

County of Durham, North Carolina

A Comprehensive
Annual
Financial Report



For year ended June 30, 2008

County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008

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Prepared by the Durham County Finance Department

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INTRODUCTORY SECTION

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Letter of Transmittal

October 31, 2008

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, 2008.

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, 2008, 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, 2008 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 261,206. 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. 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 33 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 112.

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 April of 2007, Durham was ranked in *Forbes'* "Top Ten Metros 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 through the first three quarters of 2008 represent additional investments totaling over \$723 million and creation of over 1,200 new jobs in the County. Accounting for approximately \$662 million of that investment activity, construction of IBM's Leadership Data Center and expansion of Merck and Company's vaccine manufacturing facility will add significantly to the County's tax base. Other companies which announced new facility construction or expansion plans in Durham County included Blue Cross Blue Shield, Duke University CRO, Professional Mail Services, BD Bioscience, BD Diagnostics, and Brickman.

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. In December 2007, Chief Executive Magazine rated North Carolina #3 "Best States To Do Business" in the nation in 2008. In September 2008, the Milken Institute/Greenstreet Real Estate Partners Best Performing Cities Index rated Durham 10th Best Improvement from 2007 in "Best Performing Cities 2008: Where America's Jobs are Created and Sustained".

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. RTP is the

nation's largest and most successful research and development-oriented business park. The 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. The number of full-time employees has grown from 39,000 in 2007 to an estimated 42,000.

The number of research and development companies in the Park continues to grow. In September 2007, Credit Suisse announced the opening of a new \$40 million facility for its Center of Excellence (CoE) and employment of 850 workers in RTP. UNC Dental School has also announced plans for a facility in RTP, creating 250 jobs. The addition of these facilities, along with continued expansion of companies already located in the Park, represent economic gains and job opportunities in the County during this time of national economic strife. *Fast Company Magazine*, ranked Raleigh-Durham in the Top 30 Fastest Cities in the World for R&D Clusters Category.

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.

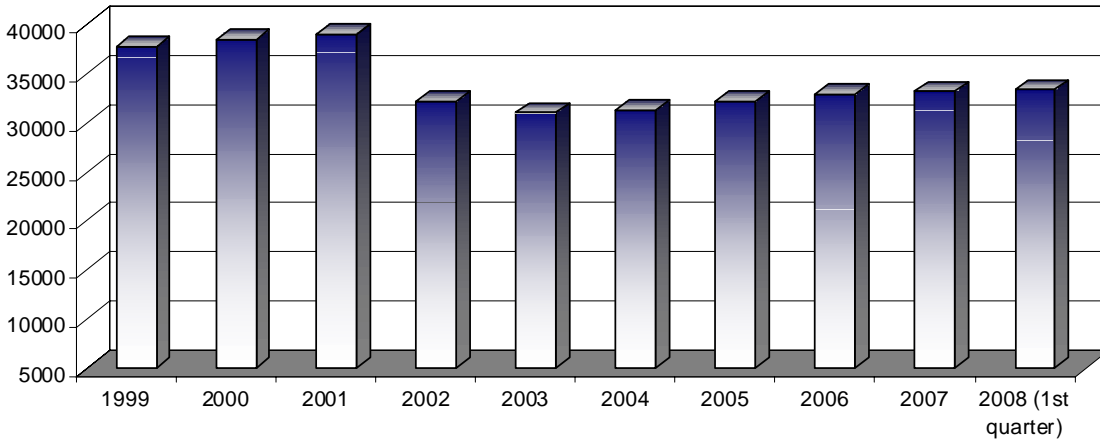
Health care

Durham Health Partners, Inc. (DHP) was formed in fiscal year 1999 – 2000 in a merger of three community-based health nonprofits – the City of Medicine Program, the Durham Healthy Carolinians Partner and the Foundation for Better Health of Durham. The consolidated organization's mission was to “promote effective solutions that remove barriers to improved community health.” It strived to accomplish this mission through collaboration with many local health-related agencies, organizations, and resident groups. With these partners, DHP assessed community needs, facilitated the development of innovative solutions to Durham's public health issues, and identified resources necessary to implement and evaluate these solutions. Durham Health Partners served as an important resource for community health planning, coordination and facilitation at the local level. DHP also collaborated with regional, state, and national resources on these issues.

Durham Health Partners ceased operations as of June 30, 2004, in order to redefine DHP's mission and purpose for the Durham community. Durham Health Partners continues to focus on the community health needs of Durham County through a smaller, six person interim board. This interim board is exploring the design and implementation of a rational system of providing specialty medical care to Durham County's at risk/uninsured population. Currently, the Durham Health Partners board has received some planning grant monies to design and implement a pilot program of specialty access program initially focusing on Lincoln Community Health Center's patients. An advisory board of community members, providers, and City/County government representatives was created, and it has begun collecting data and developing a health benefits plan for the

specialty access program in order to seek three to five years funding from various public sources and private foundations. The Durham Health Partners board will seek ongoing financial support for the specialty access program.

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. Employment in the manufacturing sector increased from 32,935 in 2006 to 33,209 in 2007, an increase of 274 (.083%). Through the 1st quarter of calendar year 2008, the manufacturing sector employment has remained steady, with a slight increase.

Telecommunications

The telecommunications industry is making its presence known. The North Carolina information highway is the most advanced statewide telecommunications infrastructure 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. In May 2007, *Worldwide ERC (Employee Relocation Council), Primary Relocation, and Sperling's Best Places* ranked the Durham MSA as #3 Best Cities for Relocating Families. In May 2007 *Newsweek* ranked Durham Schools in the Top 5 in the US and in December 2007 *Forbes* named the Durham MSA as “One of the Top 20 Best Places for Education”. In April 2007 *Black Enterprise* ranked Raleigh-Durham Metro Area #3 The Ten Best Cities for African Americans and in October 2008 ranked Durham #1 on its list of 20 Best Places to Retire. In addition, Durham boasts nationally acclaimed restaurants and Broadway shows (which rehearse here prior to their Broadway premiers) as well as distinctive history and culture. Durham’s advantageous location, climate and lifestyle draw companies 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
IBM (International Business Machines)
Glaxo SmithKline
Durham Public Schools
Nortel Networks
Lenovo Group, Ltd.
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.
Sterling Healthcare
US Environmental Protection Agency
AW North Carolina, Inc.
Quintiles Transnational
Fidelity Investments

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 2007 were \$376,266,840. Economic development announcements occurring through the third quarter of 2008 amounted to over \$723 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.

	2000	2001	2002	2003	2004	2005	2006	2007
Triangle MSA	\$ 32,382	\$ 32,360	\$ 33,490	\$ 34,605	\$ -	\$ -	\$ -	\$ -
Durham MSA	-	-	-	-	32,482	33,505	37,262	38,923
Raleigh/Cary MSA	-	-	-	-	36,309	37,270	37,107	38,648
North Carolina	27,129	26,910	28,215	29,219	29,541	30,429	32,338	33,636
United States	29,676	29,561	31,065	32,209	33,127	34,212	36,629	38,564

Source: Bureau of Economic Analysis

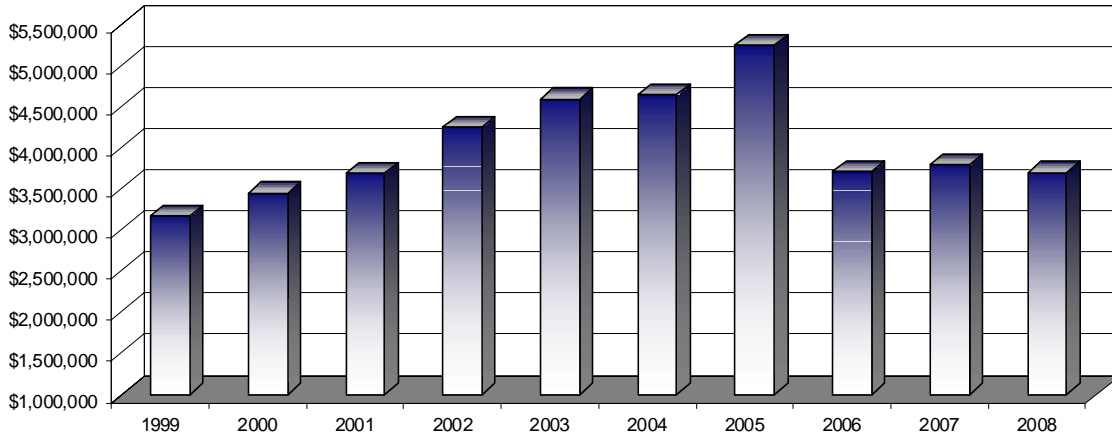
As of 2004, Durham was no longer considered part of the Triangle Metropolitan Statistical Area. Prior to 2004, Durham was considered a part of the Triangle Metropolitan Statistical Area.

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
1999	\$ 3,167,577		6.7%
2000	3,455,668		9.1%
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%

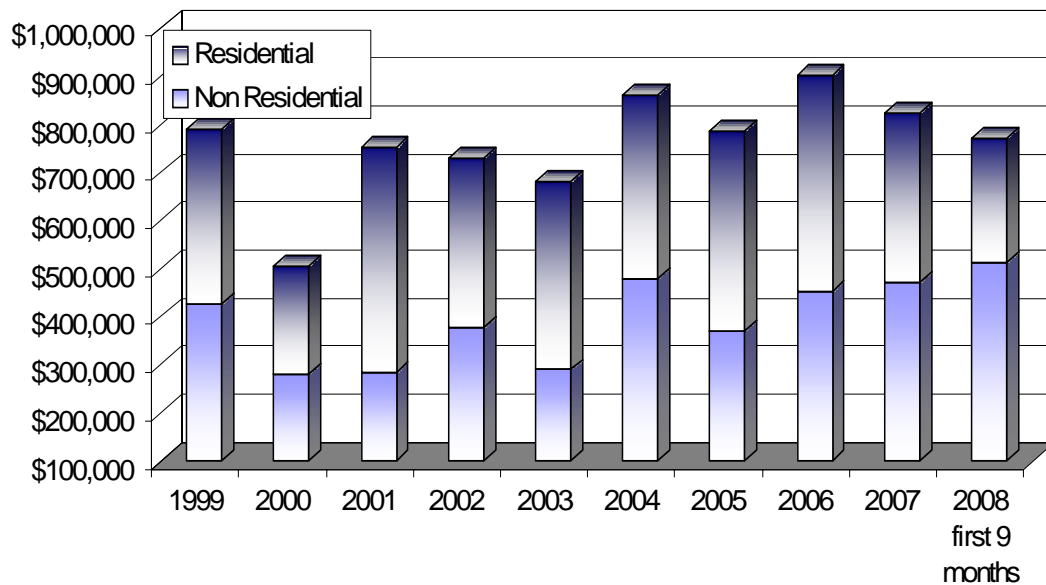
Note: The NC Department of Revenue made an administrative rule change to report Retail sales, beginning in Fiscal Year 2006, based on total taxable sales reported on sales and use tax returns by July of the Fiscal Year in question, rather than gross retail sales. Therefore, 2006 Retail sales total is 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 2008, the total taxable sales reported were \$3.7 billion, a decrease of \$93 million (2.5%), a result of the general economic downturn being experienced across the nation.

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.

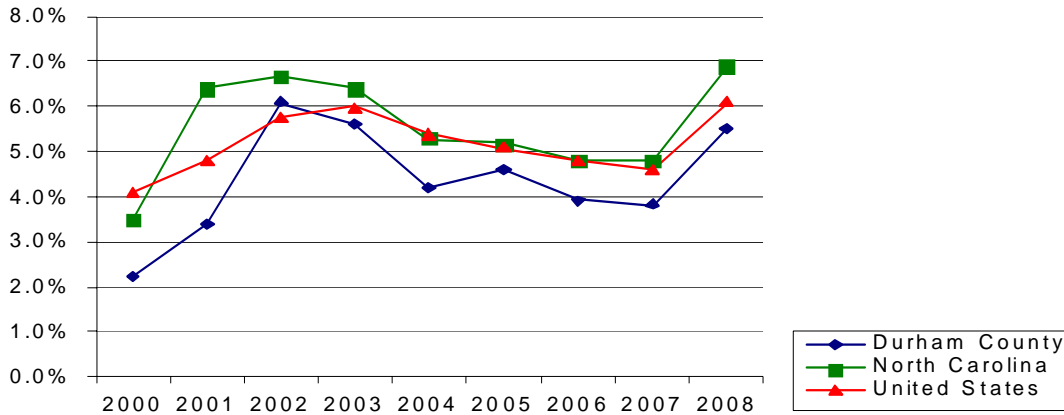


As of July 2008, the total number of occupied dwelling units in Durham County was 110,535. Also, for the first nine months of 2008, 1,776 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. There was an increase in the value of non-

residential construction activity while the value of residential construction activity decreased in 2007 from 2006. During the fiscal year 2008, the growth was evenly distributed across the County.

Unemployment

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



	Durham County	North Carolina	United States
2000	2.2%	3.5%	4.1%
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%

As of August 2008, the County's unemployment rate has increased to 5.5%. While Durham County's percentage rate increase (1.7%) was higher than the rate increase nationally (2.1%), Durham County continues to experience lower unemployment rates than both the State and national averages. This is primarily because of the County's drive 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. The two major projects currently in progress are the new court facilities (Justice Building) and the Human Services Complex to accommodate Public Health, Mental Health and Social Services. The status of these projects along with the minor projects of the Master Plan is included within 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 fiscal year 2007-2008, revisions were made to various projects included in the adopted 2008-2017 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, 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 the renovation of the Durham Center Access Building (former Oakleigh Building) and renovations to the Judicial Building Second Floor and Elevator Modernizations. Projects in the bidding phase include the renovation of the Lincoln Community Health Center (EMS area), the renovation and addition of the Southwest Library, construction of the Human Services Complex and architectural design services for the renovation of the Criminal Justice Resource Center. Projects under construction include the demolition of the 500 Block of East Main St., Board of County Commissioners Chambers Technology Upgrades, renovations to the Detention Center Warrant Repository & Magistrates Area and the construction of the Animal Control Offices.

The 2003 Bond Project accomplishments include the construction of the South Regional Library, which is currently under contract. Programming and Space Planning Evaluations are underway for the Detention Center Expansion, Main Library Renovations and the Lincoln Community Center Renovation. Projects in the design phase include renovations to the Durham County Stadium; Justice Center (New Courthouse) and Parking Deck. The 2001 Bond Project accomplishments included the obtainment of LEED (Leadership in Energy and Environmental Design) Certification for the East and North Regional Libraries. In addition, five (5) more projects are being designed or under construction to obtain LEED Certification. The North Library also received the 2007 Design with Brick Honor Award, 2008 American Institute of Architects (AIA) North Carolina Merit Award for architectural excellence and an Honorable Mention Award from the American Library Association (ALA) and the International Interior Design Association (IIDA) for the 2008 ALA/IIDA Library Interior Design Awards. The renovation of the Stanford L. Warren Library, completed in 2006, received the 2008 Golden Leaf Award for the Community Properties category. This award is given by the Durham City/County Appearance Commission recognizing the best visual contributions to the community.

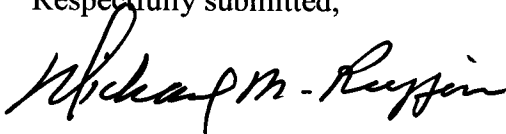
Awards and Acknowledgements

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, 2007. This was the ninth 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



Ellen W. Reckhow
Chairman



Michael D. Page
Vice Chairman



Philip R. Cousin, Jr.



Lewis A. Cheek



Becky M. Heron

Durham County Administration



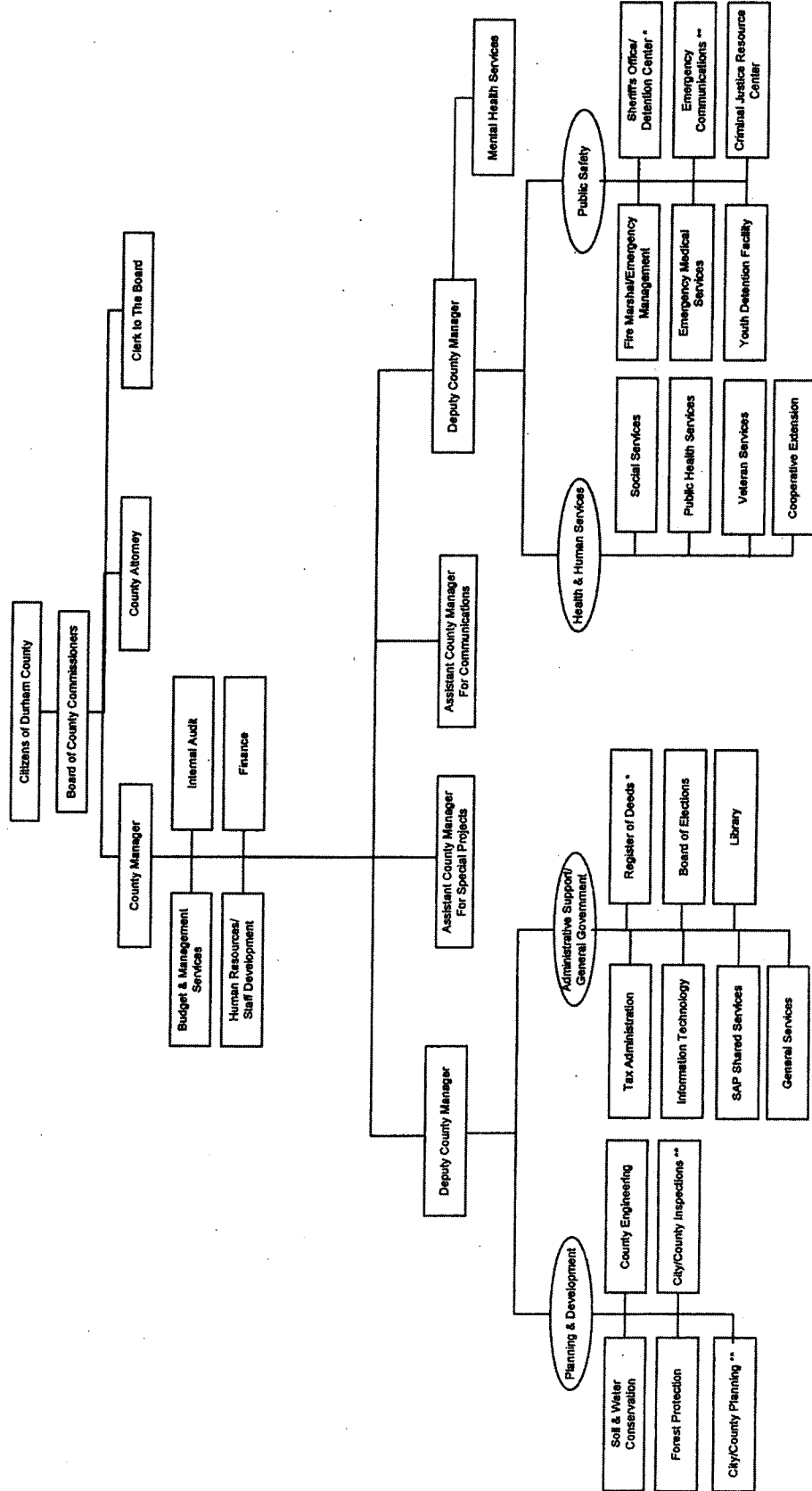
Mike Ruffin
County Manager



George K. Quick
Finance Director

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Durham County, North Carolina General Administration Organizational Chart



* Elected Officials
 ** Joint City/County Departments

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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, 2007

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

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FINANCIAL SECTION



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, 2008, 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, 2008, 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, 2008 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.

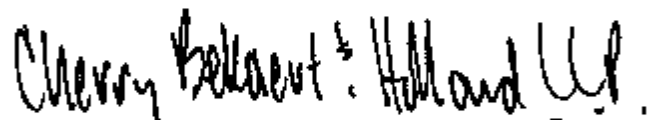
The Management's Discussion and Analysis, the schedule of funding progress, employer contributions and notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance and Other Post Employment Benefits are not a required part of the basic financial statements but are supplementary 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 combining and individual nonmajor fund statements and schedules, capital asset information and other supplemental information 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 section or statistical tables of this report and, accordingly, we express no opinion on such data.

As discussed in Note O to the financial statements, the County changed the method of accounting for the Industrial Extension Policies in fiscal year ended June 30, 2008.

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, 2008

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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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-xviii.

Financial Highlights

- The assets of Durham County exceeded its liabilities at the close of the most recent fiscal year by \$184,038,898 (*net assets*). However, of this amount, unrestricted net assets has a deficit balance of (\$76,780,638) (*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 that are owned by the School System, Durham Technical Community College and the Museum of Life and Science 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 increased by \$27,762,623, an increase of 17.77 percent, primarily due to increases 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 \$213,783,679, an increase of \$15,528,476 in comparison with the prior year. Approximately 74.41 percent of this total amount, \$159,067,413, 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 \$60,777,677 or 16.28 percent of total general fund expenditures, compared to fiscal year 2007 which was \$61,598,325 or 17.26 percent of total general fund expenditures. There was an increase in the net change in fund balance for fiscal year 2008 of over \$2.3 million; however, the percentage of unreserved fund balance to total general fund expenditures decreased because reserves increased by over \$3.1 million thereby reducing unreserved by over \$800 thousand in addition to an increase in County expenditures. The net change in fund balance decreased by over \$15.2 million in fiscal year 2008 from fiscal year 2007. The primary reasons for the decrease are the decrease in excess of revenues over expenditures of over \$4 million, the increase in transfers out of over \$10.3 million, the decrease in transfers in of over \$300 thousand and the decrease in the issuance of installment purchases of over \$400 thousand.
- The reserved by State Statute for the general fund increased by over \$2.2 million compared to fiscal year 2007. This is primarily because of a slight increase in local option sales tax collections distributed for the last quarter of the fiscal year after year end combined with the amount due from the capital project fund for an interfund loan until reimbursement of financing for construction activity is received and a slight decrease in the mental health receivable.
- The reserved for encumbrances increased by over \$800 thousand because of increased obligations at year end due to the economy as well as the timing of certain capital outlay purchases extending into fiscal year 2009.

- The County's total debt increased by \$12,933,492 (3.90 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 \$34,090,000 in general obligation bonds, the issuance of \$12,100,000 in 2/3s general obligation bonds, the issuance of installment purchases of \$1,700,000 and the decrease of \$8,478,076 of IEP long-term debt for governmental activities as a result of a prior period adjustment due to a change in accounting method (Note O).

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 sixteen 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 thirteen 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 \$184,038,898 as of June 30, 2008. 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 \$155,211,859 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.

DURHAM COUNTY'S NET ASSETS

	Governmental		Business - type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 257,095,328	\$ 237,816,567	\$ 15,392,547	\$ 14,032,389	\$ 272,487,875	\$ 251,848,956
Capital assets	239,681,511	195,846,605	53,647,084	53,216,859	293,328,595	249,063,464
Total assets	496,776,839	433,663,172	69,039,631	67,249,248	565,816,470	500,912,420
Long-term liabilities outstanding	319,590,598	304,718,552	24,634,046	26,572,600	344,224,644	331,291,152
Other liabilities	36,322,009	20,788,169	1,230,919	1,034,900	37,552,928	21,823,069
Total liabilities	355,912,607	325,506,721	25,864,965	27,607,500	381,777,572	353,114,221
Net assets:						
Invested in capital assets, net						
of related debt	126,736,015	80,186,886	28,475,844	27,357,125	155,211,859	107,544,011
Restricted	99,390,125	84,617,682	6,217,552	2,180,110	105,607,677	86,797,792
Unrestricted	(85,261,908)	(56,648,117)	8,481,270	10,104,513	(76,780,638)	(46,543,604)
Total net assets	\$ 140,864,232	\$ 108,156,451	\$ 43,174,666	\$ 39,641,748	\$ 184,038,898	\$ 147,798,199

The second portion of the County's net assets in the amount of \$105,607,677 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, 2008, the unrestricted net assets are a deficit in the amount of (\$76,780,638). The unrestricted deficit is attributable primarily to the general obligation bonds issued by the County for the public schools, Durham Technical Community College and the Museum for Life and Science. Even though the debt has been issued to finance the acquisition, construction and renovation for the public schools, Durham Technical Community College and the Museum of Life and Science, the Governmental Accounting Standards Board has determined that it is not capital debt 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.

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 (\$85,261,908) while the other two categories of net assets, capital net of 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 \$8,481,270.

The government's net assets increased by \$27,762,623 during the current fiscal year. This amount is an increase of 17.77 percent. The County was able to maintain its stability financially and continued growth for the eighth consecutive year. In fiscal year 2008, operating grants and contributions increased over \$21.7 million primarily because of increased services provided by social services while capital grants and contributions increased by over \$18.5 million primarily because of education. The Durham County Board of Education donated fifteen properties to the County of over \$19.8 million compared to donated property of \$2.3 million in fiscal year 2007 coupled with increased capital contributions of intergovernmental revenues for educational purposes of over \$700 thousand. Charges for services increased by over \$2.8 million mainly because of an increase of over \$2.0 million in human services with \$1.9 being public health along with increases of over \$880 thousand in general government and over \$484 thousand in sewer utilities netted with slight decreases in public safety and environmental protection of \$252 thousand and \$205 thousand, respectively. Property taxes levied for general purposes increased by over \$17.0 million for fiscal year 2008. There was only a minor increase in local option sales tax for the year of over \$700 thousand. There was a significant decrease in other revenues by over \$13.4 million. This is primarily because of the change in fiscal year 2008 in the accounting for financial benefit allowances provided by the County to employees for benefits in the Cafeteria Plan and the employees out of pocket withholdings for benefits. Previously, these were treated as revenues and total amounts expended were treated as expenditures. As of July 1, 2008, these withholdings are posted to a liability account and only the cost to the County is posted as expenditures. Please note the offsetting variance in the Human Resources expenditures in general government of over \$12 million. In addition, investment and interest income decreased by over \$5.4 million. Also, in fiscal year 2008, there were increases in property taxes levied for fire districts, property taxes levied for other district purposes, occupancy tax, gross receipts tax, the area of amortization of bond premium and transfers in. Likewise, in fiscal year 2008, there was a decrease in revenues in animal taxes. The net of revenues in all areas was an increase to offset the increases in expenses which were over \$32.3 million. The significant increases were in human services, education and public safety with significant decreases in general government and economic and physical development. The significant decrease in general government is primarily because of the reduction in human services as discussed previously. Economic and physical development had a decrease of over \$5.7 million. This is because of the change in the accounting method for the County's Industrial Extension Policy (Note O). The County reevaluated the County's Industrial Extension Policy and the agreements entered into and are accounting for them as nonexchange transactions per GASB 33 rather than as long-term debt effective fiscal year 2008. In fiscal year 2007, over \$6 million was expended because of a new IEP agreement and recorded as long-term debt. Under the new method of accounting, expenditures for IEP agreements are recorded when the obligations under the agreements are met. The County's finances continue to improve. Strong, sound financial management is the basis for this stability and growth.

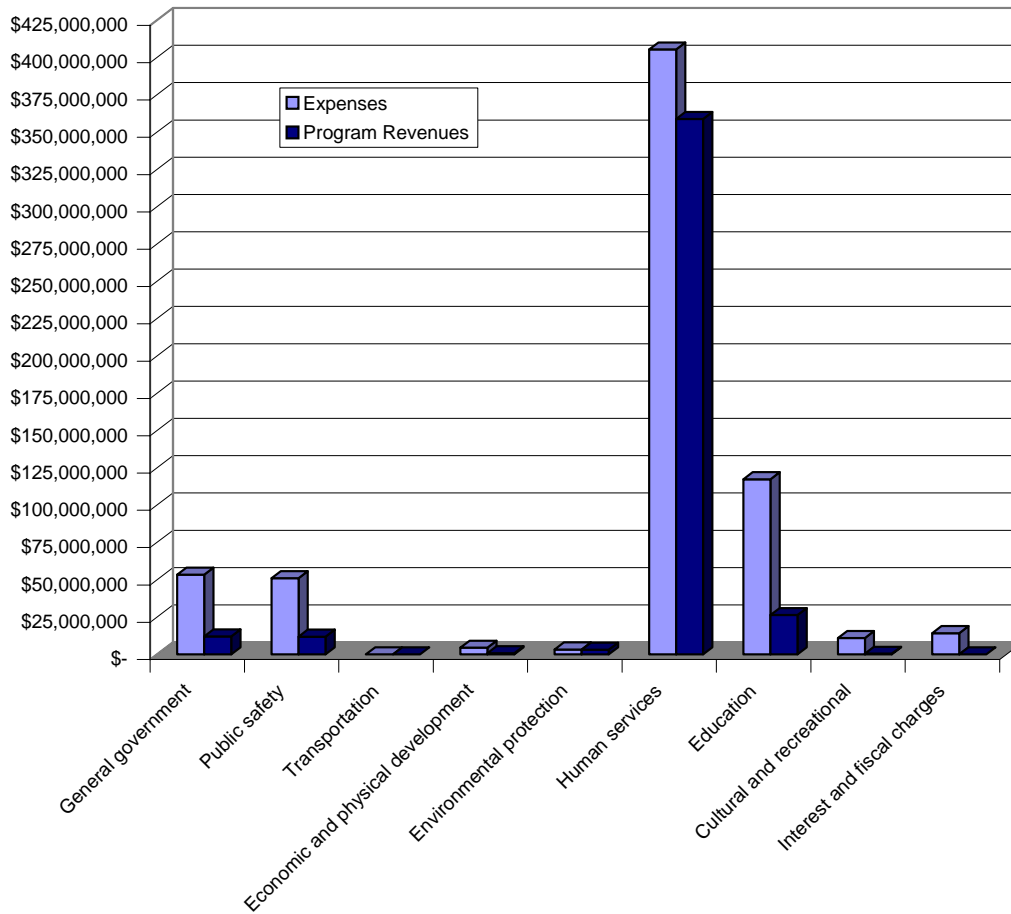
DURHAM COUNTY'S CHANGES IN NET ASSETS

	Governmental		Business - type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 28,256,159	\$ 25,870,746	\$ 8,333,612	\$ 7,848,710	\$ 36,589,771	\$ 33,719,456
Operating grants and contributions	358,162,525	336,366,486	-	-	358,162,525	336,366,486
Capital grants and contributions	26,966,103	8,548,462	126,416	-	27,092,519	8,548,462
General revenues:						
Taxes	262,135,339	243,105,448	-	-	262,135,339	243,105,448
Investment and interest income	7,650,534	13,321,460	847,304	603,131	8,497,838	13,924,591
Amortization of bond premium	251,141	247,770	33,834	33,834	284,975	281,604
Other revenues	659,642	14,127,991	62,716	100	722,358	14,128,091
Transfers in	154,238	-	-	-	154,238	-
Total revenues	<u>684,235,681</u>	<u>641,588,363</u>	<u>9,403,882</u>	<u>8,485,775</u>	<u>693,639,563</u>	<u>650,074,138</u>
Expenses:						
General government	53,369,519	61,082,121	-	-	53,369,519	61,082,121
Public safety	51,025,747	49,069,987	-	-	51,025,747	49,069,987
Transportation	12,500	12,500	-	-	12,500	12,500
Economic and physical development	4,483,362	10,262,137	-	-	4,483,362	10,262,137
Environmental Protection	3,261,121	3,022,401	-	-	3,261,121	3,022,401
Human services	405,376,336	371,034,045	-	-	405,376,336	371,034,045
Education	117,349,760	106,234,157	-	-	117,349,760	106,234,157
Cultural and recreational	10,909,020	12,136,121	-	-	10,909,020	12,136,121
Interest and fiscal charges	14,218,611	15,535,909	-	-	14,218,611	15,535,909
Sewer utility	-	-	5,870,964	5,124,493	5,870,964	5,124,493
Total expenses	<u>660,005,976</u>	<u>628,389,378</u>	<u>5,870,964</u>	<u>5,124,493</u>	<u>665,876,940</u>	<u>633,513,871</u>
Increase (decrease) in net assets	24,229,705	13,198,985	3,532,918	3,361,282	27,762,623	16,560,267
Net assets – 7/1/2007	108,156,451	94,957,466	39,641,748	36,280,466	147,798,199	131,237,932
Prior period adjustment (Note O)	8,478,076	-	-	-	8,478,076	-
Adjusted net assets - 7/1/2007	<u>116,634,527</u>	<u>94,957,466</u>	<u>39,641,748</u>	<u>36,280,466</u>	<u>156,276,275</u>	<u>131,237,932</u>
Net assets – 6/30/2008	<u>\$ 140,864,232</u>	<u>\$ 108,156,451</u>	<u>\$ 43,174,666</u>	<u>\$ 39,641,748</u>	<u>\$ 184,038,898</u>	<u>\$ 147,798,199</u>

- Property taxes levied for general purposes increased by \$17,012,863 (9.44 percent) during the year. This increase is primarily because there was a tax rate increase for the 2007 levy year of 2.5 cents along with the Tax Department's continued collection efforts including participating in the North Carolina Local Government Debt Setoff Clearinghouse Program.
- Local option sales tax increased by only \$722,238 (1.30 percent) during the year. The slight increase was primarily due to the slowed economy. People are reluctant to go out and spend money. Therefore, there was basically no growth.
- Intergovernmental revenues increased by \$40,340,096 including pass-through and direct payments. The primary reasons for this increase are in human services and education. Operating grants and contributions increased primarily as a result of increased services provided by human services and decreased services provided by public safety. Capital grants and contributions increased mostly for education because of contributed assets to the County from the Durham County Board of Education of over \$18.4 million. In fiscal year 2007, the County entered into an agreement with the Durham County Board of Education regarding properties whereby the County would hold title to these properties and fund major improvements to these properties. As of fiscal year end, the transfer of seventeen of these titles had occurred with the capital contribution being recorded accordingly.
- Charges for services increased by \$2,870,315 (8.51 percent). Most of this increase is because of an increase in the charges for services for human services in the amount of \$2,007,567 (44.90 percent). Of this increase, the majority is because of increased services provided by public health of over \$1.9 million. In addition, general government increased over \$880 thousand and sewer utilities increased over \$484 thousand with slight decreases in public safety and environmental protection of \$252 thousand and \$205 thousand, respectively.
- Other revenues decreased by \$13,251,495 (93.80 percent). This is primarily because of the change in fiscal year 2008 in the accounting for financial benefit allowances provided by the County to employees for benefits in the Cafeteria Plan and the employees out of pocket withholdings for benefits. Previously, these were treated as revenues and the total amounts expended were treated as expenditures. As of July 1, 2008, these withholdings are posted to a liability account and only the cost to the County is posted as expenditures.

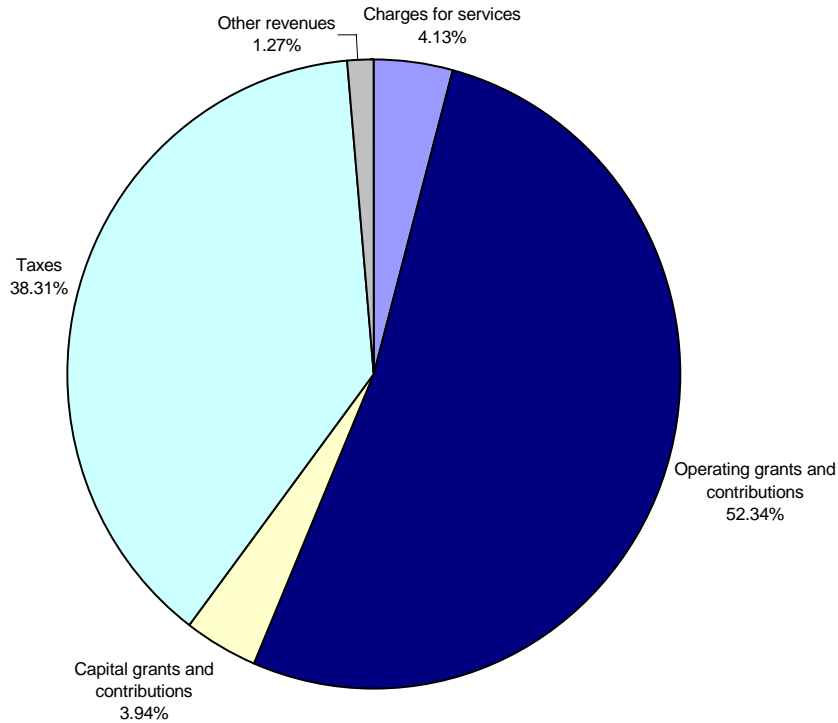
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Expenses and Program Revenues – Governmental Activities



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Revenues by Source – Governmental Activities



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The overall expenses for the County increased by \$32,363,069 (5.11 percent) due to increases in expenses of both governmental and business-type activities. The largest increase was in human services, which increased \$34,342,291 (9.26 percent) due primarily to increases in services by social services of over \$26.7 million with increases in mental health and public health of over \$5.4 million and \$1.6 million, respectively, as well. Education increased by over \$11.1 million which is because of increased operating expenses coupled with increased construction activity and the capitalization of donated assets. In addition, public safety expenses increased by \$1,955,760 (3.99 percent) because of increased services. Economic and physical development decreased by \$5,778,775 (56.31 percent) primarily because of the change in the accounting method for the County's Industrial Extension Policy (Note O). The County reevaluated the County's IEP and the agreements entered into and are accounting for them as nonexchange transactions per GASB 33 rather than as long-term debt effective fiscal year 2008. In fiscal year 2007, over \$6 million was expended because of a new IEP agreement and recorded as long-term debt. Under the new method of accounting, expenditures for IEP agreements are recorded when the obligations under the agreements are met. See Note F for a detailed explanation of the County's IEP. The net decrease

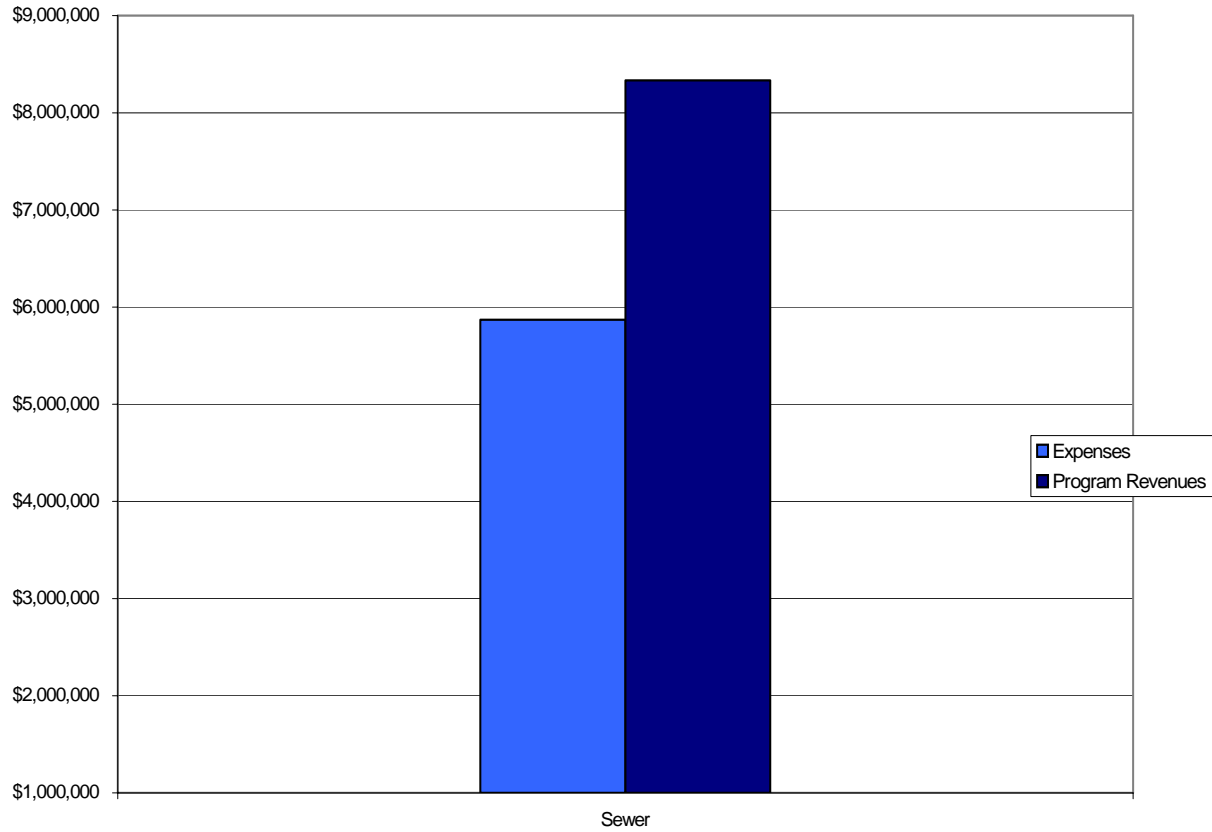
for general government expenses was \$7,712,602 (12.63 percent) mainly because of the change in the accounting for the cafeteria plan as previously discussed which decreased the expenses for human resources by over \$12 million coupled with the capitalization of construction activity of over \$4.9 million. Interest and fiscal charges decreased \$1,317,298 (8.48 percent) because of the change in the accrued interest payable and decreased interest expenses for the year. In fiscal year 2007, the change was a decrease to expenses of over \$23 thousand whereas in fiscal year 2008 the change was a decrease to expenses of over \$236 thousand. Sewer utility expenses increased \$746,471 (14.57 percent) primarily because of an increase in maintenance and other operating expenses and interest and fiscal charges coupled with a decrease in contracted services for the wastewater treatment plant. In addition, environmental protection increased by \$238,720 (7.90 percent) due primarily to increased services being provided and cultural and recreational decreased by \$1,227,101 (10.11 percent) due primarily to decreased construction activity.

Business-type activities. Business-type activities increased the County's net assets by \$3,532,918 accounting for 9.75 percent of the increase of the total growth in the government's net assets. Key elements of this are as follows:

- Expenses increased \$746,471 mainly because of an increase in maintenance and other operating expenses and interest and fiscal charges coupled with a decrease in contracted services for the wastewater treatment plant.
- Charges for services increased by \$484,902 (6.18 percent). There was a rate increase of 6.5 percent effective July 1, 2007 in fiscal year 2008 as well as an increase in the capital recovery charges of 5 percent. The capital recovery charges are part of connection fees for new customers and are used as a source of funding for capital acquisitions, construction and improvements.
- There were capital contributions (sewer lines) from private developers in fiscal year 2008 of \$35,055 compared to no capital contributions during fiscal year 2007
- There were intergovernmental revenues of \$91,361 received for the water reuse project in fiscal year 2008.

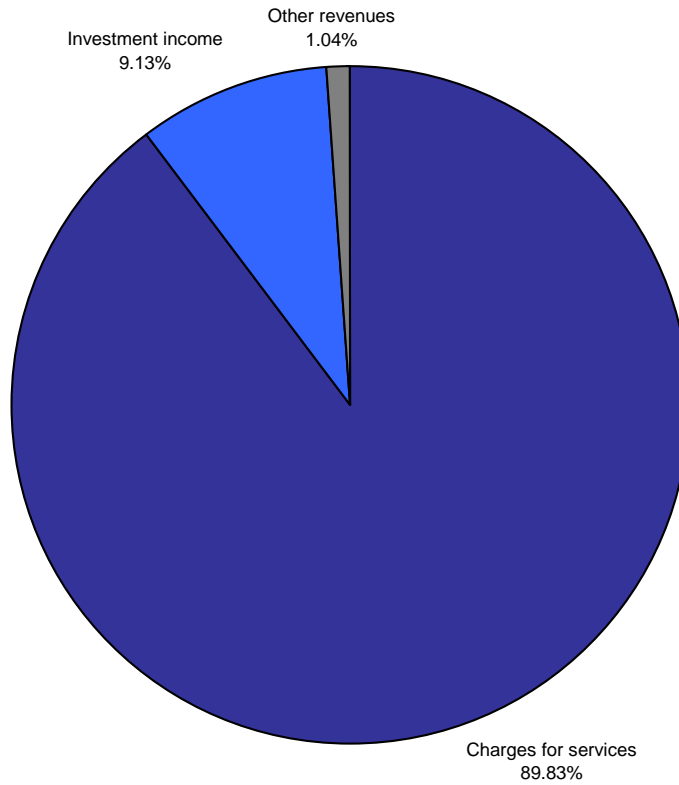
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Expenses and Program Revenues – Business-type Activities



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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 \$213,783,679, an increase of \$15,528,476 in comparison with the prior year. Approximately 74.41 percent of this total amount (\$159,067,413) 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 (\$22,937,494), 2) for a variety of other restricted purposes (\$5,818,836) or 3) because it is reserved by state statute (\$25,959,936).

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 \$60,777,677, while total fund balance grew and reached \$95,112,980. 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 16.28 percent of total general fund expenditures, while total fund balance represents 25.48 percent of that same amount. The percentage of unreserved fund balance to total general fund expenditures decreased from 17.26 percent for fiscal year 2007 to 16.28 percent for fiscal year 2008, a decrease of 0.98 percent. The net change in fund balance for fiscal 2008 was an increase of over \$2.3 million; however, the percentage of unreserved fund balance to total general fund expenditures decreased because reserves increased by over \$3.1 million thereby reducing unreserved by over \$800 thousand in addition to an increase in County expenditures. The net change in fund balance decreased by over \$15.2 million in fiscal year 2008 from fiscal year 2007. The primary reasons for the decrease are the decrease in excess of revenues over expenditures of over \$4 million, the increase in transfers out of over \$10.3 million, the decrease in transfers in of over \$300 thousand and the decrease in the issuance of installment purchases of over \$400 thousand.

The fund balance of the County's general fund increased by \$2,309,184 during the current fiscal year. Key factors in this growth are as follows:

- Intergovernmental revenues of the general fund increased by 4.06 percent or \$4,904,642 excluding pass-through and direct. For the most part, this increase occurred in human services primarily in the agency of social services. However, there was a slight increase in funding for mental health offset by a slight decrease in public health.
- The general fund taxes grew by 7.46 percent or \$17,847,146. This increase is primarily the product of a tax rate increase for the 2007 levy year of 2.5 cents in addition to a slight increase in local options sales tax and occupancy tax netted with a decrease in prior year's levy collections. The minor increase in percentage of current year levy collections is because of the continued collection efforts including participating in the North Carolina Local Government Debt Setoff Clearinghouse Program. Current year levy collections, local option sales tax and occupancy tax increased by \$17,317,476 (9.74 percent), \$722,238 (1.30 percent) and \$173,491 (7.03 percent), respectively, whereas prior year levy collections decreased by \$346,205 (14.75 percent). Because of the Tax Department's efforts to continue to improve the County's current year levy collections, which they have done so successfully, prior year collections will decrease as in fiscal year 2008 because the available amount to collect has been reduced by collecting more in the current year.
- Charges for services increased \$2,777,538 (16.80 percent) mainly because of an increase in public health's charges for services of \$1,909,194 (352.67 percent) primarily because of

increased services. The remaining \$868,344 is a combination of insignificant increases in social services, general government and public safety.

- Other revenues decreased \$13,459,849 or 95.33 percent. This is primarily because of the change in fiscal year 2008 in the accounting for financial benefit allowances provided by the County to employees for benefits in the Cafeteria Plan and the employees out of pocket withholdings for benefits. Previously, these were treated and posted as revenues and the total invoice amounts recorded as expenditures when paid. As of July 1, 2008, these withholdings are posted to a liability account and only the cost to the County is posted as expenditures. The remaining decrease is because of a decrease in miscellaneous revenues and sale of property and materials of \$560,865 (6.20 percent) and \$216,537 (56.20 percent).
- General government decreased \$9,793,278 (21.88 percent). The primary reason for this significant decrease is because of the change in fiscal year 2008 in the accounting for financial benefit allowances provided by the County to employees for benefits in the Cafeteria Plan and the employees out of pocket withholdings for benefits, thereby, reducing the expenditures reported in human resources which had a net decrease of \$12,068,997 (80.21 percent). In addition, of the decrease, tax increased \$1,116,267 (20.94 percent) because of improvements in technology and increased services, general services increased \$616,631 (8.51 percent), information systems increased \$485,163 (11.10 percent) because of increased services, elections increased \$470,715 (68.13 percent) because of increased services and other general government decreased \$413,230 (22.75 percent) because of a decrease in the purchase of capital outlay.
- Public safety increased \$1,490,705 (3.40 percent). This is due mainly because of increased services of emergency medical services of \$484,107 (7.19 percent), jail of \$381,342 (2.93 percent), criminal justice partnership of \$204,562 (11.25 percent), animal control of \$196,220 (14.05 percent), emergency communications center \$89,115 (13.11 percent) and youth home of \$71,450 (7.31 percent) with a decrease in the sheriff of \$457,546 (2.82 percent) combined with a decrease in federal funding for expenditures in fiscal year 2008 of \$502,651 thereby increasing County expenditure accordingly.
- Economic and physical development increased by \$867,671 (29.48 percent). The primary increase is in other economic and physical development of \$596,501 which represents an increase in the disbursements per the IEP agreements of \$521,000 with more incentives being met and the increase in economic services of \$100,000 having received a state grant to fund these additional services. In addition, planning, cooperative extension and soil and water conservation increased because of increased services while open space and management decreased because of a decrease in contracted services provided to the County.
- Human services' expenditures increased by \$16,452,899 (10.53 percent). This increase was primarily because of significant increased services in the area of social services coupled with increased spending by mental health. Mental health spent over \$4.6 million more in County appropriations than in the previous fiscal year.
- Education increased by \$6,611,865 from the prior fiscal year. Of this increase, Durham Public Schools and Durham Technical Community College received increased funding of \$6,230,000 and \$457,663, respectively, while other education received a decrease of \$75,798.
- Cultural and recreational increased \$610,179 because of increased services provided by the Library of \$719,179 netted with a decrease in other cultural and recreational of \$109,000.

The Community Health Trust Fund has a total fund balance of \$17,795,812, 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 \$2,993,995. This is the first time this fund has ever had a decrease in fund balance since inception of the fund which was in fiscal year 1999. The decrease in fiscal year 2008 was due primarily to a significant decrease in investment earnings of over \$4 million. The loss reported in earnings is because of 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. There was also a slight increase in the operating transfers to assist in funding health related costs in the general fund of over \$100 thousand as well as a slight decrease in charges for services.

The primary revenue activity was the recognition of the annual amount from the prepaid lease (\$3,500,000). In addition, there was the recognition of the investment earnings at a loss of (\$947,627) and other charges for services (\$53,462). In the expenditures, the amortization of the lease discount was recognized (\$1,150,000). An operating financing use, operating transfer out (\$4,449,830) occurred to assist in the funding of health related expenditures in the general fund. 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 2008, because of the needed assistance in funding health related costs and the positive growth shown in the fund since inception, the BOCC voted to waive allocating only a percentage of the earnings from the previous calendar for fiscal year 2008. 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 \$96,864,855, 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 increase in fund balance during the current year in the capital projects' fund was \$15,048,479 due primarily to the issuance of bonds, the premium received on the issuance of the general obligation bonds, over an \$875 thousand increase in intergovernmental revenues, over a \$1.1 million decrease in investment income and an increase of project expenditure activity for the year of over \$23.2 million for the acquisition, construction or improvement of major capital facilities for the County, School System, Durham Technical Community College, Museum of Life and Science and Lincoln Community Health Center using the funding sources. 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, the Museum of Life and Science's and Lincoln Community Health Center'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 bonds (\$46,190,000), transfers (\$9,689,012) and the premium on the issuance of bonds (\$404,574). The fund also recognized intergovernmental revenues (\$7,080,479) and investments (\$3,493,197). In the expenditures, there was construction activity in the amount of \$46,449,764, debt issuance costs (\$83,939) and other general government expenditures for banking services (\$80) and there were other financing uses in the transfer of \$5,275,000. The construction activity was primarily for education and environmental protection in the amounts of \$32,687,342 and \$7,523,234, respectively. The other construction activity occurred in general government (\$5,091,815), cultural and recreational (\$1,003,941), and public safety (\$143,432).

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 \$8,481,270. There was an increase in total net assets of \$3,532,918. 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 \$2,360,643 and can be summarized briefly as follows:

- \$10,930,062 in decreases allocated to general administration was largely because of decreased budgetary expenditures human resources of over \$12.3 million coupled with increases primarily for tax. The significant decrease for human services was because of the change in accounting procedures for the benefits in the County's cafeteria plan. The increases for tax were primarily for appropriation for increased contracted services for assistance in the revaluation. The remaining increases were for salary adjustments for various departments for longevity and as a result of the compensation study, to honor commitments from fiscal year 2007 and to appropriate unspent restricted funds in fiscal year 2008.
- \$2,599,758 in increases allocated to public safety was primarily for the sheriff's office, criminal justice partnership and county fire protection. Increases for the sheriff's office were for public safety contracted services, salary adjustments for longevity and as a result of the compensation study, and on-going crime prevention programs. Increases in the criminal justice partnership were to expand the pretrial services program and the services provided through the criminal services partnership grant. Increases for county fire protection were for services for homeland security, increased emergency management services and salary adjustments for longevity and as a result of the compensation study.
- \$471,763 in increases allocated to economic and physical development was primarily for cooperative extension because of increases in services, increases in contracted services, and salary adjustments for longevity and as a result of the compensation study and to honor commitments from fiscal year 2007 and to appropriate unspent restricted funds in fiscal year 2008.
- \$250,607 in increases allocated to environmental protection was primarily for increases to honor commitments from fiscal year 2007, for salary adjustments for longevity and as a result of the compensation study and for appropriation for a new program.

- \$4,155,431 in increases allocated to human services was primarily because of increases in the areas of mental health, social services and public health. The increases were primarily to provide increased services, for salary adjustments for longevity and as a result of the compensation study, and to honor commitments from fiscal year 2007. These services are funded for the most part through the recognition of new grants and additional federal and state awards as well as increases in reimbursements for charges for services.
- \$298,860 in increases allocated to cultural and recreational was primarily for salary adjustments for longevity and as a result of the compensation study and increases in operating expenditures including non-capital computers and contracted services for the library.
- \$100,000 in increases allocated to education for additional funding for Durham Public Schools.
- \$5,414,286 in increases allocated to operating transfers out were for increased funding for capital projects in the capital projects fund.

Of this increase, \$1,125,000 was to be funded from additional taxes, \$3,008,107 was to be funded from additional intergovernmental revenues, \$5,000 was to be funded from additional charges for services and \$136,994 was to be funded through operating transfers in netted with a decrease in funding of other revenues in the amount of \$11,922,057. The remaining \$10,007,599 was to be budgeted from available fund balance. However, during the year, while revenues exceeded budgetary estimates by \$5,056,718, expenditures were also far less than budgetary estimates, 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, 2008 amounts to \$293,328,595 (net of accumulated depreciation). This investment in capital assets includes land, 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 17.77 percent (a 22.38 percent increase for governmental activities and a 0.81 percent increase for business-type activities).

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

- Construction continued on the additional wastewater treatment facilities, the collection systems rehabilitation and the reused wastewater facility project for the sewer utility fund which had construction costs for the year of \$214,318, \$248,268 and \$154,802, respectively.
- Construction for the Durham Public School Projects continued in fiscal year 2008 in the amount of \$32,598,824. Of this amount \$18,425,588 was capitalized to the County's assets as the County holds title, and \$14,173,236 was not capitalized because the Durham County Board of Education holds title to these properties.
- Construction for the Durham Technical Community College Projects in fiscal year 2008 in the amount of \$88,518.
- Construction for NCML & Bioquest Project for the Museum of Life and Science in fiscal year 2008 in the amount of \$116,810.
- Other construction activity for cultural and recreational other than for the Museum occurred in the amount of \$887,131 for the North Durham Library, Stanford Warren Library, Southwest Branch Library, South Regional Library and the East Regional Library as well as renovations to the main library.
- Construction activity for environmental protection occurred in the amount of \$7,523,234 in environmental engineering primarily for the open space and farmland preservation (\$2,227,940), the mental health crisis center renovations (\$1,886,783), the New Hope/Duke land acquisition (\$1,013,280), the new human services complex (\$883,869), the judicial building renovations (\$696,634) and the animal shelter building office (\$685,969). Other activity occurred on the American Tobacco Garage, the senior center, and the Lincoln Community Health Center renovations.

- Construction activity for general government occurred in the amount of \$5,091,815. The major activity in general government was the new justice center (\$3,059,655) and the computer replacement project (\$1,486,277). Other activity occurred in the civic center, the scattered site housing, the County stadium upgrade, the BOCC chamber upgrade, the telecommunication system upgrade, and the cooperative extension renovation.
- Construction activity for public safety occurred in the amount of \$143,432 for the detention center project (\$85,955) and the EMS relocation Lincoln (\$57,477).
- There were capital contributions (fifteen properties) from the Durham County Board of Education in fiscal year 2008 in the amount of \$19,885,624.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental		Business - type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 6,837,204	\$ 6,837,204	\$ 185,226	\$ 185,226	\$ 7,022,430	\$ 7,022,430
Improvements- water and sewer lines	-	-	14,927,896	15,372,079	14,927,896	15,372,079
Buildings	129,246,718	113,618,102	1,836,347	1,900,872	131,083,065	115,518,974
Office furniture and equipment	20,117	23,761	-	-	20,117	23,761
Machinery and equipment	815,637	674,311	70,419	91,025	886,056	765,336
Computer hardware	190,877	103,705	-	-	190,877	103,705
Computer software	7,704,132	11,423,772	-	-	7,704,132	11,423,772
Vehicles	3,292,390	3,550,134	6,931	13,129	3,299,321	3,563,263
Construction in progress	91,574,436	59,615,616	36,620,265	35,654,528	128,194,701	95,270,144
Total	\$ 239,681,511	\$ 195,846,605	\$ 53,647,084	\$ 53,216,859	\$ 293,328,595	\$ 249,063,464

Additional information on the County's capital assets can be found in Note D on pages 68-70 of this report.

Long-term debt. At the end of the current fiscal year, Durham County had total debt outstanding of \$335,756,873. Of this amount, \$275,570,002 comprises bonded debt backed by the full faith and credit of the government. Also included is \$19,155,000 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 \$17,525,000, installment notes in the amount of \$19,845,222, and other financing agreements in the amount of \$3,661,649.

DURHAM COUNTY'S OUTSTANDING DEBT
Long-Term Debt

	Governmental Activities		Business - type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 270,784,681	\$ 242,165,269	\$ 4,785,321	\$ 5,279,734	\$ 275,570,002	\$ 247,445,003
Revenue bonds	-	-	19,155,000	20,580,000	19,155,000	20,580,000
Certificates of participation	17,525,000	19,985,000	-	-	17,525,000	19,985,000
Installment notes payable	19,845,222	22,771,256	-	-	19,845,222	22,771,256
Industrial extensions policy	-	8,478,076	-	-	-	8,478,076
Other financing agreements	3,661,649	4,247,499	-	-	3,661,649	4,247,499
Total	\$ 311,816,552	\$ 297,647,100	\$ 23,940,321	\$ 25,859,734	\$ 335,756,873	\$ 323,506,834

The County's total debt excluding accrued compensated absences and unamortized bond premiums increased by \$12,250,039 (3.79 percent) during the current fiscal year. The key factors in this increase was the reduction of debt as a result of the annual debt payments, the issuance of \$34,090,000 in general obligation bonds, the issuance of \$12,100,000 in 2/3s general obligation bonds and the issuance of \$1,700,000 in installment purchases for capital purchases for governmental activities for the County and the decrease of \$8,478,076 of IEP long-term debt for governmental activities as a result of a prior period adjustment due to a change in accounting method (Note O).

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 \$1,850,926,731, leaving a legal debt margin of \$1,575,356,729. The net bonded debt per capital is \$1,055.

Additional information on the County's long-term debt can be found in Note E on pages 71-76 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is 5.5 percent as of June 2008, which is a decrease from a rate of 3.8 percent as of June 2007. This compares favorably to the State's and nation's average unemployment rate as of June 2008 of 6.9 percent and 6.1 percent, respectively.
- The construction activity for non-residential and residential construction was over \$866 million for calendar year 2007 compared to over \$919 million for the calendar year 2006. The reduction is primarily due to the economy being in a recession.

- The manufacturing sector employment increased 0.83 percent (274 positions) for calendar year 2007 (33,209) compared to calendar year 2006 (32,935). With the economy being in a recession and the rise of unemployment, the fact that the manufacturing industry had small growth is showing stability in this job industry in Durham County. As of the 1st quarter of calendar year 2008, the number has slightly increased again to 33,394 positions (185 increase, 0.56 percent).
- 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 2008 reported were \$3,703,207 compared to \$3,796,971 reported for fiscal year 2007, a decrease of \$93,764 (2.47 percent). Total taxable sales are reported in thousands of dollars.
- Economic development announcements for 2007 were over \$376 million, and economic announcements occurring through the third quarter of 2008 amounted to over \$723 million.
- The per capita income for Durham MSA for 2007 is \$38,923, an increase of 4.46 percent over 2006. The Raleigh/Cary MSA has a per capita income of \$38,648. The per capita for the State and the nation increased from 2006 to 2007 to \$33,636 and \$38,564, an increase of 4.01 percent and 5.28 percent, respectively.
- 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 2009 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$60,777,677. The County has appropriated \$17,548,466 of this amount for spending in the 2009 fiscal year budget. A revaluation of real property as required by the State of North Carolina occurred on January 1, 2008 effective for the 2008 levy year. As a result, the general fund tax rate was adjusted from \$0.8340 to \$0.7081 which is slightly higher than revenue neutral. Only some charges for general fund services were increased for the 2009 fiscal year. They are the solid waste management fees, emergency medical services patient fees, emergency medical services special event coverage fees, fire marshal penalties and fees for failure to obtain permits for as required by code, fire marshal re-inspection for non-compliance, animal control vaccination fees and the library meeting room reservation fees. Transfers from the special revenue funds are budgeted for the 2009 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2009 fiscal year as a funding source for health related spending, and a transfer from the sewer utility fund is budgeted for 2009 to reimburse the general fund for sewer utility indirect costs paid by the general fund.

The sewer rates were increased for the 2009 budget year in the sewer utility fund. The sewer rates were increased by 10 percent for all customers, both residential and industrial, effective July 1, 2008. These rate increases were necessary to maintain operations. There was also an increase in the capital recovery charges of 4 percent effective July 1, 2008. 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. Other sewer utility charges that increased were plan review fees, inspection and management fees, re-inspection fees, surcharge fees, permit applications and monitoring charges.

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, 2008

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Assets				
Cash and cash equivalents / investments	\$ 110,822,276	\$ 8,107,595	\$ 118,929,871	\$ 2,202,620
Cash and cash equivalents / investments - restricted	99,390,125	6,217,552	105,607,677	-
Receivables:				
Accounts receivable	1,025,201	10,534	1,035,735	14,660
Accrued interest receivable	806,789	107,844	914,633	-
Assessment receivable	6,529	69,257	75,786	-
Net taxes receivable	3,766,386	-	3,766,386	-
Solid waste receivable	18,074	-	18,074	-
Net emergency medical services receivable	8,217,868	-	8,217,868	-
Inventory	712,231	-	712,231	1,410,745
Due from other governments - federal and state agencies	21,211,145	1,532	21,212,677	-
Due from other governments - local	1,984,124	476,108	2,460,232	-
Prepays	89,784	-	89,784	147,867
Bond issuance costs	1,000,420	512,094	1,512,514	-
Accumulated amortization bond issue costs	(340,020)	(109,969)	(449,989)	-
Investment in joint venture	8,365,483	-	8,365,483	-
Pension assets	18,913	-	18,913	-
Capital assets:				
Nondepreciable:				
Land	6,837,204	185,226	7,022,430	1,539,453
Construction in progress	91,574,436	36,620,265	128,194,701	-
Depreciable:				
Land improvements - sewer and water lines	-	24,260,959	24,260,959	747,179
Buildings	184,296,019	4,103,344	188,399,363	2,692,482
Office furniture and equipment	350,982	-	350,982	-
Machinery and equipment	4,776,819	277,674	5,054,493	807,639
Computer hardware	2,832,600	-	2,832,600	-
Computer software	12,964,912	-	12,964,912	-
Vehicles	12,592,165	52,226	12,644,391	55,040
Law enforcement	-	-	-	170,396
Accumulated depreciation	(76,543,626)	(11,852,610)	(88,396,236)	(1,674,446)
Total assets	496,776,839	69,039,631	565,816,470	8,113,635
Liabilities				
Accounts payable	15,369,988	1,079,897	16,449,885	475,706
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	2,182,199	117,693	2,299,892	-
Accrued payroll and related amounts withheld	4,270,115	20,329	4,290,444	54,720
Collections in advance	1,092,856	-	1,092,856	-
Due to other governments - federal and state agencies	21,974	-	21,974	438,379
Due to other governments - local	696,274	-	696,274	661,320
Pension liabilities	12,688,603	-	12,688,603	-
Other liabilities	-	-	-	55,164
Long-term liabilities:				
Accrued compensated absences due within one year	3,819,593	11,568	3,831,161	-
Bonds and other notes payable due within one year	27,084,119	1,985,365	29,069,484	40,946
Unamortized bond premium due within one year	267,999	33,834	301,833	-
Accrued compensated absences	2,237,814	20,100	2,257,914	111,926
Bonds and other notes payable	284,732,433	21,954,956	306,687,389	492,805
Unamortized bond premium	1,448,640	628,223	2,076,863	-
Total liabilities	355,912,607	25,864,965	381,777,572	2,330,966
Net assets				
Capital assets, net of related debt	126,736,015	28,475,844	155,211,859	3,803,992
Restricted for:				
Capital projects	95,466,611	6,217,552	101,684,163	-
Grants and technology	3,923,514	-	3,923,514	-
Working capital	-	-	-	642,970
Unrestricted net assets	(85,261,908)	8,481,270	(76,780,638)	1,335,707
Total net assets	\$ 140,864,232	\$ 43,174,666	\$ 184,038,898	\$ 5,782,669

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

DURHAM COUNTY, NORTH CAROLINA

**Statement of Activities
Year Ended June 30, 2008**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Durham County ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 53,369,519	\$ 9,670,581	\$ 2,240,883	\$ 113,804	\$ (41,344,251)	\$ -	\$ (41,344,251)	\$ -
Public safety	51,025,747	9,205,688	2,604,222	-	(39,215,837)	-	(39,215,837)	-
Transportation	12,500	-	-	-	(12,500)	-	(12,500)	-
Economic and physical development	4,483,362	15,523	711,079	-	(3,756,760)	-	(3,756,760)	-
Environmental protection	3,261,121	2,652,468	10,476	500,000	(98,177)	-	(98,177)	-
Human services	405,376,336	6,478,384	352,332,661	-	(46,565,291)	-	(46,565,291)	-
Education	117,349,760	-	-	26,352,299	(90,997,461)	-	(90,997,461)	-
Cultural and recreational	10,909,020	233,515	263,204	-	(10,412,301)	-	(10,412,301)	-
Interest and fiscal charges	14,218,611	-	-	-	(14,218,611)	-	(14,218,611)	-
Total governmental activities	<u>660,005,976</u>	<u>28,256,159</u>	<u>358,162,525</u>	<u>26,966,103</u>	<u>(246,621,189)</u>	<u>-</u>	<u>(246,621,189)</u>	<u>-</u>
Business-type activities:								
Sewer utility	5,870,964	8,333,612	-	126,416	-	2,589,064	2,589,064	-
Total business-type activities	<u>5,870,964</u>	<u>8,333,612</u>	<u>-</u>	<u>126,416</u>	<u>-</u>	<u>2,589,064</u>	<u>2,589,064</u>	<u>-</u>
Total primary government	<u>\$ 665,876,940</u>	<u>\$ 36,589,771</u>	<u>\$ 358,162,525</u>	<u>\$ 27,092,519</u>	<u>(246,621,189)</u>	<u>2,589,064</u>	<u>(244,032,125)</u>	<u>-</u>
Component units:								
Durham County ABC Board	\$ 20,793,891	\$ 21,198,026	\$ -	\$ -	-	-	-	404,135
Total component units	<u>\$ 20,793,891</u>	<u>\$ 21,198,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>404,135</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					197,270,197	-	197,270,197	-
Property taxes, levied for fire districts					4,857,931	-	4,857,931	-
Property taxes, levied for other districts purposes					671,192	-	671,192	-
Local option sales tax					56,069,488	-	56,069,488	-
Occupancy tax					2,640,307	-	2,640,307	-
Animal tax					405,546	-	405,546	-
Gross receipts tax					220,678	-	220,678	-
Investment and interest income					7,650,534	847,304	8,497,838	40,097
Other revenues					813,880	62,716	876,596	1,506
Amortization of bond premium					251,141	33,834	284,975	-
Total general revenues					<u>270,850,894</u>	<u>943,854</u>	<u>271,794,748</u>	<u>41,603</u>
Change in net assets					24,229,705	3,532,918	27,762,623	445,738
Net assets - beginning					108,156,451	39,641,748	147,798,199	5,336,931
Prior period adjustment (Note O)					8,478,076	-	8,478,076	-
Adjusted net assets - beginning					<u>116,634,527</u>	<u>39,641,748</u>	<u>156,276,275</u>	<u>5,336,931</u>
Net assets - ending					<u>\$ 140,864,232</u>	<u>\$ 43,174,666</u>	<u>\$ 184,038,898</u>	<u>\$ 5,782,669</u>

DURHAM COUNTY, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2008**

	<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	\$ 79,696,934	\$ 17,795,812	\$ 8,834,750	\$ 4,494,780	\$ 110,822,276
Cash and cash equivalents / investments - restricted	3,923,514	-	95,466,611	-	99,390,125
Receivables:					
Accounts receivable	1,025,201	-	-	-	1,025,201
Assessment receivable	6,529	-	-	-	6,529
Net taxes receivable	3,705,918	-	-	60,468	3,766,386
Solid waste receivable	18,074	-	-	-	18,074
Net emergency medical services receivable	8,217,868	-	-	-	8,217,868
Inventory	712,231	-	-	-	712,231
Due from other governments - federal and state agencies	20,804,327	-	406,818	-	21,211,145
Due from other governments - local	1,801,981	-	-	182,143	1,984,124
Due from capital project fund	1,739,466	-	-	-	1,739,466
Prepaid expenditures	89,784	-	-	-	89,784
Total assets	<u>\$ 121,741,827</u>	<u>\$ 17,795,812</u>	<u>\$ 104,708,179</u>	<u>\$ 4,737,391</u>	<u>\$ 248,983,209</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 9,214,631	\$ -	\$ 6,103,858	\$ 51,499	\$ 15,369,988
Accrued payroll and related amounts withheld	4,270,115	-	-	-	4,270,115
Due to other governments - federal and state agencies	21,974	-	-	-	21,974
Due to other governments - local	120,382	-	-	575,892	696,274
Due to general fund	-	-	1,739,466	-	1,739,466
Deferred revenues:					
Collections in advance	1,053,356	-	-	39,500	1,092,856
Taxes and assessments	3,712,447	-	-	60,468	3,772,915
Solid waste	18,074	-	-	-	18,074
Emergency medical services	8,217,868	-	-	-	8,217,868
Total liabilities	<u>26,628,847</u>	<u>-</u>	<u>7,843,324</u>	<u>727,359</u>	<u>35,199,530</u>
Fund balances:					
Reserved:					
State statute	23,804,558	-	406,818	182,143	24,393,519
State statute - mental health	1,566,417	-	-	-	1,566,417
Encumbrances	3,185,443	-	19,752,051	-	22,937,494
Other purposes	5,778,885	-	451	39,500	5,818,836
Unreserved, reported in:					
General fund	60,777,677	-	-	-	60,777,677
Community health trust fund	-	17,795,812	-	-	17,795,812
Capital projects fund	-	-	76,705,535	-	76,705,535
Unreserved, reported in nonmajor:					
Special revenue	-	-	-	2,768,354	2,768,354
Debt service	-	-	-	1,020,035	1,020,035
Total fund balances	<u>95,112,980</u>	<u>17,795,812</u>	<u>96,864,855</u>	<u>4,010,032</u>	<u>213,783,679</u>
Total liabilities and fund balances	<u>\$ 121,741,827</u>	<u>\$ 17,795,812</u>	<u>\$ 104,708,179</u>	<u>\$ 4,737,391</u>	<u>\$ 248,983,209</u>

DURHAM COUNTY, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2008**

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

Ending fund balance - governmental funds	\$ 213,783,679
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	248,065,907
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	12,008,857
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(332,994,211)
Net assets of governmental activities	<u>\$ 140,864,232</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, 2008

	General	Community Health Trust Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 257,166,035	\$ -	\$ -	\$ 5,528,916	\$ 262,694,951
Licenses and permits	1,049,599	-	-	-	1,049,599
Intergovernmental revenues	125,658,596	-	7,080,479	-	132,739,075
Investments	4,859,005	(947,627)	3,493,197	359,744	7,764,319
Rent	2,062,145	-	-	26,717	2,088,862
Charges for services	19,308,086	3,553,462	-	954,092	23,815,640
Other revenues	659,642	-	-	-	659,642
Total revenues	<u>410,763,108</u>	<u>2,605,835</u>	<u>10,573,676</u>	<u>6,869,469</u>	<u>430,812,088</u>
Expenditures					
Current:					
General government	34,964,075	-	5,091,895	-	40,055,970
Public safety	45,338,227	-	143,432	3,556,178	49,037,837
Transportation	12,500	-	-	-	12,500
Economic and physical development	3,811,081	-	-	657,549	4,468,630
Environmental protection	3,219,466	-	7,523,234	-	10,742,700
Human services	172,690,598	-	-	-	172,690,598
Education	102,787,849	-	32,687,342	-	135,475,191
Cultural and recreational	10,504,666	-	1,003,941	-	11,508,607
Debt service:					
Principal retirement	-	-	-	25,249,056	25,249,056
Interest and fiscal charges	-	-	-	13,257,396	13,257,396
Debt issuance costs	-	-	83,939	-	83,939
Amortization of lease discount	-	1,150,000	-	-	1,150,000
Total expenditures	<u>373,328,462</u>	<u>1,150,000</u>	<u>46,533,783</u>	<u>42,720,179</u>	<u>463,732,424</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,434,646</u>	<u>1,455,835</u>	<u>(35,960,107)</u>	<u>(35,850,710)</u>	<u>(32,920,336)</u>
Other financing sources (uses)					
Transfers in	5,990,224	-	9,689,012	39,152,674	54,831,910
Transfers out	(42,815,686)	(4,449,830)	(5,275,000)	(2,137,156)	(54,677,672)
Issuance of bonds	-	-	46,190,000	-	46,190,000
Premium on issuance of bonds	-	-	404,574	-	404,574
Issuance of installment purchases	1,700,000	-	-	-	1,700,000
Total other financing sources (uses)	<u>(35,125,462)</u>	<u>(4,449,830)</u>	<u>51,008,586</u>	<u>37,015,518</u>	<u>48,448,812</u>
Net change in fund balances	2,309,184	(2,993,995)	15,048,479	1,164,808	15,528,476
Fund balance - beginning	<u>92,803,796</u>	<u>20,789,807</u>	<u>81,816,376</u>	<u>2,845,224</u>	<u>198,255,203</u>
Fund balance - ending	<u>\$ 95,112,980</u>	<u>\$ 17,795,812</u>	<u>\$ 96,864,855</u>	<u>\$ 4,010,032</u>	<u>\$ 213,783,679</u>

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

DURHAM COUNTY, NORTH CAROLINA

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2008**

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

Net change in fund balances - total governmental funds \$ 15,528,476

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. 43,838,569

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 742,446

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. (35,879,786)

Change in net assets of governmental activities \$ 24,229,705

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, 2008**

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Revenues				
Taxes				
Current levy	\$ 186,900,301	\$ 186,900,301	\$ 195,114,884	\$ 8,214,583
Prior year's levy	3,000,000	4,125,000	2,000,560	(2,124,440)
Tax penalties and interest	542,366	542,366	671,538	129,172
Advertising and selling	25,000	25,000	43,034	18,034
Payments in lieu of taxes	25,000	25,000	-	(25,000)
Local option sales tax	53,500,579	53,500,579	56,069,488	2,568,909
Animal tax	457,400	457,400	405,546	(51,854)
Occupancy tax	2,325,882	2,325,882	2,640,307	314,425
Gross receipts tax	200,000	200,000	220,678	20,678
Total taxes	246,976,528	248,101,528	257,166,035	9,064,507
Intergovernmental revenues				
Beer and wine tax	140,000	140,000	135,764	(4,236)
Social services	328,034,239	329,591,147	326,184,680	(3,406,467)
Mental health	25,398,023	25,400,073	22,322,544	(3,077,529)
Public health	3,351,878	3,489,735	3,224,201	(265,534)
Library	268,000	268,000	263,204	(4,796)
ABC Board	1,098,777	1,098,777	1,026,979	(71,798)
Other	3,491,806	4,803,098	5,005,153	202,055
Total intergovernmental revenues	361,782,723	364,790,830	358,162,525	(6,628,305)
Charges for services				
Elections registration lists	225,180	225,180	220,817	(4,363)
Register of deeds	4,245,000	4,245,000	3,950,939	(294,061)
General government charges	2,293,336	2,293,336	2,690,926	397,590
Collection fees	1,210,000	1,210,000	1,162,749	(47,251)
Public protection	1,219,233	1,219,233	1,723,889	504,656
Environmental protection	656,000	656,000	869,632	213,632
Solid waste fees	1,149,920	1,149,920	1,210,902	60,982
Facilities fees	544,000	544,000	539,499	(4,501)
Library fees and charges	313,000	313,000	233,515	(79,485)
Mental health	50,000	50,000	71,629	21,629
Public health	2,247,632	2,247,632	2,450,540	202,908
Social services	235,833	235,833	218,484	(17,349)
Emergency medical services charges	3,450,000	3,450,000	3,949,042	499,042
Other charges	4,500	9,500	15,523	6,023
Total charges for services	17,843,634	17,848,634	19,308,086	1,459,452
Investment and rental income				
Investment earnings	2,102,832	2,102,832	4,859,005	2,756,173
Rent	1,960,103	1,960,103	2,062,145	102,042
Total investment and rental income	4,062,935	4,062,935	6,921,150	2,858,215
Licenses and permits				
Construction permits	469,000	469,000	574,535	105,535
Cablevision and franchise fees	340,000	340,000	445,475	105,475
Wine and beer licenses	20,000	20,000	23,839	3,839
Other licenses and permits	3,000	3,000	5,750	2,750
Total licenses and permits	832,000	832,000	1,049,599	217,599

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, 2008

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Revenues (continued)				
Other revenues				
Cafeteria plan	\$ 12,325,277	\$ -	\$ -	\$ -
Miscellaneous	909,829	1,269,930	344,476	(925,454)
Confiscated property				
federal investigation	-	-	50,567	50,567
Sale of property and materials	-	-	168,782	168,782
Other	1,261,343	1,304,462	95,817	(1,208,645)
Total other revenues	14,496,449	2,574,392	659,642	(1,914,750)
Total revenues	645,994,269	638,210,319	643,267,037	5,056,718
Expenditures				
General administration				
Board of county commissioners	580,857	597,650	575,958	21,692
County manager	1,716,793	1,872,111	1,418,423	453,688
Finance	2,663,474	2,754,648	2,599,328	155,320
Tax	5,122,407	7,005,410	6,447,885	557,525
Legal	1,526,756	1,581,224	1,472,392	108,832
Court facilities	657,071	578,401	470,337	108,064
Human resources	15,438,632	3,374,187	2,977,957	396,230
Elections	1,177,687	1,226,495	1,161,640	64,855
Risk management and insurance	2,296,170	2,386,525	1,684,681	701,844
General services	8,042,396	8,180,768	7,863,253	317,515
Geographic information systems	372,990	372,990	392,232	(19,242)
Information systems	5,291,096	5,506,845	4,856,352	650,493
Register of deeds	2,068,971	2,145,551	1,640,218	505,333
Other	4,795,043	3,237,476	1,403,419	1,834,057
Total general administration	51,750,343	40,820,281	34,964,075	5,856,206
Economic and physical development				
Planning	998,270	998,270	933,796	64,474
Cooperative extension	1,265,333	1,551,981	1,147,932	404,049
Soil and water conservation	333,918	335,418	305,588	29,830
Open space management	85,750	169,365	33,434	135,931
Other	1,696,897	1,796,897	1,390,331	406,566
Total economic and physical development	4,380,168	4,851,931	3,811,081	1,040,850
Human services				
Public health	20,085,617	21,499,446	19,132,770	2,366,676
Mental health	33,344,566	33,283,876	29,360,938	3,922,938
Social services	359,594,741	362,394,309	354,596,047	7,798,262
Other	1,892,322	1,895,046	1,558,110	336,936
Total human services	414,917,246	419,072,677	404,647,865	14,424,812
Education				
Durham public schools	97,997,705	98,097,705	98,097,705	-
Durham technical community college	4,596,478	4,596,478	4,596,478	-
Other education	93,666	93,666	93,666	-
Total education	102,687,849	102,787,849	102,787,849	-

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, 2008

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Expenditures (continued)				
Public safety				
Criminal justice partnership	\$ 2,199,390	\$ 2,374,231	\$ 2,023,232	\$ 350,999
County sheriff	15,059,582	16,936,759	15,781,977	1,154,782
County jail	13,527,739	13,754,417	13,400,727	353,690
Youth home	1,173,353	1,190,086	1,049,052	141,034
Animal control	1,688,783	1,679,969	1,592,690	87,279
Emergency communications center	837,952	837,952	768,967	68,985
Emergency medical services	7,646,953	7,690,476	7,215,272	475,204
County fire protection	2,398,010	2,641,131	2,459,205	181,926
Medical examiner	80,000	100,000	97,200	2,800
Other public safety	1,490,068	1,496,567	1,496,567	-
Total public safety	46,101,830	48,701,588	45,884,889	2,816,699
Transportation				
Airport authority	12,500	12,500	12,500	-
Total transportation	12,500	12,500	12,500	-
Environmental protection				
Solid waste	1,855,769	1,883,309	1,894,282	(10,973)
Environmental engineering	1,495,337	1,716,773	1,280,811	435,962
Other	62,679	64,310	44,373	19,937
Total environmental protection	3,413,785	3,664,392	3,219,466	444,926
Cultural and recreational				
Library	9,419,649	9,655,830	8,688,749	967,081
Other	1,838,501	1,901,180	1,815,917	85,263
Total cultural and recreational	11,258,150	11,557,010	10,504,666	1,052,344
Total expenditures	634,521,871	631,468,228	605,832,391	25,635,837
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,472,398	6,742,091	37,434,646	30,692,555
Other financing sources (uses)				
Transfers in	5,853,759	5,990,753	5,990,224	(529)
Appropriated fund balance	19,209,735	29,217,334	-	(29,217,334)
Transfers out	(37,401,400)	(42,815,686)	(42,815,686)	-
Issuance of installment purchases	865,508	865,508	1,700,000	834,492
Total other financing uses	(11,472,398)	(6,742,091)	(35,125,462)	(28,383,371)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	\$ -	2,309,184	\$ 2,309,184
FUND BALANCE -BEGINNING OF YEAR			92,803,796	
FUND BALANCE - END OF YEAR			\$ 95,112,980	

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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 4,287,358	\$ 4,287,358	\$ (947,627)	\$ (5,234,985)
Charges for services	3,500,000	3,500,000	3,553,462	53,462
Total revenues	<u>7,787,358</u>	<u>7,787,358</u>	<u>2,605,835</u>	<u>(5,181,523)</u>
Expenditures				
Amortization of lease discount	1,150,000	1,150,000	1,150,000	-
Total expenditures	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,637,358</u>	<u>6,637,358</u>	<u>1,455,835</u>	<u>(5,181,523)</u>
Other financing sources (uses)				
Appropriated fund balance	(2,350,122)	(2,187,528)	-	2,187,528
Transfers out	(4,287,236)	(4,449,830)	(4,449,830)	-
Total other financing uses	<u>(6,637,358)</u>	<u>(6,637,358)</u>	<u>(4,449,830)</u>	<u>2,187,528</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>(2,993,995)</u>	<u>\$ (2,993,995)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>20,789,807</u>	
FUND BALANCE - END OF YEAR			<u>\$ 17,795,812</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, 2008

	<u>Enterprise Fund</u>
	<u>Sewer Utility Fund</u>
Assets	
Current assets	
Cash and cash equivalents / investments	\$ 8,107,595
Cash and cash equivalents / investments - restricted	6,217,552
Receivables:	
Accounts receivable	10,534
Accrued interest receivable	107,844
Assessment receivable	69,257
Total receivables	<u>187,635</u>
Due from other governments - federal and state agencies	1,532
Due from other governments - local	476,108
Total current assets	<u>14,990,422</u>
Noncurrent assets	
Bond issuance costs	512,094
Accumulated amortization - bond issuance costs	(109,969)
Capital assets:	
Land	185,226
Land improvements - sewer and water lines	24,260,959
Building treatment plant	4,103,344
Machinery and equipment	277,674
Vehicles	52,226
Construction in progress	36,620,265
Total capital assets	<u>65,499,694</u>
Less accumulated depreciation and amortization	<u>(11,852,610)</u>
Net capital assets	<u>53,647,084</u>
Total noncurrent assets	<u>54,049,209</u>
Total assets	<u>69,039,631</u>
Liabilities	
Current liabilities	
Current portion of accrued compensated absences	11,568
Current portion of long-term debt	1,985,365
Current portion of unamortized bond premium	33,834
Accounts payable	1,079,897
Arbitrage rebate payable	13,000
Accrued interest payable	117,693
Accrued payroll and related amounts withheld	20,329
Total current liabilities	<u>3,261,686</u>
Noncurrent liabilities	
Accrued compensated absences	20,100
Long-term debt	21,954,956
Noncurrent unamortized bond premium	628,223
Total noncurrent liabilities	<u>22,603,279</u>
Total liabilities	<u>25,864,965</u>
Net assets	
Net assets - capital net of debt	28,475,844
Net assets - restricted	6,217,552
Net assets - unrestricted	8,481,270
Total net assets	<u>\$ 43,174,666</u>

DURHAM COUNTY, NORTH CAROLINA

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

Proprietary Fund

Year Ended June 30, 2008

	Enterprise Fund
	Sewer Utility Fund
Operating revenues	
Charges for services	\$ 7,964,469
Total operating revenues	<u>7,964,469</u>
Operating expenses	
Personnel services	459,767
Contracted services - wastewater treatment plant	2,421,783
Utilities	285,614
Maintenance and other	945,442
Depreciation and amortization	570,567
Total operating expenses	<u>4,683,173</u>
Operating income (loss)	<u>3,281,296</u>
Nonoperating revenue (expense)	
Investment and interest income	847,304
Sewer connection fees	369,143
Intergovernmental revenues	91,361
Interest and fiscal charges	(1,013,857)
Miscellaneous	62,716
Amortization of bond issue costs	(19,696)
Amortization of bond premium	33,834
Total nonoperating revenue (expense)	<u>370,805</u>
Income (loss) before transfers and contributions	3,652,101
Transfers out	(154,238)
Capital contributions	35,055
Change in net assets	3,532,918
Total net assets - beginning	<u>39,641,748</u>
Total net assets - ending	<u>\$ 43,174,666</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, 2008

	<u>Enterprise Fund</u>
	<u>Sewer</u>
	<u>Utility</u>
	<u>Fund</u>
Operating activities	
Cash received from sales	\$ 8,545,932
Cash paid to employees	(432,855)
Cash paid for contracted services	(3,457,682)
Net cash provided (used) by operating activities	<u>4,655,395</u>
Noncapital financing activities	
Sewer connection fees received	369,143
Transfers out	(154,238)
Intergovernmental revenues	91,361
Net cash provided (used) by noncapital financing activities	<u>306,266</u>
Capital and related financing activities	
Principal payments on long-term debt	(1,919,413)
Interest paid	(1,310,847)
Acquisition and construction costs of capital assets	(617,388)
Net cash provided (used) by capital and related financing activities	<u>(3,847,648)</u>
Investing activities	
Investment income and dividends	817,875
Net cash provided (used) by investing activities	<u>817,875</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>1,931,888</u>
Cash and cash equivalents/investments	
Beginning of year	<u>12,393,259</u>
End of year	<u>\$ 14,325,147</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 3,281,296
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	570,567
Change in assets and liabilities	
Accounts receivable	376,886
Due from other governments - federal and state agencies	157,569
Due from other governments - local	47,008
Accounts payable and accrued expenses	195,157
Other liabilities	26,912
Total adjustments	<u>1,374,099</u>
Net cash provided (used) by operating activities	<u>\$ 4,655,395</u>

DURHAM COUNTY, NORTH CAROLINA

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ -	\$ 17,720	\$ 2,909,527
U.S. government securities	1,095,453	-	-
Net taxes receivable	-	-	2,656,734
Total assets	<u>1,095,453</u>	<u>17,720</u>	<u>\$ 5,566,261</u>
Liabilities			
Accounts payable	-	22	-
Accrued payroll and amounts withheld	2,860	-	-
Funds held for others	-	-	609,435
Due to governmental agencies	-	-	4,956,826
Total liabilities	<u>2,860</u>	<u>22</u>	<u>\$ 5,566,261</u>
Net assets			
Held in trust for:			
Employee pension benefits	1,092,593	-	
Individuals, organizations, and other governments	-	17,698	
Total net assets	<u>\$ 1,092,593</u>	<u>\$ 17,698</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, 2008

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds
Additions		
Employer contributions	\$ 165,761	\$ -
Employee contributions	-	3,440
Investment income	38,046	234
Total additions	<u>203,807</u>	<u>3,674</u>
Deductions		
Benefits	<u>81,227</u>	<u>1,700</u>
Total deductions	<u>81,227</u>	<u>1,700</u>
Change in net assets	122,580	1,974
Total net assets - beginning	<u>970,013</u>	<u>15,724</u>
Total net assets - ending	<u><u>\$ 1,092,593</u></u>	<u><u>\$ 17,698</u></u>

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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 its surpluses 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, 2008

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, 2008

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% 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. Therefore, these funds do 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, 2008

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, 2008

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following summarizes the supplementary appropriations made for the major governmental funds other than the capital projects fund during 2008:

	Original Budget	Total Amendments	Revised Budget
General	\$ 671,923,271	\$ 2,360,643	\$ 674,283,914
Less Federal Awards (See Note N.)			<u>(232,503,929)</u>
Reconciliation from budget basis to GAAP			<u>\$ 441,779,985</u>
 Community Health Trust	 \$ 5,437,236	 \$ 162,594	 <u>\$ 5,599,830</u>

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

The intergovernmental revenues received from federal and the related functional expenditures are not included in the General Fund GAAP statement but are included in the General Fund budgetary statement. The intergovernmental revenues from federal funding sources 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, 2008

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, 2008, the County's deposits had a carrying amount of \$4,021,407 and a bank balance of \$4,864,047. Of the bank balance, \$524,246 was covered by federal depository insurance, \$1,416,606 was covered by collateral held under the Dedicated Method and \$2,923,195 was covered by collateral held under the Pooling Method.

At June 30, 2008, the ABC Board's deposits had a carrying amount of \$2,193,840 and a bank balance of \$2,588,640. Of the bank balance, \$257,557 was covered by federal depository insurance and \$2,331,083 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, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of June 30, 2008 the County had the following investments and maturities:

Investment Type	Fair Value	Less Than		
		6 Months	6-12 Months	1-5 Years
US Government Agencies	\$ 65,044,438	\$ 31,043,453	\$ 23,001,100	\$ 10,999,885
Commercial Paper	2,933,147	2,933,147	-	-
NC Capital Management Trust - Cash Portfolio	131,255,873	131,255,873	-	-
Community Health Trust	19,317,412	11,189,266	272,036	2,841,469
Fidelity Treasury Portfolio II C1 III (Installment Purc)	4,822,758	4,822,758	-	-
First Citizens Trust (Revenue Bonds)	1,940,934	1,940,934	-	-
Total:	\$ 225,314,562	\$ 183,185,431	\$ 23,273,136	\$ 13,841,354

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 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, 2008, 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 & Poors as of June 30, 2008. 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 & Poors 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.

Concentration of Credit Risk:

The County places no limit on the amount that the County may invest in any one issuer. More than 53 percent of the County's investments are the Federal Home Loan Bank and Federal Farm Credit Bank. These investments are 24.82% and 27.77%, respectively, of the County's total investments. All securities owned by the County at June 30, 2008, were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank.

The ABC Board did not have any investments as of June 30, 2008.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Receivables

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The receivables as of June 30, 2008 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	Special Assess- ments	Solid Waste	Emergency Medical Services	Community Development Mortgage Loans	Due from Other Governments	Total
Governmental activities:									
General	\$ 1,025,201	\$ 762,531	\$ 3,880,345	\$ 6,529	\$ 18,074	\$ 18,800,888	\$ 520,790	\$ 22,606,308	\$ 47,620,666
Capital projects	-	44,258	-	-	-	-	-	406,818	451,076
Other governmental	-	-	60,468	-	-	-	-	182,143	242,611
Total receivables	1,025,201	806,789	3,940,813	6,529	18,074	18,800,888	520,790	23,195,269	48,314,353
Allowance for doubtful accounts	-	-	(174,427)	-	-	(10,583,020)	(520,790)	-	(11,278,237)
Total governmental activities	<u>\$ 1,025,201</u>	<u>\$ 806,789</u>	<u>\$ 3,766,386</u>	<u>\$ 6,529</u>	<u>\$ 18,074</u>	<u>\$ 8,217,868</u>	<u>\$ -</u>	<u>\$ 23,195,269</u>	<u>\$ 37,036,116</u>
Business-type activities:									
Sewer utility	<u>\$ 10,534</u>	<u>\$ 107,844</u>	<u>\$ -</u>	<u>\$ 69,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 477,640</u>	<u>\$ 665,275</u>
Total receivables	10,534	107,844	-	69,257	-	-	-	477,640	665,275
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>\$ 10,534</u>	<u>\$ 107,844</u>	<u>\$ -</u>	<u>\$ 69,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 477,640</u>	<u>\$ 665,275</u>

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, 2008 of \$520,790 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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)	\$3,705,918	\$ -
Net property taxes receivable (special revenue)	60,468	-
Collections in advance (general fund)	-	1,053,356
Collections in advance (special revenue)	-	39,500
Emergency medical services receivable (general fund)	8,217,868	-
Solid waste (general fund)	18,074	-
Special assessments receivable (general fund)	6,529	-
Total deferred/unearned revenue for governmental funds	\$ 12,008,857	\$ 1,092,856

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 assets with an individual cost of \$5,000 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, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

these properties. As of fiscal year end, seventeen of these title transfers had been executed and are 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 does not hold title to all other Durham County Board of Education properties, and therefore, the construction for these properties have not been included in capital assets. These properties are reflected as capital assets in the financial statements of the Durham County Board of Education.

The County maintains museum construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the 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.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2008 amounted to \$6,089,075. Of this amount, \$6,057,407 is recorded as a liability in the government-wide financial statements for governmental activities, and \$31,668 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, 2008 amounted to \$111,926. The current portion of the ABC Board's accumulated vacation pay is not considered to be material.

Permanent employees of the County earn sick leave at the rate of 12 days per year. There is no limit on the accumulation of sick leave for either the County or the ABC Board. Accumulated sick leave for the County at June 30, 2008 amounted to \$17,430,936 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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 and restricted cash and cash equivalents/investments in the General Fund.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unreserved:

- Designated for subsequent year's expenditures – represents the amount of fund balance appropriated to the budget for the year ending June 30, 2009.
- 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, 2009.
- 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, 2009.
- Designated for OPEB – represents the amount of fund balance set aside for funding of Other Post-Employment Benefits (OPEB).
- Designated for social services – represents the amount of fund balance set aside for funding of social services.
- 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, 2008:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Nonmajor Funds	
				Special Revenue Funds	Debt Service Fund
Fund Balance:					
Reserve for encumbrances	\$ 3,185,443	\$ -	\$ 19,752,051	\$ -	\$ -
Reserve by State Statute	23,804,558	-	406,818	182,143	-
Reserve by State Statute - mental health	1,566,417	-	-	-	-
Reserve for other purposes	5,778,885	-	451	39,500	-
Designations:					
Subsequent year's expenditures	17,548,466	-	-	1,223,175	50,000
Risk management	4,285,668	-	-	-	-
Debt service	2,489,378	-	-	-	-
OPEB	4,778,407	-	-	-	-
Social services	499,849	-	-	-	-
Undesignated	31,175,909	17,795,812	76,705,535	1,545,179	970,035
	<u>\$ 95,112,980</u>	<u>\$ 17,795,812</u>	<u>\$ 96,864,855</u>	<u>\$ 2,989,997</u>	<u>\$ 1,020,035</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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, 2008.

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. Other than the net interest expenditures and/or revenues resulting from these agreements, no amounts are recorded in the financial statements.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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)	\$239,681,511
Investment in joint venture	8,365,483
Pension assets	<u>18,913</u>
Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities	<u>\$248,065,907</u>

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)	\$ 3,772,915
Solid waste receivable	18,074
Emergency medical services receivable (net)	<u>8,217,868</u>
Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities	<u>\$ 12,008,857</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

**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	\$ 27,084,119
Bonds and other notes payable	284,732,433
Unamortized bond premium due within one year	267,999
Unamortized bond premium	1,448,640
Pension liabilities	12,688,603
Accrued compensated absences	6,057,407
Accrued interest payable	<u>2,182,199</u>
 Subtotal	 334,461,400
 Less: accrued interest receivable	 (806,789)
Less: bond issuance costs net of accumulated amortization	 <u>(660,400)</u>
 Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities	 <u>\$332,994,211</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

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	\$53,551,317
Less: depreciation expense	(9,716,411)
Plus: increase in pension asset	<u>3,663</u>
 Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 <u>\$43,838,569</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 and assessments receivable (net)	\$ (559,612)
Increase in deferred revenue of emergency medical services receivable (net)	1,304,660
Decrease in deferred revenue of solid waste receivable (net)	<u>(2,602)</u>
 Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 <u>\$ 742,446</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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	\$ (25,249,056)
Amortization of issuance costs	47,538
Increase in issuance cost	(83,939)
Increase in debt (net)	47,896,584
Increase in pension liability	12,688,603
Decrease in accrued interest payable	(236,323)
Increase in accrued compensated absences	549,161
Increase in accrued interest receivable	113,785
Increase in bond premium	404,574
Amortization of bond premium	<u>(251,141)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 35,879,786</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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, 2001.

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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. 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 2008 - 2009 fiscal year and are not shown as receivables at June 30, 2008.

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, 2008 was \$211,737. In addition to the delinquent interest collections, interest in the amount of \$1,261 was earned during fiscal year 2008.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 6,837,204	\$ -	\$ -	\$ 6,837,204
Construction in progress	59,615,616	31,958,820	-	91,574,436
Total nondepreciable capital assets	<u>66,452,820</u>	<u>31,958,820</u>	<u>-</u>	<u>98,411,640</u>
Depreciable capital assets:				
Buildings	164,314,335	19,981,684	-	184,296,019
Office furniture and equipment	350,982	-	-	350,982
Machinery and equipment	4,433,037	343,782	-	4,776,819
Computer hardware	2,667,993	164,607	-	2,832,600
Computer software	12,709,724	255,188	-	12,964,912
Vehicles	11,937,080	847,236	(192,151)	12,592,165
Total depreciable capital assets	<u>196,413,151</u>	<u>21,592,497</u>	<u>(192,151)</u>	<u>217,813,497</u>
Less accumulated depreciation for:				
Buildings	50,696,233	4,353,068	-	55,049,301
Office furniture and equipment	327,221	3,644	-	330,865
Machinery and equipment	3,758,726	202,456	-	3,961,182
Computer hardware	2,564,288	77,435	-	2,641,723
Computer software	1,285,952	3,974,828	-	5,260,780
Vehicles	8,386,946	1,104,980	(192,151)	9,299,775
Total accumulated depreciation	<u>67,019,366</u>	<u>9,716,411</u>	<u>(192,151)</u>	<u>76,543,626</u>
Total depreciable capital assets, net	<u>129,393,785</u>	<u>11,876,086</u>	<u>-</u>	<u>141,269,871</u>
Governmental activities capital assets, net	<u>\$ 195,846,605</u>	<u>\$ 43,834,906</u>	<u>\$ -</u>	<u>\$ 239,681,511</u>

During 2008, the County incurred \$32,598,824 of expenditures for school construction. The County only includes school construction in its construction in progress in the capital assets of governmental activities for properties for which the County holds title. Therefore, for fiscal year 2008, for properties where the County holds title \$18,425,588 was capitalized and for properties where Durham County Board of Education holds title \$14,173,236 was not capitalized.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

D. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 5,937,897
Public safety	2,542,467
Environmental protection	24,438
Economic and physical development	5,946
Human services	655,479
Education	300,157
Cultural and recreational	250,027
Total depreciation expense	<u><u>\$ 9,716,411</u></u>

Business-type Activities/Sewer Utility Fund:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Land	\$ 185,226	\$ -	\$ -	\$ 185,226
Construction in progress	<u>35,654,528</u>	<u>1,241,897</u>	<u>(276,160)</u>	<u>36,620,265</u>
Total nondepreciable capital assets	<u>35,839,754</u>	<u>1,241,897</u>	<u>(276,160)</u>	<u>36,805,491</u>
Depreciable capital assets:				
Land improvements - water and sewer lines	24,225,904	35,055	-	24,260,959
Buildings	4,103,344	-	-	4,103,344
Machinery and equipment	277,674	-	-	277,674
Vehicles	<u>52,226</u>	<u>-</u>	<u>-</u>	<u>52,226</u>
Total depreciable capital assets	<u>28,659,148</u>	<u>35,055</u>	<u>-</u>	<u>28,694,203</u>
Less accumulated depreciation for:				
Land improvements - water and sewer lines	8,853,825	479,238	-	9,333,063
Buildings	2,202,472	64,525	-	2,266,997
Machinery and equipment	186,649	20,606	-	207,255
Vehicles	<u>39,097</u>	<u>6,198</u>	<u>-</u>	<u>45,295</u>
Total accumulated depreciation	<u>11,282,043</u>	<u>570,567</u>	<u>-</u>	<u>11,852,610</u>
Total depreciable capital assets, net	<u>17,377,105</u>	<u>(535,512)</u>	<u>-</u>	<u>16,841,593</u>
Business-type activities capital assets, net	<u><u>\$ 53,216,859</u></u>	<u><u>\$ 706,385</u></u>	<u><u>\$ (276,160)</u></u>	<u><u>\$ 53,647,084</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
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	-	-	2,692,482
Leasehold improvements	674,076	73,103	-	747,179
Vehicles	61,048	16,105	(22,113)	55,040
Machinery and equipment	748,425	165,437	(106,223)	807,639
Law enforcement	143,519	26,877	-	170,396
Total depreciable capital assets	<u>4,319,550</u>	<u>281,522</u>	<u>(128,336)</u>	<u>4,472,736</u>
Less accumulated depreciation for:				
Buildings and improvements	608,408	67,055	-	675,463
Leasehold improvements	254,684	33,791	-	288,475
Vehicles	61,048	1,917	(22,113)	40,852
Machinery and equipment	650,118	39,507	(106,173)	583,452
Law enforcement	70,773	15,431	-	86,204
Total accumulated depreciation	<u>1,645,031</u>	<u>157,701</u>	<u>(128,286)</u>	<u>1,674,446</u>
Total depreciable capital assets, net	<u>2,674,519</u>	<u>123,821</u>	<u>(50)</u>	<u>2,798,290</u>
ABC Board capital assets, net	<u>\$ 4,213,972</u>	<u>\$ 123,821</u>	<u>\$ (50)</u>	<u>\$ 4,337,743</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2008:

	Balance			Balance	Amounts
	July 1, 2007	Increases	Decreases	June 30, 2008	Due Within
					One Year
Governmental activities:					
General obligation bonds	\$242,165,269	\$ 46,190,000	\$17,570,588	\$270,784,681	\$ 19,744,635
Certificates of participation	19,985,000	-	2,460,000	17,525,000	2,585,000
Industrial utilities extension policy	8,478,076	-	8,478,076	-	-
Unamortized bond premium	1,563,206	404,574	251,141	1,716,639	267,999
Installment notes payable	22,771,256	1,706,586	4,632,620	19,845,222	4,186,056
Accrued compensated absences	5,508,246	4,310,643	3,761,482	6,057,407	3,819,593
Other financing agreements	4,247,499	-	585,850	3,661,649	568,428
	<u>\$304,718,552</u>	<u>\$ 52,611,803</u>	<u>\$ 37,739,757</u>	<u>\$319,590,598</u>	<u>\$ 31,171,711</u>

	Balance			Balance	Amounts
	July 1, 2007	Increases	Decreases	June 30, 2008	Due Within
					One Year
Business-type activities:					
General obligation bonds	\$ 5,279,734	\$ -	\$ 494,413	\$ 4,785,321	\$ 490,365
Revenue bonds	20,580,000	-	1,425,000	19,155,000	1,495,000
Unamortized bond premium	695,891	-	33,834	662,057	33,834
Accrued compensated absences	16,975	31,376	16,683	31,668	11,568
	<u>\$ 26,572,600</u>	<u>\$ 31,376</u>	<u>\$ 1,969,930</u>	<u>24,634,046</u>	<u>\$ 2,030,767</u>

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

General obligation bonds

Durham County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds have been issued for both governmental and business-type activities, \$34,090,000 in school bonds were issued in fiscal year 2008.

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

E. LONG-TERM OBLIGATIONS (continued)

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. 2/3s bonds have been issued for governmental and business-type activities, \$12,100,000 in governmental bonds were issued in fiscal year 2008.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

E. LONG-TERM OBLIGATIONS (continued)

General obligation bonds, installment purchases, certificate of participation bonds and revenue bonds outstanding at June 30, 2008 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, 2008</u>
<u>Governmental activities:</u>					
Public improvement, Series 2000 (2/3 Bonds)	5.40% to 5.60%	6/1/2000	5/11/2017	\$ 1,700,000	\$ 1,087,389
Refunding, Series 2001	4.25% to 5.50%	2/15/2001	4/1/2013	87,490,000	42,550,000
Public improvement, Series 2002A	3.25% to 4.75%	1/1/2002	3/1/2022	11,050,000	7,750,000
Refunding, Series 2002B	4.25% to 5.50%	1/1/2002	3/1/2022	33,567,112	5,042,292
Public improvement, Series 2002B	4.00% to 5.00%	5/1/2002	4/1/2022	68,410,000	60,160,000
Public improvement, Series 2004A (2/3 Bonds)	4.00% to 5.00%	5/1/2004	5/1/2023	10,600,000	9,800,000
Public improvement, Series 2004B	4.00% to 5.00%	5/1/2004	5/1/2023	46,600,000	40,600,000
Public improvement, Series 2006A (2/3 Bonds)	4.00% to 5.00%	5/1/2006	6/1/2023	11,380,000	10,780,000
Public improvement, Series 2006B	4.00% to 5.00%	5/1/2006	6/1/2023	49,225,000	46,825,000
Public improvement, Series 2008A (2/3 Bonds)	3.50% to 5.00%	5/8/2008	4/1/2027	12,100,000	12,100,000
Public improvement, Series 2006B	3.50% to 5.00%	5/9/2008	4/1/2027	34,090,000	34,090,000
Certificate of participation, Series 1997 - jail facility	4.00% to 5.00%	12/1/1997	5/1/2014	38,865,000	17,525,000
Installment purchase public facility	4.64%	5/14/1996	11/14/2014	7,300,000	3,410,148
Installment purchase garage facility	4.415%	8/20/2003	8/20/2018	14,502,000	11,098,375
Installment purchase computer software	2.99%	3/9/2004	2/9/2009	3,425,000	546,890
Installment purchase voice IP	3.22%	5/2/2005	5/2/2009	1,410,000	369,649
Installment purchase vehicles and computer hardware	2.20%	10/12/2005	10/12/2009	5,830,000	1,464,680
Installment purchase vehicles	3.84%	9/15/2006	9/15/2010	2,160,000	1,255,481
Installment purchase vehicles	2.68%	5/27/2008	5/5/2012	1,700,000	1,700,000
<u>Other financing agreements</u>					
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	147,067
800 Mhz radio system upgrade	4.64%	9/27/2005	6/30/2015	5,012,454	3,514,581
Total governmental activities					<u>\$ 311,816,552</u>
<u>Business-type activities:</u>					
Public improvement, Series 2000 (2/3 Bonds)	5.40% to 5.60%	6/1/2000	5/11/2017	\$ 7,180,000	\$ 4,592,611
Refunding, Series 2002B	3.00% to 5.00%	1/1/2002	3/1/2010	1,282,887	192,710
Revenue bonds, Series 2003 - sewer plant expansion/improvements	3.00% to 4.75%	12/1/2002	6/11/2028	24,515,000	19,155,000
Total business-type activities					<u>\$ 23,940,321</u>
Total bonded indebtedness					<u>\$ 335,756,873</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2008 to amortize outstanding debt and funds available for draw under installment purchase contracts including interest payments exclusive of accrued compensated absences, the separation allowance and obligations under the industrial extensions policy 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
2009	\$ 19,744,635	\$ 12,499,870	\$ 2,585,000	862,890	\$ 4,754,483	\$ 754,582	\$ -	\$ -	\$ 27,084,118	\$ 14,117,342
2010	19,460,808	11,578,655	2,705,000	740,103	3,369,884	629,047	-	-	25,535,692	12,947,805
2011	18,641,576	10,615,313	2,840,000	608,910	2,544,036	532,650	-	-	24,025,612	11,756,873
2012	18,152,297	9,684,651	2,980,000	469,750	8,224,588	1,548,244	-	-	29,356,885	11,702,645
2013	18,337,297	8,836,040	6,415,000	485,000	3,613,817	209,695	-	-	28,366,114	9,530,735
2014-2018	81,813,068	32,738,031	-	-	952,581	-	-	-	82,765,649	32,738,031
2019-2023	73,945,000	14,451,113	-	-	47,482	-	-	-	73,992,482	14,451,113
2024-2028	20,690,000	2,240,725	-	-	-	-	-	-	20,690,000	2,240,725
2029-2033	-	-	-	-	-	-	-	-	-	-
	<u>\$ 270,784,681</u>	<u>\$ 102,644,398</u>	<u>\$ 17,525,000</u>	<u>\$ 3,166,653</u>	<u>\$ 23,506,871</u>	<u>\$ 3,674,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,816,552</u>	<u>\$ 109,485,269</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
2009	\$ 490,365	\$ 265,852	\$ -	\$ -	\$ -	\$ -	1,495,000	918,158	1,985,365	\$ 1,184,010
2010	349,192	239,716	-	-	-	-	1,570,000	843,408	1,919,192	1,083,124
2011	323,424	220,640	-	-	-	-	1,650,000	764,908	1,973,424	985,548
2012	727,703	202,851	-	-	-	-	580,000	682,408	1,307,703	885,259
2013	727,703	162,100	-	-	-	-	605,000	660,658	1,332,703	822,758
2014-2018	2,166,934	246,319	-	-	-	-	3,410,000	2,901,375	5,576,934	3,147,694
2019-2023	-	-	-	-	-	-	4,345,000	1,979,250	4,345,000	1,979,250
2024-2028	-	-	-	-	-	-	5,500,000	807,975	5,500,000	807,975
	<u>\$ 4,785,321</u>	<u>\$ 1,337,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,155,000</u>	<u>\$ 9,558,140</u>	<u>\$ 23,940,321</u>	<u>\$ 10,895,618</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

E. LONG-TERM OBLIGATIONS (continued)

Revenue bonds

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

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 2008.

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, 2008, such statutory limit for the County was \$1,850,926,731 providing a legal debt margin of \$1,575,356,731.

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. 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, 2023. The derivatives contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy.

Fair value

As of June 30, 2008, the swap had a negative fair value totaling (\$1.56) 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

E. LONG-TERM OBLIGATIONS (continued)

<u>Associated Bond Issues</u>	(In Thousands)						
	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Variable Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
Series 200, 2001, 2002 A&B and 2004 A&B				3.733% + BMA/ *	4.685% + 6-month	(\$1,557)	Aaa/AAA
General Obligation Bonds	\$125,810	7/30/04	3/1/23	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, 2008, 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 Ambac Assurance Corporation.

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, Ambac Assurance Corporation, 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's long-term debt was \$533,751 as of June 30, 2008.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$689,006 for the year ended June 30, 2008. The future minimum rental payments due under the leases at June 30, 2008 are as follows:

YEAR ENDING JUNE 30,	<u>COUNTY</u>	<u>ABC BOARD</u>
2009	\$ 605,281	\$ 76,337
2010	493,703	78,634
2011	321,127	60,234
2012	99,077	2,674
2013	99,077	-
2014-2018	355,021	-
TOTAL	<u>\$ 1,973,286</u>	<u>\$ 217,879</u>

Leased Facilities

Pursuant to agreements executed between the County, the 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, 2008 were \$15,893,370 and \$47,712,490, 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. The County received an advance payment in the amount of \$23,500,000 representing the first ten annual lease payments discounted at 8%. These funds are accounted for in the Community Health Trust Fund. In addition, under the terms of the original agreement, the County is 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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

F. COMMITMENTS (continued)

health and substance abuse treatment facility by the mental health services of the County. In addition, under the terms of the revised agreement, a one time payment of \$500,000 was paid to the County upon the full execution of the amendment to the agreement received in fiscal year 2008, 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, beginning fiscal year 2009, Duke will pay to the County \$100,000 annually over a ten year period for the support of mental health services. These funds are accounted for in the General Fund. There was no change regarding emergency medical services and the Lincoln Community Health Center. The County continues to treat this agreement as an operating lease.

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 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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

F. COMMITMENTS (continued)

The annual requirements to amortize reimbursements payable under this policy at June 30, 2008 are as follows:

YEAR ENDING JUNE 30,	Governmental activities		Business-type activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 2,655,333	\$ -	\$ -	\$ -	\$ 2,655,333	\$ -
2010	1,390,216	-	-	-	1,390,216	-
2011	1,311,294	-	-	-	1,311,294	-
2012	957,961	-	-	-	957,961	-
2013	842,961	-	-	-	842,961	-
2014-2018	2,451,844	-	-	-	2,451,844	-
TOTAL	\$ 9,609,609	\$ -	\$ -	\$ -	\$ 9,609,609	\$ -

Interest requirements related to the Industrial Extensions Policy are nominal.

3. School Facilities

In May 2007, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2008 – 2017 that included school projects totaling \$724,817,926 funded through voter approved general obligation bond referendums in November 2001 and November 2003 totaling \$157,091,084 and November 2007 in the amount of \$193,448,205, 2/3's general obligation bond in the amount of \$4,000,000, miscellaneous revenue in the amount of \$8,075,131 and county contributions of \$2,000,000 and requests for general obligation bond referendums in fiscal year 2010 and 2014 for \$120,007,586 and \$222,195,920, respectively, coupled with additional county contributions of \$18,000,000. Total construction in progress for fiscal year 2008 for these projects was \$32,598,824 while total combined construction in progress since inception was \$98,017,030.

4. Construction

The total ten-year estimated and funded project costs of the CIP until June of 2017 is \$1,200,880,847. 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), revenue bonds, county contributions, sewer utility contributions and other miscellaneous revenues.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

F. COMMITMENTS (continued)

The CIP allocated funding for fiscal year 2008 in the amount of \$147,174,364. Funds provided approximately \$24,243,503 for capital projects of general governmental activities, \$1,327,227 for public safety activities, \$19,650,750 for business-type activities, \$61,416,874 for education facilities, \$9,797,966 for cultural and recreation activities, \$1,614,000 for environmental protection, and \$29,124,044 for human service activities.

In December 2002, revenue bonds were issued in the amount of \$24,515,000 as a funding source for the continuation of the wastewater treatment plant improvements (Phase II) which have not been completed.

As part of the ten-year CIP for fiscal years 2008 – 2017, a general obligation bond referendum totaling \$123,665,000 was approved by Durham County citizens as a funding source. The referendum funded \$105,315,000 for school facilities, \$8,345,000 for community colleges, \$4,725,000 for library facilities, and \$5,280,000 for museum facilities. In addition, as part of the ten year CIP fiscal year 2008 – 2017, a general obligation bond referendum totaling \$207,100,000 was approved. 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 issued \$40,350,000 in April 2004, \$49,225,000 in May 2006 and the remaining amount of \$34,090,000 in April 2008 of this fiscal year. As of fiscal year end, no amount of the November 2007 voter approved general obligation bonds was issued.

5. Capital commitments

The County had commitments at June 30, 2008 of approximately \$1,735,553 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

F. COMMITMENTS (continued)

The County participates in a number of Federal and State of North Carolina grant awards program. 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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

G. INTERFUND BALANCES AND ACTIVITIES

The following is a schedule of interfund receivable and payable balances as of June 30, 2008:

Due to:

General Fund from Capital Projects Fund	
Amount due per BOCC approved interfund loan	<u><u>\$ 1,739,466</u></u>

Due from:

Capital Projects Fund to General Fund	
Amount due per BOCC approved interfund loan	<u><u>\$ 1,739,466</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, 2008:

	Transfers in:			
Transfers out:	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
General fund	\$ -	\$ 8,938,012	\$ 33,877,674	\$ 42,815,686
Capital projects fund	-	-	5,275,000	5,275,000
Community health trust fund	4,399,830	50,000	-	4,449,830
Sewer utility fund	154,238	-	-	154,238
Nonmajor governmental funds	<u>1,436,156</u>	<u>701,000</u>	<u>-</u>	<u>2,137,156</u>
Total transfers	<u><u>\$ 5,990,224</u></u>	<u><u>\$ 9,689,012</u></u>	<u><u>\$ 39,152,674</u></u>	<u><u>\$ 54,831,910</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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 Debt Service Fund are for funding general government debt payments.

Transfers from the Community Health Trust Fund to the General Fund are for funding health-related expenditures and to the Capital Projects Fund are for funding of renovations to the Lincoln Community Health Center.

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

Transfers from the Special Revenue Funds to the General Fund are for funding general government public safety expenditures.

Transfers from the Debt Service Fund to the Capital Project Fund are to return funds from investment earnings for funding of construction projects.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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 4.88% and 4.86%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 4.93% and 4.78% 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, 2008, 2007 and 2006 were \$3,718,372, \$3,455,523, and \$3,192,245, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$97,157, \$91,756, and \$92,065, 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, 2008

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	<u>163</u>
Total	<u><u>168</u></u>

Summary of Significant Accounting Policies:

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

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

Contributions. The County is required by Article 12D of NCGS Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$165,761 or 2.2% 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, 2008 was determined as part of the December 31, 2006 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, 2006 was twenty-four years.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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	\$ 162,267
Interest on net pension asset	(1,106)
Adjustment to annual required contribution	<u>937</u>
Annual pension cost	162,098
Contributions made	<u>165,761</u>
Increase in net pension asset	(3,663)
Net pension asset, beginning of year	<u>(15,250)</u>
Net pension asset, end of year	<u><u>\$ (18,913)</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, 2008	\$ 162,098	102.26%	\$ (18,913)
June 30, 2007	141,812	0%	(15,250)
June 30, 2006	160,286	107.58%	(157,062)

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.

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, 2008 were \$574,893, which consisted of \$382,673 from the County and \$192,220 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, 2008 totaled \$12,880, which consisted of \$6,591 from the ABC Board and \$6,289 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 2.49%, and 5% and 5%, respectively, of the covered payroll.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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, 2008, the County's required and actual contributions were \$26,626.

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 \$68,515,527. The County's total payroll was \$77,635,401. Total contributions for the year ended June 30, 2008 were \$5,406,074, which consisted of \$3,408,326 from the County and \$1,997,748 from the non-law enforcement personnel. The County's required contribution and the non-law enforcement personnel's voluntary contribution represented 7.89% of the covered payroll amount.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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 postemployment healthcare benefits to retirees of the County who participate in the North Carolina Local Governmental Employee' 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 rates for healthcare and dental. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$5,000 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, 2005, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	296	8
Active plan members	<u>1,568</u>	<u>165</u>
Total	<u>1,864</u>	<u>173</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 depending on if the low option or high option of coverage is chosen. For retirees that qualify for full cost coverage, the monthly rates for healthcare are: for family dependent coverage, the monthly rates are \$618 for the low option and \$740 for the high option; for the spouse only coverage, the monthly rates are \$349 for the low option and \$421 for the high option; and for the child only coverage, the monthly rates are \$181 for the low option and \$217 for the high 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 \$320 for the low option and \$384 for the high option; for retiree/family dependent coverage, the monthly rates are \$938 for the low option and \$1,124 for the high option; for the retiree/spouse only coverage, the monthly rates are \$669 for the low option and \$802 for the high option; and for the retiree/child only coverage, the monthly rates are \$501 for the low option and \$601 for the high 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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

dependents at the low option or high option of coverage. For retiree only, the monthly rates are \$24 for the low option and \$29 for the high option; for retiree/family dependent coverage, the monthly rates are \$92 for the low option and \$111 for the high option; for retiree/spouse only coverage, the monthly rates are \$49 for the low option and \$59 for the high option; and for the retiree/child coverage, the monthly rates are \$57 for the low option and \$68 for the high option. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$5,000 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 20.90% of annual covered payroll. For the current year, the County contributed \$863,773 or 1.38% 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 1.08% and .05% 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 and net assets of the General Fund and Sewer Utility Fund in the amount of \$4,778,407 and \$110,921, respectively, which represents 36.08% of ARC. Currently, 354 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:

Annual required contribution	\$13,552,376
Interest on net OPEB obligation	<u>-</u>
Annual OPEB cost (expense)	13,552,376
Contributions made	<u>863,773</u>
Increase (decrease) in net OPEB obligation	12,688,603
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$12,688,603</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

<u>For Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	\$13,552,376	6.37%	\$12,688,603

Funding Status and Funding Progress. As of December 31, 2005, 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 \$150,676,744. The covered payroll (annual payroll of active employees covered by the plan) was \$62,503,289 and the ratio of the UAAL to the covered payroll was 241.10%. 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, presents 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, 2005 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 12.00 to 6.00 percent annually, per capita costs adjusted to reflect expected cost changes related to age, anticipated plan participation of 100% and annual expected claim estimates for pre-65 and post-65. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005 was 30 years.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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, 2008, the County made contributions to the State for death benefits of \$65,610. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.08% 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, 2008

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.

Health and Dental Benefits – The County has a fully-insured health benefit plan. However, the County is self-insured for dental benefits. The County reports claims expenditures and liabilities in the General Fund. During fiscal year 2008, a total of \$939,616 was incurred for dental benefits and administrative costs.

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 \$930,538 was incurred for benefits during the fiscal year 2008.

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.

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. There is currently a judgment against the County in the amount of \$123,365. The case is on appeal, and there are sufficient funds in a risk management account to cover the judgment, should it be upheld. Management estimates that potential liabilities resulting from litigation would not have a material adverse effect on the financial position of the County at June 30, 2008.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

K. JOINTLY GOVERNED ORGANIZATIONS

Special Airport District of Durham and Wake Counties

Durham County, in conjunction with the other local governments, is a member of the Special Airport District of Durham and Wake Counties. The Special Airport District of Durham and Wake Counties is a special taxing district governed by a four-member board comprised of two members each from the Durham and Wake Boards of County Commissioners. The District is a public body limited to aiding the Raleigh-Durham Airport Authority in financing the construction of aeronautical facilities.

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 the financial obligations. The County does not approve the budget of the District, nor does the County control the collection or disbursement of District funds. There is no on-going financial interest or responsibility by the County.

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 \$67,696 to the Council during the fiscal year ended June 30, 2008. 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)

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.

The following is a summary of certain unaudited financial information of the District for the year ended June 30, 2008:

Total assets	\$ 1,090,560
Total liabilities	<u>(71,459)</u>
 Total equity	 <u>\$ 1,019,101</u>
 Total revenues	 \$ 1,157,079
Total expenditures	<u>(594,748)</u>
 Increase in fund balance	 <u>\$ 562,331</u>

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

Raleigh-Durham Airport Authority

The Raleigh-Durham Airport Authority is governed by a board appointed to plan and conduct the operations of the Raleigh-Durham International Airport (the "Airport Authority"). The eight-member governing body is jointly appointed by the City of Durham, City of Raleigh, County of Durham and County of Wake, with each member government appointing two members to the Airport Authority Board. The Airport Authority Board selects the management and determines the budget and financing requirements for airport operations. The County and other participating governments each appropriate \$12,500 annually to cover administration expenses incurred by the Airport Authority.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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 2008 appropriation of approximately \$3.864 million to the College represents approximately 14.30% of its total non-operating revenues, with the majority of funding being provided by the State of North Carolina Department of Community Colleges. In addition, the County contributed \$.733 million to capital outlay bringing the County's contribution to Durham Technical Community College capital outlay to 18.3%. 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, 2008. 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, 2008, the County recorded an equity interest in the Bureau of \$933,600 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, 2008

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. At June 30, 2008, the County owned 50% equity in the Civic Center by the initial deposit of \$3,000,000 and additional equity purchases of \$8,089,177 during prior fiscal years. 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, 2008, the County’s equity interest in the Authority was \$7,368,416.

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 2008, the amount funded by the County was approximately \$174,000. 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, 2008 is \$8,365,483.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

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	\$ 170,513,224	\$ 85,134,738
Food Stamps	28,892,575	-
Temporary Assistance for Needy Families	1,951,354	-
Special Assistance to Adults	-	2,101,077
Title IV-E Adoption Assistance	584,968	-
Total Direct Federal and State Awards	\$ 201,942,121	\$ 87,235,815

The amounts listed below were paid to the County and transmitted to their intended final individual recipients by the County from federal and state monies. County personnel are involved with certain functions, primarily providing pass-through resources, and should recognize revenue when all eligibility requirements have been met and the resources become available. This condition exists when the resources are, in fact, transmitted to their intended final recipient. These amounts disclose this additional aid to County recipients which also do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	Federal	State
U.S. Department of Agriculture	\$ 2,278,999	\$ -
U.S. Department of Justice	393,195	-
U.S. Department of Homeland Security	153,467	-
N.C. Department of Health and Human Services	27,736,147	25,399,941
Other State Programs	-	4,174,989
Total Indirect Federal and State Awards	\$ 30,561,808	\$ 29,574,930
Total Federal and State Awards	\$ 232,503,929	\$ 116,810,745

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

O. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2008, the County reevaluated its Industrial Extension Policy (IEP) and the agreements entered into under the IEP. See Note F for a detailed description of the County's IEP. As a result, the County has changed the method of accounting and is accounting for them as nonexchange transactions per GASB Statement No. 33. Previously, the agreements under the IEP were accounted for as long-term debt whereby the total amounts were expended in the fiscal year in which the agreements were entered, with long-term debt being recorded in the amount of the agreement. This was because the agreements were for multiple years with required obligations to be met per year, and if met, the agreed upon amount for that year was paid. However, after reevaluation of the IEP and the agreements, the County has determined that accounting for them as nonexchange transactions as defined in GASB Statement No. 33 is more appropriate. These agreements are economic incentive agreements that benefit the economy, the citizens and the community whereby if certain requirements are met (e.g., expansion, number of jobs created, etc.), then compensation is provided by Durham County. Because of the economy and the nature of these agreements, it is difficult to determine if equal value is being exchanged, and therefore are now considered to be voluntary nonexchange transactions.

Because the County is under no obligation until the eligibility requirements are met, effective fiscal year 2008, the County now pays and records an expenditure during the fiscal year in which the agreed-upon requirements are met, based on the individual IEP agreements. If this accounting method had been in effect for the 2007 fiscal year, ending net assets for governmental activities would have been \$116,634,527 which is \$8,478,076 higher than was previously reported. The beginning net assets of the governmental activities for the 2008 fiscal year have been restated to that amount.

REQUIRED SUPPLEMENTARY INFORMATION

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%

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%

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, 2007
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
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]
12/31/2005	\$0	\$150,676,744	\$150,676,744	0.00%	\$62,503,289	241.10%

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%

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, 2005
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	12.00% to 6.00%
Year of ultimate trend rate	2010

*Includes inflation at: 3.75%

OTHER SUPPLEMENTARY INFORMATION

**COMBINING and INDIVIDUAL
FUND STATEMENTS and
SCHEDULES
(DIVIDER)**

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, 2008**

PROJECT	EXPENDITURES		SPENT TO DATE	REMAINING COMMITMENT
	CURRENT YEAR	PRIOR YEARS		
Durham Public School Projects	\$ 32,598,824	\$ 65,418,206	\$ 98,017,030	\$ 133,755,229
Eligibility Building	-	18,080	18,080	1,920
Justice Center	3,059,655	6,706,818	9,766,473	4,529,982
Judicial Building Renovation	696,634	175,945	872,579	204,163
Cooperative Extension Renovation	1,311	822,365	823,676	56
NCML & Bioquest	116,810	10,478,497	10,595,307	374,693
Human Services Automation	57,477	1,666,883	1,724,360	10,772
Human Services Complex	883,869	6,467,088	7,350,957	595,685
Senior Center	14,775	5,619,855	5,634,630	25,931
North Durham Library	17,476	6,261,514	6,278,990	44,182
Stanford Warren Library	227,424	1,725,534	1,952,958	10,772
Southwest Branch Library	166,802	595,151	761,953	2,602,551
South Regional Library	285,206	1,417,330	1,702,536	3,984,726
East Regional Library	190,096	6,219,241	6,409,337	20,260
American Tobacco Garage Parking	100,000	14,268,099	14,368,099	133,901
Scattered Site Housing Program	112,379	412,855	525,234	51,707
County Computer Repl Project	1,486,277	4,164,971	5,651,248	1,460,252
Head Start YMCA Building	-	1,105,602	1,105,602	6,648
County ERP Software Project	-	3,392,345	3,392,345	72,655
DTCC Student Services Building	-	2,995,179	2,995,179	4,821
Crim Justice Resource Center	-	484,169	484,169	17,777
Open Space/Farmland Preservation	2,227,940	859,488	3,087,428	4,870,327
DTCC Campus Improvements	88,518	970,103	1,058,621	4,141,379
Telecommunications System Upgrade	6,847	1,376,218	1,383,065	119,735
New Hope/Duke Land Acquisition	1,013,280	500,000	1,513,280	50,720
Detention Center Project	85,955	139,278	225,233	480,857
Animal Shelter Building Office Project	685,969	59,708	745,677	764,316
BOCC Chamber Upgrade	70,095	79,458	149,553	620,447
Open Space Acquisition and Development	-	6,500	6,500	13,148
Mental Health Crisis Center Renovations	1,886,783	-	1,886,783	913,217
Main Liabrary Renovations	126	-	126	799,874
County Stadium Renovations	110,250	-	110,250	4,389,750
Civic Center	245,000	-	245,000	-
Lincoln Community Health Center Renovations	13,986	-	13,986	36,014
	<u>\$ 46,449,764</u>	<u>\$ 144,406,480</u>	<u>\$ 190,856,244</u>	<u>\$ 165,108,467</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, 2008**

	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	\$ 5,612	\$ 12,108	\$ 17,720
Total assets	<u>5,612</u>	<u>12,108</u>	<u>17,720</u>
Liabilities			
Accounts payable	-	22	22
Total liabilities	<u>-</u>	<u>22</u>	<u>22</u>
Net assets			
Held in trust for:			
Individuals, organizations, and other governments	5,612	12,086	17,698
Total net assets	<u>\$ 5,612</u>	<u>\$ 12,086</u>	<u>\$ 17,698</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Net Assets
Private-purpose Trust Funds
Year Ended June 30, 2008**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Additions			
Employee contributions	\$ -	\$ 3,440	\$ 3,440
Investment income	210	24	234
Total additions	<u>210</u>	<u>3,464</u>	<u>3,674</u>
Deductions			
Benefits	-	1,700	1,700
Total deductions	<u>-</u>	<u>1,700</u>	<u>1,700</u>
Change in net assets	210	1,764	1,974
Total net assets - beginning	<u>5,402</u>	<u>10,322</u>	<u>15,724</u>
Total net assets - ending	<u>\$ 5,612</u>	<u>\$ 12,086</u>	<u>\$ 17,698</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 – to account for the proceeds of the 911 surcharge and the related investment income. Payments of the amounts appropriated are restricted to the purchase of equipment and for operational expenses of the Central Emergency Communications Center.

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, 2008**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents / investments	\$ 2,898,853	\$ 1,595,927	\$ 4,494,780
Net taxes receivable	60,468	-	60,468
Due from other governments - local	182,143	-	182,143
Total assets	\$ 3,141,464	\$ 1,595,927	\$ 4,737,391
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 51,499	\$ -	\$ 51,499
Due to other governments - local	-	575,892	575,892
Collections in advance	39,500	-	39,500
Deferred revenues:			
Taxes	60,468	-	60,468
Total liabilities	151,467	575,892	727,359
Fund balances:			
Reserved:			
State statute	182,143	-	182,143
Other purposes	39,500	-	39,500
Unreserved	2,768,354	1,020,035	3,788,389
Total fund balances	2,989,997	1,020,035	4,010,032
Total liabilities and fund balances	\$ 3,141,464	\$ 1,595,927	\$ 4,737,391

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 5,528,916	\$ -	\$ 5,528,916
Investments	117,013	242,731	359,744
Rent	-	26,717	26,717
Charges for services	716,361	237,731	954,092
Total revenues	<u>6,362,290</u>	<u>507,179</u>	<u>6,869,469</u>
Expenditures			
Current:			
Public safety	3,556,178	-	3,556,178
Economic and physical development	657,549	-	657,549
Debt service:			
Principal retirement	-	25,249,056	25,249,056
Interest and fiscal charges	-	13,257,396	13,257,396
Total expenditures	<u>4,213,727</u>	<u>38,506,452</u>	<u>42,720,179</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,148,563</u>	<u>(37,999,273)</u>	<u>(35,850,710)</u>
Other financing sources (uses)			
Transfers in	-	39,152,674	39,152,674
Transfers out	<u>(1,436,156)</u>	<u>(701,000)</u>	<u>(2,137,156)</u>
Total other financing sources (uses)	<u>(1,436,156)</u>	<u>38,451,674</u>	<u>37,015,518</u>
Net change in fund balances	712,407	452,401	1,164,808
Fund balance - beginning	<u>2,277,590</u>	<u>567,634</u>	<u>2,845,224</u>
Fund balance - ending	<u>\$ 2,989,997</u>	<u>\$ 1,020,035</u>	<u>\$ 4,010,032</u>

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DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2008

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Assets				
Cash and cash equivalents / investments	\$ 241,649	\$ 233,752	\$ 126,967	\$ 22,821
Net taxes receivable	13,313	14,994	6,245	18,723
Due from other governments - local	-	-	-	-
Total assets	<u>\$ 254,962</u>	<u>\$ 248,746</u>	<u>\$ 133,212</u>	<u>\$ 41,544</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Collections in advance	2,720	6,874	19,488	4,705
Taxes and assessments	13,313	14,994	6,245	18,723
Total liabilities	<u>16,033</u>	<u>21,868</u>	<u>25,733</u>	<u>23,428</u>
Fund balances:				
Reserved:				
State statute	-	-	-	-
Other purposes	2,720	6,874	19,488	4,705
Unreserved	236,209	220,004	87,991	13,411
Total fund balances	<u>238,929</u>	<u>226,878</u>	<u>107,479</u>	<u>18,116</u>
Total liabilities and fund balances	<u>\$ 254,962</u>	<u>\$ 248,746</u>	<u>\$ 133,212</u>	<u>\$ 41,544</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>
\$ 57,437	\$ 24,290	\$ 351,301	\$ 16,096	\$ 6,301	\$ 1,818,239	\$ 2,898,853
327	93	6,300	38	435	-	60,468
-	-	-	-	-	182,143	182,143
<u>\$ 57,764</u>	<u>\$ 24,383</u>	<u>\$ 357,601</u>	<u>\$ 16,134</u>	<u>\$ 6,736</u>	<u>\$ 2,000,382</u>	<u>\$ 3,141,464</u>
\$ 41,773	\$ -	\$ -	\$ 9,654	\$ 72	\$ -	\$ 51,499
72	128	2,434	31	3,048	-	39,500
327	93	6,300	38	435	-	60,468
<u>42,172</u>	<u>221</u>	<u>8,734</u>	<u>9,723</u>	<u>3,555</u>	<u>-</u>	<u>151,467</u>
-	-	-	-	-	182,143	182,143
72	128	2,434	31	3,048	-	39,500
15,520	24,034	346,433	6,380	133	1,818,239	2,768,354
<u>15,592</u>	<u>24,162</u>	<u>348,867</u>	<u>6,411</u>	<u>3,181</u>	<u>2,000,382</u>	<u>2,989,997</u>
<u>\$ 57,764</u>	<u>\$ 24,383</u>	<u>\$ 357,601</u>	<u>\$ 16,134</u>	<u>\$ 6,736</u>	<u>\$ 2,000,382</u>	<u>\$ 3,141,464</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2008**

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Revenues				
Taxes	\$ 1,394,336	\$ 932,740	\$ 1,125,537	\$ 663,889
Investments	7,197	14,048	1,235	3,064
Charges for services	-	-	-	-
Total revenues	<u>1,401,533</u>	<u>946,788</u>	<u>1,126,772</u>	<u>666,953</u>
Expenditures				
Current:				
Public safety	315,000	300,000	1,092,633	669,325
Economic and physical development	-	-	-	-
Total expenditures	<u>315,000</u>	<u>300,000</u>	<u>1,092,633</u>	<u>669,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,086,533</u>	<u>646,788</u>	<u>34,139</u>	<u>(2,372)</u>
Other financing sources (uses)				
Transfers out	(960,209)	(475,947)	-	-
Total other financing sources (uses)	<u>(960,209)</u>	<u>(475,947)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	126,324	170,841	34,139	(2,372)
Fund balance - beginning	<u>112,605</u>	<u>56,037</u>	<u>73,340</u>	<u>20,488</u>
Fund balance - ending	<u>\$ 238,929</u>	<u>\$ 226,878</u>	<u>\$ 107,479</u>	<u>\$ 18,116</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>
\$ 44,402	\$ 17,285	\$ 679,536	\$ 16,385	\$ 654,806	\$ -	\$ 5,528,916
1,407	1,253	18,372	431	2,560	67,446	117,013
-	-	-	-	-	716,361	716,361
<u>45,809</u>	<u>18,538</u>	<u>697,908</u>	<u>16,816</u>	<u>657,366</u>	<u>783,807</u>	<u>6,362,290</u>
41,773	16,778	530,905	15,691	-	574,073	3,556,178
-	-	-	-	657,549	-	657,549
<u>41,773</u>	<u>16,778</u>	<u>530,905</u>	<u>15,691</u>	<u>657,549</u>	<u>574,073</u>	<u>4,213,727</u>
4,036	1,760	167,003	1,125	(183)	209,734	2,148,563
-	-	-	-	-	-	(1,436,156)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,436,156)</u>
4,036	1,760	167,003	1,125	(183)	209,734	712,407
11,556	22,402	181,864	5,286	3,364	1,790,648	2,277,590
<u>\$ 15,592</u>	<u>\$ 24,162</u>	<u>\$ 348,867</u>	<u>\$ 6,411</u>	<u>\$ 3,181</u>	<u>\$ 2,000,382</u>	<u>\$ 2,989,997</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, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,257,334	\$ 1,257,334	\$ 1,394,336	\$ 137,002
Investments	3,794	3,794	7,197	3,403
Total revenues	<u>1,261,128</u>	<u>1,261,128</u>	<u>1,401,533</u>	<u>140,405</u>
Expenditures				
Public safety	323,341	323,341	315,000	8,341
Total expenditures	<u>323,341</u>	<u>323,341</u>	<u>315,000</u>	<u>8,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>937,787</u>	<u>937,787</u>	<u>1,086,533</u>	<u>148,746</u>
Other financing sources (uses)				
Transfers out	(937,787)	(959,987)	(960,209)	(222)
Appropriated fund balance	-	22,200	-	(22,200)
Total other financing sources (uses)	<u>(937,787)</u>	<u>(937,787)</u>	<u>(960,209)</u>	<u>(22,422)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	126,324	<u>\$ 126,324</u>
Fund balance - beginning			<u>112,605</u>	
Fund balance - ending			<u>\$ 238,929</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, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 957,973	\$ 957,973	\$ 932,740	\$ (25,233)
Investments	2,485	2,485	14,048	11,563
Total revenues	<u>960,458</u>	<u>960,458</u>	<u>946,788</u>	<u>(13,670)</u>
Expenditures				
Public safety	485,960	485,960	300,000	185,960
Total expenditures	<u>485,960</u>	<u>485,960</u>	<u>300,000</u>	<u>185,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>474,498</u>	<u>474,498</u>	<u>646,788</u>	<u>172,290</u>
Other financing sources (uses)				
Transfers out	(474,498)	(476,698)	(475,947)	751
Appropriated fund balance	-	2,200	-	(2,200)
Total other financing sources (uses)	<u>(474,498)</u>	<u>(474,498)</u>	<u>(475,947)</u>	<u>(1,449)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	170,841	<u>\$ 170,841</u>
Fund balance - beginning			<u>56,037</u>	
Fund balance - ending			<u>\$ 226,878</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, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,092,633	\$ 1,092,633	\$ 1,125,537	\$ 32,904
Investments	-	-	1,235	1,235
Total revenues	<u>1,092,633</u>	<u>1,092,633</u>	<u>1,126,772</u>	<u>34,139</u>
Expenditures				
Public safety	<u>1,092,633</u>	<u>1,092,633</u>	<u>1,092,633</u>	-
Total expenditures	<u>1,092,633</u>	<u>1,092,633</u>	<u>1,092,633</u>	-
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>34,139</u>	<u>34,139</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 34,139	 <u>\$ 34,139</u>
 Fund balance - beginning			 <u>73,340</u>	
Fund balance - ending			 <u>\$ 107,479</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, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 667,958	\$ 667,958	\$ 663,889	\$ (4,069)
Investments	1,367	1,367	3,064	1,697
Total revenues	<u>669,325</u>	<u>669,325</u>	<u>666,953</u>	<u>(2,372)</u>
Expenditures				
Public safety	669,325	669,325	669,325	-
Total expenditures	<u>669,325</u>	<u>669,325</u>	<u>669,325</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(2,372)</u>	<u>(2,372)</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 (2,372)	 <u>\$ (2,372)</u>
 Fund balance - beginning			 <u>20,488</u>	
 Fund balance - ending			 <u>\$ 18,116</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, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 41,589	\$ 41,589	\$ 44,402	\$ 2,813
Investments	184	184	1,407	1,223
Total revenues	<u>41,773</u>	<u>41,773</u>	<u>45,809</u>	<u>4,036</u>
Expenditures				
Public safety	41,773	41,773	41,773	-
Total expenditures	<u>41,773</u>	<u>41,773</u>	<u>41,773</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>4,036</u>	<u>4,036</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 4,036	 <u>\$ 4,036</u>
 Fund balance - beginning			 <u>11,556</u>	
 Fund balance - ending			 <u>\$ 15,592</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, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 16,697	\$ 16,697	\$ 17,285	\$ 588
Investments	81	81	1,253	1,172
Total revenues	<u>16,778</u>	<u>16,778</u>	<u>18,538</u>	<u>1,760</u>
Expenditures				
Public safety	16,778	16,778	16,778	-
Total expenditures	<u>16,778</u>	<u>16,778</u>	<u>16,778</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,760</u>	<u>1,760</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 1,760	 <u>\$ 1,760</u>
 Fund balance - beginning			 <u>22,402</u>	
 Fund balance - ending			 <u>\$ 24,162</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, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 529,466	\$ 529,466	\$ 679,536	\$ 150,070
Investments	1,439	1,439	18,372	16,933
Total revenues	<u>530,905</u>	<u>530,905</u>	<u>697,908</u>	<u>167,003</u>
Expenditures				
Public safety	530,905	530,905	530,905	-
Total expenditures	<u>530,905</u>	<u>530,905</u>	<u>530,905</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>167,003</u>	<u>167,003</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 167,003	 <u>\$ 167,003</u>
 Fund balance - beginning			 <u>181,864</u>	
 Fund balance - ending			 <u>\$ 348,867</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, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 15,349	\$ 15,349	\$ 16,385	\$ 1,036
Investments	342	342	431	89
Total revenues	<u>15,691</u>	<u>15,691</u>	<u>16,816</u>	<u>1,125</u>
Expenditures				
Public safety	15,691	15,691	15,691	-
Total expenditures	<u>15,691</u>	<u>15,691</u>	<u>15,691</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,125</u>	<u>1,125</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 1,125	 <u>\$ 1,125</u>
 Fund balance - beginning			 <u>5,286</u>	
 Fund balance - ending			 <u>\$ 6,411</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, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 585,363	\$ 660,363	\$ 654,806	\$ (5,557)
Investments	509	509	2,560	2,051
Total revenues	<u>585,872</u>	<u>660,872</u>	<u>657,366</u>	<u>(3,506)</u>
Expenditures				
Economic and physical development	585,872	660,872	657,549	3,323
Total expenditures	<u>585,872</u>	<u>660,872</u>	<u>657,549</u>	<u>3,323</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(183)</u>	<u>(183)</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 (183)	 <u>\$ (183)</u>
 Fund balance - beginning			 <u>3,364</u>	
Fund balance - ending			<u>\$ 3,181</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, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Investments	\$ -	\$ -	\$ 67,446	\$ 67,446
Charges for services	1,274,211	1,274,211	716,361	(557,850)
Total revenues	<u>1,274,211</u>	<u>1,274,211</u>	<u>783,807</u>	<u>(490,404)</u>
Expenditures				
Public safety	1,512,432	1,512,432	574,073	938,359
Total expenditures	<u>1,512,432</u>	<u>1,512,432</u>	<u>574,073</u>	<u>938,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(238,221)</u>	<u>(238,221)</u>	<u>209,734</u>	<u>447,955</u>
Other financing sources (uses)				
Appropriated fund balance	238,221	238,221	-	(238,221)
Total other financing sources (uses)	<u>238,221</u>	<u>238,221</u>	<u>-</u>	<u>(238,221)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	209,734	<u>\$ 209,734</u>
Fund balance - beginning			<u>1,790,648</u>	
Fund balance - ending			<u>\$ 2,000,382</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Debt Service Fund
Year Ended June 30, 2008**

	Budget		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Investments	\$ 50,000	\$ 50,000	\$ 242,731	\$ 192,731
Rent	26,717	26,717	26,717	-
Charges for services	237,731	237,731	237,731	-
Total revenues	<u>314,448</u>	<u>314,448</u>	<u>507,179</u>	<u>192,731</u>
Expenditures				
Debt service:				
Principal retirement	25,249,057	25,249,057	25,249,056	1
Interest and fiscal charges	13,387,393	13,387,393	13,257,396	129,997
Total expenditures	<u>38,636,450</u>	<u>38,636,450</u>	<u>38,506,452</u>	<u>129,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,322,002)</u>	<u>(38,322,002)</u>	<u>(37,999,273)</u>	<u>322,729</u>
Other financing sources (uses)				
Transfers in	39,757,674	39,757,674	39,152,674	(605,000)
Transfers out	-	(701,000)	(701,000)	-
Appropriated fund balance	(1,435,672)	(734,672)	-	734,672
Total other financing sources (uses)	<u>38,322,002</u>	<u>38,322,002</u>	<u>38,451,674</u>	<u>129,672</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>452,401</u>	<u>\$ 452,401</u>
Fund balance - beginning			<u>567,634</u>	
Fund balance - ending			<u>\$ 1,020,035</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, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 8,349,515	\$ 8,341,355	\$ (8,160)
Expenditures:			
Operating	<u>5,286,861</u>	<u>4,085,694</u>	<u>1,201,167</u>
Excess (deficiency) of revenues over (under) expenditures	3,062,654	4,255,661	1,193,007
Other Financing Sources (Uses):			
Capital expenses	(50,000)	(617,388)	(567,388)
Debt service	(4,048,727)	(3,230,260)	818,467
Investment income	440,000	817,875	377,875
Sewer connection fees	491,113	369,143	(121,970)
Intergovernmental revenues	-	91,361	91,361
Miscellaneous	10,400	62,716	52,316
Transfers out	<u>(154,238)</u>	<u>(154,238)</u>	<u>-</u>
Total other financing sources (uses)	(3,311,452)	(2,660,791)	650,661
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(248,798)	1,594,870	1,843,668
Fund balance appropriated	<u>248,798</u>	<u>-</u>	<u>248,798</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,594,870</u>	<u>\$ 1,594,870</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2008**

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$ 1,594,870
RECONCILING ITEMS:	
Capital outlay	617,388
Capital contributions	35,055
Debt principal payments	1,919,413
Amortization of bond issuance costs	(19,696)
Capitalization of interest	285,633
Decrease in accrued interest payable	11,357
Increase in accrued payroll	(12,219)
Increase in accrued vacation	(14,693)
Increase in accrued interest receivable	29,429
Decrease in accounts receivable	(376,886)
Depreciation	(570,567)
Amortization of bond premium	33,834
	<hr/>
CHANGE IN NET ASSETS (GAAP BASIS)	<u><u>\$ 3,532,918</u></u>

FIDUCIARY FUNDS

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

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2008

	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	\$ 141,008	\$ 285,212	\$ 134,657	\$ 48,558	\$ 25,215
Net taxes receivable	-	-	-	-	-
Total assets	<u>\$ 141,008</u>	<u>\$ 285,212</u>	<u>\$ 134,657</u>	<u>\$ 48,558</u>	<u>\$ 25,215</u>
Liabilities					
Funds held for others	\$ 141,008	\$ 285,212	\$ 134,657	\$ 48,558	\$ -
Due to governmental agencies	-	-	-	-	25,215
Total liabilities	<u>\$ 141,008</u>	<u>\$ 285,212</u>	<u>\$ 134,657</u>	<u>\$ 48,558</u>	<u>\$ 25,215</u>

Durham Public School	Town of Chapel Hill Tax Fund	City of Durham Tax Fund	City of Raleigh Tax Fund	Totals
\$ 1,639,943	\$ 59,110	\$ 563,939	\$ 11,885	\$ 2,909,527
13,464	28,043	2,612,565	2,662	2,656,734
<u>\$ 1,653,407</u>	<u>\$ 87,153</u>	<u>\$ 3,176,504</u>	<u>\$ 14,547</u>	<u>\$ 5,566,261</u>
\$ -	\$ -	\$ -	\$ -	\$ 609,435
1,653,407	87,153	3,176,504	14,547	4,956,826
<u>\$ 1,653,407</u>	<u>\$ 87,153</u>	<u>\$ 3,176,504</u>	<u>\$ 14,547</u>	<u>\$ 5,566,261</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2008**

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
<u>Child Support Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 202,449	\$ 1,128,613	\$ 1,190,054	\$ 141,008
Liabilities				
Funds held for others	\$ 202,449	\$ 1,128,613	\$ 1,190,054	\$ 141,008
<u>Sheriff's Evidence Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 300,090	\$ 295,294	\$ 310,172	\$ 285,212
Liabilities				
Funds held for others	\$ 300,090	\$ 295,294	\$ 310,172	\$ 285,212
<u>Jail Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 109,508	\$ 728,975	\$ 703,826	\$ 134,657
Liabilities				
Funds held for others	\$ 109,508	\$ 728,975	\$ 703,826	\$ 134,657
<u>Sheriff's Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ (48,810)	\$ 1,113,752	\$ 1,016,384	\$ 48,558
Liabilities				
Funds held for others	\$ (48,810)	\$ 1,113,752	\$ 1,016,384	\$ 48,558
<u>State Treasurer DMV</u>				
Assets				
Cash and cash equivalents	\$ 23,334	\$ 425,677	\$ 423,796	\$ 25,215
Liabilities				
Due to governmental agencies	\$ 23,334	\$ 425,677	\$ 423,796	\$ 25,215
<u>Durham Public School</u>				
Assets				
Cash and cash equivalents	\$ 594,426	\$ 1,095,571	\$ 50,054	\$ 1,639,943
Net taxes receivable	7,103	3,064,548	3,058,187	13,464
Total assets	\$ 601,529	\$ 4,160,119	\$ 3,108,241	\$ 1,653,407
Liabilities				
Due to governmental agencies	\$ 601,529	\$ 4,160,119	\$ 3,108,241	\$ 1,653,407

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2008**

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
<u>Town of Chapel Hill Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 37,524	\$ 2,965,894	\$ 2,944,308	\$ 59,110
Net taxes receivable	13,780	5,894,249	5,879,986	28,043
Total assets	<u>\$ 51,304</u>	<u>\$ 8,860,143</u>	<u>\$ 8,824,294</u>	<u>\$ 87,153</u>
Liabilities				
Due to governmental agencies	<u>\$ 51,304</u>	<u>\$ 8,860,143</u>	<u>\$ 8,824,294</u>	<u>\$ 87,153</u>
<u>City of Durham Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 267,421	\$ 220,115,597	\$ 219,819,079	\$ 563,939
Net taxes receivable	3,090,139	115,512,689	115,990,263	2,612,565
Due from governmental agencies	18		18	-
Total assets	<u>\$ 3,357,578</u>	<u>\$ 335,628,286</u>	<u>\$ 335,809,360</u>	<u>\$ 3,176,504</u>
Liabilities				
Due to governmental agencies	<u>\$ 3,357,578</u>	<u>\$ 335,628,286</u>	<u>\$ 335,809,360</u>	<u>\$ 3,176,504</u>
<u>City of Raleigh Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 6,697	\$ 697,865	\$ 692,677	\$ 11,885
Net taxes receivable	2,554	358,984	358,876	2,662
Total assets	<u>\$ 9,251</u>	<u>\$ 1,056,849</u>	<u>\$ 1,051,553</u>	<u>\$ 14,547</u>
Liabilities				
Due to governmental agencies	<u>\$ 9,251</u>	<u>\$ 1,056,849</u>	<u>\$ 1,051,553</u>	<u>\$ 14,547</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 1,492,639	\$ 228,567,238	\$ 227,150,350	\$ 2,909,527
Net taxes receivable	3,113,576	124,830,470	125,287,312	2,656,734
Due from governmental agencies	18	-	18	-
Total assets	<u>\$ 4,606,233</u>	<u>\$ 353,397,708</u>	<u>\$ 352,437,680</u>	<u>\$ 5,566,261</u>
Liabilities				
Funds held for others	\$ 563,237	\$ 3,266,634	\$ 3,220,436	\$ 609,435
Due to governmental agencies	4,042,996	350,131,074	349,217,244	4,956,826
Total liabilities	<u>\$ 4,606,233</u>	<u>\$ 353,397,708</u>	<u>\$ 352,437,680</u>	<u>\$ 5,566,261</u>

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**Capital Assets, Long-Term Debt
and Other Information
(Divider)**

DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹ as of June 30, 2008**

	Total Assets	Land	Buildings	Office Furniture and Equipment
General Government:				
County commissioners	\$ 6,400	\$ -	\$ -	\$ -
County manager	5,708	-	-	-
Finance	3,408,345	-	-	-
Tax administrator	4,229,501	-	-	24,345
County Attorney	12,380	-	-	-
Court facilities	14,029,273	-	14,018,073	-
Board of elections	419,207	-	-	-
Register of deeds	1,752,003	-	-	20,000
General services	85,139,615	4,790,491	79,160,308	-
Information technology	4,861,856	-	-	29,298
Human resources	17,237	-	-	11,530
Total general government	113,881,525	4,790,491	93,178,381	85,173
Public Safety:				
Sheriff	50,746,416	1,398,962	39,455,839	219,120
County fire protector	678,084	-	384,060	6,744
Emergency Management	180,863	-	-	-
Community based corrections	-	-	-	-
Animal control	2,261,302	-	1,844,179	-
Criminal Justice Partnership	835,176	-	749,021	-
VFD paramedic services	327,903	-	-	-
Youth home	391,983	-	367,000	-
Emergency medical services	4,716,429	-	1,947,350	-
Total public safety	60,138,156	1,398,962	44,747,449	225,864
Environmental Protection				
Environmental engineering	261,426	-	77,873	7,315
Open Space and Real Estate	647,751	647,751	-	-
Total Environmental Protection	909,177	647,751	77,873	7,315
Economic and Physical Development				
Cooperative extension	34,495	-	-	-
Soil and Erosion	29,732	-	-	-
Total Economic and Physical Development	64,227	-	-	-
Human Services:				
Public health	4,786,177	-	3,765,510	14,283
Mental health	680,529	-	192,000	-
Social services	11,797,934	-	11,257,473	-
Other human services	335,383	-	-	-
Total human services	17,600,023	-	15,214,983	14,283

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ 6,400	\$ -	\$ -	\$ -	\$ -
5,708	-	-	-	-
16,000	-	-	3,392,345	-
696,273	26,339	256,712	3,225,832	-
-	12,380	-	-	-
11,200	-	-	-	-
410,650	8,557	-	-	-
-	337,379	-	1,394,624	-
423,417	18,442	738,207	8,750	-
878,861	1,630,841	-	2,322,856	-
5,707	-	-	-	-
<u>2,454,216</u>	<u>2,033,938</u>	<u>994,919</u>	<u>10,344,407</u>	<u>-</u>
1,006,548	258,843	6,982,153	1,424,951	-
25,333	7,200	254,747	-	-
101,313	-	10,050	69,500	-
-	-	-	-	-
124,917	7,100	273,456	11,650	-
-	-	86,155	-	-
-	-	327,903	-	-
8,500	-	16,483	-	-
541,960	33,921	1,829,755	363,443	-
<u>1,808,571</u>	<u>307,064</u>	<u>9,780,702</u>	<u>1,869,544</u>	<u>-</u>
21,195	-	155,043	-	-
<u>21,195</u>	<u>-</u>	<u>155,043</u>	<u>-</u>	<u>-</u>
-	-	34,495	-	-
-	-	29,732	-	-
-	-	64,227	-	-
349,143	-	524,236	133,005	-
43,483	69,992	375,054	-	-
50,286	90,256	184,008	215,911	-
-	-	335,383	-	-
<u>442,912</u>	<u>160,248</u>	<u>1,418,681</u>	<u>348,916</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, 2008**

	Total Assets	Land	Buildings	Office Furniture and Equipment
Education:				
Public schools	\$ 26,920,481	\$ -	\$ 26,920,481	\$ -
Cultural and Recreational				
Library	5,137,112	-	4,156,852	18,347
Capital Projects:				
Construction in progress	91,574,436	-	-	-
Total Capital Assets	<u>\$ 316,225,137</u>	<u>\$ 6,837,204</u>	<u>\$ 184,296,019</u>	<u>\$ 350,982</u>

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

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ -	\$ -	\$ -	\$ -	\$ -
49,925	331,350	178,593	402,045	-
-	-	-	-	91,574,436
<u>\$ 4,776,819</u>	<u>\$ 2,832,600</u>	<u>\$ 12,592,165</u>	<u>\$ 12,964,912</u>	<u>\$ 91,574,436</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, 2008 (continued)

	Capital Assets July 1, 2007	Additions	Transfers and Deletions	Capital Assets June 30, 2008
General Government:				
Board of county commissioners	\$ 6,400		\$ -	\$ 6,400
County manager	5,708		-	5,708
Finance	3,408,345		-	3,408,345
Tax administration	4,229,501	-	-	4,229,501
County attorney	-	12,380	-	12,380
Court facilities	14,029,273		-	14,029,273
Board of elections	419,207		-	419,207
Register of deeds	1,706,230	45,773	-	1,752,003
General services	84,724,248	415,367	-	85,139,615
Management information systems	4,861,856	-	-	4,861,856
Human resources	17,237	-	-	17,237
Total general government	<u>113,408,005</u>	<u>473,520</u>	<u>-</u>	<u>113,881,525</u>
Public Safety:				
County sheriff	50,220,474	525,942	-	50,746,416
Fire marshal	646,562	31,522	-	678,084
Emergency management	111,363	69,500	-	180,863
Criminal justice partnership	835,176	-	-	835,176
Animal control	2,245,252	16,050	-	2,261,302
VFD Paramedic Services (Bahama/Redwood)	233,904	93,999	-	327,903
Youth home	391,983		-	391,983
Emergency medical services	4,542,049	366,531	(192,151)	4,716,429
Total public safety	<u>59,226,763</u>	<u>1,103,544</u>	<u>(192,151)</u>	<u>60,138,156</u>
Environmental Protection:				
Environmental engineering	261,426			261,426
Open Space	647,751			647,751
Total Environmental Protection	<u>909,177</u>	<u>-</u>	<u>-</u>	<u>909,177</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, 2008 (continued)**

	Capital Assets July 1, 2007	Additions	Transfers and Deletions	Capital Assets June 30, 2008
Economic and Physical Development:				
Cooperative extensior	34,495	-		34,495
Soil and Erosion	29,732	-		29,732
Total Economic and Physical Development	<u>64,227</u>		<u>-</u>	<u>64,227</u>
Human Services:				
Public health	4,771,237	14,940	-	4,786,177
Mental health	634,188	46,341	-	680,529
Social services	11,729,406	68,528	-	11,797,934
Other human services	335,383	-	-	335,383
Total human services	<u>17,470,214</u>	<u>129,809</u>	<u>-</u>	<u>17,600,023</u>
Education:				
Public schools	7,034,857	19,885,624	-	26,920,481
Cultural and Recreational:				
Library	5,137,112	-	-	5,137,112
Capital Projects:				
Construction in progress	59,615,616	31,958,820	-	91,574,436
Total Capital Assets	<u>\$ 262,865,971</u>	<u>\$ 53,551,317</u>	<u>\$ (192,151)</u>	<u>\$ 316,225,137</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, 2008 (continued)**

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-07	Issued During Year	Adjusted During Year
General Long-Term Debt					
Bonded Debt:					
Public Improvement-Series 2000 (2/3 Bonds)	5.40%-5.60%	6/1/00	\$ 1,163,967	\$ -	\$ (2)
Refunding, Series 2001	4.25%-5.50%	2/15/01	50,445,000	-	-
Public Improvement, Series 2002A	3.25%-4.75%	1/1/02	8,300,000	-	-
Refunding, Series 2002B	4.25%-5.50%	1/1/02	8,061,294	-	-
Public Improvement, Series 2002B	4.00%-5.00%	5/1/02	61,535,000	-	-
Public Improvement, Series 2004A (2/3 Bonds)	4.00%-5.00%	5/1/04	10,000,000	-	-
Public Improvement, Series 2004B	4.00%-5.00%	5/1/04	42,100,000	-	-
Public Improvement, Series 2006A	4.00%-5.00%	5/1/06	11,080,000	-	-
Public Improvement, Series 2006B	4.00%-5.00%	5/1/06	48,025,000	-	-
Public Improvement, Series 2008A	3.50%-5.00%	5/1/08	-	12,100,000	-
Public Improvement, Series 2008B	3.50%-5.00%	5/1/08	-	34,090,000	-
Water And Sewer Lines Donated To City:					
Refunding, Series 2002B	4.25%-5.50%	1/1/02	1,455,008	-	-
Unamortized Bond Premium			1,563,206	404,574	-
Total Bonded Debt			<u>243,728,475</u>	<u>46,594,574</u>	<u>(2)</u>
Other Long-Term Debt					
Installment Purchase Agreements:					
Certificates of Participation					
Refunding Cops, Series 1997	4.00%-5.00%	12/1/97	19,985,000	-	-
Total Certificates Of Participation			<u>19,985,000</u>	<u>-</u>	<u>-</u>
Other Financing Agreements					
Total Installment Purchase Agreements			<u>27,018,755</u>	<u>1,700,000</u>	<u>6,586</u>
Total Other Long-Term Debt			<u>47,003,755</u>	<u>1,700,000</u>	<u>6,586</u>
Earned Vacation Pay			5,508,246	-	4,310,643
Separation Allowance			-	-	-
Industrial Extension Policy			8,478,076	-	(8,478,076)
Total Other Long-Term Debt			<u>60,990,077</u>	<u>1,700,000</u>	<u>(4,160,847)</u>
Total General Long-Term Debt			<u>\$ 304,718,552</u>	<u>\$ 48,294,574</u>	<u>\$ (4,160,849)</u>

Due Fiscal Year 2007-2008		Amount Outstanding 6-30-08	Due Fiscal Year 2008 - 2009		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 76,576	\$ 64,876	\$ 1,087,389	\$ 76,576	\$ 60,664	\$ 1,010,813
7,895,000	2,774,475	42,550,000	8,725,000	2,340,250	33,825,000
550,000	386,000	7,750,000	550,000	362,625	7,200,000
3,789,950	403,065	4,271,344	3,700,199	213,567	571,145
1,375,000	2,937,660	60,160,000	1,375,000	2,882,660	58,785,000
200,000	422,500	9,800,000	200,000	416,500	9,600,000
1,500,000	1,759,750	40,600,000	1,500,000	1,708,750	39,100,000
300,000	468,900	10,780,000	300,000	456,900	10,480,000
1,200,000	2,098,250	46,825,000	1,200,000	2,050,250	45,625,000
	-	12,100,000	400,000	508,173	11,700,000
	-	34,090,000	1,050,000	1,460,983	33,040,000
684,060	72,750	770,948	667,860	38,547	103,088
251,141	-	1,716,639	267,999	-	1,448,640
<u>17,821,727</u>	<u>11,388,226</u>	<u>272,501,320</u>	<u>20,012,634</u>	<u>12,499,870</u>	<u>252,488,686</u>
2,460,000	985,890	17,525,000	2,585,000	862,890	14,940,000
<u>2,460,000</u>	<u>985,890</u>	<u>17,525,000</u>	<u>2,585,000</u>	<u>862,890</u>	<u>14,940,000</u>
5,218,470	879,929	23,506,871	4,754,484	754,582	18,752,387
<u>7,678,470</u>	<u>1,865,819</u>	<u>41,031,871</u>	<u>7,339,484</u>	<u>1,617,472</u>	<u>33,692,387</u>
3,761,482	-	6,057,407	3,819,593	-	2,237,814
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,439,952</u>	<u>1,865,819</u>	<u>47,089,278</u>	<u>11,159,077</u>	<u>1,617,472</u>	<u>35,930,201</u>
<u>\$ 29,261,679</u>	<u>\$ 13,254,045</u>	<u>\$ 319,590,598</u>	<u>\$ 31,171,711</u>	<u>\$ 14,117,342</u>	<u>\$ 288,418,887</u>

DURHAM COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy Year Ended June 30, 2008

Property Valuations

Real property	\$ 18,068,249,108
Personal property	2,837,548,386
Public service	514,897,106
DMV-registered vehicles	<u>1,715,889,532</u>

Total subject to tax \$ 23,136,584,132

Real property/personal property/corporate excess levy	\$ 275,654,553
DMV -registered vehicles levy	<u>25,306,498</u>

Gross Levy 300,961,051

Abatements/discoveries 16,452,438

Net Levy 317,413,489

Uncollected at June 30, 2008 (4,016,779)

Current year taxes collected \$ 313,396,710

Percent of current taxes collected 98.73%

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
June 30, 2008**

Year of Levy	Uncollected Balance July 1, 2007	Current Year Gross Levy	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2008
	\$ -	\$ 300,961,051	\$ 313,396,710	\$ 16,452,438	4,016,779
2006	3,977,221	-	3,076,804	131,163	1,031,580
2005	1,126,373	-	293,976	(597,958)	234,439
2004	816,217	-	117,652	(470,436)	228,129
2003	442,118	-	53,828	(233,355)	154,935
2002	429,152	-	36,244	(192,762)	200,146
2001 and prior	935,177	-	55,388	(40,582)	839,207
	<u>\$ 7,726,258</u>	<u>\$ 300,961,051</u>	<u>\$ 317,030,602</u>	<u>\$ 15,048,508</u>	6,705,215
Less allowance for uncollectible ad valorem taxes receivable					<u>(282,095)</u>
Ad valorem taxes receivable (net)					<u>\$ 6,423,120</u>
Receivable by fund, net:					
General operating			\$ 3,428,357		
Capital financing			<u>277,561</u>		
General Fund					3,705,918
Bethesda fire				13,313	
Lebanon fire				14,994	
Parkwood fire				6,245	
Redwood fire				18,723	
New Hope fire				327	
Eno fire				93	
Bahama fire				6,300	
Special Park fire				435	
Special Butner				<u>38</u>	
Special revenue funds					60,468
Durham Public Schools				13,465	
City of Durham				2,612,564	
City of Chapel Hill				28,043	
City of Raleigh				<u>2,662</u>	
Fiduciary funds					<u>2,656,734</u>
					<u>\$ 6,423,120</u>

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable by Levy Year
June 30, 2008**

Fiscal Year	Uncollected Balance June 30, 2007	Additions	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2008
2007-2008		\$ 300,961,051	\$ 313,396,710	\$ 16,452,438	\$ 4,016,779
2006-2007	\$ 3,977,221	-	3,076,804	131,163	1,031,580
2005-2006	1,126,373	-	293,976	(597,958)	234,439
2004-2005	816,217	-	117,652	(470,436)	228,129
2003-2004	442,118	-	53,828	(233,355)	154,935
2002-2003	429,152	-	36,244	(192,762)	200,146
2001 and prior	935,177	-	55,388	(40,582)	839,207
	<u>\$ 7,726,258</u>	<u>\$ 300,961,051</u>	<u>\$ 317,030,602</u>	<u>\$ 15,048,508</u>	6,705,215
Less allowance for uncollectible ad valorem taxes receivable					<u>(282,095)</u>
Ad valorem taxes receivable (net)					<u>\$ 6,423,120</u>
Reconciliation with revenues:					
Taxes - ad valorem - governmental funds					202,591,800
Taxes - ad valorem - agency funds					<u>114,438,802</u>
Total collections and credits					<u>\$ 317,030,602</u>

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

STATISTICAL SECTION

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 expenses 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.

DURHAM COUNTY, NORTH CAROLINA

**Net Assets by Component
Last Seven Fiscal Years**

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
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
Restricted	1,258,149	68,075,839	103,709,387	66,164,257	105,228,878	84,617,682	101,285,447
Unrestricted	(11,605,654)	(85,015,214)	(73,943,192)	(46,859,134)	(73,886,171)	(56,648,117)	(87,157,230)
Total governmental activities net assets	<u>\$ 52,118,224</u>	<u>\$ 64,346,074</u>	<u>\$ 63,458,771</u>	<u>\$ 78,098,669</u>	<u>\$ 94,957,466</u>	<u>\$ 108,156,451</u>	<u>\$ 140,864,232</u>
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
Restricted	26,235	20,662,536	4,307,582	750,592	963,121	2,180,110	6,217,552
Unrestricted	14,717,551	(11,511,169)	13,933,360	10,471,031	10,636,796	10,104,513	8,481,270
Total business-type activities net assets	<u>\$ 26,953,638</u>	<u>\$ 28,676,599</u>	<u>\$ 31,304,608</u>	<u>\$ 32,033,933</u>	<u>\$ 36,280,466</u>	<u>\$ 39,641,748</u>	<u>\$ 43,174,666</u>
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
Restricted	1,284,384	88,738,375	108,016,969	66,914,849	106,191,999	86,797,792	107,502,999
Unrestricted	3,111,897	(96,526,383)	(60,009,832)	(36,388,103)	(63,249,375)	(46,543,604)	(78,675,960)
Total primary government net assets	<u>\$ 79,071,862</u>	<u>\$ 93,022,673</u>	<u>\$ 94,763,379</u>	<u>\$ 110,132,602</u>	<u>\$ 131,237,932</u>	<u>\$ 147,798,199</u>	<u>\$ 184,038,898</u>

Note: Accrual-basis financial information for the county government as a whole is only available to 2002, the year GASB Statement 34 was implemented.

DURHAM COUNTY, NORTH CAROLINA

**Changes in Net Assets
Last Seven Fiscal Years**

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
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
Public safety	37,503,756	40,084,513	40,967,085	45,099,164	52,182,047	49,069,987	51,025,747
Transportation	44,423	12,500	12,500	12,500	12,500	12,500	12,500
Economic and physical development	3,750,474	3,564,266	2,478,868	2,243,791	3,246,027	10,262,137	4,483,362
Environmental protection	1,984,277	2,114,239	2,288,155	2,760,078	2,817,714	3,022,401	3,261,121
Human services	271,087,299	293,265,929	302,529,857	341,183,062	344,328,289	371,034,045	405,376,336
Education	78,128,417	84,594,783	104,597,540	104,106,885	105,485,526	106,234,157	117,349,760
Cultural and recreational	8,167,116	7,366,833	7,089,954	7,375,565	11,569,884	12,136,121	10,909,020
Nondepartmental	8,394,980	9,674,739	10,644,972	11,197,360	15,342,913	-	-
Interest and fiscal charges	9,285,800	13,819,722	12,845,931	16,740,531	11,422,405	15,535,909	14,218,611
Total governmental activities	458,282,723	476,740,691	509,487,196	557,070,555	574,550,047	628,389,378	660,005,976
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
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
Program Revenues							
Governmental activities:							
Charges for services:							
General government	6,095,983	6,450,886	6,556,766	7,419,425	8,427,778	8,787,807	9,670,581
Public safety	4,197,381	6,327,314	6,317,160	7,100,689	7,958,685	9,458,116	9,205,688
Transportation	-	547	2,619	15,323	-	-	-
Economic and physical development	-	-	-	10,588	10,588	5,956	15,523
Environmental protection	1,499,938	1,516,759	1,414,760	5,824,811	7,183,222	2,858,342	2,652,468
Human services	21,825,888	26,754,479	21,653,068	28,870,290	27,649,080	4,470,817	6,478,384
Cultural and recreational	263,499	232,807	56,264	279,545	260,841	289,708	233,515
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
Public safety	2,015,856	1,573,012	2,356,010	2,148,442	3,231,746	4,262,803	2,604,222
Economic and physical development	107,308	149,967	405,071	380,608	440,969	551,745	711,079
Environmental protection	-	135,144	67,061	-	-	-	10,476
Human services	221,453,755	235,311,976	245,224,200	273,354,673	275,404,044	328,749,307	352,332,661
Cultural and recreational	497,495	483,422	290,522	250,378	386,952	297,356	263,204
Nondepartmental	7,565	148,530	-	-	-	-	-
Capital grants and contributions:							
General government	310,578	1,135,008	88,764	416,024	-	45,271	113,804
Public safety	155,954	5,481	-	24,580	-	-	-
Economic and physical development	394,866	-	-	-	-	-	-
Environmental protection	-	-	-	-	335,000	419,511	500,000
Education	908,702	236,944	-	140,637	2,565,712	8,083,680	26,352,299
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
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
Capital grants and contributions: sewer utility	356,796	-	1,824,929	-	159,600	-	126,416
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
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

(3)

DURHAM COUNTY, NORTH CAROLINA

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
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)
Business-type activities	1,595,338	1,266,263	2,406,871	69,376	3,598,689	2,724,217	2,589,064
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>(234,506,229)</u>	<u>(254,879,467)</u>	<u>(244,032,125)</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
Property taxes, levied for fire districts	3,390,576	3,764,099	3,664,756	3,739,469	3,985,570	4,067,755	4,857,931
Property taxes, levied for other districts purposes	-	-	-	324,597	327,758	323,940	671,192
Intangibles tax	2,972,310	-	-	-	-	-	-
Local option sales tax	31,464,746	36,706,957	42,455,992	45,384,056	49,624,207	55,347,250	56,069,488
Occupancy tax	3,501,737	1,877,939	2,858,358	2,433,608	2,210,411	2,466,816	2,640,307
Animal tax	246,962	245,689	466,748	482,165	443,996	437,639	405,546
Gross receipts tax	203,575	182,933	200,066	185,738	199,465	204,714	220,678
Other taxes	1,098	45	1,626	-	-	-	-
Investments	4,015,529	6,039,156	3,602,549	9,320,860	10,141,571	13,321,460	7,650,534 (2)
Licenses and permits	-	-	2,009,911	-	-	-	-
Other revenues	9,830,761	10,950,845	10,762,996	11,139,896	12,923,685	14,127,991	659,642
Amortization of bond premium	191,044	191,044	193,174	193,174	202,273	247,770	251,141
Transfers in	-	-	-	-	-	-	154,238
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>
Business-type activities:							
Investment and rental income	429,209	351,858	166,107	626,115	611,070	603,131	847,304
Other revenues	-	82,886	-	-	2,940	100	62,716
Amortization of bond premium	-	43,030	55,031	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>
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>
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>
Total primary government	<u>(2,572,062)</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
Business-type activities	(547,515)	1,744,037	2,628,009	729,325	4,246,533	3,361,282	3,532,918
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>

Notes:

- (1) Accrual-basis financial information for the county government as a whole is only available to 2002, the year GASB Statement 34 was implemented.
- (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.

DURHAM COUNTY, NORTH CAROLINA

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Fund							
Reserved	\$ 17,993,896	\$ 20,473,063	\$ 22,735,334	\$ 32,426,226	\$ 28,494,058	\$ 31,205,471	\$ 34,335,303
Unreserved	30,844,713	35,720,732	38,722,720	35,110,365	46,766,882	61,598,325	60,777,677
Total general fund	<u>\$ 48,838,609</u>	<u>\$ 56,193,795</u>	<u>\$ 61,458,054</u>	<u>\$ 67,536,591</u>	<u>\$ 75,260,940</u>	<u>\$ 92,803,796</u>	<u>\$ 95,112,980</u>
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
Other nonmajor funds	234,990	376,542	893,945	2,746,362	881,399	155,052	221,643
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
Capital projects fund	82,532,368	69,499,221	101,056,252	65,335,536	101,042,969	81,617,175	76,705,535
Special revenue fund	2,907,639	2,999,547	3,714,024	5,049,589	10,142,296	2,126,819	2,768,354
Debt service	208,522	288,354	1,361,766	133,091	55,841	563,353	1,020,035
Total all other governmental funds	<u>\$ 95,576,831</u>	<u>\$ 84,690,041</u>	<u>\$ 120,408,045</u>	<u>\$ 92,863,206</u>	<u>\$ 131,986,435</u>	<u>\$ 105,451,407</u>	<u>\$ 118,670,699</u>

Note: Due to changes in the county's fund structure connected with the implementation of GASB Statement 34, fund balance information is available back to 2002 only.

DURHAM COUNTY, NORTH CAROLINA

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues							
Taxes	\$ 186,224,417	\$ 192,658,421	\$ 205,017,041	\$ 217,778,065	\$ 231,888,087	\$ 243,726,551	\$ 262,694,951
Licenses and permits	996,274	1,119,485	2,009,911	4,065,033	5,312,774	880,944	1,049,599
Intergovernmental	77,103,487	79,702,427	80,584,148	92,975,384	97,702,568	126,958,857	132,739,075
Investments	3,998,249	5,553,022	3,901,835	9,297,592	10,073,093	12,776,308	7,764,319
Rent						1,985,592	2,088,862
Charges for services	33,882,689	39,587,391	36,366,056	43,684,623	44,676,761	21,906,991	23,815,640
Other revenues	8,834,487	9,831,360	10,762,996	11,139,896	12,923,685	14,127,991	659,642
Total revenues	311,039,603	328,452,106	338,641,987	378,940,593	402,576,968	422,363,234	430,812,088
Expenditures							
General government	20,559,502	20,016,132	23,770,689	24,030,548	25,873,688	53,083,781	40,055,970
Public safety	36,166,560	37,431,865	38,777,865	42,812,116	45,997,598	48,084,025	49,037,837
Transportation	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
Environmental protection	1,973,798	2,091,867	2,193,159	2,403,268	2,821,303	2,991,804	10,742,700
Human services	122,999,807	134,196,935	132,033,272	155,505,806	158,201,370	156,237,699	172,690,598
Education	75,548,399	75,984,462	78,662,943	83,044,943	89,560,342	96,175,984	135,475,191
Cultural and recreational	7,232,710	7,175,210	7,194,385	7,492,517	8,188,661	9,894,487	11,508,607
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
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
Debt issuance costs	-	-	-	-	-	123,167	83,939
Amortization of lease discount	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	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
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)
Other Financing Sources (Uses)							
Operating transfers in	30,631,976	33,158,516	34,705,447	39,523,513	43,462,928	49,535,192	54,831,910
Operating transfers out	(29,294,534)	(32,801,332)	(34,455,445)	(39,523,513)	(43,462,928)	(49,493,211)	(54,677,672)
Costs on issuance of debt	(241,856)	-	(193,744)	-	(1,000)	-	-
Premium on issuance of debt	-	-	42,591	-	982,737	-	404,574
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	-	-	21,027,000	1,410,000	5,830,000	2,160,000	1,700,000
Total other financing sources (uses)	81,165,122	357,184	78,325,849	1,410,000	67,416,737	2,201,981	48,448,812
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
Debt service as a percentage of noncapital expenditures	8.27%	8.97%	8.64%	9.05%	8.92%	9.29%	9.19%

Notes:

- (1) Due to changes in the county's fund structure connected with the implementation of GASB Statement 34, fund balance information is available back to 2002 only.
- (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 Seven 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

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.

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

DURHAM COUNTY, NORTH CAROLINA

Government-wide Revenues Last Seven 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	-

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.

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

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	General Government	Public Safety	Transportation	Environmental Protection	Education	Human Services
1999	\$ 17,792,867	\$ 30,220,347	\$ 12,500	\$ 1,477,998	\$ 62,672,025	\$ 82,152,634
2000	19,538,046	32,613,113	12,500	1,674,217	67,438,010	98,240,943
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	48,894,405	12,500	3,219,466	102,787,849	172,690,598

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.

Economic and Physical Development	Non- Departmental Charges	Cultural and Recreational	General Debt Service	Capital Projects	Total
\$ 4,353,108	\$ 6,096,999	\$ 6,386,252	\$ 252,131,954	\$ 5,534,352	\$ 468,831,036
4,698,638	7,894,141	6,772,836	24,909,811	5,600,367	269,392,622
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	40,652,757	23,050,573	433,434,220
4,468,630	-	10,504,666	39,740,391	41,357,949	463,732,424

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
1999	\$ 131,830,906	\$ 36,570,185	\$ 987,831	\$ 50,295,531
2000	136,628,490	37,718,850	1,138,813	63,733,338
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

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.

Rental Income	Investment Income	Charges for Services	Other Revenues	Total
\$ -	\$ 6,220,618	\$ 14,341,762	\$ 10,574,272	\$ 250,821,105
-	6,774,379	13,716,071	11,259,298	270,969,239
-	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

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.

DURHAM COUNTY, NORTH CAROLINA

Principal Property Taxpayers

June 30, 2008

Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2008			Fiscal Year 1999		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
GlaxoSmithKline	\$ 615,154,444	1	2.66%	\$ -	-	-
Internation Business Machines	521,179,732	2	2.25%	468,749,827	2	3.74%
AW North Carolina, Inc.	417,009,968	3	1.80%	-	-	-
Cree Research, Inc.	298,061,165	4	1.29%	-	-	-
Verizon South, Inc.	202,923,286	5	0.88%	-	-	-
Duke Energy Corp.	185,352,477	6	0.80%	132,524,222	5	1.06%
Merck and Co Inc	105,834,555	7	0.46%	-	-	-
Highwoods/Forsyth Ltd.	86,664,715	8	0.37%	98,059,254	7	-
State Street Bank & Trust	83,584,161	9	0.36%	-	-	-
SouthPoint Mall, LLC	82,926,624	10	0.36%	-	-	-
Glaxo Wellcome Inc.	-	-	-	522,118,830	1	4.16%
General Telephone Co. of the Southeast	-	-	-	238,867,725	3	1.90%
Northern Telecom, Inc.	-	-	-	200,563,084	4	1.60%
Mitsubishi Semiconductor America, Inc.	-	-	-	130,189,766	8	1.04%
IBM Credit Corporation	-	-	-	147,275,768	6	1.17%
Vac Limited Partnership	-	-	-	48,274,117	9	0.38%
Durham Associates	-	-	-	40,361,868	10	0.32%
	<u>\$ 2,598,691,127</u>		<u>11.23%</u>	<u>\$ 2,026,984,461</u>		<u>15.37%</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
1999	\$ 8,888,974,990	\$ 1,974,820,493	\$ 481,500,851	\$ 1,203,734,077	\$ 12,549,030,411	0.9397	0.0200-0.2000	0.7790
2000	9,557,053,142	1,961,623,899	514,804,670	1,231,665,105	13,265,146,816	0.9297	0.0191-0.2000	0.8750
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

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 (Original Levy)		Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Adjustments			Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
1999	\$ 176,702,912	\$ 8,408,100	\$ 185,111,012	\$ 178,936,118	96.66%	\$ 6,111,918	\$ 185,048,036	99.97%
2000	193,766,553	726,502	194,493,055	188,032,446	96.67%	6,394,539	194,426,985	99.97%
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%	-	313,396,710	98.73%

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					
		Bethesda	Lebanon	Parkwood	Redwood	Eno	New Hope
1999	\$ 121,177,271	\$ 818,494	\$ 508,133	\$ 666,990	\$ 411,625	\$ 12,583	\$ 6,073
2000	124,282,886	823,324	483,359	788,824	342,016	13,425	6,020
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

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, 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
\$ 201,613	\$ 331,637	\$ 6,503	\$ 60,220,926	\$ -	\$ 759,949	\$ 185,121,797
210,132	315,412	6,896	63,750,149	-	819,834	191,842,277
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

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$100 of assessed value)

	1999	2000	2001 ²	2002	2003	2004	2005	2006	2007	2008
County Direct Rates										
County-wide Rate	\$ 0.9397	\$ 0.9297	\$ 0.9297	\$ 0.7290	\$ 0.7530	\$ 0.7630	\$ 0.7900	\$ 0.8090	\$ 0.8090	\$0.834
Various Special Tax Districts	0.0200-0.2000	0.0191-0.2000	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
Total average direct rate	0.7790	0.8750	0.6940	0.7130	0.7630	0.7680	0.7690	0.7990	0.8765	0.919
Municipality Rates										
City of Durham	0.6800	0.6800	0.6900	0.5340	0.5450	0.5450	0.5830	0.5830	0.6030	0.618
Town of Chapel Hill	0.5380	0.5680	0.5780	0.5040	0.5530	0.5530	0.5750	0.5220	0.5220	0.522
City of Raleigh	-	-	-	-	0.3850	0.3850	0.3950	0.3950	0.4350	0.435

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
1999	218,455	1)	\$ 12,549,030,411	\$ 1,003,922,433	\$ 148,309,082
2000	222,000	(1)	13,265,146,816	1,061,211,745	157,334,829
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	1,436,797,272	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

NOTES:

(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>
\$ 148,309,082	1.2	679
157,334,829	1.2	709
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

DURHAM COUNTY, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Years**

	Fiscal Year				
	1999	2000	2001	2002	2003
Assessed Value of Property	\$ 12,549,030,411	\$ 13,265,146,816	\$ 13,925,885,584	\$ 19,089,466,059	\$ 19,452,484,383
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,003,922,433	1,061,211,745	1,114,070,847	1,527,157,285	1,556,198,751
Amount of Debt Applicable to Limit General Obligation Bonds	<u>340,596,315</u>	<u>166,210,000</u>	<u>149,205,001</u>	<u>213,730,004</u>	<u>197,730,004</u>
Total net debt applicable to limit	<u>340,596,315</u>	<u>166,210,000</u>	<u>149,205,001</u>	<u>213,730,004</u>	<u>197,730,004</u>
Legal Debt Margin	<u>\$ 663,326,118</u>	<u>\$ 895,001,745</u>	<u>\$ 1,313,427,281</u>	<u>\$ 1,313,427,281</u>	<u>\$ 1,358,468,747</u>
Total net debt applicable to limit as a percentage of debt limit	<u>33.93%</u>	<u>15.66%</u>	<u>13.39%</u>	<u>14.00%</u>	<u>12.71%</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.

2004	2005	Fiscal Year 2006	2007	2008
\$ 20,071,879,031	\$ 20,601,509,290	\$ 21,280,715,939	\$ 22,035,372,134	\$ 23,136,584,132
1,605,750,322	1,648,120,743	1,702,457,275	1,762,829,771	1,850,926,731
<u>239,020,001</u>	<u>221,945,003</u>	<u>265,660,003</u>	<u>247,445,003</u>	<u>275,570,002</u>
<u>239,020,001</u>	<u>221,945,003</u>	<u>265,660,003</u>	<u>247,445,003</u>	<u>275,570,002</u>
<u>\$ 1,366,730,321</u>	<u>\$ 1,426,175,740</u>	<u>\$ 1,436,797,272</u>	<u>\$ 1,515,384,768</u>	<u>\$ 1,575,356,729</u>
<u>14.89%</u>	<u>13.47%</u>	<u>15.60%</u>	<u>14.04%</u>	<u>14.89%</u>

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Governmental Activities Debt As of June 30, 2008

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Municipality:			
City of Durham	\$ 226,147,191	100%	\$ 226,147,191
Town of Chapel Hill	19,515,000	0%	-
City of Raleigh	185,435,000	0%	-
Overlapping debt	<u>431,097,191</u>		<u>226,147,191</u>
Direct debt	270,784,680		270,784,680
Total direct and overlapping debt	<u><u>\$ 701,881,871</u></u>		<u><u>\$ 496,931,871</u></u>

Source: Overlapping debt provided by each municipality.

Note: Percentage of overlap based on assessed property values.

DURHAM COUNTY, NORTH CAROLINA

**Ratio of Annual Debt Service for 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			
1999	\$ 11,537,822	\$ 8,276,917	\$ 55,781	\$ 19,870,520	\$ 240,674,704	8.26
2000	11,814,419	7,677,992	64,965	19,557,376	269,392,622	7.26
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

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
1999	\$ 340,596,315	2.71%	1,559.11
2000	166,210,000	1.25%	748.69
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

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				Total Governmental Activities
	General Obligation Bonds	Certificates of Participation	Installment Purchases	Capital Leases	
1999	\$ 148,309,082	\$ 36,015,000	\$ 6,730,517	\$ 89,761	\$ 191,144,360
2000	157,334,829	34,300,000	6,425,574	-	198,060,403
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

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
\$ 22,685,918	\$ -	\$ 22,685,918	\$ 213,830,278	3.37%	984.89
8,875,171	-	8,875,171	206,935,574	3.02%	936.96
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

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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 9 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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General government	210	212	210	213
Public safety	472	471	518	543
Economic and physical development	6	6	6	5
Environmental protection	12	18	22	23
Human services	782	796	771	775
Cultural and recreational	84	84	79	80
Utilities	3	4	4	4
Total	<u>1,569</u>	<u>1,591</u>	<u>1,610</u>	<u>1,643</u>

Source: Durham County Human Resources Department

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
206	220	213	216	243	252
546	559	585	585	590	600
5	6	8	8	11	13
21	24	29	28	30	33
734	686	659	644	651	677
73	75	74	73	90	99
5	5	5	5	4	6
<u>1,590</u>	<u>1,575</u>	<u>1,573</u>	<u>1,559</u>	<u>1,619</u>	<u>1,680</u>

DURHAM COUNTY, NORTH CAROLINA

Operating Indicators By Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Administration										
Registered voters (6)	156,879	146,097	161,350	154,645	161,708	152,176	156,865	152,346	164,129	146,115
Taxable real estate parcels (7)	104,548	100,427	92,600	89,785	87,608	86,177	83,847	82,873	81,253	79,149
Tax bills (7)**	300,886	267,305	327,282	310,855	301,008	294,927	282,681	257,468	267,247	256,280
Human Services										
Adult care home residents served through on-site inspections (8)	811	889	886	884	855	852	*	*	*	*
Persons testing for HIV/STD (9)	67,765	60,122	62,013	64,698	62,177	65,429	74,741	71,192	66,993	55,452
Food assistance individuals (8)	23,730	22,527	21,706	20,291	19,012	16,854	14,120	12,783	13,053	13,882
Education										
Students attending public school (1)	31,732	32,749	31,981	31,719	30,947	30,889	30,821	29,816	29,000	29,400
Public school teachers (2)	2,368	2,419	2,368	2,293	2,184	2,164	2,119	2,126	2,075	2,073
Community college students-average semester (3)	*	*	*	*	*	*	*	*	*	*
Community college faculty (3)	*	*	*	*	*	*	*	*	*	*
Community Development and Cultural (5)										
Residential permits issued - new ***	1,713	2,153	2,284	2,058	1,983	1,714	1,864	1,626	1,860	1,827
Commercial permits issued - new ***	209	274	229	301	243	269	228	255	295	319
Building permits - additional, alterations ***	1,694	1,705	1,739	1,581	1,724	1,708	1,764	1,656	1,510	1,550
Inspections performed	*	*	*	*	*	*	*	*	*	*
Environmental Services										
Animal control service calls (10)	16,213	12,390	12,526	11,405	10,423	11,744	10,679	9,513	10,965	11,706
Animals impounded (10)	6,755	6,684	6,613	6,906	6,358	6,318	5,754	5,432	5,348	5,411
Sanitation inspections (9)	7,606	8,130	8,419	8,433	8,209	8,463	9,788	9,413	8,128	7,500
Public Safety										
Detention intake (11)	12,395	12,456	12,743	12,672	12,447	12,438	13,069	12,258	8,019	*
Civil processes served (11)	33,643	32,967	33,174	34,281	30,819	34,631	31,124	26,950	23,822	25,611
Pistol permits processed (11)	1,687	1,051	1,261	1,373	1,287	1,125	1,787	1,429	*	*
Average daily jail population (11)	629	597	549	509	470	449	418	414	432	460
Fire/medical incidents responded to by contracting fire departments (4)	11,925	10,000	6,239	7,599	7,549	7,423	6,842	6,393	6,071	6,835
Durham EMS trips (4)	25,111	23,132	21,766	19,839	19,001	20,728	21,447	21,016	19,995	23,996

* 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--1999-2005 Final Average Daily Membership. Durham County Public Schools--2006-2008.

(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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Government (1)										
Rentable square footage	726,461	726,461	721,454	*	*	*	*	*	*	*
Human Services (2)										
Number of centers	6	6	6	6	7	8	9	10	10	9
Education (3)										
Number of schools	46	46	46	46	44	44	44	44	44	46
Number of higher education institutions	4	4	5	5	5	5	5	5	5	5
Community Development and Cultural (4)										
Libraries - branches	8	8	9	8	8	8	8	8	8	8
Volume of library books	609,544	584,299	514,958	496,926	475,730	480,641	466,984	466,798	477,486	472,407
Number of County parks	2	2		60	59	59	59	59	58	60
Public Safety										
Sheriff - Stations (5)	5	5	5	5	5	5	5	5	5	5
Detention capacity (5)	736	736	736	736	736	736	736	736	736	736
Fire protection - City Stations (6)	15	15	14	14	14	13	13	12	12	13
Fire protection - Volunteer Stations (6)	11	11	11	11	12	12	11	12	12	13
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

DEMOGRAPHIC & ECONOMIC INFORMATION

Special Assessments and Collections

This schedule is a summary of the activity for special assessments for the last 10 fiscal years.

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.

DURHAM COUNTY, NORTH CAROLINA

Special Assessments and Collections Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total Assessments Uncollected Beginning of Period</u>	<u>Additional Assessments</u>	<u>Collections</u>	<u>Total Assessments Uncollected End of Period</u>
1999	\$ 6,377	\$ 599	\$ -	\$ 6,976
2000	6,976	-	9	6,967
2001	6,967	-	193	6,774
2002	6,774	-	-	6,774
2003	6,774	-	-	6,774
2004	6,774	-	245	6,529
2005	6,529	-	-	6,529
2006	6,529	-	-	6,529
2007	6,529	-	-	6,529
2008	6,529	-	-	6,529

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>
1999	\$ 676,873,415	\$ 12,549,030,411
2000	665,008,911	13,265,146,816
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

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>
1999	218,455	\$ 6,376,044	\$ 29,320	29,400	1.9%
2000	222,000	6,887,777	32,382	29,000	2.2%
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	*	36,388	32,749	3.8%
2008	261,206	*	38,923	31,732	5.5%

* Information not yet available

- (1) The 2001-2004 estimates are from the Durham City/County Planning Department. All other population estimates are reported by the North Carolina Department of Administration, Division of Management and Budget, Research and Planning Service.
- (2) Bureau of Economic Analysis
- (3) 1999-2002 is actual per capital income provided by Problem Solving Research, Inc. & U.S. Dept of Commerce, Bureau of Economic Analysis. 2003, 2004, 2005 and 2006 is projected per capital income for the calendar year and is provided by Woods & Poole Economics, Inc.

As of 2004, Durham is no longer considered part of the Triangle Metropolitan Statistical Area.

- (4) North Carolina Department of Public Instruction. 1999-2005 Final Average Daily Membership 2006, 2007, 2008 Durham County Public Schools.
- (5) North Carolina Employment Security Commission.

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>
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- (5) North Carolina Employment Security Commission.

DURHAM COUNTY, NORTH CAROLINA

Principal Employers Current Year and Nine Years Ago

Employer	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Duke University & Medical Center	26,324	1	19.38%	19,500	1	16.51%
International Business Machines (IBM)	11,527	2	8.48%	13,000	2	11.01%
GlaxoSmithKline	5,179	3	3.81%			
Durham Public Schools	5,076	4	3.74%	4,500	4	3.81%
NORTEL Networks	2,600	5	1.91%			
Lenovo Group, Ltd.	2,300	7	1.69%			
Durham City Government	2,202	9	1.62%	1,800	9	1.52%
Veterans Affairs Medical Center	2,086	10	1.54%	1,700	10	1.44%
Research Triangle Institute (RTI)	2,003		1.47%			
Durham County Government	1,774		1.31%	1,900	8	1.61%
Nortel				8,500	3	7.20%
Glaxo Wellcome, Inc.				3,979	5	3.37%
Blue Cross & Blue Shield of NC				2,222	6	1.88%
Durham Hospital Corporation				2,000	7	1.69%
	<u>61,071</u>		<u>44.95%</u>	<u>59,101</u>		<u>50.04%</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, 2008, and have issued our report thereon dated October 27, 2008. 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, 2008, as described in the Trust Agreement referred to in the first paragraph.

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

Cherry Bekaert & Holland LLP.

Raleigh, North Carolina
October 27, 2008

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DURHAM COUNTY, NORTH CAROLINA

Schedule of Debt Covenant Compliance Year Ended June 30, 2008

	Enterprise Fund Sewer Utility Fund
Operating revenues	
Charges for services	\$ 7,964,469
Total operating revenues	<u>7,964,469</u>
Operating expenses	
Personnel services	459,767
Contracted services - wastewater treatment plant	2,421,783
Utilities	285,614
Maintenance and other	945,442
Depreciation	570,567
Total operating expenses	<u>4,683,172</u>
Operating income (loss)	<u>3,281,297</u>
Add:	
Depreciation expense	<u>570,567</u>
Income available for debt service	<u><u>\$ 3,851,864</u></u>
Fiscal year revenue bond debt payments	\$ 2,414,408
Fiscal year total debt payments	\$ 3,234,845
Senior lien debt service coverage	1.60
Total debt service coverage	1.19
Series 2003 Revenue Bond Covenant Requirement	
Senior lien debt service coverage	1.20
Total debt service coverage	1.00

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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 Dewanda S. Dalrymple, CPA, Senior Accountant, 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:

Jessica Brown-Linton, Assistant Finance Director

Dennis Roberts, Senior Accountant

Larry DeWalt, Accountant

Sarah Hill, Accountant

Dave Jerrido, Accountant

Kimerly Mann, Accountant

Delphine Powell, Accountant

Catherine Davis, Compliance Manager