statute – mental health - represents the amount of revenue that has been recognized for mental health human services on an accrual basis for financial statement purposes, but which is not available for appropriation in accordance with State Statute.
- Reserved for other purposes – represents the total amount of inventories and the total amount of funds reserved for prepaid items, collections in advance and restricted cash and cash equivalents/investments.

Unreserved:

- Designated for subsequent year's expenditures – represents the amount of fund balance appropriated to the budget for the year ending June 30, 2011.
- Designated for risk management – represents the amount of fund balance set aside for catastrophic occurrences. This amount is not available for appropriation to the budget for the year ended June 30, 2011.
- Designated for debt service – represents the amount of fund balance designated for debt service. This amount is not available for appropriation to the budget for the year ended June 30, 2011.
- Designated for OPEB – represents the amount of fund balance set aside for funding of Other Post-Employment Benefits (OPEB).
- Designated for mental health – represents the amount of fund balance set aside for funding of mental health.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Designated for social services – represents the amount of fund balance set aside for funding of social services.
- Designated for sheriff inmate – represents the amount of fund balance set aside for funding of supporting items or services that directly benefit the inmates.
- Undesignated – represents the amount of fund balance which is available for future appropriations.

The following schedule presents the reservations and designations of fund balances at June 30, 2010:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Nonmajor Funds	
				Special Revenue Funds	Debt Service Fund
Fund Balance:					
Reserve for encumbrances	\$ 2,401,634	\$ -	\$ 39,115,788	\$ -	\$ -
Reserve for encumbrances - mental health	6,569	-	-	-	-
Reserve by State Statute	21,546,147	-	2,517,833	-	2,227
Reserve by State Statute - mental health	1,401,371	-	-	-	-
Reserve for other purposes:					
Cash and cash equivalents/investments-restricted	2,347,258	-	-	-	-
Inventory	759,168	-	-	-	-
Prepaid expenditures	51,205	-	-	-	-
Collections in advance	2,048,578	-	-	39,481	-
Public School Building Capital Fund	-	-	642	-	-
Designations:					
Subsequent year's expenditures	6,203,505	300,000	-	320,000	-
Risk management	4,693,154	-	-	-	-
Debt service	3,361,560	-	-	-	-
OPEB	16,413,757	-	-	-	-
Mental health	1,457,669	-	-	-	-
Social services	397,599	-	-	-	-
Sheriff inmate	351,744	-	-	-	-
Undesignated	38,193,144	12,131,038	58,853,159	663,192	4,669,431
	<u>\$ 101,634,062</u>	<u>\$ 12,431,038</u>	<u>\$ 100,487,422</u>	<u>\$ 1,022,673</u>	<u>\$ 4,671,658</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Comparative Total Data/Reclassifications

Certain reclassifications have been made in the prior year's financial data in order to be consistent and conform to the presentation of the financial statements for the year ended June 30, 2010.

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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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 assets

The governmental fund balance sheet includes a reconciliation between the total *fund balances – total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. The details of selected elements of that reconciliation are further explained as follows:

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

Capital assets (net of depreciation)	\$277,698,410
Investment in joint venture	7,871,472
Pension assets	<u>27,919</u>

Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities	<u>\$285,597,801</u>
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2. “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.”

Property taxes and assessments receivable (net)	\$ 4,534,445
Solid waste receivable	21,951
Animal taxes receivable	880,985
Emergency medical services receivable (net)	<u>1,342,743</u>

Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities	<u>\$ 6,780,124</u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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

3. “Long-term liabilities, including bonds payable, 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	\$ 46,381,261
Bonds and other notes payable	362,020,995
Net OPEB obligation	24,746,711
Derivative financial instrument	3,934,074
Accrued compensated absences	6,663,214
Accrued interest payable	<u>2,813,734</u>
 Subtotal	 446,559,989
 Less: accrued interest receivable	 (662,308)
Less: bond issuance costs net of accumulated amortization	 <u>(2,647,025)</u>
 Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities	 <u>\$443,250,656</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

**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 – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. The details of selected elements of that reconciliation are further explained as follows:

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 period.”

Capital outlay	\$16,931,385
Less: depreciation expense	(13,174,894)
Plus: decrease in pension asset	<u>(899)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 3,755,592</u>

2. “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)	\$ (376,633)
Increase in deferred revenue of emergency medical services receivable (net)	164,584
Increase in deferred revenue of animal tax receivable (net)	370,247
Increase in deferred revenue of solid waste receivable (net)	<u>1,218</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 159,416</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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

3. “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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.”

Principal repayments	\$ (25,431,125)
Amortization of issuance costs	83,869
Unamortized bond issuance costs on refunded debt	418,997
Increase in issuance cost	(994,584)
Increase in debt (net)	27,627,384
Increase in pension liability	6,004,042
Increase in derivative financial instrument liability	1,576,505
Increase in accrued interest payable	274,133
Increase in accrued compensated absences	247,855
Decrease in accrued interest receivable	228,650
Loss on refunding of debt	(4,112,098)
Amortization of loss on refunding of debt	206,255
Amortization of bond premium	<u>(152,855)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 5,977,028</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

C. PROPERTY TAXES

Property Taxes Receivable

The County's property tax (excluding registered motor vehicles) is levied each July 1 on the assessed value listed as of the prior January 1 for all real and tangible personal property located in the County. The taxes are due September 1; however, penalties do not accrue until the following January 6. The lien date is January 6 of each year. 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 January 1, 1993, 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 County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the County's vehicle taxes for vehicles registered in Durham County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2010 - 2011 fiscal year and are not shown as receivables at June 30, 2010.

Interest On Unpaid Motor Vehicle Property Taxes

During fiscal year 2007, the North Carolina General Assembly enacted House Bill 1779 which provides 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 amount collected by the County and disbursed to the Department of State Treasurer during the year ended June 30, 2010 was \$186,819. In addition to the delinquent interest collections, interest in the amount of \$157 was earned during fiscal year 2010.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 6,837,204	\$ 6,500	\$ -	\$ 6,843,704
Easements	-	1,351,764	-	1,351,764
Construction in progress	120,330,910	49,910,790	(56,140,781)	114,100,919
Total nondepreciable capital assets	<u>127,168,114</u>	<u>51,269,054</u>	<u>(56,140,781)</u>	<u>122,296,387</u>
Depreciable capital assets:				
Buildings	199,231,369	46,484,063	(39,982,972)	205,732,460
Office furniture and Equipment	389,852	1,506,278	-	1,896,130
Machinery and Equipment	4,290,258	505,443	(1,618,632)	3,177,069
Computer Hardware	2,432,893	6,566,622	(1,177,870)	7,821,645
Computer Software	13,816,848	172,807	(92,449)	13,897,206
Vehicles	12,912,434	218,324	(2,810,762)	10,319,996
Total depreciable capital assets	<u>233,073,654</u>	<u>55,453,537</u>	<u>(45,682,685)</u>	<u>242,844,506</u>
Less accumulated depreciation for:				
Buildings	61,868,055	5,572,566	(6,802,876)	60,637,745
Office furniture and Equipment	337,110	187,911	-	525,021
Machinery and Equipment	3,576,723	270,084	(1,618,634)	2,228,173
Computer Hardware	2,250,548	1,873,078	(1,177,869)	2,945,757
Computer Software	9,369,576	4,006,984	(92,449)	13,284,111
Vehicles	9,118,722	1,264,271	(2,561,317)	7,821,676
Total accumulated depreciation	<u>86,520,734</u>	<u>13,174,894</u>	<u>(12,253,145)</u>	<u>87,442,483</u>
Total depreciable capital assets, net	<u>146,552,920</u>	<u>42,278,643</u>	<u>(33,429,540)</u>	<u>155,402,023</u>
Governmental activities capital assets, net	<u>\$ 273,721,034</u>	<u>\$ 93,547,697</u>	<u>\$ (89,570,321)</u>	<u>\$ 277,698,410</u>

During 2010, the County incurred \$ 33,203,960 of expenditures for public school construction. In fiscal year 2010, the interlocal agreement between the County and the Durham County Board of Education regarding the donation of school properties whereby the County would hold title to these properties and fund major improvements to these properties was dissolved. As a result, these properties and capitalized construction, if any, were donated to the Durham County Board of Education. Therefore, the construction activity on these properties is capitalized 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, 2010

D. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 8,193,433
Public safety	2,908,650
Environmental protection	19,034
Economic and physical development	496
Human Services	883,467
Educational	933,112
Cultural and recreational	236,702
Total depreciation expense	<u>\$ 13,174,894</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	37,515,229	498,083	-	38,013,312
Total nondepreciable capital assets	<u>37,700,455</u>	<u>498,083</u>	<u>-</u>	<u>38,198,538</u>
Depreciable capital assets:				
Land Improvements: Water and Sewer Lines	24,406,259	12,685	-	24,418,944
Buildings	4,103,344	-	-	4,103,344
Office furniture and Equipment	13,374	-	-	13,374
Machinery and Equipment	285,049	47,660	(17,171)	315,538
Computer Hardware	26,133	-	-	26,133
Vehicles	155,693	-	-	155,693
Total depreciable capital assets	<u>28,989,852</u>	<u>60,345</u>	<u>(17,171)</u>	<u>29,033,026</u>
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	9,815,849	483,040	-	10,298,889
Buildings	2,331,522	64,525	-	2,396,047
Office furniture and Equipment	478	1,911	-	2,389
Machinery and Equipment	227,234	15,653	(17,171)	225,716
Computer Hardware	3,159	8,476	-	11,635
Vehicles	56,362	23,139	-	79,501
Total accumulated depreciation	<u>12,434,604</u>	<u>596,744</u>	<u>(17,171)</u>	<u>13,014,177</u>
Total depreciable capital assets, net	<u>16,555,248</u>	<u>(536,399)</u>	<u>-</u>	<u>16,018,849</u>
Business-type activities capital assets, net	<u>\$54,255,703</u>	<u>\$ (38,316)</u>	<u>\$ -</u>	<u>\$ 54,217,387</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 1,539,453	\$ -	\$ -	\$ 1,539,453
Total nondepreciable capital assets	<u>1,539,453</u>	<u>-</u>	<u>-</u>	<u>1,539,453</u>
Depreciable capital assets:				
Buildings and improvements	2,692,482	-	(18,973)	2,673,509
Leasehold improvements	849,492	1,092	-	850,584
Vehicles	87,119	-	-	87,119
Machinery and equipment	1,082,872	71,476	-	1,154,348
Law enforcement	188,341	28,849	-	217,190
Total depreciable capital assets	<u>4,900,306</u>	<u>101,417</u>	<u>(18,973)</u>	<u>4,982,750</u>
Less accumulated depreciation for:				
Buildings and improvements	741,470	65,668	(18,973)	788,165
Leasehold improvements	332,174	48,745	-	380,919
Vehicles	29,783	7,259	-	37,042
Machinery and equipment	633,156	89,564	(27,319)	695,401
Law enforcement	96,721	21,242	(11,819)	106,144
Total accumulated depreciation	<u>1,833,304</u>	<u>232,478</u>	<u>(58,111)</u>	<u>2,007,671</u>
Total depreciable capital assets, net	<u>3,067,002</u>	<u>(131,061)</u>	<u>39,138</u>	<u>2,975,079</u>
Business-type activities capital assets, net	<u>\$ 4,606,455</u>	<u>\$ (131,061)</u>	<u>\$ 39,138</u>	<u>\$ 4,514,532</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2010:

	Beginning Balance June 30, 2009	Increases	Decreases	Ending Balance June 30, 2010	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 251,040,046	\$ 43,272,205	\$ 64,205,042	\$ 230,107,209	\$ 18,601,363
Certificates of participation	132,775,000	14,889,828	14,940,000	132,724,828	-
Installment notes payable	20,712,884	26,364,587	2,633,686	44,443,785	27,417,694
Unamortized bond premium	2,643,544	-	152,855	2,490,689	152,855
Unamortized loss on refunding	-	(4,112,098)	(206,255)	(3,905,843)	(325,487)
Net OPEB obligation	18,722,669	7,168,139	1,164,097	24,726,711	-
Accrued compensated absences	6,415,359	4,274,488	4,026,633	6,663,214	4,312,262
Other financing agreements	3,093,221	-	551,633	2,541,588	534,836
Total governmental activities	\$ 435,402,723	\$ 91,857,149	\$ 87,467,691	\$ 439,792,181	\$ 50,693,523
Business-type activities:					
General obligation bonds	\$ 4,294,956	\$ 3,822,791	\$ 4,294,956	\$ 3,822,791	\$ 343,637
Revenue bonds	17,660,000	-	1,570,000	16,090,000	1,650,000
Unamortized bond premium	628,223	521,197	76,315	1,073,105	107,415
Unamortized loss on refunding	-	(363,277)	(29,610)	(333,667)	(47,667)
Accrued compensated absences	49,318	34,007	21,733	61,592	39,086
Total business-type activities	\$ 22,632,497	\$ 4,014,718	\$ 5,933,394	\$ 20,713,821	\$ 2,092,471

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, 2010, such statutory limit for the County was \$2,322,631,308 providing a legal debt margin of \$2,088,701,308.

Current year defeasance of debt

In fiscal year 2010, 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, 2010, the

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

E. LONG-TERM OBLIGATIONS (continued)

amount of defeased debt outstanding and removed from the County's liabilities amounted to \$48,609,998. 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 2009, which refunded 2000 Public Improvement Bonds and 2002B Public Improvement Bonds, have been adjusted for the loss from defeasance (net of amortization) of \$4,239,510.

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. There were no general obligation bonds issued in fiscal year 2010.

Interest requirements for the general obligation bonds are payable semi-annually at annual rates varying from 3.00% to 5.60%. 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 2010.

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. As of June 30, 2010, the County has borrowed \$14,889,828. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

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 \$80,000,000 outstanding at any time. 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 August 1, 2011 and is subject to prior redemption at the option of the County. The BANs will be replaced by general obligation bonds. The County had general obligation BANs of \$23,387,866 outstanding at June 30, 2010. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

E. LONG-TERM OBLIGATIONS (continued)

conditions.

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2010 are as follows:

<u>Purpose:</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2010</u>
<u>Governmental activities:</u>					
Refunding, Series 2001	4.25% to 5.50%	2/15/2001	4/1/2013	87,490,000	\$ 21,690,000
Public improvement, Series 2002A	3.25% to 4.75%	1/1/2002	3/1/2022	11,050,000	6,650,000
Public improvement, Series 2002B	4.00% to 5.00%	5/1/2002	4/1/2022	68,410,000	13,680,000
Public improvement, Series 2004A (2/3 Bonds)	4.00% to 5.00%	5/1/2004	5/1/2023	10,600,000	9,400,000
Public improvement, Series 2004B	4.00% to 5.00%	5/1/2004	5/1/2023	46,600,000	37,600,000
Public improvement, Series 2006A (2/3 Bonds)	4.00% to 5.00%	5/1/2006	6/1/2023	11,380,000	10,180,000
Public improvement, Series 2006B	4.00% to 5.00%	5/1/2006	6/1/2023	49,225,000	44,425,000
Public improvement, Series 2008A (2/3 Bonds)	3.50% to 5.00%	5/8/2008	4/1/2027	12,100,000	11,300,000
Public improvement, Series 2008B	3.50% to 5.00%	5/9/2008	4/1/2027	34,090,000	31,990,000
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	43,272,209	43,192,209
Certificate of participation, Series 2009A	4.00% to 5.00%	4/15/2009	6/1/2031	61,850,000	61,850,000
Certificate of participation, Series 2009B	Variable Rate	4/15/2009	6/1/2035	55,985,000	55,985,000
Certificate of participation, Series 2010	Variable Rate	3/31/2010	3/31/2013	125,000,000	14,889,828
Bond Anticipation Notes	Variable Rate	8/28/2008	8/1/2011	80,000,000	23,387,866
Installment purchase public facility	4.64%	5/14/1996	11/14/2014	7,300,000	2,466,930
Installment purchase garage facility	4.415%	8/20/2003	8/20/2018	14,502,000	9,357,224
Installment purchase vehicles and computer hardware	1.42%	6/29/2010	7/1/2013	8,215,000	8,215,000
Installment purchase vehicles	3.84%	9/15/2006	9/15/2010	2,160,000	144,888
Installment purchase vehicles	2.68%	5/27/2008	5/5/2012	1,700,000	871,877
<u>Other financing agreements</u>					
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	127,150
800 Mhz radio system upgrade	4.64%	9/27/2005	6/30/2015	5,012,454	2,414,438
Total governmental activities					409,817,410
<u>Business-type activities:</u>					
Refunding, Series 2009	3.00% to 5.00%	1/1/2002	3/1/2010	1,282,887	3,822,791
Revenue bonds, Series 2003 - sewer plant expansion/improvements	3.00% to 4.75%	12/1/2002	6/11/2028	24,515,000	16,090,000
Total business-type activities					19,912,791
Total bonded indebtedness					\$ 429,730,201

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2010 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		Installment Note Payable		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 18,601,363	\$ 10,473,755	\$ -	\$ 5,071,156	\$ 27,952,530	\$ 613,633	\$ -	\$ -	\$ 46,553,893	\$ 16,158,544
2012	18,110,169	9,546,214	3,095,000	5,071,156	5,183,992	527,572	-	-	26,389,161	15,144,942
2013	18,286,340	8,703,347	3,095,000	4,961,106	4,828,176	412,829	-	-	26,209,516	14,077,282
2014	16,338,468	7,907,393	3,095,000	4,839,556	2,808,860	309,536	-	-	22,242,328	13,056,485
2015	16,585,597	7,218,894	5,895,000	4,723,206	1,857,426	232,566	-	-	24,338,023	12,174,666
2016-2020	81,120,272	25,259,041	29,465,000	19,939,156	4,326,824	385,905	-	-	114,912,096	45,584,102
2021-2025	51,975,000	7,923,225	29,465,000	13,510,994	27,565	-	-	-	81,467,565	21,434,219
2026-2030	9,090,000	595,675	29,450,000	6,999,275	-	-	-	-	38,540,000	7,594,950
2031-2035	-	-	14,275,000	1,272,700	-	-	-	-	14,275,000	1,272,700
	<u>\$ 230,107,209</u>	<u>\$ 77,627,544</u>	<u>\$ 117,835,000</u>	<u>\$ 66,388,305</u>	<u>\$ 46,985,373</u>	<u>\$ 2,482,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,927,582</u>	<u>\$ 146,497,890</u>

Business-type activities:

Year ending June 30,	General Obligation Bonds		Certificates of Participation		Installment Note Payable		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 343,637	\$ 149,018	\$ -	\$ -	\$ -	\$ -	\$ 1,650,000	\$ 764,908	\$ 1,993,637	\$ 913,926
2012	739,831	138,708	-	-	-	-	580,000	682,408	1,319,831	821,116
2013	723,660	116,513	-	-	-	-	605,000	660,658	1,328,660	777,171
2014	711,532	87,567	-	-	-	-	625,000	637,063	1,336,532	724,630
2015	699,403	59,106	-	-	-	-	650,000	612,063	1,349,403	671,169
2016-2020	604,728	32,747	-	-	-	-	3,745,000	2,570,000	4,349,728	2,602,747
2021-2025	-	-	-	-	-	-	4,785,000	1,536,500	4,785,000	1,536,500
2026-2030	-	-	-	-	-	-	3,450,000	332,975	3,450,000	332,975
2031-2035	-	-	-	-	-	-	-	-	-	-
	<u>\$ 3,822,791</u>	<u>\$ 583,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,090,000</u>	<u>\$ 7,796,575</u>	<u>\$ 19,912,791</u>	<u>\$ 8,380,234</u>

Revenue bonds

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

E. LONG-TERM OBLIGATIONS (continued)

In fiscal year 2003, \$24,515,000 of revenue bonds was issued to finance the construction project to expand the existing wastewater treatment facilities. The bonds are payable through 2028. The total principal and interest remaining to be paid on the bonds is \$23,886,479. Principal and interest paid for the year and total customer revenues were \$2,413,408 and \$9,051,806, respectively. Interest requirements for the revenue bonds are also payable semi-annually at annual rates varying from 3.00% to 4.75%. 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 2010.

The ABC Board's long-term debt was \$458,145 as of June 30, 2010.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$687,531 for the year ended June 30, 2010. The future minimum rental payments due under the leases at June 30, 2010 are as follows:

YEAR ENDING JUNE 30,	<u>COUNTY</u>	<u>ABC BOARD</u>
2011	\$ 610,353	\$ 92,974
2012	195,639	22,054
2013	161,083	-
2014	162,817	-
2015	119,520	-
2016-2019	156,871	-
TOTAL	\$ 1,406,283	\$ 115,028

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, 2010 were \$19,074,202 and \$44,531,658, 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 one time 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 for the support of mental

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

F. COMMITMENTS (continued)

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 2010, the County received \$2,200,000 for these services. Beginning July 1, 2010 through the remainder of the lease terms, payment 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 payment of \$2,850,000 for fiscal year 2010. Beginning July 1, 2010 through the remainder of the lease terms, payment 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. The determination of whether satisfactory progress has been made shall be the sole discretion of Durham County based upon the

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

F. COMMITMENTS (continued)

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, 2010 are as follows:

<u>YEAR ENDING JUNE 30,</u>	Governmental activities	
	PRINCIPAL	INTEREST
	2010	\$ 1,815,295
2011	1,059,961	-
2012	842,961	-
2013	742,961	-
2014	612,961	-
2015-2017	1,226,844	-
	\$ 6,300,983	\$ -

Interest requirements related to the Industrial Extensions Policy are nominal.

3. School Facilities

In March 2009, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2010 – 2019 that included school projects totaling \$535,247,784 funded through voter approved general obligation bond referendums in November 2001, November 2003, and November 2007 totaling \$350,539,289, 2/3's general obligation bonds in the amount of \$10,650,000, certificates of participation (COPS) in the amount of \$8,250,000, miscellaneous revenue in the amount of \$1,300,000 and County contributions of \$2,000,000 in fiscal year 2010, and requests for general obligation bond referendums in fiscal year 2012 for \$132,308,364, coupled with additional County contributions of \$18,000,000. Total construction in progress for fiscal year 2010 for these projects was \$29,765,454 while total combined construction in progress since inception was \$140,184,867.

4. Construction

The total ten-year estimated and funded project costs of the CIP until June of 2019 is \$1,159,035,330. 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), revenue bonds, county contributions, sewer utility contributions and other miscellaneous revenues.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

F. COMMITMENTS (continued)

The CIP allocated funding for fiscal year 2010 in the amount of \$90,660,093. Funds provided approximately \$11,060,093 for capital projects of general governmental activities, \$705,000 for public safety activities, \$500,000 for business-type activities, \$42,295,000 for education facilities, \$550,000 for environmental protection activities, and \$35,550,000 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 design of the wastewater treatment plant improvements (Phase III) is complete awaiting State approval. 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 2010-2019, 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. Of the 2003 voter approved general obligation bonds, the County has issued \$123,665,000. As of fiscal year end, no amount of the November 2007 voter approved general obligations bond was issued.

5. Capital commitments

The County had commitments at June 30, 2010 of approximately \$55,465 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), 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". 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

G. INTERFUND BALANCES AND ACTIVITIES

The following is a schedule of interfund receivable and payable balances as of June 30, 2010:

Due to:	
General Fund from Capital Projects Fund	
Amount due per BOCC approved interfund loan	<u><u>\$3,101,344</u></u>
Due from:	
Capital Projects Fund to General Fund	
Amount due per BOCC approved interfund loan	<u><u>\$3,101,344</u></u>

This due to/due from 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.

Transfers:

The following is a summary of transfers for the year ended June 30, 2010:

	Transfers in:			
General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total	
Transfers out:				
General fund	\$ -	\$ 1,745,000	\$ 37,446,458	\$ 39,191,458
Capital projects fund	69,722	-	2,968,408	3,038,130
Community health trust fund	3,763,517	-	4,564,180	8,327,697
Sewer utility fund	294,084	-	-	294,084
Nonmajor governmental funds	<u>1,590,302</u>	<u>-</u>	<u>410,954</u>	<u>2,001,256</u>
Total transfers	<u><u>\$ 5,717,625</u></u>	<u><u>\$ 1,745,000</u></u>	<u><u>\$ 45,390,000</u></u>	<u><u>\$ 52,852,625</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

G. INTERFUND BALANCES AND ACTIVITIES (continued)

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

Transfers from the Capital Projects Fund to the General Fund and the Debt Service Fund are to return unspent funding for completed general government construction projects and for funding general government debt payments, respectively.

Transfers from the Community Health Trust Fund to the General Fund and the Debt Service Fund are for funding health-related expenditures and funding for debt on the health and human services complex construction project per Durham County's Capital Improvement Plan, respectively.

Transfers from the Sewer Utility Fund to the General Fund are for reimbursement of indirect costs and insurance benefits paid by the General Fund.

Transfers from the Special Revenue Funds to the General Fund and the Debt Service Fund are for funding public safety expenditures and funding for debt issued for emergency services capital.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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 4.87% and 4.86%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 4.95% and 4.86% 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, 2010, 2009 and 2008 were \$4,008,648, \$4,022,947, and \$3,718,372, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$112,418, \$109,680, and \$97,157, 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, 2010

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	11
Active plan members	<u>163</u>
Total	<u>174</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 \$216,288 or 2.8% 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, 2010 was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of December 31, 2008 was twenty-two years.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

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:

Annual required contribution	\$ 217,461
Interest on net pension asset	(2,089)
Adjustment to annual required contribution	<u>1,815</u>
Annual pension cost	217,187
Contributions made	<u>216,288</u>
Decrease in net pension asset	899
Net pension asset, beginning of year	<u>(28,818)</u>
Net pension asset, end of year	<u><u>\$ (27,919)</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, 2010	\$ 217,187	99.59%	\$ (27,919)
June 30, 2009	197,942	105.00%	(28,818)
June 30, 2008	162,098	102.26%	(18,913)

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the plan was 31.74% funded. The actuarial accrued liability for benefits was \$3,512,206, and the actuarial value of assets was \$1,114,755, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,397,451. The covered payroll (annual payroll of active employees covered by the plan) was \$7,717,626, and the ratio of the UAAL to the covered payroll was 31.06%.

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, 2010

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, 2010 were \$558,652, which consisted of \$391,882 from the County and \$166,770 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, 2010 totaled \$14,961, which consisted of \$7,022 from the ABC Board and \$7,939 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 2.13%, 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, 2010, the County's required and actual contributions were \$22,011.

5. 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 \$74,492,765. The County's total payroll was \$83,616,075. Total contributions for the year ended June 30, 2010 were \$5,812,527, which consisted of \$3,731,554 from the County and \$2,080,973

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

from the non-law enforcement personnel. The County’s required contribution and the non-law enforcement personnel’s voluntary contribution represented 7.81% of the covered payroll amount.

6. 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). As of 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 twenty-five years of creditable service with the County. 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, which ever comes first. At that time such coverage is terminated, and the County pays full cost of a Medicare supplement policy. Also, retirees with ten to twenty-four 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. 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.

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	356	6
Active plan members	<u>1,586</u>	<u>166</u>
Total	<u><u>1,942</u></u>	<u><u>172</u></u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees 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 \$80.00 for the Premium option, \$0 for the Core option, \$0 for the Basic option; for family dependent coverage, the monthly rates are \$1,090.50 for the premium option, \$765.00 for the Core option and \$570.00 for the Basic option; for the spouse only coverage, the monthly rates are \$662.50 for the Premium option, \$425.00 for the Core option and \$340.00 for the Basic option; and for the child only coverage, the monthly rates are \$343.00 for the Premium option, \$285.00 for the Core option and \$243.00 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 \$495.00 for the Premium option, \$415.00 for the Core option, \$385.00 for the Basic option; for retiree/family dependent coverage, the monthly rates

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

are \$1,505.50 for the Premium option, \$1,180.00 for the Core option and \$985.00 for the Basic option; for the retiree/spouse only coverage, the monthly rates are \$1,077.50 for the Premium option, \$840.00 for the Core option and \$755.00 for the Basic option; and for the retiree/child only coverage, the monthly rates are \$758.50 for the Premium option, \$700.00 for the Core option and \$658.00 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 \$44.00; for retiree/family dependent coverage, the monthly rate is \$124.00; for retiree/spouse only coverage, the monthly rate is \$98.00; and for the retiree/child coverage, the monthly rate is \$88.00. 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 \$30.80; for retiree/spouse only coverage, the monthly rate is \$22.20; and for the retiree/child coverage, the monthly rate is \$23.25. 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.

The current ARC rate is 9.08% of annual covered payroll. For the current year, the County contributed \$1,164,097 or 1.42% 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 1.34% and .08% 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 \$6,004,042 which represents 83.76% of ARC. The total designated for OPEB as of fiscal year end for the General Fund and Sewer Utility Fund was \$16,413,757 and \$243,671, respectively. Currently, 422 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.

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:

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Annual required contribution	\$ 7,168,139
Interest on net OPEB obligation	<u>-</u>
Annual OPEB cost (expense)	7,168,139
Contributions made	<u>1,164,097</u>
Increase (decrease) in net OPEB obligation	6,004,042
Net OPEB obligation, beginning of year	<u>18,742,669</u>
Net OPEB obligation, end of year	<u><u>\$24,746,711</u></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:

<u>Fiscal Year Ended</u> June 30	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	\$ 7,168,139	16.24%	\$24,746,711
2009	7,168,139	15.54%	18,742,669
2008	13,552,376	6.37%	12,688,603

Funding Status and Funding Progress. As of December 31, 2008, 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 \$80,802,284. The covered payroll (annual payroll of active employees covered by the plan) was \$78,956,072 and the ratio of the UAAL to the covered payroll was 102.30%. 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.

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, 2008 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 increase of 10.50 to 5.00 percent annually, per capita costs adjusted to reflect expected

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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, 2008 was 30 years.

7. 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. For the fiscal year ended June 30, 2010, the County made contributions to the State for death benefits of \$63,116. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The net assets of the Death Benefit Plan are not available for future benefit payments but will be used to reduce future contribution requirements.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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 2010, a total of \$11,528,776 was incurred for benefits and administrative costs of the plan.

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 \$939,702 was incurred for benefits during the fiscal year 2010.

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 designated fund balance for risk management.

In accordance with North Carolina General Statute 159-29, the Director of Finance 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 not bonded at this time.

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; 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.

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. At June 30, 2010, the County had no pending litigation for which possible liability was fixed or estimable.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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 \$66,928 to the Council during the fiscal year ended June 30, 2010. 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. 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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)

The following is a summary of certain unaudited financial information of the District for the year ended June 30, 2010:

Total assets	\$ 1,767,497
Total liabilities	<u>(77,556)</u>
Total equity	<u>\$ 1,689,941</u>
Total revenues	\$ 1,235,335
Total expenditures	<u>(1,163,528)</u>
Increase in fund balance	<u>\$ 71,807</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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)

Durham Technical Community College

Durham County provides funds to Durham Technical Community College, primarily for capital 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 2010 appropriation of approximately \$4.190 million to the College represents approximately 14.40% of its total current operating revenues, with the majority of funding being provided by the State of North Carolina Department of Community Colleges. In addition, the County contributed \$480,074 to capital outlay bringing the County's contribution to Durham Technical Community College capital outlay to 34.9%. 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, 2010. 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, 2010, the County recorded an equity interest in the Bureau of \$781,400 which is included in the investment in joint venture in the statement of net assets. 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, 2010

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 assets. At June 30, 2010, the County’s equity interest in the Authority was \$7,090,072.

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 2010, the amount funded by the County was approximately \$107,680. 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 assets for governmental activities for the above two ventures at June 30, 2010 is \$7,871,472.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

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	\$ 220,846,145	\$ 76,298,565
Food Stamp	52,149,313	-
Temporary Assistance for Needy Families	1,905,767	-
Special Assistance to Adult	-	2,224,260
Title IV-E Adoption Assistance	475,248	118,545
IV-B Adoption Assistance	-	977,835
Energy and Refugee Assistance Payments	466,598	-
Total Direct Federal and State Awards	\$ 275,843,071	\$ 79,619,205

O. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2010, the expenditures made in the County's General Fund for public safety, environmental protection and cultural and recreational exceeded authorized appropriations made by the governing board by \$1,598,410, \$43,239 and \$410,118, respectively. In fiscal year 2010, the County benefits plan changed from fully insured to a partially self-insured plan in which the County funded a core plan for health, dental, vision, life insurance and dependent coverage. The costs for this core plan were budgeted in the general government functional area under human resources, the business area that administers the plan; however, the actual costs went to the functional areas in which the employees reside. As a result, the functional areas of public safety, environmental protection and cultural and recreational exceeded appropriations. Beginning fiscal year 2011, the appropriations for the core plan will be allocated to the respective functional areas in which the employees reside.

Also, in fiscal year ended June 30, 2010, the amount transferred out of the County's Emergency Services Special Revenue Fund exceeded the authorized appropriation made by the governing board by \$318. The Emergency Services Special Revenue Fund was closed in fiscal year 2010 with the funds being transferred to the Debt Service Fund to be used as a funding source for debt issued for emergency services capital. The budget amendment for this transfer did not include an estimate for additional interest earnings to be allocated to the fund prior to the final transfer actually occurring. Beginning fiscal year 2011, budget amendments when closing funds will include an estimate of any additional funds to be allocated, if any, prior to the actual close taking place.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

P. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

According to G.S. 159-29, the County's Finance Director and Tax Collector are bonded. In addition, the County's Sheriff and Register of Deeds are bonded. However, other employees of the County who have access to cash and inventory were not bonded as of June 30, 2010. The County is addressing this in the upcoming fiscal year.

Q. PRIOR PERIOD ADJUSTMENT

In fiscal year ended June 30, 2010, the County implemented GASB Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments*. As part of this implementation, prior net asset balances were adjusted and a liability was recorded for the negative fair value associated with an basis swap meeting the definition of an investment derivative under GASB 53. A corresponding entry was made to beginning net assets as detailed below:

As previously reported	\$121,521,092
Adjustment to beginning net assets	<u>(2,357,569)</u>
Beginning net assets restated	<u>\$119,163,523</u>

R. SUBSEQUENT EVENTS

The County has evaluated subsequent events through October 27, 2010, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

On October 27, 2010, the County went to market for the sale of General Obligation Bonds Series 2010A in the amount of \$28,730,000 and Build America Bonds Series 2010B in the amount of \$31,270,000. The proceeds from the General Obligation Bonds and the Build America Bonds will be used to repay Bond Anticipation Notes in the amount of \$29,500,000 and to fund school improvements, respectively. Originally, the County also planned to go to market for Series 2010C Refunding Bonds in the amount of approximately \$65,755,000 for an advance refunding of portions of the County's Series 2004A, 2004B, 2006A and 2006B General Obligation Bonds outstanding. However, the County made the decision to pull the County's Series 2010C Refunding from the October 27, 2010 sale. The closing and issuance of the General Obligation Bonds 2010A and the Build America Bonds Series 2010B will occur in November of 2010.

**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, 2002	\$ 613,960	\$1,290,640	\$ 676,680	47.57%	\$ 5,518,875	12.26%
December 31, 2003	678,858	1,388,785	709,927	48.88%	5,901,669	12.03%
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%

DURHAM COUNTY, NORTH CAROLINA

**Law Enforcement Officers' Special Separation Allowance
Schedule of Employer Contributions**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2003	\$ 119,569	104.78%
2004	128,752	109.52%
2005	138,885	114.89%
2006	162,469	106.14%
2007	143,800	-
2008	162,267	102.15%
2009	197,942	105.00%
2010	217,187	99.59%

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, 2009
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	4.5% to 12.3%
*Includes inflation at:	3.75%
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%

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%

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, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets

Actuarial assumptions:

Investment rate of return*	4.00%
Medical cost trend rate	10.50% to 5.00%
Year of ultimate trend rate	2016

*Includes inflation at: 3.75%

**OTHER SUPPLEMENTARY INFORMATION
(TAB)**

**COMBINING and INDIVIDUAL
FUND STATEMENTS and
SCHEDULES**

MAJOR GOVERNMENTAL FUND

Capital Projects Fund – accounts for financial resources to be used for the acquisition, construction or improvement of major capital facilities other than those financed by proprietary funds.

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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, 2010**

PROJECT	EXPENDITURES		SPENT TO DATE	REMAINING COMMITMENT
	CURRENT YEAR	PRIOR YEARS		
Durham Public School Projects	\$ 33,203,960	\$ 142,238,219	\$ 175,442,179	\$ 202,273,413
Justice Center	5,250,905	14,065,173	19,316,078	99,830,377
Judicial Building Renovation	5,500	985,978	991,478	2,124,883
Cooperative Extension Renovation	-	823,676	823,676	56
NCML & Bioquest	977,850	10,876,950	11,854,800	3,286,012
County Storage Facility	92	-	92	3,099,908
EMS Relocation Lincoln	-	1,730,426	1,730,426	5,619
Human Services Complex	23,004,626	9,647,217	32,651,843	57,294,799
Senior Center	-	5,644,544	5,644,544	10,809
North Durham Library	4,978	6,281,284	6,286,262	21,477
Stanford Warren Library	1,500	1,953,258	1,954,758	8,972
Southwest Branch Library	4,009,094	1,708,604	5,717,698	946,806
South Regional Library	4,381,672	3,644,422	8,026,094	2,351,942
East Regional Library	-	6,409,337	6,409,337	4,623
American Tobacco Garage Parking	-	14,368,099	14,368,099	120,988
Scattered Site Housing Program	-	525,234	525,234	51,707
County Computer Repl Project	6,693	6,547,819	6,554,512	408,318
Head Start YMCA Building	-	1,105,602	1,105,602	-
DTCC Student Services Building	-	2,995,179	2,995,179	-
Crim Justice Resource Center	2,046,635	684,928	2,731,563	1,552,611
Open Space/Farmland Preservation	1,280,753	3,871,886	5,152,639	3,898,116
DTCC Campus Improvements	3,326,846	1,244,977	4,571,823	3,628,177
DTCC Newton Building	-	-	-	4,000,000
DTCC Northern Durham	-	-	-	1,000,000
DTCC Main Campus Extension	-	-	-	2,000,000
Telecommunications System Upgrade	8,404	1,492,550	1,500,954	-
New Hope/Duke Land Acquisition	10,000	1,513,280	1,523,280	40,720
Detention Center Project	965	437,720	438,685	267,405
Animal Shelter Building Office Project	86,785	1,328,436	1,415,221	94,772
BOCC Chamber Upgrade	35,194	904,280	939,474	25,074
Open Space Acquisition and Development	-	6,500	6,500	-
EMS Station #5 Land Acquisition	-	-	-	20,000
Mental Health Crisis Center Renovations	6,033	3,134,743	3,140,776	1,925
Main Library Renovations	198,235	262,494	460,729	339,271
County Stadium Renovations	6,241,593	823,455	7,065,048	1,141,785
Civic Center	-	1,527,427	1,527,427	3,817,573
Lincoln Community Health Center Renovations	140,390	24,489	164,879	74,798
ROD Preservation Project	288,742	-	288,742	656,258
Computer Replacement	1,386,267	205,083	1,591,350	2,747,290
Telecommunications System Upgrade	203,914	196,050	399,964	75,036
Administrative Building Renovations	226,091	326,236	552,327	1,272,673
EMS Station #1 Renovations	260	-	260	889,740
LCHC Phase 1 Renovation	24,519	-	24,519	1,276,251
	<u>\$ 86,358,496</u>	<u>\$ 249,535,555</u>	<u>\$ 335,894,051</u>	<u>\$ 400,660,184</u>

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FIDUCIARY FUNDS

Private-purpose Trust Funds

George R. Linder Memorial Private-purpose Trust Fund – to account for 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 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 Assets
Private-purpose Trust Funds
June 30, 2010**

	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	\$ 5,744	\$ 15,784	\$ 21,528
Total assets	<u>5,744</u>	<u>15,784</u>	<u>21,528</u>
Liabilities			
Accounts payable	-	100	100
Total liabilities	<u>-</u>	<u>100</u>	<u>100</u>
Net assets			
Held in trust for:			
Individuals, organizations, and other governments	5,744	15,684	21,428
Total net assets	<u>\$ 5,744</u>	<u>\$ 15,684</u>	<u>\$ 21,428</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Net Assets
Private-purpose Trust Funds
Year Ended June 30, 2010**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Additions			
Employee contributions	\$ -	\$ 2,236	\$ 2,236
Investment income	30	109	139
Total additions	<u>30</u>	<u>2,345</u>	<u>2,375</u>
Deductions			
Benefits	-	900	900
Total deductions	<u>-</u>	<u>900</u>	<u>900</u>
Change in net assets	30	1,445	1,475
Total net assets - beginning	<u>5,714</u>	<u>14,239</u>	<u>19,953</u>
Total net assets - ending	<u>\$ 5,744</u>	<u>\$ 15,684</u>	<u>\$ 21,428</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fire Tax District Funds – to account for 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.

Butner Safety District Fund – to account for 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 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.

Emergency Services – accounted for the proceeds of the 911 surcharge and the related investment income. Payments of the amounts appropriated were restricted to the purchase of equipment and for operational expenses of the Central Emergency Communications Center; closed in fiscal year 2010.

Debt Service Fund

The debt service fund is used to account for the payment of principal, interest, and related costs for all general long-term debt other than debt issued for and serviced by proprietary funds.

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DURHAM COUNTY, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents / investments	\$ 1,084,395	\$ 4,698,184	\$ 5,782,579
Accounts receivable	-	2,227	2,227
Net taxes receivable	74,888	-	74,888
Total assets	\$ 1,159,283	\$ 4,700,411	\$ 5,859,694
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 22,241	\$ 28,753	\$ 50,994
Collections in advance	39,481	-	39,481
Deferred revenues:			
Taxes	74,888	-	74,888
Total liabilities	136,610	28,753	165,363
Fund balances:			
Reserved:			
State statute	-	2,227	2,227
Other purposes	39,481	-	39,481
Unreserved	983,192	4,669,431	5,652,623
Total fund balances	1,022,673	4,671,658	5,694,331
Total liabilities and fund balances	\$ 1,159,283	\$ 4,700,411	\$ 5,859,694

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 6,394,162	\$ -	\$ 6,394,162
Intergovernmental revenues	-	16,000	16,000
Investments	10,767	7,253	18,020
Rent	-	26,717	26,717
Charges for services	-	219,323	219,323
Total revenues	<u>6,404,929</u>	<u>269,293</u>	<u>6,674,222</u>
Expenditures			
Current:			
Public safety	4,264,073	-	4,264,073
Economic and physical development	619,487	-	619,487
Debt service:			
Principal retirement	-	25,431,125	25,431,125
Interest and fiscal charges	-	16,568,325	16,568,325
Debt issuance costs	-	397,239	397,239
Total expenditures	<u>4,883,560</u>	<u>42,396,689</u>	<u>47,280,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,521,369</u>	<u>(42,127,396)</u>	<u>(40,606,027)</u>
Other financing sources (uses)			
Transfers in	-	45,390,000	45,390,000
Transfers out	(2,001,256)	-	(2,001,256)
Refunding bond proceeds	-	49,171,920	49,171,920
Payment to refunded debt escrow agent	-	(48,776,331)	(48,776,331)
Total other financing sources (uses)	<u>(2,001,256)</u>	<u>45,785,589</u>	<u>43,784,333</u>
Net change in fund balances	(479,887)	3,658,193	3,178,306
Fund balance - beginning	<u>1,502,560</u>	<u>1,013,465</u>	<u>2,516,025</u>
Fund balance - ending	<u>\$ 1,022,673</u>	<u>\$ 4,671,658</u>	<u>\$ 5,694,331</u>

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DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2010

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Assets				
Cash and cash equivalents / investments	\$ 258,412	\$ 209,134	\$ 295,365	\$ 41,679
Net taxes receivable	15,082	18,081	8,317	23,790
Total assets	\$ 273,494	\$ 227,215	\$ 303,682	\$ 65,469
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Collections in advance	1,949	4,785	25,450	3,950
Taxes	15,082	18,081	8,317	23,790
Total liabilities	17,031	22,866	33,767	27,740
Fund balances:				
Reserved:				
Other purposes	1,949	4,785	25,450	3,950
Unreserved	254,514	199,564	244,465	33,779
Total fund balances	256,463	204,349	269,915	37,729
Total liabilities and fund balances	\$ 273,494	\$ 227,215	\$ 303,682	\$ 65,469

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<u>Butner Safety District Fund</u>	<u>Special Park District Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 19,091	\$ 29,592	\$ 105,694	\$ 8,755	\$ 116,673	\$ 1,084,395
1,012	46	7,778	-	782	74,888
<u>\$ 20,103</u>	<u>\$ 29,638</u>	<u>\$ 113,472</u>	<u>\$ 8,755</u>	<u>\$ 117,455</u>	<u>\$ 1,159,283</u>
\$ -	\$ -	\$ -	\$ -	\$ 22,241	\$ 22,241
70	123	1,289	23	1,842	39,481
1,012	46	7,778	-	782	74,888
<u>1,082</u>	<u>169</u>	<u>9,067</u>	<u>23</u>	<u>24,865</u>	<u>136,610</u>
70	123	1,289	23	1,842	39,481
18,951	29,346	103,116	8,709	90,748	983,192
<u>19,021</u>	<u>29,469</u>	<u>104,405</u>	<u>8,732</u>	<u>92,590</u>	<u>1,022,673</u>
<u>\$ 20,103</u>	<u>\$ 29,638</u>	<u>\$ 113,472</u>	<u>\$ 8,755</u>	<u>\$ 117,455</u>	<u>\$ 1,159,283</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2010**

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Revenues				
Taxes	\$ 1,606,905	\$ 1,075,613	\$ 1,474,096	\$ 741,459
Investments	2,077	1,694	996	343
Total revenues	<u>1,608,982</u>	<u>1,077,307</u>	<u>1,475,092</u>	<u>741,802</u>
Expenditures				
Current:				
Public safety	500,000	636,908	1,352,975	724,597
Economic and physical development	-	-	-	-
Total expenditures	<u>500,000</u>	<u>636,908</u>	<u>1,352,975</u>	<u>724,597</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,108,982</u>	<u>440,399</u>	<u>122,117</u>	<u>17,205</u>
Other financing sources (uses)				
Transfers out	(1,054,338)	(535,964)	-	-
Total other financing sources (uses)	<u>(1,054,338)</u>	<u>(535,964)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	54,644	(95,565)	122,117	17,205
Fund balance - beginning	<u>201,819</u>	<u>299,914</u>	<u>147,798</u>	<u>20,524</u>
Fund balance - ending	<u>\$ 256,463</u>	<u>\$ 204,349</u>	<u>\$ 269,915</u>	<u>\$ 37,729</u>

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<u>Butner Safety District Fund</u>	<u>Special Park District Fund</u>	<u>Emergency Services Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 44,800	\$ 24,067	\$ 711,573	\$ 17,990	\$ 697,659	\$ -	\$ 6,394,162
181	189	2,574	127	442	2,144	10,767
<u>44,981</u>	<u>24,256</u>	<u>714,147</u>	<u>18,117</u>	<u>698,101</u>	<u>2,144</u>	<u>6,404,929</u>
43,334	19,676	970,168	16,415	-	-	4,264,073
-	-	-	-	619,487	-	619,487
<u>43,334</u>	<u>19,676</u>	<u>970,168</u>	<u>16,415</u>	<u>619,487</u>	<u>-</u>	<u>4,883,560</u>
1,647	4,580	(256,021)	1,702	78,614	2,144	1,521,369
-	-	-	-	-	(410,954)	(2,001,256)
-	-	-	-	-	(410,954)	(2,001,256)
1,647	4,580	(256,021)	1,702	78,614	(408,810)	(479,887)
17,374	24,889	360,426	7,030	13,976	408,810	1,502,560
<u>\$ 19,021</u>	<u>\$ 29,469</u>	<u>\$ 104,405</u>	<u>\$ 8,732</u>	<u>\$ 92,590</u>	<u>\$ -</u>	<u>\$ 1,022,673</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, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,482,884	\$ 1,482,884	\$ 1,606,905	\$ 124,021
Investments	-	-	2,077	2,077
Total revenues	<u>1,482,884</u>	<u>1,482,884</u>	<u>1,608,982</u>	<u>126,098</u>
Expenditures				
Public safety	557,917	557,917	500,000	57,917
Total expenditures	<u>557,917</u>	<u>557,917</u>	<u>500,000</u>	<u>57,917</u>
Excess (deficiency) of revenues over (under) expenditures	<u>924,967</u>	<u>924,967</u>	<u>1,108,982</u>	<u>184,015</u>
Other financing sources (uses)				
Transfers out	(999,983)	(1,054,390)	(1,054,338)	52
Appropriated fund balance	75,016	129,423	-	(129,423)
Total other financing sources (uses)	<u>(924,967)</u>	<u>(924,967)</u>	<u>(1,054,338)</u>	<u>(129,371)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	54,644	<u>\$ 54,644</u>
Fund balance - beginning			<u>201,819</u>	
Fund balance - ending			<u>\$ 256,463</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, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,057,490	\$ 1,057,490	\$ 1,075,613	\$ 18,123
Investments	-	-	1,694	1,694
Total revenues	<u>1,057,490</u>	<u>1,057,490</u>	<u>1,077,307</u>	<u>19,817</u>
Expenditures				
Public safety	663,292	636,908	636,908	-
Total expenditures	<u>663,292</u>	<u>636,908</u>	<u>636,908</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>394,198</u>	<u>420,582</u>	<u>440,399</u>	<u>19,817</u>
Other financing sources (uses)				
Transfers out	(519,198)	(545,582)	(535,964)	9,618
Appropriated fund balance	125,000	125,000	-	(125,000)
Total other financing sources (uses)	<u>(394,198)</u>	<u>(420,582)</u>	<u>(535,964)</u>	<u>(115,382)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(95,565)	<u>\$ (95,565)</u>
Fund balance - beginning			<u>299,914</u>	
Fund balance - ending			<u>\$ 204,349</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, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,352,975	\$ 1,352,975	\$ 1,474,096	\$ 121,121
Investments	-	-	996	996
Total revenues	<u>1,352,975</u>	<u>1,352,975</u>	<u>1,475,092</u>	<u>122,117</u>
Expenditures				
Public safety	<u>1,352,975</u>	<u>1,352,975</u>	<u>1,352,975</u>	-
Total expenditures	<u>1,352,975</u>	<u>1,352,975</u>	<u>1,352,975</u>	-
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>122,117</u>	<u>122,117</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 122,117	 <u>\$ 122,117</u>
 Fund balance - beginning			 <u>147,798</u>	
 Fund balance - ending			 <u>\$ 269,915</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, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 724,597	\$ 724,597	\$ 741,459	\$ 16,862
Investments	-	-	343	343
Total revenues	<u>724,597</u>	<u>724,597</u>	<u>741,802</u>	<u>17,205</u>
Expenditures				
Public safety	<u>724,597</u>	<u>724,597</u>	<u>724,597</u>	-
Total expenditures	<u>724,597</u>	<u>724,597</u>	<u>724,597</u>	-
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>17,205</u>	<u>17,205</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 17,205	 <u>\$ 17,205</u>
 Fund balance - beginning			 <u>20,524</u>	
 Fund balance - ending			 <u>\$ 37,729</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, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 43,334	\$ 43,334	\$ 44,800	\$ 1,466
Investments	-	-	181	181
Total revenues	<u>43,334</u>	<u>43,334</u>	<u>44,981</u>	<u>1,647</u>
Expenditures				
Public safety	43,334	43,334	43,334	-
Total expenditures	<u>43,334</u>	<u>43,334</u>	<u>43,334</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,647</u>	<u>1,647</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 1,647	 <u>\$ 1,647</u>
 Fund balance - beginning			 <u>17,374</u>	
 Fund balance - ending			 <u>\$ 19,021</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, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 19,676	\$ 19,676	\$ 24,067	\$ 4,391
Investments	-	-	189	189
Total revenues	<u>19,676</u>	<u>19,676</u>	<u>24,256</u>	<u>4,580</u>
Expenditures				
Public safety	19,676	19,676	19,676	-
Total expenditures	<u>19,676</u>	<u>19,676</u>	<u>19,676</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>4,580</u>	<u>4,580</u>
 Net change in fund balances	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>4,580</u>	 <u><u>\$ 4,580</u></u>
 Fund balance - beginning			 <u>24,889</u>	
Fund balance - ending			 <u><u>\$ 29,469</u></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, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 650,168	\$ 650,168	\$ 711,573	\$ 61,405
Investments	-	-	2,574	2,574
Total revenues	<u>650,168</u>	<u>650,168</u>	<u>714,147</u>	<u>63,979</u>
Expenditures				
Public safety	650,168	970,168	970,168	-
Total expenditures	<u>650,168</u>	<u>970,168</u>	<u>970,168</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(320,000)</u>	<u>(256,021)</u>	<u>63,979</u>
Other financing sources (uses)				
Appropriated fund balance	-	320,000	-	(320,000)
Total other financing sources (uses)	<u>-</u>	<u>320,000</u>	<u>-</u>	<u>(320,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(256,021)</u>	<u>\$ (256,021)</u>
Fund balance - beginning			<u>360,426</u>	
Fund balance - ending			<u>\$ 104,405</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, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 16,415	\$ 16,415	\$ 17,990	\$ 1,575
Investments	-	-	127	127
Total revenues	<u>16,415</u>	<u>16,415</u>	<u>18,117</u>	<u>1,702</u>
Expenditures				
Public safety	16,415	16,415	16,415	-
Total expenditures	<u>16,415</u>	<u>16,415</u>	<u>16,415</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,702</u>	<u>1,702</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 1,702	 <u>\$ 1,702</u>
 Fund balance - beginning			 <u>7,030</u>	
 Fund balance - ending			 <u>\$ 8,732</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, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 619,487	\$ 619,487	\$ 697,659	\$ 78,172
Investments	-	-	442	442
Total revenues	<u>619,487</u>	<u>619,487</u>	<u>698,101</u>	<u>78,614</u>
Expenditures				
Economic and physical development	619,487	619,487	619,487	-
Total expenditures	<u>619,487</u>	<u>619,487</u>	<u>619,487</u>	-
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>78,614</u>	<u>78,614</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 78,614	 <u>\$ 78,614</u>
 Fund balance - beginning			 <u>13,976</u>	
 Fund balance - ending			 <u>\$ 92,590</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Emergency Services Special Revenue Fund
Year Ended June 30, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Investments	\$ -	\$ -	\$ 2,144	\$ 2,144
Total revenues	<u>-</u>	<u>-</u>	<u>2,144</u>	<u>2,144</u>
Other financing sources (uses)				
Transfers out	-	(410,636)	(410,954)	(318)
Appropriated fund balance	-	410,636	-	(410,636)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(410,954)</u>	<u>(410,954)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(408,810)	<u>\$ (408,810)</u>
Fund balance - beginning			<u>408,810</u>	
Fund balance - ending			<u>\$ -</u>	

DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Debt Service Fund
 Year Ended June 30, 2010

	Budget		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Investments	\$ 25,000	\$ 25,000	\$ 7,253	\$ (17,747)
Intergovernmental revenues	-	-	16,000	16,000
Rent	26,716	26,716	26,717	1
Charges for services	219,323	219,323	219,323	-
Total revenues	<u>271,039</u>	<u>271,039</u>	<u>269,293</u>	<u>(1,746)</u>
Expenditures				
Debt service:				
Principal retirement	25,351,125	28,056,125	25,431,125	2,625,000
Interest and fiscal charges	14,315,371	18,569,163	16,568,325	2,000,838
Debt issuance costs	-	395,589	397,239	(1,650)
Total expenditures	<u>39,666,496</u>	<u>47,020,877</u>	<u>42,396,689</u>	<u>4,624,188</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,395,457)</u>	<u>(46,749,838)</u>	<u>(42,127,396)</u>	<u>4,622,442</u>
Other financing sources (uses)				
Transfers in	45,035,638	46,776,274	45,390,000	(1,386,274)
Refunding bond proceeds	-	49,171,923	49,171,920	(3)
Payment to refunded debt escrow agent	-	(48,776,334)	(48,776,331)	3
Appropriated fund balance	(5,640,181)	(422,025)	-	422,025
Total other financing sources (uses)	<u>39,395,457</u>	<u>46,749,838</u>	<u>45,785,589</u>	<u>(964,249)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>3,658,193</u>	<u>\$ 3,658,193</u>
Fund balance - beginning			<u>1,013,465</u>	
Fund balance - ending			<u>\$ 4,671,658</u>	

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, 2010**

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 8,475,543	\$ 9,048,330	\$ 572,787
Expenditures:			
Operating	4,419,607	2,979,244	1,440,363
Repairs and maintenance	382,903	179,934	202,969
Excess (deficiency) of revenues over (under) expenditures	3,673,033	5,889,152	2,216,119
Other Financing Sources (Uses):			
Capital expenses	(66,000)	(545,742)	(479,742)
Debt service	(4,005,000)	(2,952,844)	1,052,156
Investment income	100,000	84,779	(15,221)
Sewer connection fees	369,260	511,547	142,287
Intergovernmental revenues	-	19,645	19,645
Miscellaneous	-	3,792	3,792
Refunding bond proceeds	4,343,987	4,343,985	(2)
Payment to refunded debt escrow agent	(4,309,039)	(4,309,038)	1
Bond issuance costs	(64,948)	(25,348)	39,600
Transfers out	(294,084)	(294,084)	-
Total other financing sources (uses)	(3,925,824)	(3,163,308)	762,516
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(252,791)	2,725,844	2,978,635
Fund balance appropriated	252,791	-	252,791
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	\$ -	\$ 2,725,844	\$ 2,725,844

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2010**

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$ 2,725,844
RECONCILING ITEMS:	
Capital outlay	545,742
Capital contributions	12,685
Debt principal payments	1,919,192
Net proceeds on refunding of bonds	(34,947)
Bond issuance costs	25,348
Amortization of bond issuance costs	(21,762)
Decrease in accrued interest payable	8,873
Decrease in accrued payroll	494
Increase in accrued vacation	(12,274)
Decrease in accrued interest receivable	(31,877)
Increase in accounts receivable	3,476
Depreciation	(596,743)
Amortization of bond premium	46,706
	<hr/>
CHANGE IN NET ASSETS (GAAP BASIS)	\$ 4,590,757
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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 and the City of Raleigh.

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2010

	Child Support Trust Fund	Sheriff's Evidence Trust Fund	Jail Inmate Trust Fund	Sheriff's Trust Fund	State Treasurer Department of Motor Vehicles
Assets					
Cash and cash equivalents	\$ 144,169	\$ 314,957	\$ 138,592	\$ 91,436	\$ 22,210
Net taxes receivable	-	-	-	-	-
Total assets	<u>\$ 144,169</u>	<u>\$ 314,957</u>	<u>\$ 138,592</u>	<u>\$ 91,436</u>	<u>\$ 22,210</u>
Liabilities					
Funds held for others	\$ 144,169	\$ 314,957	\$ 138,592	\$ 91,436	\$ -
Due to governmental agencies	-	-	-	-	22,210
Total liabilities	<u>\$ 144,169</u>	<u>\$ 314,957</u>	<u>\$ 138,592</u>	<u>\$ 91,436</u>	<u>\$ 22,210</u>

Durham Public School	Town of Chapel Hill Tax Fund	City of Durham Tax Fund	City of Raleigh Tax Fund	Totals
\$ 2,965,575	\$ 60,074	\$ 610,006	\$ 10,494	\$ 4,357,513
94,406	15,828	3,330,482	5,894	3,446,610
<u>\$ 3,059,981</u>	<u>\$ 75,902</u>	<u>\$ 3,940,488</u>	<u>\$ 16,388</u>	<u>\$ 7,804,123</u>
\$ -	\$ -	\$ -	\$ -	\$ 689,154
3,059,981	75,902	3,940,488	16,388	7,114,969
<u>\$ 3,059,981</u>	<u>\$ 75,902</u>	<u>\$ 3,940,488</u>	<u>\$ 16,388</u>	<u>\$ 7,804,123</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2010**

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
<u>Child Support Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 174,755	\$ 1,217,385	\$ 1,247,971	\$ 144,169
Liabilities				
Funds held for others	\$ 174,755	\$ 1,217,385	\$ 1,247,971	\$ 144,169
<u>Sheriff's Evidence Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 282,133	\$ 50,750	\$ 17,926	\$ 314,957
Liabilities				
Funds held for others	\$ 282,133	\$ 50,750	\$ 17,926	\$ 314,957
<u>Jail Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 122,885	\$ 802,662	\$ 786,955	\$ 138,592
Liabilities				
Funds held for others	\$ 122,885	\$ 802,662	\$ 786,955	\$ 138,592
<u>Sheriff's Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 47,777	\$ 731,688	\$ 688,029	\$ 91,436
Liabilities				
Funds held for others	\$ 47,777	\$ 731,688	\$ 688,029	\$ 91,436
<u>State Treasurer DMV Fund</u>				
Assets				
Cash and cash equivalents	\$ 23,436	\$ 187,086	\$ 188,312	\$ 22,210
Liabilities				
Due to governmental agencies	\$ 23,436	\$ 187,086	\$ 188,312	\$ 22,210
<u>Durham Public School Fund</u>				
Assets				
Cash and cash equivalents	\$ 2,201,769	\$ 864,359	\$ 100,553	\$ 2,965,575
Net taxes receivable	310,168	1,884,580	2,100,342	94,406
Total assets	\$ 2,511,937	\$ 2,748,939	\$ 2,200,895	\$ 3,059,981
Liabilities				
Due to governmental agencies	\$ 2,511,937	\$ 2,748,939	\$ 2,200,895	\$ 3,059,981

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2010**

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
<u>Town of Chapel Hill Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 65,567	\$ 5,257,340	\$ 5,262,833	\$ 60,074
Net taxes receivable	32,118	2,665,996	2,682,286	15,828
Total assets	<u>\$ 97,685</u>	<u>\$ 7,923,336</u>	<u>\$ 7,945,119</u>	<u>\$ 75,902</u>
Liabilities				
Due to governmental agencies	<u>\$ 97,685</u>	<u>\$ 7,923,336</u>	<u>\$ 7,945,119</u>	<u>\$ 75,902</u>
 <u>City of Durham Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 585,219	\$ 248,983,023	\$ 248,958,236	\$ 610,006
Net taxes receivable	3,386,175	130,537,148	130,592,841	3,330,482
Total assets	<u>\$ 3,971,394</u>	<u>\$ 379,520,171</u>	<u>\$ 379,551,077</u>	<u>\$ 3,940,488</u>
Liabilities				
Due to governmental agencies	<u>\$ 3,971,394</u>	<u>\$ 379,520,171</u>	<u>\$ 379,551,077</u>	<u>\$ 3,940,488</u>
 <u>City of Raleigh Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 10,984	\$ 891,280	\$ 891,770	\$ 10,494
Net taxes receivable	2,989	459,883	456,978	5,894
Total assets	<u>\$ 13,973</u>	<u>\$ 1,351,163</u>	<u>\$ 1,348,748</u>	<u>\$ 16,388</u>
Liabilities				
Due to governmental agencies	<u>\$ 13,973</u>	<u>\$ 1,351,163</u>	<u>\$ 1,348,748</u>	<u>\$ 16,388</u>
 <u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 3,514,525	\$ 258,985,573	\$ 258,142,585	\$ 4,357,513
Net taxes receivable	3,731,450	135,547,607	135,832,447	3,446,610
Total assets	<u>\$ 7,245,975</u>	<u>\$ 394,533,180</u>	<u>\$ 393,975,032</u>	<u>\$ 7,804,123</u>
Liabilities				
Funds held for others	\$ 627,550	\$ 2,802,485	\$ 2,740,881	\$ 689,154
Due to governmental agencies	6,618,425	391,730,695	391,234,151	7,114,969
Total liabilities	<u>\$ 7,245,975</u>	<u>\$ 394,533,180</u>	<u>\$ 393,975,032</u>	<u>\$ 7,804,123</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, 2010

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
General Government:					
County manager	\$ 5,708	\$ -	\$ -	\$ -	\$ -
Finance	3,435,726	-	-	-	-
Tax administration	4,059,646	-	-	-	24,345
County Attorney	12,380	-	-	-	-
Court facilities	14,029,273	-	-	14,018,073	-
Board of elections	34,407	-	-	-	-
Register of deeds	1,526,615	-	-	-	20,000
General services	125,148,500	4,790,491	-	119,436,291	-
Information Technology	11,101,545	-	-	-	1,530,253
Human resources	17,237	-	-	-	11,530
Budget	-	-	-	-	-
Total general government	159,371,037	4,790,491	-	133,454,364	1,586,128
Public Safety:					
Sheriff	49,279,850	1,398,962	-	39,455,838	219,120
County fire protection	682,953	-	-	384,060	6,744
Emergency Management	236,183	-	-	-	-
Animal control	2,615,581	-	-	1,844,179	20,704
Criminal Justice Partnership	915,036	-	-	844,521	-
Youth home	408,013	-	-	367,000	-
Emergency medical services	4,428,818	-	-	1,947,348	23,489
Total public safety	58,566,434	1,398,962	-	44,842,946	270,057
Environmental Protection:					
Environmental engineering	247,737	-	-	77,873	7,315
Open Space and Real Estate	1,999,515	647,751	1,351,764	-	-
Total Environmental Protection	2,247,252	647,751	1,351,764	77,873	7,315
Economic and Physical Development:					
Planning	6,500	6,500	-	-	-
Soil and Erosion	29,732	-	-	-	-
Total Economic and Physical Development	36,232	6,500	-	-	-
Human Services:					
Public health	4,478,680	-	-	3,765,510	14,283
Mental health	923,270	-	-	96,500	-
Social services	11,932,810	-	-	11,257,473	-
Other human services	496,869	-	-	-	-
Total human services	17,831,629	-	-	15,119,483	14,283

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ 5,708	\$ -	\$ -	\$ -	\$ -
43,381	-	-	3,392,345	-
538,751	9,473	261,244	3,225,833	-
-	12,380	-	-	-
11,200	-	-	-	-
25,850	8,557	-	-	-
-	141,017	-	1,365,598	-
444,226	29,242	439,500	8,750	-
133,904	7,190,411	-	2,246,977	-
5,707	-	-	-	-
-	-	-	-	-
<u>1,208,727</u>	<u>7,391,080</u>	<u>700,744</u>	<u>10,239,503</u>	<u>-</u>
950,950	195,254	5,456,740	1,602,986	-
25,334	-	200,726	66,089	-
101,312	7,200	50,671	77,000	-
124,917	7,100	607,031	11,650	-
-	-	70,515	-	-
-	-	41,013	-	-
466,738	18,230	1,389,868	583,145	-
<u>1,669,251</u>	<u>227,784</u>	<u>7,816,564</u>	<u>2,340,870</u>	<u>-</u>
21,195	-	141,354	-	-
-	-	-	-	-
<u>21,195</u>	<u>-</u>	<u>141,354</u>	<u>-</u>	<u>-</u>
-	-	29,732	-	-
-	-	29,732	-	-
136,392	5,700	482,600	74,195	-
42,324	-	138,763	645,683	-
33,230	57,401	368,795	215,911	-
-	-	496,869	-	-
<u>211,946</u>	<u>63,101</u>	<u>1,487,027</u>	<u>935,789</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, 2010**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
Education:					
Public school building	\$ 8,080,942	\$ -	\$ -	\$ 8,080,942	\$ -
Cultural and Recreational:					
Library	4,906,448	-	-	4,156,852	18,347
Capital Projects:					
Construction in progress	114,100,919	-	-	-	-
Total Capital Assets	\$ 365,140,893	\$ 6,843,704	\$ 1,351,764	\$ 205,732,460	\$ 1,896,130

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

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ -	\$ -	\$ -	\$ -	\$ -
65,950	139,680	144,575	381,044	-
-	-	-	-	114,100,919
<u>\$ 3,177,069</u>	<u>\$ 7,821,645</u>	<u>\$ 10,319,996</u>	<u>\$ 13,897,206</u>	<u>\$ 114,100,919</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, 2010

	Capital Assets July 1, 2009	Additions	Transfers and Deletions	Capital Assets June 30, 2010
General Government:				
Board of county commissioners	\$ 6,400	\$ -	\$ (6,400)	\$ -
County manager	5,708	-	-	5,708
Finance	3,435,726	-	-	3,435,726
Tax administration	4,016,036	43,610	-	4,059,646
County attorney	12,380	-	-	12,380
Court facilities	14,029,273	-	-	14,029,273
Board of elections	419,207	-	(384,800)	34,407
Register of deeds	1,526,615	-	-	1,526,615
General services	86,735,604	38,412,896	-	125,148,500
Information Technology	4,914,252	8,055,468	(1,868,175)	11,101,545
Human Resources	17,237	-	-	17,237
Total general government	<u>115,118,438</u>	<u>46,511,974</u>	<u>(2,259,375)</u>	<u>159,371,037</u>
Public Safety:				
County sheriff	51,372,715	519,917	(2,612,782)	49,279,850
Fire marshal	730,773	-	-	730,773
Emergency management	188,363	-	-	188,363
Criminal justice partnership	835,176	-	79,860	915,036
Animal control	2,610,258	5,323	-	2,615,581
VFD Paramedic Services (Bahama/Redwood)	390,978	73,515	(464,493)	-
Youth home	391,983	-	16,030	408,013
Emergency medical services	4,235,352	193,466	-	4,428,818
Total public safety	<u>60,755,598</u>	<u>792,221</u>	<u>(2,981,385)</u>	<u>58,566,434</u>
Environmental Protection:				
Environmental engineering	261,426	-	(13,689)	247,737
Open Space	647,751	1,351,764	-	1,999,515
Total Environmental Protection	<u>909,177</u>	<u>1,351,764</u>	<u>(13,689)</u>	<u>2,247,252</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, 2010

	Capital Assets July 1, 2009	Additions	Transfers and Deletions	Capital Assets June 30, 2010
Economic and Physical Development:				
Cooperative extensior	34,495	-	-	34,495
Planning	-	6,500	-	6,500
Soil and Erosion	29,732	-	-	29,732
Total Economic and Physical Development	<u>64,227</u>	<u>6,500</u>	<u>-</u>	<u>70,727</u>
Human Services:				
Public health	4,462,410	16,270	-	4,478,680
Mental health	1,368,534	-	(445,264)	923,270
Social services	11,932,810	-	-	11,932,810
Other human services	447,469	14,905	-	462,374
Total human services	<u>18,211,223</u>	<u>31,175</u>	<u>(445,264)</u>	<u>17,797,134</u>
Education:				
Durham Public Schools Donated Buildings	39,982,972	-	(39,982,972)	-
DPS Building	-	8,080,942	-	8,080,942
Total education	<u>39,982,972</u>	<u>8,080,942</u>	<u>(39,982,972)</u>	<u>8,080,942</u>
Cultural and Recreational:				
Library	4,869,223	37,225	-	4,906,448
Capital Projects:				
Construction in progress	120,330,910	49,910,790	(56,140,781)	114,100,919
Total Capital Assets	<u>\$ 360,241,768</u>	<u>\$ 106,722,592</u>	<u>\$ (101,823,466)</u>	<u>\$ 365,140,893</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, 2010

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-09	Issued During Year	Adjusted During Year	Defeased During Year
General Long-Term Debt						
Bonded Debt:						
Public Improvement-Series 2000 (2/3 Bonds)	5.40%-5.60%	6/1/00	\$ 1,010,813	\$ -	\$ (1)	934,236
Refunding, Series 2001	4.25%-5.50%	2/15/01	33,825,000	-	-	-
Public Improvement, Series 2002A	3.25%-4.75%	1/1/02	7,200,000	-	-	-
Refunding, Series 2002B	4.25%-5.50%	1/1/02	571,145	-	-	-
Public Improvement, Series 2002B	4.00%-5.00%	5/1/02	58,785,000	-	-	43,730,000
Public Improvement, Series 2004A (2/3 Bonds)	4.00%-5.00%	5/1/04	9,600,000	-	-	-
Public Improvement, Series 2004B	4.00%-5.00%	5/1/04	39,100,000	-	-	-
Public Improvement, Series 2006A	4.00%-5.00%	5/1/06	10,480,000	-	-	-
Public Improvement, Series 2006B	4.00%-5.00%	5/1/06	45,625,000	-	-	-
Public Improvement, Series 2008A	3.50%-5.00%	5/1/08	11,700,000	-	-	-
Public Improvement, Series 2008B	3.50%-5.00%	5/1/08	33,040,000	-	-	-
Refunding, Series 2009	2.00%-5.00%	11/03/09	-	43,272,209	-	-
Water And Sewer Lines Donated To City:						
Refunding, Series 2002B	4.25%-5.50%	1/1/02	103,088	-	(3)	-
Unamortized Loss on Refunding			-	(4,112,098)	-	-
Unamortized Bond Premium			2,643,544	-	-	-
Total Bonded Debt			<u>253,683,590</u>	<u>39,160,111</u>	<u>(4)</u>	<u>44,664,236</u>
Other Long-Term Debt						
Installment Purchase Agreements:						
Certificates of Participation						
Refunding COPs, Series 1997	4.00%-5.00%	12/1/97	14,940,000	-	-	12,235,000
COPs 2009 FIXED			61,850,000	-	-	-
COPs 2009 VARIABLE			55,985,000	-	-	-
COPs 2010 VARIABLE			-	14,889,828	-	-
Total Certificates Of Participation			<u>132,775,000</u>	<u>14,889,828</u>	<u>-</u>	<u>12,235,000</u>
Other Financing Agreements						
Total Installment Purchase Agreements			<u>23,806,105</u>	<u>26,364,587</u>	<u>-</u>	<u>-</u>
Earned Vacation Pay			156,581,105	41,254,415	-	12,235,000
Net OPEB Obligation			6,415,359	-	4,274,488	-
Total Other Long-Term Debt			<u>181,739,133</u>	<u>41,254,415</u>	<u>11,442,627</u>	<u>12,235,000</u>
Total General Long-Term Debt			<u>\$ 435,422,723</u>	<u>\$ 80,414,526</u>	<u>\$ 11,442,623</u>	<u>\$ 56,899,236</u>

Due Fiscal Year 2009-2010		Amount Outstanding 6-30-10	Due Fiscal Year 2010 - 2011		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 76,576	\$ 30,332	\$ -	\$ -	\$ -	\$ -
12,135,000	1,860,375	21,690,000	11,990,000	1,192,950	9,700,000
550,000	337,875	6,650,000	550,000	313,125	6,100,000
571,145	28,557	-	-	-	-
1,375,000	1,734,410	13,680,000	1,375,000	586,160	12,305,000
200,000	406,500	9,400,000	200,000	400,500	9,200,000
1,500,000	1,652,500	37,600,000	1,500,000	1,596,250	36,100,000
300,000	444,900	10,180,000	300,000	432,900	9,880,000
1,200,000	2,002,250	44,425,000	1,200,000	1,954,250	43,225,000
400,000	504,250	11,300,000	400,000	490,250	10,900,000
1,050,000	1,452,188	31,990,000	1,050,000	1,410,188	30,940,000
80,000	857,003	43,192,209	36,363	2,097,182	43,155,846
103,085	5,154	-	-	-	-
(206,255)	-	(3,905,843)	(325,487)	-	(3,580,356)
152,855	-	2,490,689	152,855	-	2,337,834
<u>19,487,406</u>	<u>11,316,294</u>	<u>228,692,055</u>	<u>18,428,731</u>	<u>10,473,755</u>	<u>210,263,324</u>
2,705,000	740,103	-	-	-	-
-	3,193,592	61,850,000	-	2,831,756	61,850,000
-	331,554	55,985,000	-	2,239,400	55,985,000
-	40,081	14,889,828	-	-	14,889,828
<u>2,705,000</u>	<u>4,305,330</u>	<u>132,724,828</u>	<u>-</u>	<u>5,071,156</u>	<u>132,724,828</u>
3,185,319	727,738	46,985,373	27,952,530	613,613	19,032,843
5,890,319	5,033,068	179,710,201	27,952,530	5,684,769	151,757,671
4,026,633	-	6,663,214	4,312,262	-	2,350,952
1,164,097	-	24,746,711	-	-	-
<u>11,081,049</u>	<u>5,033,068</u>	<u>211,120,126</u>	<u>32,264,792</u>	<u>5,684,769</u>	<u>154,108,623</u>
<u>\$ 30,568,455</u>	<u>\$ 16,349,362</u>	<u>\$ 439,812,181</u>	<u>\$ 50,693,523</u>	<u>\$ 16,158,524</u>	<u>\$ 364,371,947</u>

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2010 (continued)

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-09	Issued During Year	Adjusted During Year	Defeased During Year
Proprietary Debt						
Enterprise Fund:						
Public Improvement-Series 2000 (2/3 Bonds)	5.40%-5.60%	6/1/00	\$ 4,269,186	\$ -	\$ -	3,945,762
Refunding, Series 2002B	3.00%-5.00%	1/1/02	25,770	-	-	-
Revenue Bonds, Series 2003	3.00%-4.75%	12/1/02	17,660,000	-	-	-
Refunding, Series 2009	2.00%-5.00%	11/03/09	-	3,822,791	-	-
Unamortized Loss on Refunding			-	(363,277)	-	-
Unamortized Bond Premium			628,223	521,197	-	-
Total Enterprise Fund Bonded Debt			<u>22,583,179</u>	<u>3,980,711</u>	<u>-</u>	<u>3,945,762</u>
Earned Vacation Pay			49,318	-	34,007	-
Total Proprietary Debt			<u>\$ 22,632,497</u>	<u>\$ 3,980,711</u>	<u>\$ 34,007</u>	<u>\$ 3,945,762</u>
Total General Long-Term and Proprietary Debt			<u>\$ 458,055,220</u>	<u>\$ 84,395,237</u>	<u>\$ 11,476,630</u>	<u>\$ 60,844,998</u>

Due Fiscal Year 2009-2010		Amount Outstanding 6-30-10	Due Fiscal Year 2010-2011		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 323,424	\$ 128,108	\$ -	\$ -	\$ -	\$ -
25,770	1,288	-	-	-	-
1,570,000	843,408	16,090,000	1,650,000	764,908	14,440,000
	60,849	3,822,791	343,637	149,018	3,479,154
(29,610)	-	(333,667)	(47,667)	-	(286,000)
76,315	-	1,073,105	107,415	-	965,690
<u>1,965,899</u>	<u>1,033,653</u>	<u>20,652,229</u>	<u>2,053,385</u>	<u>913,926</u>	<u>18,598,844</u>
21,733	-	61,592	39,086	-	22,506
<u>\$ 1,987,632</u>	<u>\$ 1,033,653</u>	<u>\$ 20,713,821</u>	<u>\$ 2,092,471</u>	<u>\$ 913,926</u>	<u>\$ 18,621,350</u>
<u>\$ 32,556,087</u>	<u>\$ 17,383,015</u>	<u>\$ 460,526,002</u>	<u>\$ 52,785,994</u>	<u>\$ 17,072,450</u>	<u>\$ 382,993,297</u>

DURHAM COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy Fiscal Year Ended June 30, 2010

Property Valuations	
Real property	\$ 23,976,021,000
Personal property	2,905,267,206
Public service	524,524,630
DMV-registered vehicles	<u>1,627,078,510</u>
Total subject to tax	<u><u>\$ 29,032,891,346</u></u>
Real property/personal property/corporate excess levy	\$ 308,269,296
DMV -registered vehicles levy	<u>20,944,669</u>
Gross Levy	329,213,965
Abatements/discoveries	<u>13,906,211</u>
Net Levy	343,120,176
Uncollected at June 30, 2010	<u>(4,561,230)</u>
Current year taxes collected	<u><u>\$ 338,558,946</u></u>
Percent of current taxes collected	<u><u>98.67%</u></u>

Note: This schedule includes current year levy and collections for the Agency Funds.

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable By Fund
Year Ended June 30, 2010**

Year of Levy	Uncollected Balance July 1, 2009	Current Year Gross Levy	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2010
2009	\$ -	\$ 329,213,965	\$ 338,558,946	\$ 13,906,211	4,561,230
2008	5,867,473	-	3,727,131	(948,895)	1,191,447
2007	1,068,518	-	(78,715)	(376,662)	770,571
2006	749,134	-	117,432	(22,740)	608,962
2005	148,201	-	28,488	(14,102)	105,611
2004	156,771	-	11,768	(2,019)	142,984
2003 and prior	696,774	-	4,511	(75,809)	616,454
	<u>\$ 8,686,871</u>	<u>\$ 329,213,965</u>	<u>\$ 342,369,561</u>	<u>\$ 12,465,984</u>	<u>7,997,259</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(16,202)</u>
Ad valorem taxes receivable (net)					<u>\$ 7,981,057</u>
Receivable by fund, net:					
General Fund				\$ 4,136,756	
Capital financing				<u>322,802</u>	
General Fund					\$ 4,459,558
Bethesda fire				15,082	
Lebanon fire				18,081	
Parkwood fire				8,317	
Redwood fire				23,791	
New Hope fire				1,012	
Eno fire				46	
Bahama fire				7,778	
Special Park fire				782	
Special Butner				<u>-</u>	
Special revenue funds					74,889
Durham Public Schools				94,406	
City of Durham				3,330,482	
City of Chapel Hill				15,828	
City of Raleigh				<u>5,894</u>	
Fiduciary funds					<u>3,446,610</u>
					<u>\$ 7,981,057</u>

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable by Levy Year
June 30, 2010**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2009</u>	<u>Additions</u>	<u>Collections</u>	<u>Abatements/ Discoveries</u>	<u>Uncollected Balance June 30, 2010</u>
2009-2010	\$ -	\$ 329,213,965	\$ 338,558,946	\$ 13,906,211	\$ 4,561,230
2008-2009	5,867,473	-	3,727,131	(948,895)	1,191,447
2007-2008	1,068,518	-	(78,715)	(376,662)	770,571
2006-2007	749,134	-	117,432	(22,740)	608,962
2005-2006	148,201	-	28,488	(14,102)	105,611
2004-2005	156,771	-	11,768	(2,019)	142,984
2003 and prior	696,774	-	4,511	(75,809)	616,454
	<u>\$ 8,686,871</u>	<u>\$ 329,213,965</u>	<u>\$ 342,369,561</u>	<u>\$ 12,465,984</u>	<u>7,997,259</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(16,202)</u>
Ad valorem taxes receivable (net)					<u>\$ 7,981,057</u>
Reconciliation with revenues:					
Taxes - ad valorem - governmental funds					\$ 214,924,864
Taxes - ad valorem - agency funds					<u>127,444,697</u>
Total collections and credits					<u>\$ 342,369,561</u>

Note: This schedule includes the General fund, Special Tax District funds and Agency funds.

STATISTICAL SECTION (TAB)

FINANCIAL TRENDS INFORMATON

Schedule of Net Assets by Component

This schedule is a summary of the County's net assets for the last 10 fiscal years. Information can be obtained from the Statement of Net Assets in the financial statements for each of the fiscal years. While the requirement is the inclusion of the last 10 fiscal years, the County will only be able to present from the year of the implementation of GASB 34. The Net Assets must be presented in the three different components and in the aggregate.

Schedule of Changes in Net Assets

This schedule is a summary of the changes in net assets 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. While the requirement is the inclusion of the last 10 fiscal years, the County will only be able to present from the year of the implementation of GASB 34.

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 broken down into reserved and unreserved portions of fund balance. The remaining Governmental Funds are grouped together but split out reserved and unreserved.

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. While the requirement is the inclusion of the last 10 fiscal years, the County will only be able to present from the year of the implementation of GASB 34.

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. While the requirement is the inclusion of the last 10 fiscal years, the County will only be able to present from the year of the implementation of GASB 34.

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 Assets by Component
Last Nine Fiscal Years

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Invested in capital assets, net of related debt	\$ 62,465,729	\$ 81,285,449	\$ 33,692,576	\$ 58,793,546	\$ 63,614,759	\$ 80,186,886	\$ 126,736,015	\$ 50,531,593	\$ 34,361,023
Restricted	1,258,149	68,075,839	103,709,387	66,164,257	105,228,878	84,617,682	99,390,125	162,060,835	109,980,290
Unrestricted	(11,605,654)	(85,015,214)	(73,943,192)	(46,859,134)	(73,886,171)	(56,648,117)	(85,261,908)	(91,071,336)	(74,967,191)
Total governmental activities net assets	\$ 52,118,224	\$ 64,346,074	\$ 63,458,771	\$ 78,098,669	\$ 94,957,466	\$ 108,156,451	\$ 140,864,232	\$ 121,521,092	\$ 69,374,122
Business-type activities									
Invested in capital assets, net of related debt	\$ 12,209,852	\$ 19,525,232	\$ 13,063,666	\$ 20,812,310	\$ 24,680,549	\$ 27,357,125	\$ 28,475,844	\$ 31,884,317	\$ 34,304,997
Restricted	26,235	20,662,536	4,307,582	750,592	963,121	2,180,110	6,217,552	6,263,697	6,303,037
Unrestricted	14,717,551	(11,511,169)	13,933,360	10,471,031	10,636,796	10,104,513	8,481,270	8,850,009	10,980,746
Total business-type activities net assets	\$ 26,953,638	\$ 28,676,599	\$ 31,304,608	\$ 32,033,933	\$ 36,280,466	\$ 39,641,748	\$ 43,174,666	\$ 46,998,023	\$ 51,588,780
Primary government									
Invested in capital assets, net of related debt	\$ 74,675,581	\$ 100,810,681	\$ 46,756,242	\$ 79,605,856	\$ 88,295,308	\$ 107,544,011	\$ 155,211,859	\$ 82,415,910	\$ 68,666,020
Restricted	1,284,384	88,738,375	108,016,969	66,914,849	106,191,999	86,797,792	105,607,677	168,324,532	116,283,327
Unrestricted	(3,111,897)	(96,526,389)	(60,009,832)	(36,388,103)	(63,249,375)	(46,543,604)	(76,780,638)	(82,221,327)	(63,986,445)
Total primary government net assets	\$ 79,071,862	\$ 93,022,673	\$ 94,763,379	\$ 110,132,602	\$ 131,237,932	\$ 147,798,199	\$ 184,038,898	\$ 168,519,115	\$ 120,962,902

Note: GASB Statement 34 was implemented during fiscal year 2002. Therefore, no data is available for years prior to 2002.

DURHAM COUNTY, NORTH CAROLINA

Changes in Net Assets
Last Nine Fiscal Years

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental activities:									
General government	\$ 39,936,181	\$ 22,243,167	\$ 26,032,334	\$ 26,351,619	\$ 28,142,742	\$ 61,082,121	\$ 53,369,519	\$ 47,393,464	\$ 12,365,748
Public safety	37,503,756	40,084,513	40,967,085	45,099,164	52,182,047	49,069,987	51,025,747	52,889,080	55,255,454
Transportation	44,423	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Economic and physical development	3,750,474	3,564,286	2,478,868	2,243,791	3,246,027	10,262,137	4,483,362	6,746,267	28,751,080
Environmental protection	1,984,277	2,114,239	2,288,155	2,760,078	2,817,714	3,022,401	3,261,121	3,600,698	2,456,029
Human services	271,087,299	293,265,929	302,529,857	341,183,062	344,328,289	371,034,045	405,376,336	437,677,600	108,607,392
Education	78,128,417	84,594,763	104,597,540	104,106,885	105,485,526	106,234,157	117,349,760	143,520,618	176,005,516
Cultural and recreational	8,167,116	7,366,833	7,089,954	7,375,565	11,569,884	12,136,121	10,909,020	11,998,176	25,220,574
Nondepartmental	8,394,980	9,674,739	10,644,972	11,197,360	15,342,913	15,535,909	14,218,611	14,785,542	11,499,010
Interest and fiscal charges	9,285,800	13,819,722	12,845,931	16,740,531	11,422,405	628,389,378	660,005,976	718,823,945	420,173,303
Total governmental activities	458,282,723	476,740,691	509,487,196	557,070,555	574,550,047	628,389,378	660,005,976	718,823,945	420,173,303
Business-type activities:									
Sewer utility	4,454,553	3,989,544	4,111,848	5,306,714	4,210,944	5,124,493	5,870,964	5,277,448	5,061,620
Total primary government expenses	462,737,276	480,730,235	513,599,044	562,377,269	578,760,991	633,513,871	665,876,940	724,101,393	425,234,923
Program Revenues									
Governmental activities:									
Charges for services:									
General government	6,095,983	6,450,886	6,596,766	7,419,425	8,427,778	8,787,807	9,670,581	8,052,809	8,835,588
Public safety	4,197,381	6,327,314	6,317,160	7,100,689	7,958,685	9,458,116	9,205,688	(272,050)	7,062,184
Transportation	-	547	2,619	15,323	-	-	-	-	-
Economic and physical development	-	-	-	10,588	10,588	5,956	15,523	25,867	47,284
Environmental protection	1,499,938	1,516,759	1,414,760	5,824,811	7,183,222	2,858,342	2,652,468	2,279,440	2,464,213
Human services	21,825,888	26,754,479	21,653,068	28,870,290	27,649,080	4,470,817	6,478,384	4,895,166	4,804,562
Cultural and recreational	263,499	232,807	56,264	279,545	260,841	289,708	233,515	236,530	234,076
Nondepartmental	-	-	500	-	-	-	-	-	-
Operating grants and contributions:									
General government	120,203	688,942	2,963,721	2,463,328	2,590,512	2,505,275	2,240,883	1,795,706	3,160,839
Public safety	2,015,866	1,573,012	2,356,010	2,148,442	3,231,746	4,262,803	2,604,222	4,970,328	5,445,725
Economic and physical development	107,308	149,967	405,071	380,608	440,969	551,745	711,079	1,685,798	1,453,149
Environmental protection	-	135,144	67,061	-	-	-	10,476	45,221	45,083
Human services	221,453,755	235,311,976	245,224,200	273,354,673	275,404,044	328,749,307	352,332,661	390,413,674	69,803,505
Cultural and recreational	497,495	483,422	290,522	250,378	386,952	297,356	263,204	362,201	322,150
Nondepartmental	7,565	148,530	-	-	-	-	-	-	-
Capital grants and contributions:									
General government	310,578	1,135,008	88,764	416,024	-	45,271	113,804	5,319,847	1,000,000
Public safety	356,796	5,481	1,824,929	24,580	-	-	-	-	-
Economic and physical development	394,866	-	-	-	335,000	419,511	500,000	501,087	250,691
Environmental protection	-	-	-	-	2,565,712	8,083,680	26,352,299	13,481,375	1,063,268
Education	908,702	236,944	-	140,637	-	-	-	-	-
Nondepartmental	-	-	199,796	-	-	-	-	-	-
Total governmental activities program revenues	259,854,971	281,151,218	287,596,282	328,699,341	336,445,129	370,785,694	413,384,787	433,792,999	105,992,277
Business-type activities:									
Charges for services: sewer utility	5,693,095	5,255,807	4,693,790	5,376,090	7,650,033	7,848,710	8,333,612	8,595,153	9,563,353
Capital grants and contributions: sewer utility	356,796	-	1,824,929	-	159,600	-	126,416	164,857	32,330
Total business-type activities program revenues	6,049,891	5,255,807	6,518,719	5,376,090	7,809,633	7,848,710	8,460,028	8,760,010	9,595,683
Total primary government program revenues	265,904,862	286,407,025	294,115,001	334,075,431	344,254,762	378,634,404	421,844,815	442,555,009	115,587,960

DURHAM COUNTY, NORTH CAROLINA

**Changes in Net Assets (continued)
Last Nine Fiscal Years**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue									
Governmental activities	\$ (198,427,752)	\$ (195,589,473)	\$ (221,890,914)	\$ (228,371,214)	\$ (238,104,918)	\$ (257,603,684)	\$ (246,621,189)	\$ (285,030,946)	\$ (314,181,026)
Business-type activities	1,595,338	1,266,263	2,406,871	69,376	3,596,689	2,724,217	2,589,064	3,482,562	4,534,063
Total primary government net expense	<u>(196,832,414)</u>	<u>(194,323,210)</u>	<u>(219,484,043)</u>	<u>(228,301,838)</u>	<u>(234,508,229)</u>	<u>(254,879,467)</u>	<u>(244,032,125)</u>	<u>(281,548,384)</u>	<u>(309,646,963)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes:									
Property taxes, levied for general purposes	144,443,413	148,605,604	154,787,435	165,038,984	174,904,779	180,257,334	197,270,197	204,580,914	208,903,551
Property taxes, levied for fire districts	3,390,576	3,764,099	3,664,756	3,739,469	3,885,970	4,067,755	4,857,931	5,461,784	5,664,512
Property taxes, levied for other districts purposes	-	-	-	324,597	327,758	323,940	671,192	656,807	714,072
Intangibles tax	2,972,310	36,706,957	42,455,992	45,384,056	49,624,207	55,347,250	56,069,488	47,108,208	41,675,831
Local option sales tax	31,464,746	1,877,939	2,858,358	2,433,608	2,210,411	2,466,816	2,640,307	2,211,214	1,932,872
Occupancy tax	246,962	245,689	466,748	482,165	443,996	437,639	405,546	936,241	907,395
Animal tax	203,575	182,933	200,066	185,738	199,465	204,714	220,678	230,687	329,430
Gross receipts tax	1,098	45	1,626	-	-	-	-	-	-
Other taxes	4,015,529	6,039,156	3,602,549	9,320,860	10,141,571	13,321,460	7,650,534	3,123,327	3,216,562
Investments	-	-	2,009,911	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other revenues	9,830,761	10,950,845	10,762,996	11,139,896	12,923,685	14,127,991	813,880	1,096,491	1,047,400
Amortization of bond premium	191,044	191,044	193,174	193,174	202,273	247,770	251,141	280,133	-
Miscellaneous revenue	596,072	-	-	-	-	-	-	-	-
Total governmental activities	<u>200,857,823</u>	<u>208,564,311</u>	<u>221,003,611</u>	<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>
Business-type activities:									
Investment and rental income	429,209	351,858	166,107	626,115	611,070	603,131	847,304	306,961	52,902
Other revenues	-	82,886	-	-	2,940	100	62,716	-	3,792
Amortization of bond premium	-	43,030	55,031	33,834	33,834	33,834	33,834	33,834	-
Total business-type activities	<u>429,209</u>	<u>477,774</u>	<u>221,138</u>	<u>659,949</u>	<u>647,844</u>	<u>637,065</u>	<u>943,854</u>	<u>340,795</u>	<u>56,694</u>
Total primary government	<u>201,287,032</u>	<u>209,042,085</u>	<u>221,224,749</u>	<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>
Special Items									
Business-type activities:									
Transfer of capital assets to local government unit	(2,572,062)	-	-	-	-	-	-	-	-
Total business-type activities	<u>(2,572,062)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>(2,572,062)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets									
Government activities	2,430,071	12,974,838	(887,303)	9,871,333	16,858,797	13,198,985	24,229,705	(19,343,140)	(49,789,401)
Business-type activities	(547,515)	1,744,037	2,628,009	729,325	4,246,533	3,361,282	3,532,918	3,823,357	4,590,757
Total primary government	<u>1,882,556</u>	<u>14,718,875</u>	<u>1,740,706</u>	<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>

Notes:
 (1) GASB Statement 34 was implemented during fiscal year 2002. Therefore, no data is available for periods prior to 2002.
 (2) 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. As of Fiscal Year 2007, rental income is reported as program revenue of the function that generates the revenue.
 (3) 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.
 (4) 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 Nine Fiscal Years**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund									
Reserved	\$ 17,993,896	\$ 20,473,063	\$ 22,735,334	\$ 32,426,226	\$ 28,494,058	\$ 31,205,471	\$ 34,335,303	\$ 30,335,007	\$ 30,561,930
Unreserved	30,844,713	35,720,732	38,722,720	35,110,365	46,766,882	61,598,325	60,777,677	61,852,737	71,072,132
Total general fund	\$ 48,838,609	\$ 56,193,795	\$ 61,458,054	\$ 67,536,591	\$ 75,260,940	\$ 92,803,796	\$ 95,112,980	\$ 92,187,744	\$ 101,634,062
All Other Governmental Funds									
Reserved, reported in:									
Community health trust fund	\$ -	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 1,150,000	\$ -	\$ -	\$ -
Capital projects fund	23,657	23,657	23,657	29,935	260,804	199,201	20,159,320	82,052,422	41,634,263
Other nonmajor funds	234,990	376,542	893,945	2,746,362	881,399	155,052	221,643	93,758	41,708
Unreserved, reported in:									
Community health trust fund	9,669,655	11,502,720	13,358,401	19,568,693	12,603,126	19,639,807	17,795,812	15,259,633	12,431,038
Capital projects fund	82,532,368	69,499,221	101,056,252	65,335,536	101,042,969	81,617,175	76,705,535	75,958,410	58,853,159
Special revenue fund	2,907,639	2,999,547	3,714,024	5,049,589	10,142,296	2,126,819	2,768,354	1,408,802	983,192
Debt service	208,522	288,354	1,361,766	133,091	55,841	563,353	1,020,035	1,013,465	4,669,431
Total all other governmental funds	\$ 95,576,831	\$ 84,690,041	\$ 120,408,045	\$ 92,863,206	\$ 131,986,435	\$ 105,451,407	\$ 118,670,699	\$ 175,786,490	\$ 118,612,791

Note: GASB 34 was implemented during fiscal year 2002. Therefore, no data is available for years prior to 2002.

DURHAM COUNTY, NORTH CAROLINA

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues									
Taxes	\$ 186,224,417	\$ 192,658,421	\$ 205,017,041	\$ 217,778,065	\$ 231,888,087	\$ 243,726,551	\$ 262,694,951	\$ 259,542,906	\$ 260,158,664
Licenses and permits	996,274	1,119,485	2,009,911	4,065,033	5,312,774	880,944	1,049,599	744,881	688,093
Intergovernmental	77,103,487	79,702,427	80,584,148	92,975,384	97,702,568	126,968,857	132,739,075	129,353,073	82,439,834
Investments	3,998,249	5,553,022	3,901,835	9,297,592	10,073,093	12,776,308	7,764,319	3,039,158	5,021,717
Rent						1,985,592	2,088,862	607,818	507,071
Charges for services	33,882,689	39,587,391	36,366,056	43,684,623	44,676,761	21,906,991	23,815,640	20,891,632	22,062,286
Other revenues	8,334,487	9,831,360	10,762,936	11,139,896	12,923,685	14,127,991	659,642	943,020	753,316
Total revenues	311,039,603	328,452,106	338,641,987	378,940,593	402,576,968	422,363,234	430,812,088	415,122,488	371,630,981
Expenditures									
General government	20,559,502	20,016,132	23,770,689	24,030,548	25,873,688	53,083,781	40,055,970	43,642,897	47,288,312
Public safety	36,166,560	37,431,865	38,777,865	42,812,116	45,997,598	48,084,025	49,037,837	51,260,744	51,139,790
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Economic and physical development	4,314,841	2,519,859	3,073,701	2,986,331	2,725,118	3,250,610	4,468,630	6,726,068	5,378,982
Environmental protection	1,973,798	2,091,867	2,193,159	2,403,268	2,821,303	2,991,804	10,742,700	8,853,660	30,505,276
Human services	122,989,807	134,196,935	132,033,272	155,505,806	158,201,370	156,237,699	172,690,598	162,360,553	107,552,239
Education	75,548,399	75,984,462	78,662,943	83,044,943	89,560,342	96,175,984	135,475,191	154,707,374	143,481,659
Cultural and recreational	7,232,710	7,175,210	7,194,385	7,492,517	8,188,661	9,894,487	11,508,607	14,618,455	20,714,654
Nondepartmental	8,540,335	9,925,637	10,644,972	11,197,360	15,342,913				
Capital projects	5,665,221	12,412,245	47,982,843	41,033,820	37,337,665	23,050,573			
Debt service:									
Principal retirement	15,977,509	17,771,809	19,061,212	21,476,140	23,163,537	25,140,527	25,249,056	27,266,955	25,431,125
Interest and fiscal charges	9,292,764	11,652,366	11,428,032	13,440,112	12,771,432	14,362,230	13,257,396	14,376,279	16,568,325
Debt issuance costs						123,167	83,939	1,546,769	994,584
Amortization of lease discount						1,150,000	1,150,000		
Total expenditures	309,433,946	332,340,887	375,985,573	406,585,461	423,146,127	433,557,387	463,732,424	485,372,254	449,067,446
Excess of revenues over (under) expenditures	1,605,657	(3,888,781)	(37,343,586)	(27,644,868)	(20,569,159)	(11,194,153)	(32,920,336)	(70,249,766)	(77,436,465)
Other Financing Sources (Uses)									
Transfers in	30,631,976	33,158,516	34,705,447	39,523,513	43,462,928	49,535,192	54,831,910	50,509,388	52,852,625
Transfers out	(29,294,534)	(32,801,332)	(34,455,445)	(39,523,513)	(43,462,928)	(49,493,211)	(54,677,672)	(50,349,388)	(52,558,541)
Costs on issuance of debt	(241,856)		(193,744)		(1,000)				
Premium on issuance of debt			42,591		982,737		404,574	1,207,038	
Proceeds from issuance of bonds	79,840,006		57,200,000		60,605,000		46,190,000		
Refunding bond proceeds	34,943,463								
Payment to refunded debt escrow agent	(34,713,933)								
Proceeds from issuance of installment purchases									
Total other financing sources (uses)	81,165,122	357,184	21,027,000	1,410,000	5,830,000	2,160,000	1,700,000	123,073,283	29,019,411
Net change in fund balances	\$ 82,770,779	\$ (3,531,597)	\$ (40,982,263)	\$ (26,234,868)	\$ (46,847,578)	\$ (8,992,172)	\$ 15,528,476	\$ 54,190,555	\$ (47,727,381)
Debt service as a percentage of noncapital expenditures	8.28%	9.00%	8.65%	9.07%	8.92%	9.89%	8.97%	9.52%	12.55%

Notes:
 (1) GASB 34 was implemented during fiscal year 2002. Therefore, no data is available for years prior to 2002.
 (2) 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.
 (3) As of Fiscal Year 2007, the County no longer reports "Nondepartmental" expenditures. These expenditures are now reported in general government.

DURHAM COUNTY, NORTH CAROLINA

Government-wide Expenses by Function Last Nine Fiscal Years

Fiscal Year Ended	General Government	Public Safety	Transportation	Economic and Physical Development	Environmental Protection	Human Services
2002	\$ 39,936,181	\$37,503,756	\$ 44,423	\$ 3,750,474	\$ 1,984,277	\$ 271,087,299
2003	22,243,167	40,084,513	12,500	3,564,266	2,114,239	293,265,929
2004	26,032,334	40,967,085	12,500	2,478,868	2,288,155	302,529,857
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

Notes:

- (1) Fiscal Year 2002 is the initial implementation date for GASB 34. Therefore, no data is available for years prior to 2002.
- (2) 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.
- (3) 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
\$ 78,128,417	\$ 8,167,116	\$ 8,394,980	\$ 9,285,800	\$ 4,454,553	\$ 462,737,276
84,594,783	7,366,833	9,674,739	13,819,722	3,989,544	480,730,235
104,597,540	7,089,954	10,644,972	12,845,931	4,111,848	513,599,044
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

DURHAM COUNTY, NORTH CAROLINA

Government-wide Revenues Last Nine Fiscal Years

Fiscal Year Ended	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment and Rental Income
2002	\$ 39,575,784	\$ 223,053,855	\$ 2,126,896	\$ 186,224,417	\$ 4,444,738
2003	46,538,599	238,490,993	1,377,433	191,383,266	6,391,014
2004	40,694,927	251,306,585	288,560	204,434,981	3,768,656
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	-

Notes:

- (1) Fiscal Year 2002 is the initial implementation date for GASB 34. Therefore, no data is available for years prior to 2002.
- (2) 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.
- (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.
- (4) 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	Licenses and Permits	Other Revenues	Amortization of Bond Premium	Miscellaneous Revenue	Total
\$ -	\$ -	\$ 9,830,761	\$ 191,044	\$ 596,072	\$ 466,043,567
-	-	11,033,731	234,074	-	495,449,110
-	2,009,911	10,762,996	248,205	-	513,514,821
-	-	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

DURHAM COUNTY, NORTH CAROLINA

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

<u>Fiscal Year Ended June 30,</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Transportation</u>	<u>Environmental Protection</u>	<u>Education</u>	<u>Human Services</u>
2001	\$ 20,281,929	\$ 35,957,309	\$ 12,500	\$ 1,865,741	\$ 72,522,661	\$105,424,345
2002	20,559,502	36,166,560	12,500	1,973,798	75,548,399	122,999,807
2003	20,016,132	37,431,865	12,500	2,091,867	75,984,462	134,196,935
2004	23,770,689	38,777,865	12,500	2,193,159	78,662,943	132,033,272
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

Notes:

- (1) General government expenditures include all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Community Health Trust 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
\$ 5,554,174	\$ 7,831,693	\$ 6,872,515	\$ 26,848,697	\$ 6,023,372	\$ 289,194,936
4,314,841	8,540,335	7,232,710	25,512,129	5,665,221	308,525,802
2,519,859	9,925,637	7,175,210	30,574,175	12,412,245	332,340,887
3,073,701	10,644,972	7,194,385	31,639,244	48,176,587	376,179,317
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

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
2001	\$ 139,648,514	\$ 37,096,391	\$ 1,271,414	\$ 68,931,547
2002	147,755,973	38,468,444	996,274	76,554,415
2003	149,783,663	42,874,758	1,119,485	79,702,427
2004	155,278,002	49,739,039	2,009,911	80,584,148
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

Notes:

- (1) General government revenues include all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Community Health Trust 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
\$ -	\$ 7,319,442	\$ 15,874,460	\$ 12,280,583	\$ 282,422,351
-	3,998,249	33,882,689	8,834,487	310,490,531
-	5,553,022	39,587,391	9,831,360	328,452,106
-	3,901,835	36,366,056	10,762,996	338,641,987
-	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

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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, 2010

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Fiscal Year 2010</u>			<u>Fiscal Year 2001</u>		
	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>
GlaxoSmithKline	\$ 861,138,476	1	2.97%	\$ 571,673,574	1	4.11%
International Business Machine	487,779,340	2	1.68%	494,886,869	2	3.55%
A W North Carolina Inc.	297,334,057	3	1.02%			
Cree Research	254,457,489	4	0.88%			
Duke Energy Corp.	196,905,675	5	0.68%			
Verizon South Inc	184,428,842	6	0.64%	227,449,751	3	1.63%
Southpoint Mall LLC	169,444,545	7	0.58%			
Eisai, Inc	130,546,427	8	0.45%	96,750,512	7	0.69%
Time Warner Entertainment	109,243,301	9	0.38%			
Merck Sharpe & Dohme Corp	109,089,029	10	0.38%			
Nortel Networks Inc.				176,875,121	4	1.27%
IBM Credit Corporation				141,191,192	5	1.01%
Petula Associates Ltd.				11,980,697	6	0.86%
Cree Research				58,818,906	8	0.42%
Vac Limited Partnership				48,524,391	9	0.35%
CMD Properties Inc.				47,568,094	10	0.34%
	<u>\$ 2,800,367,181</u>		<u>9.66%</u>	<u>\$ 1,875,719,107</u>		<u>14.23%</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-wide Tax Rate ³	Special Tax Districts Tax Rate ³	Average County Tax Rate ³
	\$		\$		\$		\$		\$				
2001	10,009,832,306		2,039,578,482		460,389,522		\$1,416,085,274		13,925,885,584		0.9297	0.0191-0.2000	0.6940
2002	14,691,794,947		2,335,651,127		605,245,298		1,456,774,687		19,089,466,059		0.7290	0.0191-0.2000	0.7130
2003	15,036,324,470		2,375,265,500		555,633,648		1,485,260,765		19,452,484,383		0.7530	0.0187-0.2000	0.7630
2004	15,689,112,679		2,361,973,098		536,047,683		1,484,745,571		20,071,879,031		0.7630	0.0187-0.2000	0.7680
2005	16,281,035,800		2,323,311,138		523,810,967		1,473,351,385		20,601,509,290		0.7900	0.0187-0.2000	0.7690
2006	16,769,216,308		2,465,434,636		515,456,602		1,530,608,393		21,280,715,939		0.8090	0.0187-0.2500	0.7990
2007	17,319,467,597		2,518,003,626		517,286,245		1,680,614,666		22,035,372,134		0.8090	0.0187-0.2500	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	0.0187-0.2500	0.7981
2010	23,976,021,000		2,905,267,206		524,524,630		1,627,078,510		29,032,891,346		0.7459	0.0360-0.2500	0.8359

Notes:

- (1) All taxable property is subject to the county-wide tax. Most property in unincorporated areas is subject to special 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 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		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2001	\$ 203,060,841		\$ (378,060)	\$ 202,682,781	\$ 196,861,891	96.46%	\$ 5,547,595	\$ 202,409,486	99.87%
2002	222,892,295		(3,182,482)	219,709,813	214,138,224	97.00%	5,402,510	219,540,734	99.92%
2003	232,148,202		223,438	232,371,640	227,535,763	97.65%	4,635,731	232,171,494	99.91%
2004	233,435,165		7,551,814	240,986,979	236,816,081	98.07%	4,015,963	240,832,044	99.94%
2005	254,087,231		6,044,986	260,132,217	255,882,258	98.14%	4,021,830	259,904,088	99.91%
2006	268,261,053		7,235,630	275,496,683	271,744,257	98.42%	3,517,987	275,262,244	99.91%
2007	279,649,301		9,638,188	289,287,489	285,179,105	98.62%	3,076,804	288,255,909	99.64%
2008	300,961,051		16,452,438	317,413,489	313,396,710	98.73%	2,948,261	316,344,971	98.73%
2009	331,748,220		5,476,495	337,224,715	331,357,242	98.26%	4,676,027	336,033,269	99.65%
2010	329,213,965		13,906,211	343,120,176	338,558,945	98.67%	-	338,558,945	98.67%

Note:
Amounts included above represent taxes in the General Fund, the Special Tax District Funds 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,	Durham County	Fire Tax Districts					New Hope
		Bethesda	Lebanon	Parkwood	Redwood	Eno	
2001	\$ 130,267,871	\$ 834,647	\$ 526,391	\$ 771,985	\$ 354,970	\$ 14,586	\$ 5,831
2002	140,660,336	977,276	552,533	964,000	433,921	17,769	7,304
2003	148,951,465	956,434	560,885	1,019,401	471,617	11,337	32,294
2004	155,082,240	925,009	555,182	972,907	454,755	17,762	41,030
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	180,373,798	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	209,323,912	1,602,205	1,071,167	1,472,700	738,849	23,983	44,825

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.

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

- 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 and sale taxable property.

Bahama	Special Park District	Butner Safety District	City of Durham	City of Raleigh	Town of Chapel Hill	Total Tax Levies
\$ 226,444	\$ 318,926	\$ 4,812	\$ 68,930,265	\$ -	\$ 893,964	\$ 203,150,692
356,444	363,588	7,071	75,230,524	-	1,196,820	220,767,586
318,700	362,450	12,619	79,161,595	60,126	1,342,607	233,261,530
336,807	351,846	11,989	81,543,504	137,842	1,340,481	241,771,354
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	343,120,176

DURHAM COUNTY, NORTH CAROLINA

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

(rate per \$100 of assessed value)

	2001	2002	2003	2004	2005	2006	2007	2008 ²	2009	2010
County Direct Rates										
County-wide Rate	\$ 0.9297	\$ 0.7290	\$ 0.7530	\$ 0.7630	\$ 0.7900	\$ 0.8090	\$ 0.8090	\$0.834	\$ 0.7081	\$ 0.7459
Various Special Tax Districts	0.0191-0.2000	0.0191-0.2000	0.0187-0.2000	0.0187-0.2000	0.0187-0.2000	0.0187-0.2500	0.0187-0.2500	0.0570-0.2500	0.0361-0.2500	0.0360-0.2500
Total average direct rate	0.6940	0.7130	0.7630	0.7680	0.7690	0.7990	0.8765	0.9190	0.7981	0.8359
Municipality Rates										
City of Durham	0.6900	0.5340	0.5450	0.5450	0.5830	0.5830	0.6030	0.6180	0.5400	0.5519
Town of Chapel Hill	0.5780	0.5040	0.5530	0.5530	0.5750	0.5220	0.5220	0.5220	0.5810	0.4940
City of Raleigh	-	-	0.3850	0.3850	0.3950	0.3950	0.4350	0.4350	0.3735	0.3734

Notes:

- (1) All taxable property is subject to the county-wide tax. Most property in unincorporated areas is also subject to special 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
2001	229,929 (1)	\$ 13,925,885,584	\$ 1,114,070,847	\$ 140,848,864
2002	230,000 (1)	19,089,466,059	1,527,157,285	205,913,960
2003	237,000 (1)	19,452,484,383	1,556,198,751	190,428,068
2004	242,000 (1)	20,071,879,031	1,605,750,322	232,231,074
2005	246,924 (1)	20,601,509,290	1,648,120,743	215,664,108
2006	249,654 (1)	21,280,715,939	1,702,457,275	259,881,989
2007	254,902 (1)	22,035,372,134	1,762,829,771	242,165,269
2008	261,206 (1)	23,136,584,132	1,850,926,731	270,784,680
2009	265,670 (1)	28,540,855,952	2,283,268,476	251,040,046
2010	267,849 (1)	29,032,891,346	2,322,631,308	230,107,209

NOTE:

(1) Estimate from Durham City/County Planning Department

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Taxable Property Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ 140,848,864	1.0	613
205,913,960	1.1	895
190,428,068	1.0	803
232,231,074	1.2	960
215,664,108	1.0	873
259,881,989	1.2	1,041
242,165,269	1.1	950
270,784,680	1.2	1,037
251,040,046	0.88	945
230,107,209	0.79	859

DURHAM COUNTY, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Years**

	<u>2001</u>	<u>2002</u>	<u>Fiscal Year 2003</u>	<u>2004</u>	<u>2005</u>
Assessed Value of Property	\$ 13,925,885,584	\$ 19,089,466,059	\$ 19,452,484,383	\$ 20,071,879,031	\$ 20,601,509,290
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,114,070,847	1,527,157,285	1,556,198,751	1,605,750,322	1,648,120,743
Amount of Debt Applicable to Limit					
General Obligation Bonds	<u>149,205,001</u>	<u>213,730,004</u>	<u>197,730,004</u>	<u>239,020,001</u>	<u>221,945,003</u>
Total net debt applicable to limit	<u>149,205,001</u>	<u>213,730,004</u>	<u>197,730,004</u>	<u>239,020,001</u>	<u>221,945,003</u>
Legal Debt Margin	<u>\$ 1,313,427,281</u>	<u>\$ 1,313,427,281</u>	<u>\$ 1,358,468,747</u>	<u>\$ 1,366,730,321</u>	<u>\$ 1,426,175,740</u>
Total net debt applicable to limit as a percentage of debt limit	<u>13.39%</u>	<u>14.00%</u>	<u>12.71%</u>	<u>14.89%</u>	<u>13.47%</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.

<u>2006</u>	<u>2007</u>	<u>Fiscal Year 2008</u>	<u>2009</u>	<u>2010</u>
\$ 21,280,715,939	\$ 22,035,372,134	\$ 23,136,584,132	\$ 28,540,855,952	\$ 29,032,891,346
1,702,457,275	1,762,829,771	1,850,926,731	2,283,268,476	2,322,631,308
<u>265,660,003</u>	<u>247,445,003</u>	<u>275,570,002</u>	<u>255,335,002</u>	<u>233,930,000</u>
<u>265,660,003</u>	<u>247,445,003</u>	<u>275,570,002</u>	<u>255,335,002</u>	<u>233,930,000</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>	<u>\$ 2,088,701,308</u>
<u>15.60%</u>	<u>14.04%</u>	<u>14.89%</u>	<u>11.18%</u>	<u>10.07%</u>

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Governmental Activities Debt As of June 30, 2010

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Municipality:			
City of Durham	\$ 207,675,000	100%	\$ 207,675,000
Town of Chapel Hill	15,285,000	0%	-
City of Raleigh	241,140,000	0%	-
Overlapping debt	<u>464,100,000</u>		<u>207,675,000</u>
Direct debt	230,107,209		230,107,209
Total direct and overlapping debt	<u>\$ 694,207,209</u>		<u>\$ 437,782,209</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 Bonded Debt to Total
General Governmental Expenditures
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Debt Service Expenditures			Total Debt Service	General Governmental Expenditures	Ratio of Total Debt Service to General Governmental Expenditures
	Principal	Interest on Bonds	Other Expenses			
2001	\$ 13,486,256	\$ 7,731,107	\$ 46,437	\$ 21,263,800	\$ 289,194,936	7.35
2002	13,783,268	7,865,623	3,400	21,652,291	308,525,802	7.02
2003	17,771,809	11,646,516	5,850	29,424,175	332,340,887	8.85
2004	19,061,212	11,428,032	3,600	30,492,844	376,179,317	8.11
2005	21,476,140	13,440,112	-	34,916,252	406,585,461	8.59
2006	23,335,688	12,613,289	3,500	35,952,477	342,123,072	10.51
2007	25,321,777	13,441,166	3,350	38,766,293	356,860,759	10.86
2008	25,249,056	13,254,045	3,350	38,506,451	373,328,462	10.31
2009	27,266,955	14,372,730	3,350	41,643,035	374,809,528	11.11
2010	25,431,125	16,349,362	231,637	42,012,124	314,831,306	13.34

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
2001	\$ 149,205,001	1.07%	648.92
2002	213,730,004	1.12%	929.26
2003	197,730,004	1.02%	834.30
2004	239,020,001	1.19%	987.69
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

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	Installment Purchases	Total Governmental Activities
2001	\$ 140,848,864	\$ 32,515,000	\$ 6,106,318	\$ 179,470,182
2002	205,913,962	30,655,000	5,772,077	242,341,039
2003	190,428,070	28,715,000	5,426,159	224,569,229
2004	232,231,073	26,690,000	24,813,943	283,735,016
2005	215,664,108	24,560,000	23,807,269	264,031,377
2006	259,881,989	22,325,000	30,123,804	312,330,793
2007	242,165,269	19,985,000	27,018,755	289,169,024
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	230,107,209	132,724,828	46,985,373	409,817,410

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	Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income¹	Per Capita¹
\$	8,356,137	\$ -	\$ 8,356,137	\$ 187,826,319	2.71%	828.87
	7,816,042	-	7,816,042	250,157,081	3.49%	1,095.82
	7,301,934	24,515,000	31,816,934	256,386,163	3.51%	1,093.84
	6,788,928	24,515,000	31,303,928	315,038,944	4.06%	1,310.97
	6,280,895	23,245,000	29,525,895	293,557,272	3.63%	1,194.77
	5,778,014	21,935,000	27,713,014	340,043,807	4.37%	1,369.87
	5,279,734	20,580,000	25,859,734	315,028,758	3.96%	1,269.14
	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
	3,822,791	16,090,000	19,912,791	429,730,201	4.21%	1,604.37

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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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General government	210	213	206	220
Public safety	518	543	546	559
Economic and physical development	6	5	5	6
Environmental protection	22	23	21	24
Human services	771	775	734	686
Cultural and recreational	79	80	73	75
Utilities	4	4	5	5
Total	<u>1,610</u>	<u>1,643</u>	<u>1,590</u>	<u>1,575</u>

Source: Durham County Human Resources Department

2005	2006	2007	2008	2009	2010
213	216	243	252	248	245
585	585	590	600	624	599
8	8	30	33	31	32
29	28	11	13	14	18
659	644	651	677	692	700
74	73	90	99	98	105
5	5	4	6	21	18
1,573	1,559	1,619	1,680	1,728	1,717

DURHAM COUNTY, NORTH CAROLINA

**Operating Indicators By Function
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Administration										
Registered voters (6)	180,403	181,012	156,879	146,097	161,350	154,645	161,708	152,176	156,865	152,346
Taxable real estate parcels (7)	87,245	105,618	104,548	100,427	92,600	89,785	87,608	86,177	83,847	82,873
Tax bills (7)**	237,229	271,331	300,886	267,305	327,282	310,855	301,008	294,927	282,681	257,468
Human Services										
Adult care home residents served through on-site inspections (8)	853	826	811	889	886	884	855	852	*	*
Persons testing for HIV/STD (9)	66,169	65,924	67,765	60,122	62,013	64,698	62,177	65,429	74,741	71,192
Food assistance individuals (8)	34,178	29,727	23,730	22,527	21,706	20,291	19,012	16,854	14,120	12,783
Education										
Students attending public school (1)	32,551	31,938	31,732	32,749	31,981	31,719	30,947	30,889	30,821	29,816
Public school teachers (2)	2,671	2,326	2,368	2,419	2,368	2,293	2,184	2,164	2,119	2,126
Community college students-average semester (3)	25,561	25,810	25,509	25,444	24,849	25,230	22,794	21,744	22,306	19,335
Community college faculty (3)	161	150	154	148	139	139	131	118	124	115
Community Development and Cultural (5)										
Residential permits issued - new ***	993	883	1,713	2,153	2,284	2,058	1,983	1,714	1,864	1,626
Commercial permits issued - new ***	73	81	209	274	229	301	243	269	228	255
Building permits - additional, alterations ***	2,212	2,230	1,694	1,705	1,739	1,581	1,724	1,708	1,764	1,656
Inspections performed	26,295	25,183	*	*	*	*	*	*	*	*
Environmental Services										
Animal control service calls (10)	15,628	18,152	16,213	12,390	12,526	11,405	10,423	11,744	10,679	9,513
Animals impounded (10)	6,921	7,148	6,755	6,684	6,613	6,906	6,358	6,318	5,754	5,432
Sanitation inspections (9)	7,462	6,860	7,606	8,130	8,419	8,433	8,209	8,463	9,788	9,413
Public Safety										
Detention intake (11)	11,926	12,219	12,395	12,456	12,743	12,672	12,447	12,438	13,069	12,258
Civil processes served (11)	35,210	33,727	33,643	32,967	33,174	34,281	30,819	34,631	31,124	26,950
Pistol permits processed (11)	1,726	1,774	1,687	1,051	1,261	1,373	1,287	1,125	1,787	1,429
Average daily jail population (11)	582	598	629	597	549	509	470	449	418	414
Fire/medical incidents responded to by contracting fire departments (4)	11,733	12,344	11,925	10,000	6,239	7,599	7,549	7,423	6,842	6,393
Durham EMS trips (4)	27,405	26,260	25,111	23,132	21,766	19,839	19,001	20,728	21,447	21,016

* 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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government (1)										
Rentable square footage	733,361	744,461	726,461	726,461	721,454	*	*	*	*	*
Human Services (2)										
Number of centers	4	4	6	6	6	6	7	8	9	10
Education (3)										
Number of schools	53	53	46	46	46	46	44	44	44	44
Number of higher education institutions	4	4	4	4	5	5	5	5	5	5
Community Development and Cultural (4)										
Libraries - branches	8	8	8	8	9	8	8	8	8	8
Volume of library books	603,930	565,245	609,544	584,299	514,958	496,926	475,730	480,641	466,984	466,798
Number of County parks	2	2	2	2	2	60	59	59	59	59
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)	15	15	15	15	14	14	14	13	13	12
Fire protection - Volunteer Stations (6)	11	11	11	11	11	11	12	12	11	12
EMS - Stations (7)	6	6	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

<u>Fiscal Year Ended June 30,</u>	<u>Building Value of Permits Issued (1)</u>	<u>Assessed Valuation (2)</u>
2001	\$ 878,788,891	\$ 13,925,885,585
2002	654,970,735	19,089,466,059
2003	846,497,743	19,452,484,383
2004	700,759,078	20,180,457,105
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

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

<u>Year</u>	<u>Population Estimates¹</u>	<u>Personal Income² (thousands of dollars)</u>	<u>Per Capita Personal Income³</u>	<u>School Enrollment⁴</u>	<u>Unemployment Rate⁵</u>
2001	229,929	\$ 7,029,410	\$ 32,360	29,816	3.4%
2002	230,000	7,230,974	33,490	30,821	6.1%
2003	237,000	7,388,122	34,605	30,889	5.6%
2004	242,000	7,849,791	32,482	30,947	4.2%
2005	246,924	8,235,669	33,505	31,719	4.6%
2006	249,654	8,784,739	37,262	31,981	3.9%
2007	254,902	9,526,901	36,388	32,749	3.8%
2008	261,206	10,204,867	38,923	31,732	5.5%
2009	265,670	*	39,383	31,938	8.0%
2010	267,849	*	*	32,566	7.8%

* Information not yet available

- (1) The 2001-2004 and 2009 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. 2000-2002 is actual per capita income provided by Problem Solving Research, Inc. & U.S. Dept. of Commerce, Bureau of Economic Analysis. 2003, 2004, 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, 2006-2009 Final Average Daily Membership.
- (5) North Carolina Employment Security Commission.

DURHAM COUNTY, NORTH CAROLINA

Principal Employers Current Year and Nine Years Ago

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Duke University & Medical Center	32,848	1	23.29%	21,000	1	17.80%
International Business Machines (IBM)	10,000	2	7.09%	14,000	2	11.86%
Durham Public Schools	5,389	3	3.82%	4,500	5	3.81%
GlaxoSmithKline	5,000	4	3.55%	4,500	4	3.81%
Blue Cross Blue Shield of North Carolina	2,400	6	1.70%	2,500	6	2.12%
Research Triangle Institute	2,300	9	1.63%	1,550	10	1.31%
Durham City Government	2,250	7	1.60%	1,979	7	1.68%
Veterans Administration Medical Center	2,160	10	1.53%	1,600	9	1.36%
Fidelity Investments	1,900	9	1.35%			
Cree, Inc	1,750	10	1.24%			
NORTEL Networks				8,500	3	7.20%
Durham County Government				1,874	8	1.59%
	<u>65,997</u>		<u>46.80%</u>	<u>62,003</u>		<u>52.54%</u>

Source: Durham Chamber of Commerce.

COMPLIANCE SECTION



**INDEPENDENT AUDITORS' REPORT ON THE
REVENUE BOND COVENANT COMPLIANCE**

Board of County Commissioners
Durham County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States, the basic 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 ended June 30, 2010, and have issued our report thereon dated October 27, 2010. We did not audit the financial statements of the Durham County ABC 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 Durham County ABC Board is based solely on the reports of the other auditors. We have also audited the accompanying schedule of debt covenant compliance (the "Schedule") as defined in the official statement for the Trust Agreement, dated December 1, 2002, with First-Citizens Bank & Trust Company. These computations are the responsibility of the County's management. Our responsibility is to express an opinion on these computations 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 Schedule is free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of this information. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule is presented fairly, in all material respects for the year ended June 30, 2010, as described in the Trust Agreement referred to in the first paragraph.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Raleigh, North Carolina
October 27, 2010

DURHAM COUNTY, NORTH CAROLINA

Schedule of Debt Covenant Compliance Year Ended June 30, 2010

	Enterprise Fund Sewer Utility Fund
Operating revenues	
Charges for services	\$ 9,051,806
Total operating revenues	<u>9,051,806</u>
Operating expenses	
Personnel services	1,194,534
Contracted services - wastewater treatment plant	-
Utilities	396,802
Maintenance and other	1,579,622
Depreciation	596,743
Total operating expenses	<u>3,767,701</u>
Operating income (loss)	<u>5,284,105</u>
Add:	
Depreciation expense	<u>596,743</u>
Income available for debt service	<u><u>\$ 5,880,848</u></u>
Fiscal year revenue bond debt payments	\$ 2,413,408
Fiscal year total debt payments	\$ 2,952,847
Senior lien debt service coverage	2.44
Total debt service coverage	1.99
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 Jessica Brown-Linton, Assistant Finance Director, under the guidance and direction of Susan F. Tezai, CPA, Deputy Finance Director.

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

Dennis Roberts, Senior Accountant

Larry DeWalt, Senior Accountant

Sarah Hill, Accountant

Dave Jerrido, Accountant

Kimerly Mann, Accountant

Delphine Powell, Accountant

Catherine Davis, Compliance Manager

