

County of Durham, North Carolina

A Comprehensive
Annual
Financial Report



For year ended June 30, 2007

County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007

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Prepared by the Durham County Finance Department

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INTRODUCTORY SECTION



Letter of Transmittal

October 31, 2007

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, 2007.

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, 2007, 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, 2007 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 249,654. 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. The county manager is authorized to transfer budget amounts within a function up to 15% cumulatively without reporting to the Board of County Commissioners (BOCC). The county manager is authorized to transfer budget amounts between functions of the same fund up to \$20,000 with an official report of such transfer being made at the next regular meeting of the BOCC. 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.

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. There are an estimated 39,000 full-time employees working in the park, earning an average annual salary of \$56,000.

The employee population and average annual salary remained largely constant this past year. The number of research and development companies in the Park continues to grow. Recent locates to RTP include Fidelity Investments, Credit Suisse, Stiefel Laboratories, Network Appliance and Cree. Credit Suisse announced in September 2007 the opening of a new \$40 million facility for its Center of Excellence (CoE) and employment of 850 workers in RTP. Network Appliance was recently honored as a "Best Place to Work in RTP" by the Triangle Business Journal. Network Appliance employs 705 workers and purchased an additional one hundred acres in the Research Triangle Park in 2007.

Between 2004 and 2007 newly located companies in RTP accounted for approximately 3,013 initial new jobs with salaries averaging over \$80,700. From mid-2004 to late 2007, initial capital investment in these projects in RTP exceeded \$235,000,000.

The recuperation of the Park is happening gradually. In the meantime, research being 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 powerhouse 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.

Durham's economy is certainly not limited to development of the Research Triangle Park. New construction is ubiquitous, a testimony to the fact that Durham is a nurturing environment for start-up companies. In addition, many companies from various regions of the US as well as other countries have moved their headquarters here to capture great cost savings. Merck and Company, a Durham vaccine manufacturing facility, announced its expansion with an investment of approximately \$100 million along with the creation of an additional 50 to 60 new jobs. The expansion will support the manufacture and global distribution of several of Merck's key vaccines. Other new companies that announced their location and investment in the County this past year were Steel Network, KeySource Bank, Southern Research Institute, Social Security Administration, Implus Footcare, SSOE, Cortina Systems, International Rectifier, GigaBeam, Kendle International, INS Office, and Total Information Management. Existing companies that are either expanding or have announced expansions to begin in the County are Federal Express, Nitronex, BD Biosciences, Athenix, Embrex, Infineon, Expression Analysis, Talecris, SmithGroup, Inner Pulse, RTI, Health Decisions, Starsys, and Blue Cross Blue Shield. RTI, a research organization, has announced an expansion with an investment of approximately \$28 million along with the creation of 400 jobs. *Fast Company Magazine*, ranked Raleigh-Durham in the Top 30 Fastest Cities in the World for R&D Clusters Category.

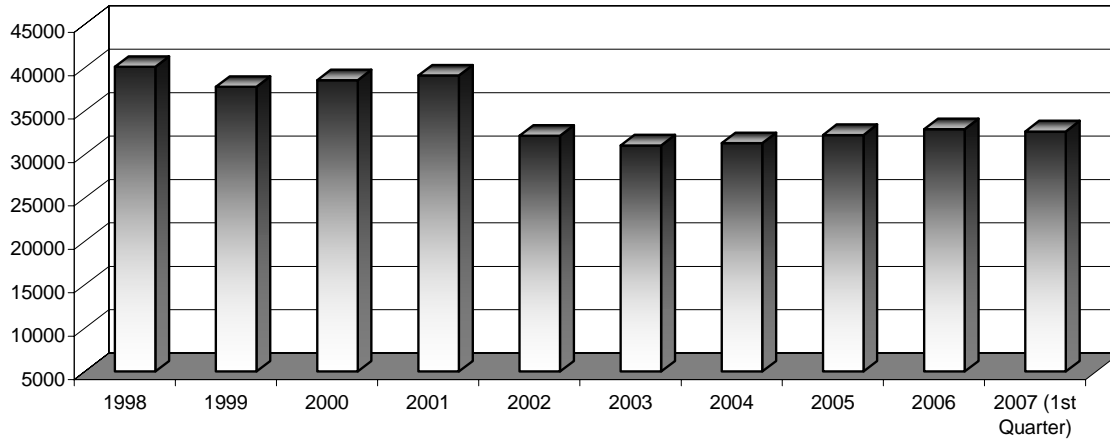
Health care

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. In 2006, the manufacturing sector employment increased from 32,251 in 2005 to 32,935 in 2006, an increase of 684 (2.12%). In the 1st quarter of calendar year 2007 the manufacturing sector employment slightly decreased to 32,671, a decrease of 264 (0.80%). Also, Merck and Company, vaccine manufacturing facility, has announced an expansion with an investment of approximately \$100 million along with the creation of 50 to 60 jobs.

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. 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. Intel Wireless Internet Accessibility survey ranked the Raleigh – Durham – Chapel Hill area as #8 in Wireless Internet Accessibility in the United States.

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 Durham #3 Best Cities for Relocating Families. In May 2007 *Newsweek* ranked Durham Schools in the Top 5 in the US and in December 2006 *Forbes* ranked Durham #6 in America's Smartest Cities. In April 2007 *Black Enterprise* ranked Raleigh-Durham Metro Area #3 The Ten Best Cities for African Americans. 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. In April of 2007, *Forbes* ranked Durham in Top Ten Metros for Business and Careers. Also, in April of 2007, *Expansion Management Magazine* ranked Durham Top 10 in "Top Metros for Scientists & Engineers", 2007 List of 5-Star Knowledge Worker Metros, and #7 in "Top Metros for University R&D Spending.

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 2006 were \$452,732,625. Economic development announcements occurring through the third quarter of 2007 amounted to over \$600 million.

Economic Development Statistics

Per Capita Income

Per capita income data for the last seven 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 |
|-------------------------|-----------|-----------|-----------|-----------|--------|--------|--------|
| Triangle MSA | \$ 32,382 | \$ 32,360 | \$ 33,490 | \$ 34,605 | \$ - | \$ - | \$ - |
| Durham MSA | - | - | - | - | 32,482 | 33,505 | 37,262 |
| Raleigh/Cary MSA | - | - | - | - | 36,309 | 37,270 | 37,107 |
| North Carolina | 27,129 | 26,910 | 28,215 | 29,219 | 29,541 | 30,429 | 32,338 |
| United States | 29,676 | 29,561 | 31,065 | 32,209 | 33,127 | 34,212 | 36,629 |

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.

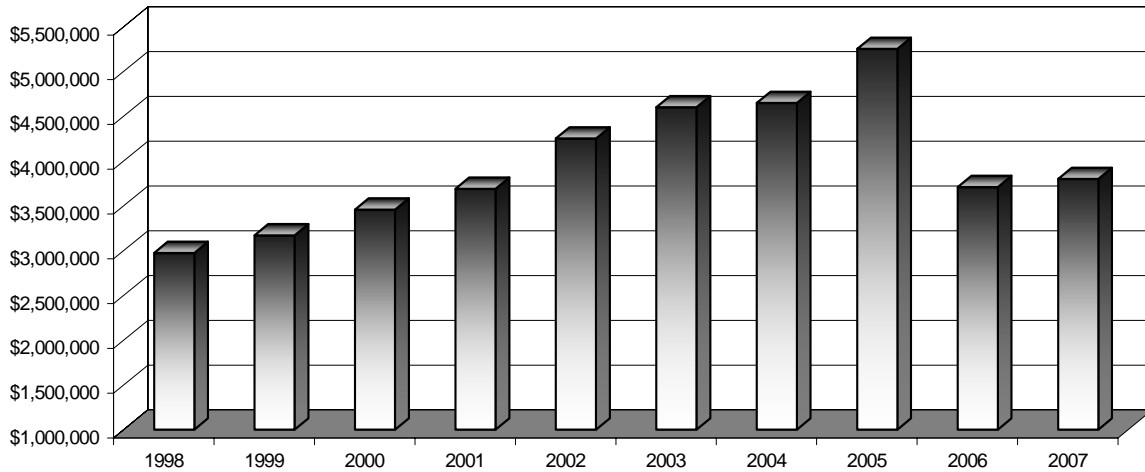
Retail Sales

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 |
|--------------------------------|---------------------------------------|--|--|
| 1998 | 2,969,822 | | 9.0% |
| 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% |

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.

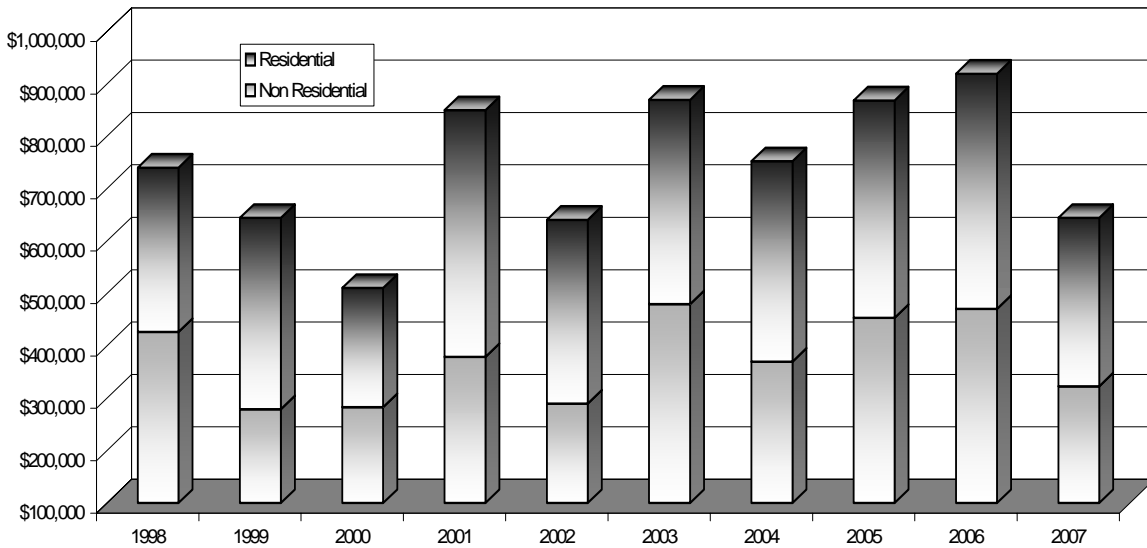


For fiscal years 2003, 2004, and 2005, Durham exceeded \$4.5 billion in gross retail sales activity. In fiscal year 2006, the NC Department of Revenue made a rule change to report total taxable sales reported on sales and use tax returns and no longer total gross retail sales. Therefore, in fiscal year 2006 the total taxable sales reported shows a decline, but it is due to the difference in reporting methods. In fiscal year 2007, the total taxable sales reported were \$3.8 billion, an increase of \$89 million (2.36%). Durham’s retail sales continue to grow as new shopping centers are built and older ones are renovated. Northgate Mall (an older mall) construction and renovation continues as Northgate makes this bold move in the marketplace providing the best of both worlds with shopping inside as well as shopping outside, food and entertainment. The continued growth is primarily because of the continued success of The Streets of Southpoint Mall, the success of Northgate Mall and the success of North Pointe Shopping Center.

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.

| | Non Residential (000's) | Residential (000's) | Total (000's) |
|-----------------------|----------------------------|------------------------|------------------|
| 1998 | \$ 426,382 | \$ 313,702 | \$ 740,084 |
| 1999 | 279,085 | 364,835 | 643,920 |
| 2000 | 283,104 | 227,067 | 510,171 |
| 2001 | 378,866 | 470,722 | 849,588 |
| 2002 | 289,707 | 350,767 | 640,474 |
| 2003 | 479,414 | 389,954 | 869,368 |
| 2004 | 369,602 | 382,513 | 752,115 |
| 2005 | 453,194 | 415,152 | 868,346 |
| 2006 | 470,570 | 448,720 | 919,290 |
| 2007 (first 8 months) | 322,615 | 321,385 | 644,000 |

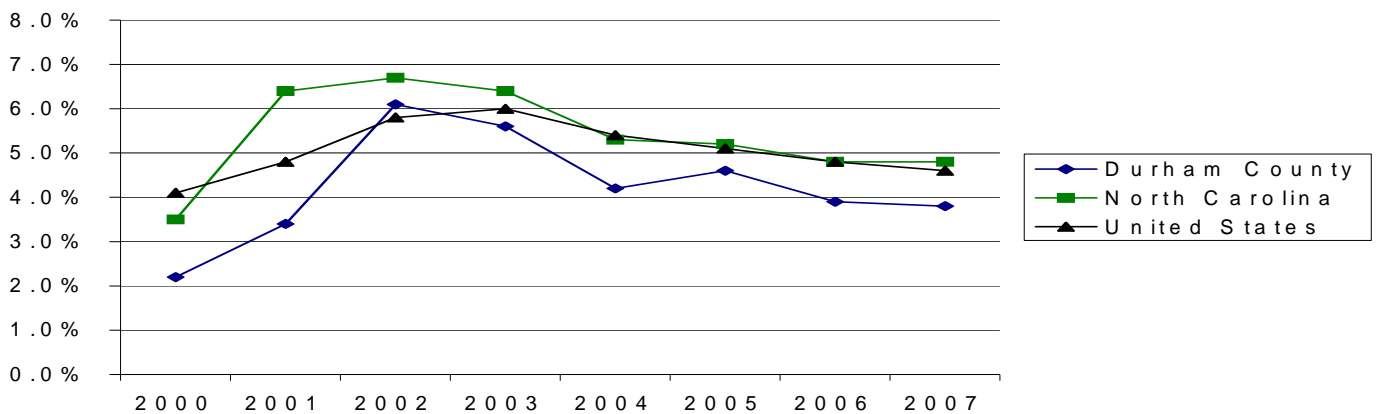


As of July 2007, the total number of occupied dwelling units in Durham County was 110,578. Also, for the first eight months of 2007, 2,336 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. There was a decrease in the value of construction activity in 2007 from 2006 for residential and non-residential. During the fiscal year 2007, the growth was evenly distributed across the County.

Unemployment

The percentage of unemployment in the County, State and the United States for the past eight 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% |



As of August 2007, the County's unemployment rate has decreased to 3.8%. The County's rate is 1.00% less than the State's while the nation's percentage is at 4.6%. 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 2006-2007 an update was completed for fiscal years 2008-2017. 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 following: completed construction of the North Regional Library, renovations and additions to the Stanford L Warren Library, construction of Emergency Medical Services Stations No. 2; began construction of the Judicial Building Elevator Modernization; continued design of the Human Services Complex, Justice Building, Animal Control Offices and South Regional Library; began design of Southwest Library Expansion and Renovations and Oakleigh Building Renovations; completed planning study for Board of County Commissioners Chambers Technology Upgrades, initiated Detention Center Expansion Needs Assessment and acquired property for the Human Services Complex and Justice Building. The 2001 Bond Project accomplishments during the fiscal year are as follows; completed construction of Stanford L. Warren Library, EMS Station No. 2 and North Regional Library. The 2003

Bond Project accomplishments included demolition of existing buildings on the site of the South Regional Branch Library with continuation of the design for the new library.

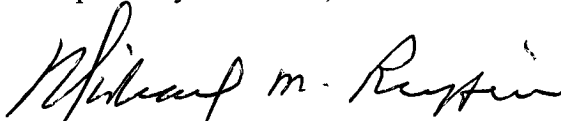
Awards and Acknowledgements

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, 2006. 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



Becky M. Heron
Vice Chairman



Philip R. Cousin, Jr.



Lewis A. Cheek



Michael D. Page

Durham County Administration

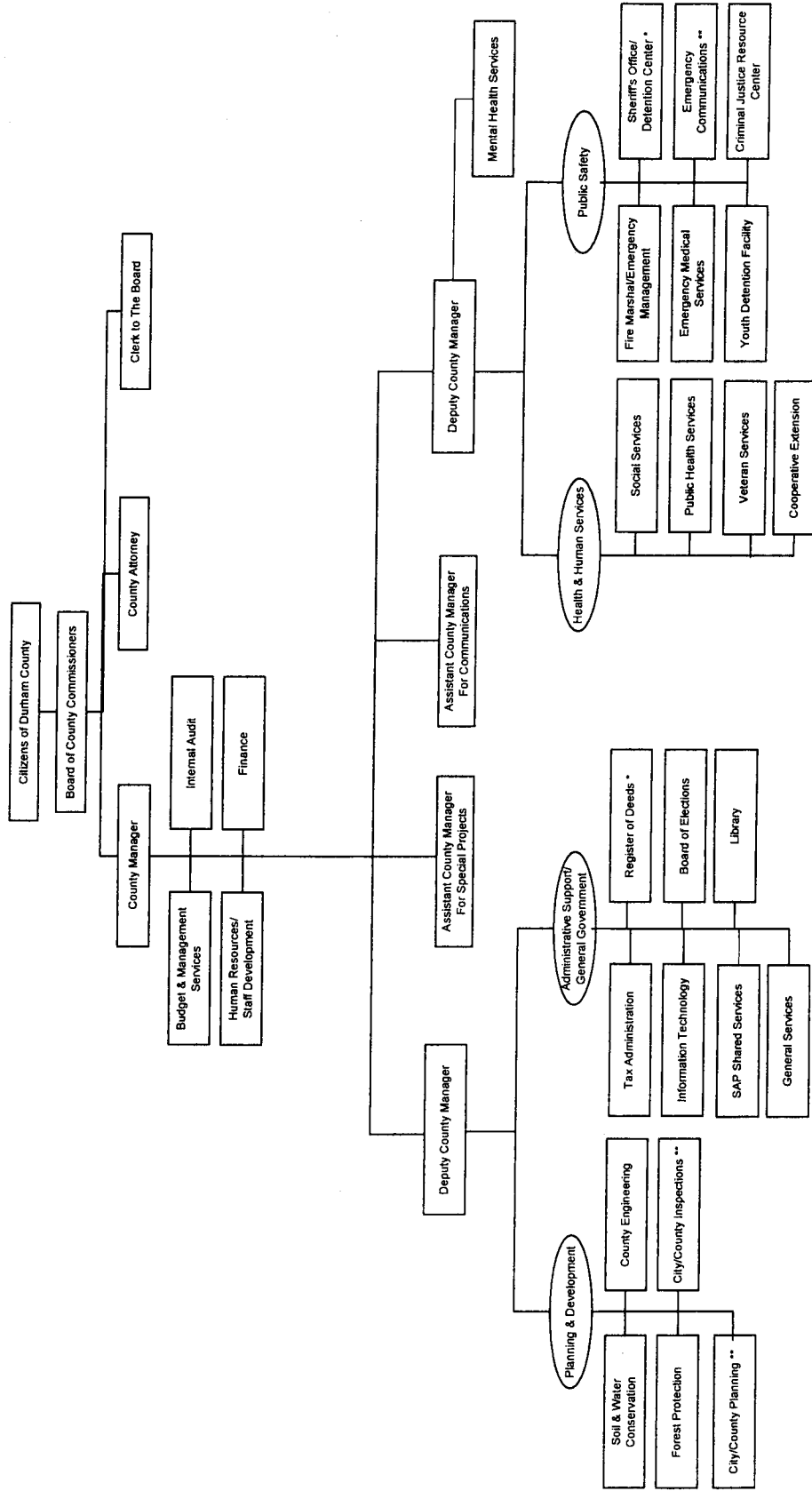


Mike Ruffin
County Manager



George K. Quick
Finance Director

Durham County, North Carolina General Administration Organizational Chart



* Elected Officials
 ** Joint City/County Departments

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Durham
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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.



President

Executive Director

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, 2007, 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, 2007, 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 24, 2007 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 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.

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

Cherry, Bekaert & Holland, L.L.P.

Raleigh, North Carolina
October 24, 2007

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, 2007. 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 \$147,798,199 (*net assets*). However, of this amount, unrestricted net assets has a deficit balance of (\$46,543,604) (*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. The assets funded by the County are owned by the School System, Durham Technical Community College and the Museum of Life and Science. 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 \$16,560,267, an increase of 12.62 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 \$198,255,203, a decrease of \$8,992,172 in comparison with the prior year. Approximately 83.5 percent of this total amount, \$165,545,479, 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 \$61,598,325 or 17.26 percent of total general fund expenditures, compared to fiscal year 2006 which was \$46,766,882 or 13.67 percent of total general fund expenditures. The primary reasons for the increase in the percentage of unreserved fund balance to total general fund expenditures are the decrease in transfers out of over \$5.6 million, the decrease in mental health spending of County appropriations of over \$5.4 million, the increase in excess of revenues over expenditures of over \$2.4 million, the proceeds from the issuance of installment purchases of over \$2.1 million and the increase in transfers in of over \$1.7 million netted with an increase in reserves of over \$2.7 million.
- The reserved by State Statute for the general fund increased by over \$1.5 million compared to fiscal year 2006. This is primarily because of increased local option sales tax collections distributed for the last quarter of the fiscal year after year end, thereby, increasing the County's due from federal and state agencies combined with the reduction of the amount due from the City of Durham Tax Fund for the City tax incentive interlocal agreement at year end.
- The reserved for other purposes increased by over \$1 million. This is a result of increases in restricted cash, departmental reserves for restricted purposes, inventory, prepaid expenditures and collections in advance.
- The County's total debt decreased by \$18,190,503 (5.20 percent) during the current fiscal year. The key factors in this decrease were the annual retirement of governmental and business-type activities debt and the issuance of industrial extension policy agreements of \$7,229,610 and installment purchases of \$2,160,000 for governmental activities.

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 27-28 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 29-36 of this report.

Proprietary funds. The County did maintain two different types of proprietary funds. *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. *Internal service funds* are an accounting device that was used to accumulate and allocate costs internally among the County's various functions. The County used an internal service fund for the financing of major capital purchases for departments or agencies on a cost reimbursement basis. Because these services predominantly benefited governmental rather than business-type functions, they were included within *governmental activities* in the government-wide financial statements. However, the internal service fund was closed this fiscal year.

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. Conversely, the internal service

fund is a presentation in the proprietary fund financial statements. Because the internal service fund was closed during the fiscal year, the internal service fund is not presented in the Statement of Net Assets; however, the activity for the year is presented in the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. 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 40-41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-90 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 to its employees. Required supplementary information can be found on pages 91-93 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 97-133 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 \$147,798,199 as of June 30, 2007. 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 \$107,544,011 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 Activities | | Business-type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Current and other assets | \$ 237,816,567 | \$ 249,592,865 | \$ 14,032,389 | \$ 12,588,701 | \$ 251,848,956 | \$ 262,181,566 |
| Capital assets | 195,846,605 | 190,815,256 | 53,216,859 | 52,393,564 | 249,063,464 | 243,208,820 |
| Total assets | 433,663,172 | 440,408,121 | 67,249,248 | 64,982,265 | 500,912,420 | 505,390,386 |
| Long-term liabilities outstanding | 304,718,552 | 321,015,442 | 26,572,600 | 28,466,213 | 331,291,152 | 349,481,655 |
| Other liabilities | 20,788,169 | 24,435,213 | 1,034,900 | 235,586 | 21,823,069 | 24,670,799 |
| Total liabilities | 325,506,721 | 345,450,655 | 27,607,500 | 28,701,799 | 353,114,221 | 374,152,454 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 80,186,886 | 63,614,759 | 27,357,125 | 24,680,549 | 107,544,011 | 88,295,308 |
| Restricted | 84,617,682 | 105,228,878 | 2,180,110 | 963,121 | 86,797,792 | 106,191,999 |
| Unrestricted | (56,648,117) | (73,886,171) | 10,104,513 | 10,636,796 | (46,543,604) | (63,249,375) |
| Total net assets | <u>\$ 108,156,451</u> | <u>\$ 94,957,466</u> | <u>\$ 39,641,748</u> | <u>\$ 36,280,466</u> | <u>\$ 147,798,199</u> | <u>\$ 131,237,932</u> |

The second portion of the County's net assets in the amount of \$86,797,792 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, 2007, the unrestricted net assets are a deficit in the amount of (\$46,543,604). 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.

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 (\$56,648,117) 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 \$10,104,513.

The government's net assets increased by \$16,560,267 during the current fiscal year. This amount is an increase of 12.62 percent. The County was able to maintain its stability financially and continued growth for a seventh consecutive year. In fiscal year 2007, operating grants and contributions increased over \$54.3 million primarily because of increased services provided by social services while capital grants and contributions increased by over \$5.4 million primarily because of education. Charges for services decreased by over \$25.4 million mainly because of the restructuring of mental health with the majority of services they previously provided being outsourced coupled with a decrease of over \$4.3 million in environmental protection, an increase of over \$1.5 million and \$350 thousand in public safety and general government, respectively. Property taxes levied for general purposes increased by over \$5.3 million for fiscal year 2007. In addition, there was an increase in local option sales tax of over \$5.7 million. In previous fiscal years, investment and rental income were reported together under general revenues. In fiscal year 2007, rental income in the amount of over \$1.9 million was allocated to the program revenues of the appropriate functions that generate the revenue, and investment and interest income increased by over \$5 million. Also, in fiscal year 2007, there were increases in property taxes levied for fire districts, occupancy tax, gross receipts tax, other revenues and in the area of amortization of bond premium. Likewise, in fiscal year 2007, there were decreases in revenues in the areas of property taxes levied for other district purposes and animal tax. The net of revenues in all areas was an increase to offset the increases in expenses which were over \$54.7 million. The significant increases were in human services, general government, economic and physical development, interest and fiscal charges with a significant decrease in public safety. In fiscal year 2007, what was previously reported as nondepartmental was moved to the function of general government. The County's finances continue to improve. Strong, sound financial management is the basis for this stability and growth.

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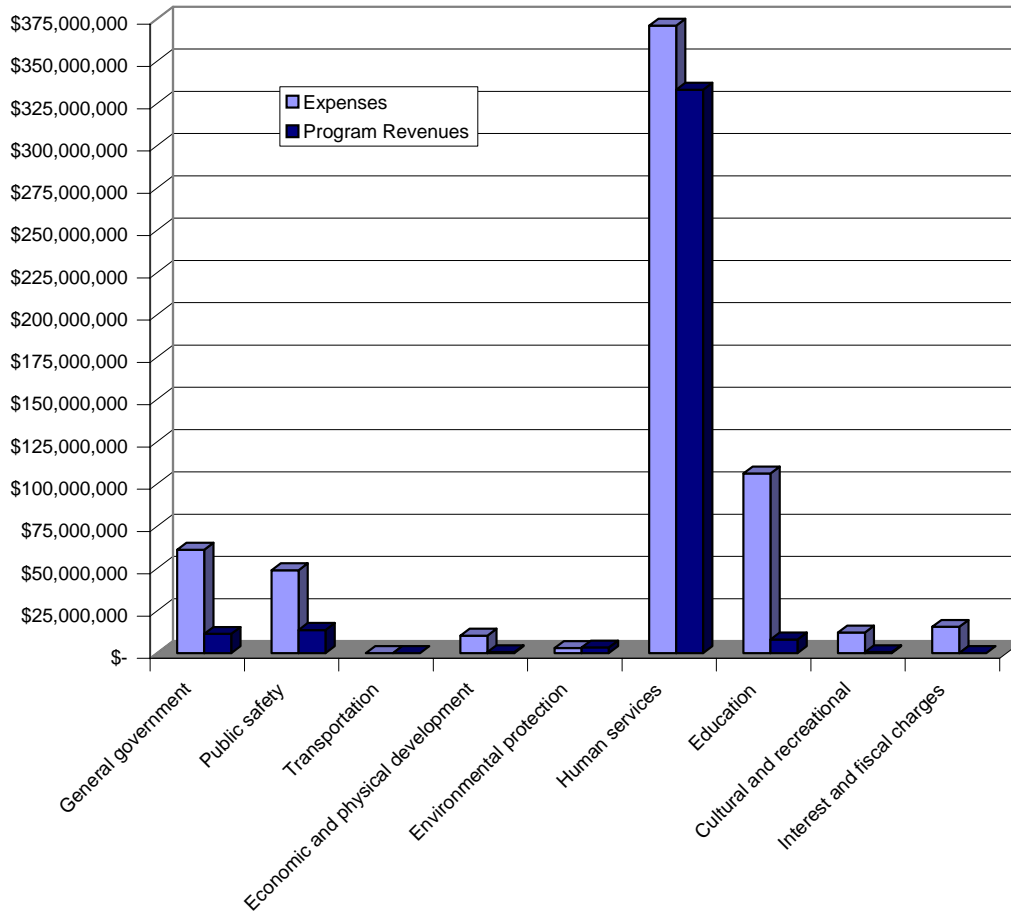
DURHAM COUNTY'S CHANGES IN NET ASSETS

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 25,870,746 | \$ 51,490,194 | \$ 7,848,710 | \$ 7,650,033 | \$ 33,719,456 | \$ 59,140,227 |
| Operating grants and contributions | 336,366,486 | 282,054,223 | - | - | 336,366,486 | 282,054,223 |
| Capital grants and contributions | 8,548,462 | 2,900,712 | - | 159,600 | 8,548,462 | 3,060,312 |
| General revenues: | | | | | | |
| Taxes | 243,105,448 | 231,696,186 | - | - | 243,105,448 | 231,696,186 |
| Investment and interest income | 13,321,460 | 10,141,571 | 603,131 | 611,070 | 13,924,591 | 10,752,641 |
| Amortization of bond premium | 247,770 | 202,273 | 33,834 | 33,834 | 281,604 | 236,107 |
| Other revenues | 14,127,991 | 12,923,685 | 100 | 2,940 | 14,128,091 | 12,926,625 |
| Total revenues | <u>641,588,363</u> | <u>591,408,844</u> | <u>8,485,775</u> | <u>8,457,477</u> | <u>650,074,138</u> | <u>599,866,321</u> |
| Expenses: | | | | | | |
| General government | 61,082,121 | 28,142,742 | - | - | 61,082,121 | 28,142,742 |
| Public safety | 49,069,987 | 52,182,047 | - | - | 49,069,987 | 52,182,047 |
| Transportation | 12,500 | 12,500 | - | - | 12,500 | 12,500 |
| Economic and physical development | 10,262,137 | 3,246,027 | - | - | 10,262,137 | 3,246,027 |
| Environmental protection | 3,022,401 | 2,817,714 | - | - | 3,022,401 | 2,817,714 |
| Human services | 371,034,045 | 344,328,289 | - | - | 371,034,045 | 344,328,289 |
| Education | 106,234,157 | 105,485,526 | - | - | 106,234,157 | 105,485,526 |
| Cultural and recreational | 12,136,121 | 11,569,884 | - | - | 12,136,121 | 11,569,884 |
| Nondepartmental | - | 15,342,913 | - | - | - | 15,342,913 |
| Interest and fiscal charges | 15,535,909 | 11,422,405 | - | - | 15,535,909 | 11,422,405 |
| Sewer utility | - | - | 5,124,493 | 4,210,944 | 5,124,493 | 4,210,944 |
| Total expenses | <u>628,389,378</u> | <u>574,550,047</u> | <u>5,124,493</u> | <u>4,210,944</u> | <u>633,513,871</u> | <u>578,760,991</u> |
| Increase (decrease) in net assets | 13,198,985 | 16,858,797 | 3,361,282 | 4,246,533 | 16,560,267 | 21,105,330 |
| Net assets - 7/1/2006 | <u>94,957,466</u> | <u>78,098,669</u> | <u>36,280,466</u> | <u>32,033,933</u> | <u>131,237,932</u> | <u>110,132,602</u> |
| Net assets - 6/30/2007 | <u>\$ 108,156,451</u> | <u>\$ 94,957,466</u> | <u>\$ 39,641,748</u> | <u>\$ 36,280,466</u> | <u>\$ 147,798,199</u> | <u>\$ 131,237,932</u> |

- Property taxes levied for general purposes increased by \$5,352,555 (3.06 percent) during the year. This increase is because of the continued collection efforts including participating in the North Carolina Local Government Debt Setoff Clearinghouse Program.
- Local option sales tax increased by \$5,723,043 (11.53 percent) during the year. The increase was primarily due to increased sales for the year.
- Intergovernmental revenues increased by \$59,800,413 including pass-through and direct payments. The primary reasons for this increase are in human services, education and public safety. Operating grants and contributions increased primarily as a result of increased services provided by human services and public safety. Capital grants and contributions increased mostly because of increased revenues for education of over \$3.1 million and contributed assets to the County from the Durham County Board of Education of over \$2.3 million. In fiscal year 2007, the County entered into an agreement with the Durham County Board of Education regarding three 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 two of these titles had occurred with the capital contribution being recorded accordingly.
- Charges for services decreased by \$25,420,771 (42.98 percent). Most of this decrease is because of a decrease in the charges for services for human services in the amount of \$23,178,263 (83.83 percent). Mental health services decreased by over \$20.9 million coupled with a reduction of public health services of over \$2.1 million. As of fiscal year 2007, there was a major restructuring of mental health with the majority of services they provided in the past being outsourced. In addition, public safety increased over \$1.5 million and general government increased over \$350 thousand. These increases were primarily because of the rental income being reported as program revenue of the function that generates the revenue as of fiscal year 2007 previously reported as general revenues. Charges for services for environmental protection decreased by over \$4.3 million primarily because of the elimination of school impact fees.
- Other revenues increased by \$1,201,466 (9.29 percent). This is primarily because of the increased collections for the cafeteria plan.

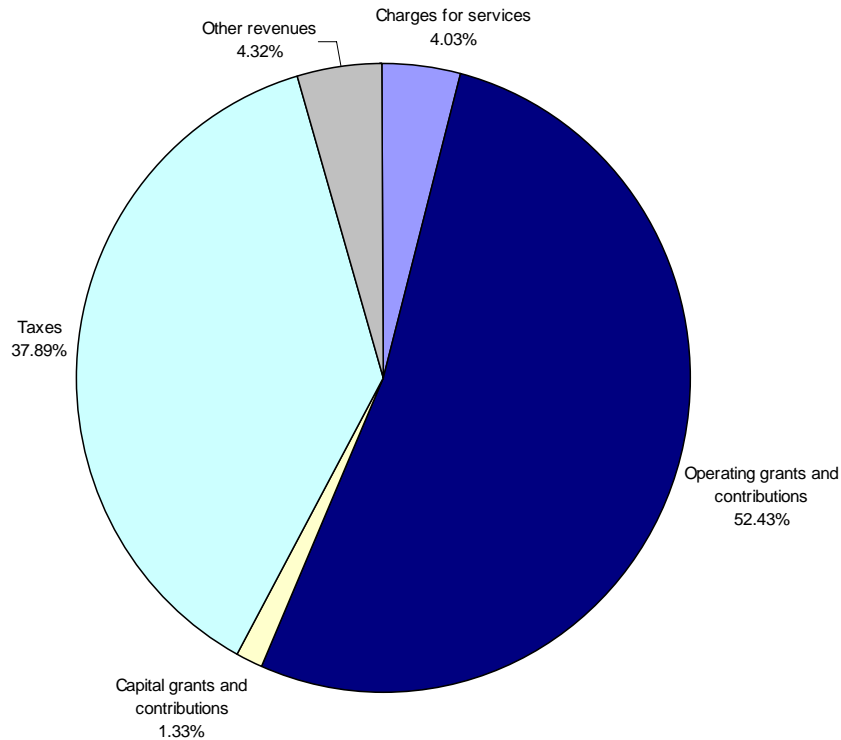
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Expenses and Program Revenues – Governmental Activities



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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 \$54,752,880 (9.46 percent) due to increases in expenses of governmental activities netted with decreases in expenses of business-type activities. The largest increase was in human services, which increased \$26,705,756 (7.75 percent) due primarily to increases in services by social services and public health netted with a decrease in services provided by mental health. Expenses reported in prior fiscal years as nondepartmental are reported in general government expenses as of fiscal year 2007. Therefore, the net increase for general government expenses was \$17,596,466 (40.40 percent) mainly because of the refunding of the school impact fees and the write off of some completed construction projects now determined not to be final County assets. Economic and physical development increased by \$7,016,110 (216.14 percent) for the most part because of an increase in debt of over \$7 million as a result of new industrial extension policy agreements. See Note E for a detailed explanation of the County's industrial extensions policy. Interest and fiscal charges increased \$4,113,504 (36.01 percent) because of the change in the accrued interest payable and increased interest expenses for the year. In fiscal year 2006, the change was a decrease to expenses of over \$2.5 million whereas in fiscal year 2007 the change was a decrease to expenses of only \$23 thousand. Public safety expenses decreased by \$3,112,060 (5.96 percent) because no interlocal agreement debt was entered into as in fiscal year

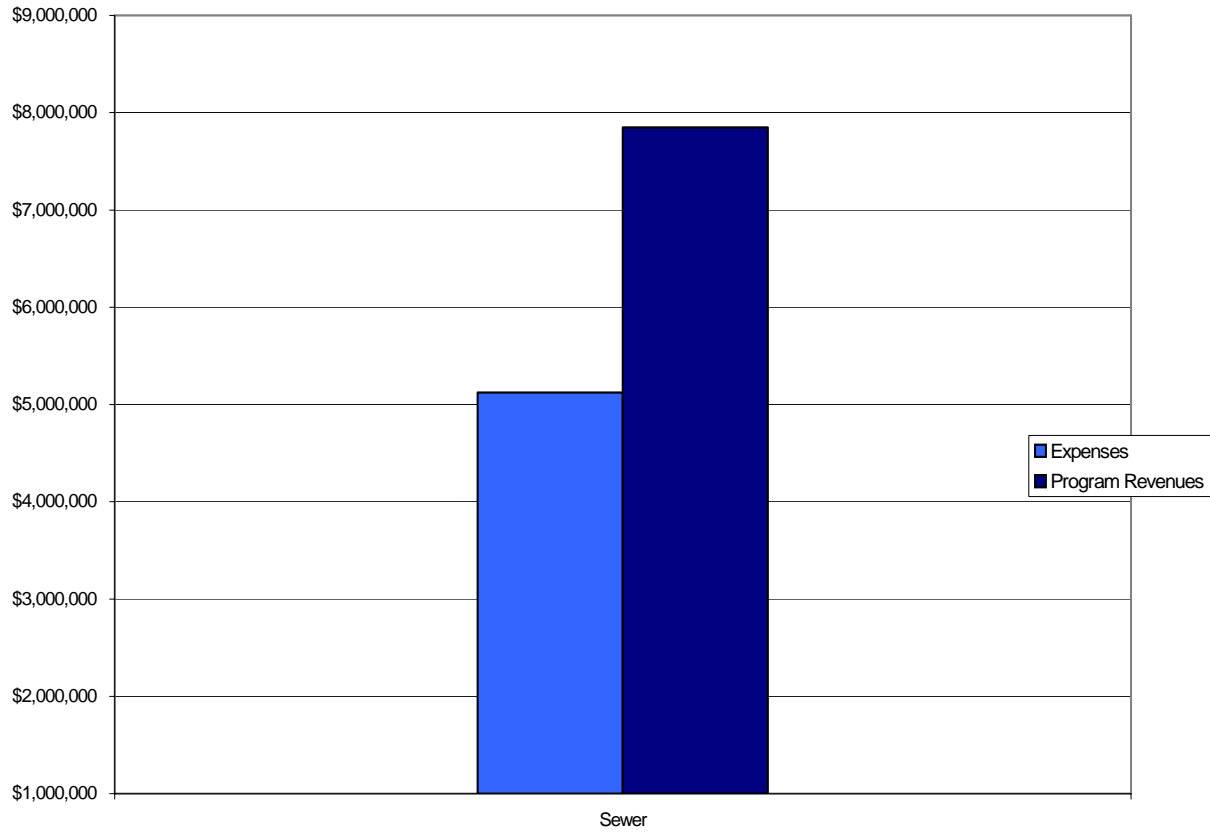
2006 coupled with an increase in services. Sewer utility expenses increased \$913,549 (21.69 percent) primarily because of an increase in contracted services for the wastewater treatment plant coupled with a decrease in maintenance and other operating expenses. In addition, environmental protection, education and cultural and recreational increased by \$204,687 (7.26 percent), \$748,631 (0.71 percent), and \$566,237 (4.89 percent), respectively, due primarily to increased services being provided for these purposes.

Business-type activities. Business-type activities increased the County's net assets by \$3,361,282 accounting for 23.64 percent of the increase of the total growth in the government's net assets. Key elements of this are as follows:

- Expenses increased \$913,549 mainly because of an increase in contracted services for the wastewater treatment plant coupled with a decrease in maintenance and other operating expenses.
- Charges for services increased slightly by \$198,677. There was a rate increase of 6 percent effective July 1, 2006 in fiscal year 2007; however, there was a reduction in consumption resulting in the slight increase.
- There was no capital contributions (sewer lines) from private developers in fiscal year 2007 compared to \$159,600 in fiscal year 2006.

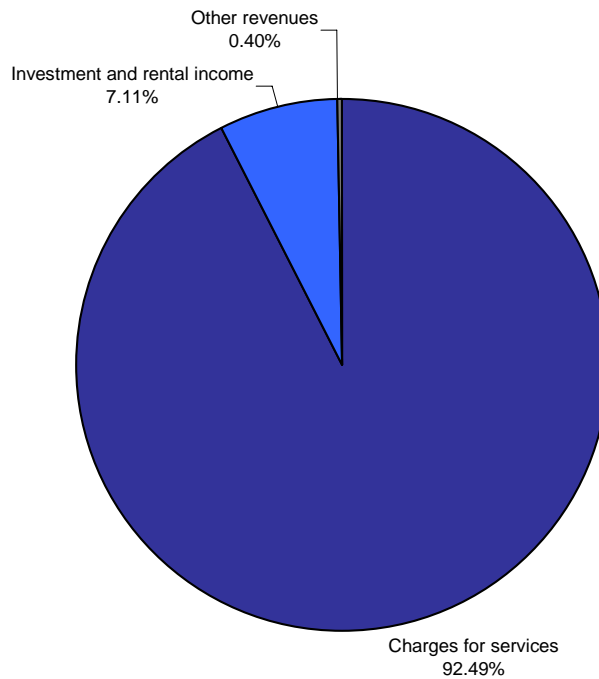
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Expenses and Program Revenues – Business-type Activities



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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 \$198,255,203, a decrease of \$8,992,172 in comparison with the prior year. Approximately 83.5 percent of this total amount (\$165,545,479) 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 (\$2,370,677), 2) for a variety of other restricted purposes (\$5,703,999) or 3) because it is reserved by state statute (\$24,635,048).

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 \$61,598,325, while total fund balance grew and reached \$92,803,796. 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 17.26 percent of total general fund expenditures, while total fund balance represents 26.01 percent of that same amount. The percentage of unreserved fund balance to total general fund expenditures increased from 13.67 percent for fiscal year 2006 to 17.26 percent for fiscal year 2007, an increase of 3.59 percent. The primary reasons for the increase in the percentage of unreserved fund balance to total general fund expenditures are the net decrease in transfers out of over \$5.6 million, the decrease in mental health spending of County appropriations of over \$5.4 million, the increase in excess revenues over expenditures of over \$2.4 million, the proceeds from the issuance of installment purchases of over \$2.1 million and the increase of transfers in of over \$1.7 million netted with an increase in reserves of over \$2.7 million.

The fund balance of the County's general fund increased by \$17,542,856 during the current fiscal year. Key factors in this growth are as follows:

- Intergovernmental revenues of the general fund increased by 27.38 percent or \$25,952,098 excluding pass-through and direct. For the most part, this increase occurred in human services primarily in the agency of social services. However, there were slight increases in funding for mental health and public health.
- The general fund taxes grew by 5.16 percent or \$11,742,804. This increase is the primarily the product of increases in current year levy collections, local options sales tax and occupancy tax netted with a decrease in prior year's levy collections. The increase in 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 \$6,080,891 (3.54 percent), \$5,723,043 (11.53 percent) and \$256,405 (11.60 percent), respectively, whereas prior year levy collections decreased by \$257,968 (9.90 percent). Because of the Tax Departments 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 2007 because the available amount to collect has been reduced by collecting more in the current year.
- Charges for services decreased \$22,738,127 (57.90 percent) mainly because of the restructuring of mental health with the majority of services previously provided being outsourced and outside agencies filing direct for reimbursement rather than through the County's mental health agency. Mental health's charges for services decreased by \$20,959,174 (99.67 percent). Public health's

charges for services decreased by \$2,195,011 (80.22 percent) primarily because of decreased services.

- Other revenues increased \$1,201,806 or 9.30 percent. The increase was largely due to the increase in revenues funding the cafeteria plan of \$900,457 (7.63 percent) and in sale of property and materials of \$292,017 (312.98%).
- General government increased \$18,927,590 (73.28 percent). The primary reason for this significant increase is expenditures reported in prior fiscal years as nondepartmental are reported in general government expenditures as of fiscal year 2007 in the areas of human resources and other which increased \$13,760,621 (1,069.76 percent) and \$1,753,809 (2,790.91 percent). In addition, of the increase, tax increased \$1,057,261 (24.73 percent) because of improvements in technology and increased services, information systems increased \$903,020 (26.04 percent) because of increased services, risk management and insurance increased \$492,568 (32.06 percent) because of two settlements during the fiscal year of over \$500 thousand and general services increased \$444,325 (6.53 percent) because of increased services. There were slight increases in all other general government areas with the exception of elections which had a slight decrease.
- Public safety increased \$4,093,156 (10.30 percent). This is due mainly because of increased services of the sheriff, jail and other public safety.
- Human services' expenditures decreased by \$1,963,671 (1.24 percent). This slight decrease was primarily because of significant increased services in the area of social services coupled with the significant decrease in mental health services because of their restructuring. Mental health spent over \$5.4 million less in County appropriations than in previous fiscal years.
- Education increased by \$6,615,642 from the prior fiscal year. Of this increase, Durham Public Schools and Durham Technical Community College received increased funding of \$6,240,000 and \$377,953, respectively, while other education received a decrease of \$2,311.
- Cultural and recreational increased \$1,705,826 because of increased services provided by the Library.

The Community Health Trust Fund has a total fund balance of \$20,789,807, all of which is financing resources to be used for health related operating and capital expenditures as directed and approved by the Board of County Commissioners. The net increase in fund balance during the current year in the community health trust fund was \$1,186,681. The growth in fiscal year 2007 was due primarily to an increase in investment earnings of over \$1.8 million coupled with an increase in the operating transfers to assist in funding health related costs in the general fund of over \$800 thousand. There was also a slight increase 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 (\$3,070,061) and other charges for services (\$112,875). In the expenditures, the amortization of the lease discount was recognized (\$1,150,000). An operating financing use, operating transfer out (\$4,346,255) 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 2007, 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 2007. 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 \$81,816,376, all of which is financing resources to be used for the acquisition, construction or improvement of major capital facilities other than those financed by proprietary funds. The net decrease in fund balance during the current year in the capital projects' fund was \$19,487,397 due primarily to the acquisition, construction or improvement of major capital facilities for the County, School System, Durham Technical Community College and Museum of Life and Science using the funding sources. The County's activity was recorded to construction in progress in capital assets of the County while the Schools System's, Durham Technical Community College's and the Museum of Life and Science's activity was recorded in their capital assets.

The primary revenue activity was intergovernmental revenues (\$6,204,903). The fund also recognized investment income (\$4,635,910) and other revenues (\$8,500). In the expenditures, there was construction activity in the amount of \$23,050,573, debt issuance costs (\$123,167) and general government (\$18) and there was other financing uses in the transfer of \$10,727,524. The construction activity was primarily for education and environmental protection in the amounts of \$10,058,173 and \$6,108,024, respectively. The other construction activity occurred in general government (\$2,784,520), cultural and recreational (\$2,861,909), public safety (\$1,231,447), and economic and physical development (\$6,500).

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

Unrestricted net assets of the sewer utility fund at the end of the year amounted to \$10,104,513. There was an increase in total net assets of \$3,361,282. 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 \$5,769,990 and can be summarized briefly as follows:

- \$2,284,167 in increases allocated to general administration was largely because of increased budgetary expenditures for tax, human resources and risk management and insurance. The increases for tax were primarily for appropriation of reserved unspent restricted fund balance for

tax technology as well as for revaluation expenditures. The increases for human resources were mainly for contracted services. The increases for risk management and insurance were primarily for two settlements made during the year.

- \$1,564,512 in increases allocated to public safety was primarily for the sheriff's office and county fire protection. Increases for the sheriff's office were for public safety contracted services, salary adjustments, and on-going crime prevention programs. Increases for county fire protection were for services for homeland security, increased emergency management services and salary adjustments.
- \$262,966 in increases allocated to economic and physical development was primarily for cooperative extension because of increases in services and increases in contracted services.
- \$191,525 in increases allocated to environmental protection were primarily for increases for miscellaneous contracted services and a pay plan adjustment for environmental engineering and miscellaneous machinery and salary adjustments for longevity for solid waste.
- \$652,491 in decreases allocated to human services were because of the significant decrease in services in the area of mental health as a result of their restructuring netted with the significant increase in services in the area of social services with a slight increase in services in the area of public health. 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.
- \$563,732 in increases allocated to cultural and recreational were primarily for salary adjustments and increases in operating expenditures including non-capital computers and contracted services for the library.
- \$1,370,000 in increases allocated to education for additional funding for Durham Public Schools.
- \$185,579 in increases allocated to operating transfers out were for increased funding for capital projects in the capital projects fund.

Of this increase, \$217,718 was to be funded with proceeds through the issuance of installment purchases, \$2,755,711 was to be funded from additional taxes, \$25,276,222 was to be funded from additional intergovernmental revenues, \$292,992 to be funded from other revenues and \$314,757 was to be funded through operating transfers in netted with a decrease in funding of charges for services in the amount of \$26,510,000. The remaining \$3,422,590 was to be budgeted from available fund balance. However, during the year, while revenues exceeded budgetary estimates by \$4,228,565, 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, 2007 amounts to \$249,063,464 (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 2.41 percent (a 2.63 percent increase for governmental activities and a 1.57 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 and the collection systems rehabilitation as well as activity began on the reused wastewater facility project for the sewer utility fund which had construction costs for the year of \$351,262, \$267,159 and \$54,780, respectively.
- Construction for the Durham Public School Projects continued in fiscal year 2007 in the amount of \$9,788,388.
- Construction for the Durham Technical Community College Projects in fiscal year 2007 in the amount of \$269,785.
- Construction for NCML & Bioquest Project for the Museum of Life and Science in fiscal year 2007 in the amount of \$262,222.
- Other construction activity other than for the Museum occurred in the amount of \$2,599,687 for the North Durham Library, Stanford Warren Library, South Regional Library and the East Regional Library.
- Construction activity for environmental protection occurred in the amount of \$6,108,024 in environmental engineering primarily for the new human services complex (\$4,965,623), the senior center (\$472,869) and open space farmland preservation (\$296,594). Other activity occurred on the judicial building renovation, the YMCA building, criminal justice resource center and the animal control building.
- Construction activity for general government occurred in the amount of \$2,784,520. The major activity in general government was the new justice center (\$1,241,673) and the computer replacement project (\$1,121,079). Other activity occurred in the BOCC chamber upgrade, the telecommunication system upgrade, the ERP software project, the scattered site housing, the cooperative extension renovation and the eligibility building.

- Construction activity for public safety occurred in the amount of \$1,231,447 for the EMS relocation Lincoln (\$1,165,447) and the detention center project (\$66,000).
- Projects closed by the BOCC in fiscal year 2007 totaled \$215,646,234 for Durham Public Schools, \$841,978 for Durham Technical Community College, \$300,000 for the Museum of Life and Science and \$26,886,277 for other County projects.
- There were capital contributions (two properties) from the Durham County Board of Education in fiscal year 2007 in the amount of \$2,343,559 net of accumulated depreciation.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Land | \$ 6,837,204 | \$ 6,189,453 | \$ 185,226 | \$ 185,226 | \$ 7,022,430 | \$ 6,374,679 |
| Improvements - water and sewer lines | - | - | 15,372,079 | 15,851,257 | 15,372,079 | 15,851,257 |
| Buildings | 113,618,102 | 104,698,919 | 1,900,872 | 1,965,397 | 115,518,974 | 106,664,316 |
| Office furniture and equipment | 23,761 | 4,960 | - | - | 23,761 | 4,960 |
| Machinery and equipment | 674,311 | 1,300,124 | 91,025 | 122,457 | 765,336 | 1,422,581 |
| Computer hardware | 103,705 | 300,362 | - | - | 103,705 | 300,362 |
| Computer software | 11,423,772 | 276,110 | - | - | 11,423,772 | 276,110 |
| Vehicles | 3,550,134 | 1,997,932 | 13,129 | 11,822 | 3,563,263 | 2,009,754 |
| Construction in progress | 59,615,616 | 76,047,396 | 35,654,528 | 34,257,405 | 95,270,144 | 110,304,801 |
| Total | \$ 195,846,605 | \$ 190,815,256 | \$ 53,216,859 | \$ 52,393,564 | \$ 249,063,464 | \$ 243,208,820 |

Additional information on the County's capital assets can be found in Note D on pages 66-68 of this report.

Long-term debt. At the end of the current fiscal year, Durham County had total debt outstanding of \$323,506,834. Of this amount, \$247,445,003 comprises bonded debt backed by the full faith and credit of the government. Also included is \$20,580,000 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 \$19,985,000, installment notes in the amount of \$22,771,256, industrial extensions policy in the amount of \$8,478,076 and other financing agreements in the amount of \$4,247,499.

DURHAM COUNTY'S OUTSTANDING DEBT
Long-Term Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| General obligation bonds | \$242,165,269 | \$259,881,989 | \$ 5,279,734 | \$ 5,778,015 | \$247,445,003 | \$265,660,004 |
| Revenue bonds | - | - | 20,580,000 | 21,935,000 | 20,580,000 | 21,935,000 |
| Certificates of participation | 19,985,000 | 22,325,000 | - | - | 19,985,000 | 22,325,000 |
| Installment notes payable | 22,771,256 | 29,961,908 | - | - | 22,771,256 | 29,961,908 |
| Industrial extensions policy | 8,478,076 | 1,950,334 | - | - | 8,478,076 | 1,950,334 |
| Other financing agreements | 4,247,499 | 161,895 | - | - | 4,247,499 | 161,895 |
| Total | \$297,647,100 | \$314,281,126 | \$25,859,734 | \$27,713,015 | \$323,506,834 | \$341,994,141 |

The County's total debt excluding accrued compensated absences and unamortized bond premiums decreased by \$18,487,307 (5.41 percent) during the current fiscal year. The key factor in this decrease was the reduction of debt as a result of the annual debt payments combined with the issuance of \$2,160,000 in installment purchases for capital purchases for governmental activities for the County and the issuance of \$7,229,610 of debt entered into as a result of new industrial extensions policy agreements for governmental activities for Durham County. No proceeds were received with the industrial extensions policy debt agreements entered into in fiscal year 2007.

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 \$1,762,829,771, leaving a legal debt margin of \$1,515,384,768. The net bonded debt per capital is \$971.

Additional information on the County's long-term debt can be found in Note E on pages 69-74 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is 3.8 percent as of June 2007, which is a decrease from a rate of 3.9 percent as of June 2006. This compares favorably to the State's and nation's average unemployment rate as of June 2007 of 4.8 percent and 4.6 percent, respectively.
- The construction activity for non-residential and residential construction was over \$919 million for calendar year 2006 compared to over \$868 million for the calendar year 2005.

- The manufacturing sector employment increased 2.12 percent (684 positions) for calendar year 2006 (32,935) compared to calendar year 2005 (32,251). This is due primarily to the recuperation of the manufacturing industry in the County. As of the 1st quarter of calendar year 2007, the number has slightly decreased to 32,671 positions (264 decrease, 0.80 percent). However, Merck and Company, a vaccine manufacturing facility, has announced an expansion with an investment of approximately \$100 million along with the creation of 50 to 60 jobs.
- 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 2007 reported were \$3,796,971 compared to \$3,707,314 reported for fiscal year 2006, an increase of \$89,657 (2.42 percent). Total taxable sales are reported in thousands of dollars.
- Economic development announcements for 2006 were over \$452 million, and economic announcements occurring through the third quarter of 2007 amounted to over \$600 million.
- The per capita income for Durham MSA for 2006 is \$37,262, an increase of 11.21 percent over 2005. The Raleigh/Cary MSA has a per capita income of \$37,107. The per capita for the State and the nation increased from 2005 to 2006 to \$32,338 and \$36,629, an increase of 6.27 percent and 7.06 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 2008 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$61,598,325. The County has appropriated \$19,209,735 of this amount for spending in the 2008 fiscal year budget. There was an increase in the general fund tax rate of 2.5 cents for the 2007 levy year. Only some charges for general fund services were increased for the 2008 fiscal year. They are the solid waste management fees and the library overdue materials fees. A new fee was created for the library for reservations of rooms for meetings. Transfers from the special revenue funds are budgeted for the 2008 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2008 fiscal year as a funding source for health related spending, and a transfer from the sewer utility fund is budgeted for 2008 to reimburse the general fund for sewer utility indirect costs paid by the general fund.

The sewer rates were increased for the 2008 budget year in the sewer utility fund. The sewer rates were increased by 6.5 percent for all customers, both residential and industrial. These rate increases were necessary to maintain operations. There was also an increase in the capital recovery charges of 5 percent. The capital recovery charge is a part of connection fees for new customers and is used as a source of funding for capital acquisitions, construction and improvements.

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, 2007

| | Governmental Activities | Business Type Activities | Total Primary Government | Durham County ABC Board |
|---|------------------------------------|---|---|--|
| Assets | | | | |
| Cash and cash equivalents / investments | \$ 110,244,849 | \$ 10,213,149 | \$ 120,457,998 | \$ 1,780,176 |
| Cash and cash equivalents / investments - restricted | 80,977,943 | 2,180,110 | 83,158,053 | - |
| Capital lease discount | 1,150,000 | - | 1,150,000 | - |
| Receivables: | | | | |
| Accounts receivable | 1,019,307 | 387,420 | 1,406,727 | 81 |
| Accrued interest receivable | 920,574 | 78,415 | 998,989 | - |
| Assessment receivable | 6,529 | 69,257 | 75,786 | - |
| Net taxes receivable | 4,325,998 | - | 4,325,998 | - |
| Solid waste receivable | 20,676 | - | 20,676 | - |
| Net emergency medical services receivable | 6,913,208 | - | 6,913,208 | - |
| Inventory | 671,459 | - | 671,459 | 1,389,487 |
| Due from other governments - federal and state agencies | 22,380,232 | 159,101 | 22,539,333 | - |
| Due from other governments - local | 75,530 | 523,116 | 598,646 | - |
| Due from City of Durham tax fund | 9,979 | - | 9,979 | - |
| Prepays | 95,551 | - | 95,551 | 90,780 |
| Bond issuance costs | 916,481 | 512,094 | 1,428,575 | - |
| Accumulated amortization bond issue costs | (292,482) | (90,273) | (382,755) | - |
| Investment in joint venture | 8,365,483 | - | 8,365,483 | - |
| Pension assets | 15,250 | - | 15,250 | - |
| Capital assets: | | | | |
| Nondepreciable: | | | | |
| Land | 6,837,204 | 185,226 | 7,022,430 | 1,539,453 |
| Construction in progress | 59,615,616 | 35,654,528 | 95,270,144 | - |
| Depreciable: | | | | |
| Land improvements - sewer and water lines | - | 24,225,904 | 24,225,904 | 674,076 |
| Buildings | 164,314,335 | 4,103,344 | 168,417,679 | 2,692,482 |
| Office furniture and equipment | 350,982 | - | 350,982 | - |
| Machinery and equipment | 4,433,037 | 277,674 | 4,710,711 | 748,425 |
| Computer hardware | 2,667,993 | - | 2,667,993 | - |
| Computer software | 12,709,724 | - | 12,709,724 | - |
| Vehicles | 11,937,080 | 52,226 | 11,989,306 | 61,048 |
| Law enforcement | - | - | - | 143,519 |
| Accumulated depreciation | (67,019,366) | (11,282,043) | (78,301,409) | (1,645,031) |
| Total assets | 433,663,172 | 67,249,248 | 500,912,420 | 7,474,496 |
| Liabilities | | | | |
| Accounts payable | 8,224,340 | 884,740 | 9,109,080 | 577,557 |
| Arbitrage rebate payable | 27,000 | 13,000 | 40,000 | - |
| Accrued interest payable | 2,418,522 | 129,050 | 2,547,572 | - |
| Accrued payroll and related amounts withheld | 3,476,412 | 8,110 | 3,484,522 | 42,595 |
| Collections in advance | 2,872,429 | - | 2,872,429 | - |
| Prepaid capital lease | 3,500,000 | - | 3,500,000 | - |
| Due to other governments - federal and state agencies | - | - | - | 383,322 |
| Due to other governments - local | 269,466 | - | 269,466 | 398,907 |
| Other liabilities | - | - | - | 52,306 |
| Long-term liabilities: | | | | |
| Accrued compensated absences due within one year | 3,761,482 | 12,989 | 3,774,471 | - |
| Bonds and other notes payable due within one year | 26,420,793 | 1,919,414 | 28,340,207 | 39,196 |
| Unamortized bond premium due within one year | 247,770 | 33,834 | 281,604 | - |
| Accrued compensated absences | 1,746,764 | 3,986 | 1,750,750 | 108,154 |
| Bonds and other notes payable | 271,226,307 | 23,940,320 | 295,166,627 | 535,528 |
| Unamortized bond premium | 1,315,436 | 662,057 | 1,977,493 | - |
| Total liabilities | 325,506,721 | 27,607,500 | 353,114,221 | 2,137,565 |
| Net assets | | | | |
| Capital assets, net of related debt | 80,186,886 | 27,357,125 | 107,544,011 | 3,639,248 |
| Restricted for: | | | | |
| Capital projects | 78,913,683 | 2,180,110 | 81,093,793 | - |
| Other purposes | 5,703,999 | - | 5,703,999 | 597,722 |
| Unrestricted net assets | (56,648,117) | 10,104,513 | (46,543,604) | 1,099,961 |
| Total net assets | \$ 108,156,451 | \$ 39,641,748 | \$ 147,798,199 | \$ 5,336,931 |

DURHAM COUNTY, NORTH CAROLINA

**Statement of Activities
Year Ended June 30, 2007**

| 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 | \$ 61,082,121 | \$ 8,787,807 | \$ 2,505,275 | \$ 45,271 | \$ (49,743,768) | \$ - | \$ (49,743,768) | \$ - |
| Public safety | 49,069,987 | 9,458,116 | 4,262,803 | - | (35,349,068) | - | (35,349,068) | - |
| Transportation | 12,500 | - | - | - | (12,500) | - | (12,500) | - |
| Economic and physical development | 10,262,137 | 5,956 | 551,745 | - | (9,704,436) | - | (9,704,436) | - |
| Environmental protection | 3,022,401 | 2,858,342 | - | 419,511 | 255,452 | - | 255,452 | - |
| Human services | 371,034,045 | 4,470,817 | 328,749,307 | - | (37,813,921) | - | (37,813,921) | - |
| Education | 106,234,157 | - | - | 8,083,680 | (98,150,477) | - | (98,150,477) | - |
| Cultural and recreational | 12,136,121 | 289,708 | 297,356 | - | (11,549,057) | - | (11,549,057) | - |
| Interest and fiscal charges | 15,535,909 | - | - | - | (15,535,909) | - | (15,535,909) | - |
| Total governmental activities | <u>628,389,378</u> | <u>25,870,746</u> | <u>336,366,486</u> | <u>8,548,462</u> | <u>(257,603,684)</u> | <u>-</u> | <u>(257,603,684)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Sewer utility | 5,124,493 | 7,848,710 | - | - | - | 2,724,217 | 2,724,217 | - |
| Total business-type activities | <u>5,124,493</u> | <u>7,848,710</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,724,217</u> | <u>2,724,217</u> | <u>-</u> |
| Total primary government | <u>\$ 633,513,871</u> | <u>\$ 33,719,456</u> | <u>\$ 336,366,486</u> | <u>\$ 8,548,462</u> | <u>(257,603,684)</u> | <u>2,724,217</u> | <u>(254,879,467)</u> | <u>-</u> |
| Component units: | | | | | | | | |
| Durham County ABC Board | \$ 19,114,207 | \$ 19,707,344 | \$ - | \$ - | - | - | - | 593,137 |
| Total component units | <u>\$ 19,114,207</u> | <u>\$ 19,707,344</u> | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>593,137</u> |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purposes | | | | | 180,257,334 | - | 180,257,334 | - |
| Property taxes, levied for fire districts | | | | | 4,067,755 | - | 4,067,755 | - |
| Property taxes, levied for other districts purposes | | | | | 323,940 | - | 323,940 | - |
| Local option sales tax | | | | | 55,347,250 | - | 55,347,250 | - |
| Occupancy tax | | | | | 2,466,816 | - | 2,466,816 | - |
| Animal tax | | | | | 437,639 | - | 437,639 | - |
| Gross receipts tax | | | | | 204,714 | - | 204,714 | - |
| Investment and interest income | | | | | 13,321,460 | 603,131 | 13,924,591 | 50,586 |
| Other revenues | | | | | 14,127,991 | 100 | 14,128,091 | 4,819 |
| Amortization of bond premium | | | | | 247,770 | 33,834 | 281,604 | - |
| Total general revenues | | | | | <u>270,802,669</u> | <u>637,065</u> | <u>271,439,734</u> | <u>55,405</u> |
| Change in net assets | | | | | 13,198,985 | 3,361,282 | 16,560,267 | 648,542 |
| Net assets - beginning | | | | | 94,957,466 | 36,280,466 | 131,237,932 | 4,688,389 |
| Net assets - ending | | | | | <u>\$ 108,156,451</u> | <u>\$ 39,641,748</u> | <u>\$ 147,798,199</u> | <u>\$ 5,336,931</u> |

DURHAM COUNTY, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2007**

| | <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 | \$ 80,340,169 | \$ 23,139,807 | \$ 3,676,107 | \$ 3,088,766 | \$ 110,244,849 |
| Cash and cash equivalents / investments - restricted | 2,064,260 | - | 78,913,683 | - | 80,977,943 |
| Capital lease discount | - | 1,150,000 | - | - | 1,150,000 |
| Receivables: | | | | | |
| Accounts receivable | 936,740 | - | - | 82,567 | 1,019,307 |
| Assessment receivable | 6,529 | - | - | - | 6,529 |
| Net taxes receivable | 4,265,737 | - | - | 60,261 | 4,325,998 |
| Solid waste receivable | 20,676 | - | - | - | 20,676 |
| Net emergency medical services receivable | 6,913,208 | - | - | - | 6,913,208 |
| Inventory | 671,459 | - | - | - | 671,459 |
| Due from other governments - federal and state agencies | 22,129,045 | - | 199,201 | 51,986 | 22,380,232 |
| Due from other governments - local | 75,530 | - | - | - | 75,530 |
| Due from City of Durham tax fund | 9,979 | - | - | - | 9,979 |
| Prepaid expenditures | 95,551 | - | - | - | 95,551 |
| Total assets | <u>\$ 117,528,883</u> | <u>\$ 24,289,807</u> | <u>\$ 82,788,991</u> | <u>\$ 3,283,580</u> | <u>\$ 227,891,261</u> |
| Liabilities and fund balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 7,133,595 | \$ - | \$ 972,615 | \$ 118,130 | \$ 8,224,340 |
| Arbitrage rebate payable | - | - | - | 27,000 | 27,000 |
| Accrued payroll and related amounts withheld | 3,476,412 | - | - | - | 3,476,412 |
| Due to other governments - local | 57,000 | - | - | 212,466 | 269,466 |
| Deferred revenues: | | | | | |
| Collections in advance | 2,851,930 | - | - | 20,499 | 2,872,429 |
| Prepaid capital lease | - | 3,500,000 | - | - | 3,500,000 |
| Taxes and assessments | 4,272,266 | - | - | 60,261 | 4,332,527 |
| Solid waste | 20,676 | - | - | - | 20,676 |
| Emergency medical services | 6,913,208 | - | - | - | 6,913,208 |
| Total liabilities | <u>24,725,087</u> | <u>3,500,000</u> | <u>972,615</u> | <u>438,356</u> | <u>29,636,058</u> |
| Fund balances: | | | | | |
| Reserved: | | | | | |
| State statute | 21,366,268 | 1,150,000 | 199,201 | 134,553 | 22,850,022 |
| State statute - mental health | 1,785,026 | - | - | - | 1,785,026 |
| Encumbrances | 2,347,317 | - | - | - | 2,347,317 |
| Encumbrances - mental health | 23,360 | - | - | - | 23,360 |
| Other purposes | 5,683,500 | - | - | 20,499 | 5,703,999 |
| Unreserved, reported in: | | | | | |
| General fund | 61,598,325 | - | - | - | 61,598,325 |
| Community health trust fund | - | 19,639,807 | - | - | 19,639,807 |
| Capital projects fund | - | - | 81,617,175 | - | 81,617,175 |
| Unreserved, reported in nonmajor: | | | | | |
| Special revenue | - | - | - | 2,126,819 | 2,126,819 |
| Debt service | - | - | - | 563,353 | 563,353 |
| Total fund balances | <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> |
| Total liabilities and fund balances | <u>\$ 117,528,883</u> | <u>\$ 24,289,807</u> | <u>\$ 82,788,991</u> | <u>\$ 3,283,580</u> | <u>\$ 227,891,261</u> |

DURHAM COUNTY, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2007**

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

| | |
|---|-----------------------|
| Ending fund balance - governmental funds | \$ 198,255,203 |
| Capital assets, joint ventures and pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 204,227,338 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 11,266,411 |
| Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds. | (305,592,501) |
| Net assets of governmental activities | <u>\$ 108,156,451</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, 2007

| | General | Community Health Trust Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|-----------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Taxes | \$ 239,318,889 | \$ - | \$ - | \$ 4,407,662 | \$ 243,726,551 |
| Licenses and permits | 882,944 | - | - | (2,000) | 880,944 |
| Intergovernmental revenues | 120,753,954 | - | 6,204,903 | - | 126,958,857 |
| Investments | 4,806,538 | 3,070,061 | 4,635,910 | 263,799 | 12,776,308 |
| Rent | 1,945,517 | - | - | 40,075 | 1,985,592 |
| Charges for services | 16,530,548 | 3,612,875 | - | 1,763,568 | 21,906,991 |
| Other revenues | 14,119,491 | - | 8,500 | - | 14,127,991 |
| Total revenues | <u>398,357,881</u> | <u>6,682,936</u> | <u>10,849,313</u> | <u>6,473,104</u> | <u>422,363,234</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 44,757,353 | - | 18 | 8,326,410 | 53,083,781 |
| Public safety | 43,847,522 | - | - | 4,236,503 | 48,084,025 |
| Transportation | 12,500 | - | - | - | 12,500 |
| Economic and physical development | 2,943,410 | - | - | 307,200 | 3,250,610 |
| Environmental protection | 2,991,804 | - | - | - | 2,991,804 |
| Human services | 156,237,699 | - | - | - | 156,237,699 |
| Education | 96,175,984 | - | - | - | 96,175,984 |
| Cultural and recreational | 9,894,487 | - | - | - | 9,894,487 |
| Capital projects | - | - | 23,050,573 | - | 23,050,573 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 25,140,527 | 25,140,527 |
| Interest and fiscal charges | - | - | - | 14,362,230 | 14,362,230 |
| Debt issuance costs | - | - | 123,167 | - | 123,167 |
| Amortization of lease discount | - | 1,150,000 | - | - | 1,150,000 |
| Total expenditures | <u>356,860,759</u> | <u>1,150,000</u> | <u>23,173,758</u> | <u>52,372,870</u> | <u>433,557,387</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>41,497,122</u> | <u>5,532,936</u> | <u>(12,324,445)</u> | <u>(45,899,766)</u> | <u>(11,194,153)</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 6,346,701 | - | 3,564,572 | 39,623,919 | 49,535,192 |
| Transfers out | (32,460,967) | (4,346,255) | (10,727,524) | (1,958,465) | (49,493,211) |
| Proceeds from issuance of installment purchases | 2,160,000 | - | - | - | 2,160,000 |
| Total other financing sources (uses) | <u>(23,954,266)</u> | <u>(4,346,255)</u> | <u>(7,162,952)</u> | <u>37,665,454</u> | <u>2,201,981</u> |
| Net change in fund balances | <u>17,542,856</u> | <u>1,186,681</u> | <u>(19,487,397)</u> | <u>(8,234,312)</u> | <u>(8,992,172)</u> |
| Fund balance - beginning | <u>75,260,940</u> | <u>19,603,126</u> | <u>101,303,773</u> | <u>11,079,536</u> | <u>207,247,375</u> |
| Fund balance - ending | <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> |

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, 2007**

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

Net change in fund balances - total governmental funds \$ (8,992,172)

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. 5,764,542

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 476,116

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. 16,939,762

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities. (989,263)

Change in net assets of governmental activities \$ 13,198,985

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, 2007

| | Budgeted Amounts | | | Positive (Negative) Variance |
|------------------------------------|------------------|----------------|----------------|------------------------------------|
| | Original | Final | Actual | |
| Revenues | | | | |
| Taxes | | | | |
| Current levy | \$ 174,053,172 | \$ 174,053,172 | \$ 177,797,408 | \$ 3,744,236 |
| Prior year's levy | 3,400,000 | 3,665,000 | 2,346,765 | (1,318,235) |
| Tax penalties and interest | 500,000 | 500,000 | 643,623 | 143,623 |
| Advertising and selling | - | - | 46,654 | 46,654 |
| Payments in lieu of taxes | 25,000 | 25,000 | 28,020 | 3,020 |
| Local option sales tax | 47,919,959 | 50,229,670 | 55,347,250 | 5,117,580 |
| Animal tax | 475,000 | 475,000 | 437,639 | (37,361) |
| Occupancy tax | 2,676,843 | 2,857,843 | 2,466,816 | (391,027) |
| Gross receipts tax | 150,000 | 150,000 | 204,714 | 54,714 |
| Total taxes | 229,199,974 | 231,955,685 | 239,318,889 | 7,363,204 |
| Intergovernmental revenues | | | | |
| Beer and wine tax | 140,000 | 140,000 | 137,400 | (2,600) |
| Social services | 291,140,128 | 305,322,708 | 302,305,466 | (3,017,242) |
| Mental health | 16,811,416 | 26,740,070 | 21,121,389 | (5,618,681) |
| Public health | 2,664,021 | 3,162,919 | 4,722,628 | 1,559,709 |
| Library | 261,176 | 289,542 | 267,538 | (22,004) |
| ABC Board | 450,000 | 450,000 | 767,862 | 317,862 |
| Other | 7,129,057 | 7,766,781 | 7,044,203 | (722,578) |
| Total intergovernmental revenues | 318,595,798 | 343,872,020 | 336,366,486 | (7,505,534) |
| Charges for services | | | | |
| Elections registration lists | 1,000 | 1,000 | 565 | (435) |
| Register of deeds | 3,501,500 | 3,501,500 | 4,124,950 | 623,450 |
| General government charges | 2,403,986 | 2,403,986 | 2,475,334 | 71,348 |
| Collection fees | 926,400 | 926,400 | 1,057,037 | 130,637 |
| Public protection | 1,190,054 | 1,190,054 | 1,469,058 | 279,004 |
| Environmental protection | 603,000 | 603,000 | 815,603 | 212,603 |
| Solid waste fees | 1,108,510 | 1,108,510 | 1,139,881 | 31,371 |
| Facilities fees | 520,000 | 520,000 | 537,285 | 17,285 |
| Transportation | 600 | 600 | - | (600) |
| Library fees and charges | 285,000 | 285,000 | 289,708 | 4,708 |
| Mental health | 26,505,000 | 5,000 | 69,973 | 64,973 |
| Public health | 2,540,266 | 2,530,266 | 541,346 | (1,988,920) |
| Social services | 212,512 | 212,512 | 113,177 | (99,335) |
| Emergency medical services charges | 3,275,000 | 3,275,000 | 3,890,675 | 615,675 |
| Other charges | 8,000 | 8,000 | 5,956 | (2,044) |
| Total charges for services | 43,080,828 | 16,570,828 | 16,530,548 | (40,280) |
| Investment and rental income | | | | |
| Investment earnings | 1,810,009 | 1,810,009 | 4,806,538 | 2,996,529 |
| Rent | 1,936,555 | 1,936,555 | 1,945,517 | 8,962 |
| Total investment and rental income | 3,746,564 | 3,746,564 | 6,752,055 | 3,005,491 |
| Licenses and permits | | | | |
| Construction permits | 440,000 | 440,000 | 492,590 | 52,590 |
| Cablevision and franchise fees | 340,000 | 340,000 | 366,242 | 26,242 |
| Wine and beer licenses | 20,000 | 20,000 | 18,817 | (1,183) |
| Other licenses and permits | 3,000 | 3,000 | 5,295 | 2,295 |
| Total licenses and permits | 803,000 | 803,000 | 882,944 | 79,944 |

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, 2007

| | Budgeted Amounts | | | Positive (Negative) Variance |
|---|--------------------|--------------------|--------------------|------------------------------------|
| | Original | Final | Actual | |
| Revenues (continued) | | | | |
| Other revenues | | | | |
| Cafeteria plan | \$ 11,934,175 | \$ 11,934,175 | \$ 12,707,635 | \$ 773,460 |
| Miscellaneous | 546,584 | 682,654 | 905,341 | 222,687 |
| Confiscated property | | | | |
| federal investigation | - | 156,922 | 29,000 | (127,922) |
| Sale of property and materials | 20,000 | 20,000 | 385,319 | 365,319 |
| Other | - | - | 92,196 | 92,196 |
| Total other revenues | 12,500,759 | 12,793,751 | 14,119,491 | 1,325,740 |
| Total revenues | 607,926,923 | 609,741,848 | 613,970,413 | 4,228,565 |
| Expenditures | | | | |
| General administration | | | | |
| Board of county commissioners | 538,928 | 543,211 | 523,052 | 20,159 |
| County manager | 1,523,485 | 1,510,068 | 1,300,330 | 209,738 |
| Finance | 2,658,040 | 2,686,253 | 2,444,160 | 242,093 |
| Tax | 4,635,944 | 5,957,425 | 5,331,618 | 625,807 |
| Legal | 1,440,039 | 1,451,452 | 1,398,939 | 52,513 |
| Court facilities | 731,350 | 930,164 | 615,583 | 314,581 |
| Human resources | 14,738,112 | 15,216,117 | 15,046,954 | 169,163 |
| Elections | 824,838 | 835,759 | 690,925 | 144,834 |
| Risk management and insurance | 2,277,757 | 2,864,533 | 2,028,895 | 835,638 |
| General services | 7,437,446 | 7,822,163 | 7,246,622 | 575,541 |
| Geographic information systems | 393,772 | 393,772 | 423,206 | (29,434) |
| Information systems | 4,641,853 | 4,814,512 | 4,371,189 | 443,323 |
| Register of deeds | 1,514,674 | 1,715,296 | 1,519,231 | 196,065 |
| Other | 4,663,599 | 3,563,279 | 1,816,649 | 1,746,630 |
| Total general administration | 48,019,837 | 50,304,004 | 44,757,353 | 5,546,651 |
| Economic and physical development | | | | |
| Planning | 826,273 | 826,273 | 758,975 | 67,298 |
| Cooperative extension | 1,161,281 | 1,299,804 | 1,009,782 | 290,022 |
| Soil and water conservation | 273,982 | 288,250 | 270,365 | 17,885 |
| Open space management | 85,000 | 195,175 | 110,458 | 84,717 |
| Other | 1,174,673 | 1,174,673 | 793,830 | 380,843 |
| Total economic and physical development | 3,521,209 | 3,784,175 | 2,943,410 | 840,765 |
| Human services | | | | |
| Public health | 18,455,050 | 19,358,421 | 17,493,028 | 1,865,393 |
| Mental health | 50,916,968 | 34,402,588 | 23,901,823 | 10,500,765 |
| Social services | 319,814,673 | 334,681,509 | 327,843,564 | 6,837,945 |
| Other | 1,826,544 | 1,918,226 | 1,562,503 | 355,723 |
| Total human services | 391,013,235 | 390,360,744 | 370,800,918 | 19,559,826 |
| Education | | | | |
| Durham public schools | 90,497,705 | 91,867,705 | 91,867,705 | - |
| Durham technical community college | 4,138,815 | 4,138,815 | 4,138,815 | - |
| Other education | 169,464 | 169,464 | 169,464 | - |
| Total education | 94,805,984 | 96,175,984 | 96,175,984 | - |

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, 2007

| | Budgeted Amounts | | | Positive (Negative) Variance |
|--|--------------------|--------------------|----------------------|------------------------------------|
| | Original | Final | Actual | |
| Expenditures (continued) | | | | |
| Public safety | | | | |
| Criminal justice partnership | \$ 1,979,159 | \$ 2,034,244 | \$ 1,818,670 | \$ 215,574 |
| County sheriff | 17,521,493 | 18,185,516 | 16,239,523 | 1,945,993 |
| County jail | 12,822,788 | 13,095,017 | 13,019,385 | 75,632 |
| Youth home | 1,107,079 | 1,137,481 | 977,602 | 159,879 |
| Animal control | 1,449,189 | 1,497,447 | 1,396,470 | 100,977 |
| Emergency communications center | 740,930 | 740,930 | 679,852 | 61,078 |
| Emergency medical services | 7,429,868 | 7,507,468 | 6,731,165 | 776,303 |
| County fire protection | 2,212,829 | 2,550,386 | 2,464,707 | 85,679 |
| Medical examiner | 95,000 | 95,000 | 81,700 | 13,300 |
| Other public safety | 1,416,524 | 1,495,882 | 1,487,761 | 8,121 |
| Total public safety | 46,774,859 | 48,339,371 | 44,896,835 | 3,442,536 |
| Transportation | | | | |
| Airport authority | 12,500 | 12,500 | 12,500 | - |
| Total transportation | 12,500 | 12,500 | 12,500 | - |
| Environmental protection | | | | |
| Solid waste | 1,811,191 | 1,843,174 | 1,802,242 | 40,932 |
| Environmental engineering | 1,353,745 | 1,513,287 | 1,132,605 | 380,682 |
| Other | 58,588 | 58,588 | 56,957 | 1,631 |
| Total environmental protection | 3,223,524 | 3,415,049 | 2,991,804 | 423,245 |
| Cultural and recreational | | | | |
| Library | 8,246,389 | 8,779,980 | 7,969,570 | 810,410 |
| Other | 2,422,196 | 2,452,337 | 1,924,917 | 527,420 |
| Total cultural and recreational | 10,668,585 | 11,232,317 | 9,894,487 | 1,337,830 |
| Total expenditures | 598,039,733 | 603,624,144 | 572,473,291 | 31,150,853 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 9,887,190 | 6,117,704 | 41,497,122 | 35,379,418 |
| Other financing sources (uses) | | | | |
| Transfers in | 5,999,861 | 6,314,618 | 6,346,701 | 32,083 |
| Appropriated fund balance | 14,232,400 | 17,654,990 | - | (17,654,990) |
| Transfers out | (32,275,388) | (32,460,967) | (32,460,967) | - |
| Proceeds from issuance of installment purchases | 2,155,937 | 2,373,655 | 2,160,000 | (213,655) |
| Total other financing uses | (9,887,190) | (6,117,704) | (23,954,266) | (17,836,562) |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | \$ - | \$ - | 17,542,856 | \$ 17,542,856 |
| FUND BALANCE -BEGINNING OF YEAR | | | 75,260,940 | |
| FUND BALANCE - END OF YEAR | | | \$ 92,803,796 | |

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, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|-------------------------|--------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Investment earnings | \$ 4,365,255 | \$ 4,365,255 | \$ 3,070,061 | \$ (1,295,194) |
| Charges for services | 3,500,000 | 3,500,000 | 3,612,875 | 112,875 |
| Total revenues | <u>7,865,255</u> | <u>7,865,255</u> | <u>6,682,936</u> | <u>(1,182,319)</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>6,715,255</u> | <u>6,715,255</u> | <u>5,532,936</u> | <u>(1,182,319)</u> |
| Other financing sources (uses) | | | | |
| Appropriated fund balance | (2,350,000) | (2,350,000) | - | 2,350,000 |
| Transfers out | (4,365,255) | (4,365,255) | (4,346,255) | 19,000 |
| Total other financing uses | <u>(6,715,255)</u> | <u>(6,715,255)</u> | <u>(4,346,255)</u> | <u>2,369,000</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | <u>\$ -</u> | <u>\$ -</u> | <u>1,186,681</u> | <u>\$ 1,186,681</u> |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>19,603,126</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 20,789,807</u> | |

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Assets

Proprietary Funds

June 30, 2007

| | <u>Enterprise Fund</u> |
|---|------------------------|
| | <u>Sewer</u> |
| | <u>Utility</u> |
| | <u>Fund</u> |
| Assets | |
| Current assets | |
| Cash and cash equivalents / investments | \$ 10,213,149 |
| Cash and cash equivalents / investments - restricted | 2,180,110 |
| Receivables: | |
| Accounts receivable | 387,420 |
| Accrued interest receivable | 78,415 |
| Assessment receivable | 69,257 |
| Total receivables | <u>535,092</u> |
| Due from other governments - federal and state agencies | 159,101 |
| Due from other governments - local | 523,116 |
| Total current assets | <u>13,610,568</u> |
| Noncurrent assets | |
| Bond issuance costs | 512,094 |
| Accumulated amortization - bond issuance costs | (90,273) |
| Capital assets: | |
| Land | 185,226 |
| Land improvements - sewer and water lines | 24,225,904 |
| Building treatment plant | 4,103,344 |
| Machinery and equipment | 277,674 |
| Vehicles | 52,226 |
| Construction in progress | 35,654,528 |
| Total capital assets | <u>64,498,902</u> |
| Less accumulated depreciation and amortization | <u>(11,282,043)</u> |
| Net capital assets | <u>53,216,859</u> |
| Total noncurrent assets | <u>53,638,680</u> |
| Total assets | <u>67,249,248</u> |
| Liabilities | |
| Current liabilities | |
| Current portion of accrued compensated absences | 12,989 |
| Current portion of long-term debt | 1,919,414 |
| Current portion of unamortized bond premium | 33,834 |
| Accounts payable | 884,740 |
| Arbitrage rebate payable | 13,000 |
| Accrued interest payable | 129,050 |
| Accrued payroll and related amounts withheld | 8,110 |
| Total current liabilities | <u>3,001,137</u> |
| Noncurrent liabilities | |
| Accrued compensated absences | 3,986 |
| Long-term debt | 23,940,320 |
| Noncurrent unamortized bond premium | 662,057 |
| Total noncurrent liabilities | <u>24,606,363</u> |
| Total liabilities | <u>27,607,500</u> |
| Net assets | |
| Net assets - capital net of debt | 27,357,125 |
| Net assets - restricted | 2,180,110 |
| Net assets - unrestricted | 10,104,513 |
| Total net assets | <u>\$ 39,641,748</u> |

DURHAM COUNTY, NORTH CAROLINA

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

Proprietary Funds

Year Ended June 30, 2007

| | Enterprise Fund | Internal Service Fund |
|--|-----------------------------------|---------------------------------------|
| | Sewer Utility Fund | Equipment Leasing Fund |
| Operating revenues | | |
| Charges for services | \$ 7,236,750 | \$ - |
| Total operating revenues | <u>7,236,750</u> | <u>-</u> |
| Operating expenses | | |
| Personnel services | 360,806 | - |
| Contracted services - wastewater treatment plant | 2,937,288 | - |
| Utilities | 283,788 | - |
| Maintenance and other | 323,395 | - |
| Depreciation and amortization | 573,828 | - |
| Total operating expenses | <u>4,479,105</u> | <u>-</u> |
| Operating income (loss) | <u>2,757,645</u> | <u>-</u> |
| Nonoperating revenue (expense) | | |
| Investment and interest income | 602,716 | 1,768 |
| Sewer connection fees | 611,960 | - |
| Interest on assessments | 415 | - |
| Interest and fiscal charges | (637,181) | - |
| Miscellaneous | 100 | - |
| Amortization of bond issue costs | (8,207) | - |
| Amortization of bond premium | 33,834 | - |
| Total nonoperating revenue (expense) | <u>603,637</u> | <u>1,768</u> |
| Income (loss) before transfers | 3,361,282 | 1,768 |
| Transfers out | - | (991,031) |
| Change in net assets | 3,361,282 | (989,263) |
| Total net assets - beginning | <u>36,280,466</u> | <u>989,263</u> |
| Total net assets - ending | <u>\$ 39,641,748</u> | <u>\$ -</u> |

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2007

| | <u>Enterprise Fund</u> | <u>Internal Service Funds</u> |
|---|---------------------------|-------------------------------|
| | <u>Sewer Utility Fund</u> | <u>Equipment Leasing Fund</u> |
| Operating activities | | |
| Cash received from sales | \$ 6,746,148 | \$ - |
| Cash received from assessments | 637 | - |
| Cash paid to employees | (367,961) | - |
| Cash paid for contracted services | (2,729,724) | - |
| Net cash provided (used) by operating activities | <u>3,649,100</u> | <u>-</u> |
| Noncapital financing activities | | |
| Sewer connection fees received | 611,960 | - |
| Transfers out | - | (41,981) |
| Miscellaneous | 100 | - |
| Net cash provided (used) by noncapital financing activities | <u>612,060</u> | <u>(41,981)</u> |
| Capital and related financing activities | | |
| Principal payments on long-term debt | (1,853,279) | - |
| Interest paid | (1,375,878) | - |
| Acquisition and construction costs of capital assets | (673,204) | - |
| Interest on assessments | 415 | - |
| Net cash provided (used) by capital and related financing activities | <u>(3,901,946)</u> | <u>-</u> |
| Investing activities | | |
| Investment income and dividends | 561,643 | 1,768 |
| Net cash provided (used) by investing activities | <u>561,643</u> | <u>1,768</u> |
| Net increase (decrease) in cash and cash equivalents/investments | <u>920,857</u> | <u>(40,213)</u> |
| Cash and cash equivalents/investments | | |
| Beginning of year | <u>11,472,402</u> | <u>40,213</u> |
| End of year | <u>\$ 12,393,259</u> | <u>\$ -</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | |
| Operating income (loss) | \$ 2,757,645 | \$ - |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 573,828 | - |
| Change in assets and liabilities | | |
| Accounts receivable | 28,780 | - |
| Assessments receivable | 637 | - |
| Due from other governments - federal and state agencies | 3,734 | - |
| Due from other governments - local | (523,116) | - |
| Accounts payable and accrued expenses | 814,747 | - |
| Other liabilities | (7,155) | - |
| Total adjustments | <u>891,455</u> | <u>-</u> |
| Net cash provided (used) by operating activities | <u>\$ 3,649,100</u> | <u>\$ -</u> |

DURHAM COUNTY, NORTH CAROLINA

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007**

| | Law Enforcement Officers' Special Separation Allowance Pension Trust Fund | Private-purpose Trust Funds | Agency Funds |
|---|--|--|-------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ 15,724 | \$ 1,492,638 |
| U.S. government securities | 973,074 | - | - |
| Net taxes receivable | - | - | 3,113,576 |
| Due from governmental agencies | - | - | 18 |
| Total assets | <u>973,074</u> | <u>15,724</u> | <u>\$ 4,606,232</u> |
| Liabilities | | | |
| Accrued payroll and amounts withheld | 3,061 | - | \$ - |
| Funds held for others | - | - | 563,236 |
| Due to governmental agencies | - | - | 4,042,996 |
| Total liabilities | <u>3,061</u> | <u>-</u> | <u>\$ 4,606,232</u> |
| Net assets | | | |
| Held in trust for: | | | |
| Employee pension benefits | 970,013 | - | |
| Individuals, organizations, and other governments | - | 15,724 | |
| Total net assets | <u>\$ 970,013</u> | <u>\$ 15,724</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, 2007**

| | Law Enforcement Officers' Special Separation Allowance Pension Trust Fund | Private-purpose Trust Funds |
|-------------------------------------|--|--|
| Additions | | |
| Employee contributions | \$ - | \$ 3,743 |
| Investment income | 42,706 | 116 |
| Total additions | <u>42,706</u> | <u>3,859</u> |
| Deductions | | |
| Benefits | 76,818 | 2,100 |
| Total deductions | <u>76,818</u> | <u>2,100</u> |
| Change in net assets | (34,112) | 1,759 |
| Total net assets - beginning | <u>1,004,125</u> | <u>13,965</u> |
| Total net assets - ending | <u>\$ 970,013</u> | <u>\$ 15,724</u> |

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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, 2007

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.

The County reports the following major governmental funds:

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, Emergency Services, Reappraisal Reserve, and School Impact Fees Funds are all special revenue fund types. They are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted for specific purposes. However, the Reappraised Reserve Fund and the School Impact Fees Fund were closed in fiscal year 2007 with the funds transferred into the General Fund to be used as a funding source for reappraisals and education, respectively. 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, 2007

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, 2007

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.

Additionally, the County reported the following fund type:

Internal Service Fund. The internal service fund provided for financing of capital equipment purchases for departments or agencies of the government on a cost reimbursement basis. The Internal Service Fund was closed in fiscal year 2007 with the funds transferred into the General Fund, and the capital assets transferred into the respective funds of the departments or agencies utilizing the assets which were the General and Sewer Utility Fund.

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, 2007

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. The County Manager is authorized to transfer budget amounts within a function up to 15% cumulatively without reporting to the Board of County Commissioners (BOCC). The County Manager is authorized to transfer budget amounts within the functional categories in any fund up to \$20,000 with an official report of such transfer being made at the next regular meeting of the BOCC. However, 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, 2007

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 2007:

| | Original Budget | Total Amendments | Revised Budget |
|--|--------------------|---------------------|-------------------------|
| General | \$ 630,315,121 | \$ 5,769,990 | \$ 636,085,111 |
| Less Federal Awards (See Note N.) | | | <u>(215,612,532)</u> |
| Reconciliation from budget basis to GAAP | | | <u>\$ 420,472,579</u> |
| Community Health Trust | \$ 5,515,255 | \$ - | <u>\$ 5,515,255</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, 2007

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, 2007, the County's deposits had a carrying amount of \$5,244,438 and a bank balance of \$4,735,200. Of the bank balance, \$401,986 was covered by federal depository insurance, \$1,419,075 was covered by collateral held under the Dedicated Method and \$2,914,139 was covered by collateral held under the Pooling Method.

At June 30, 2007, the ABC Board's deposits had a carrying amount of \$1,772,196 and a bank balance of \$2,169,143. Of the bank balance, \$354,823 was covered by federal depository insurance and \$1,814,320 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, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of June 30, 2007 the County had the following investments and maturities:

| Investment Type | Fair Value | Less Than 6 Months | 6-12 Months | 6-12 Months |
|--|-----------------------|-----------------------|---------------------|---------------------|
| US Government Agencies | \$ 59,841,608 | \$ 56,841,608 | \$ - | \$ 3,000,000 |
| Commercial Paper | 2,920,058 | 2,920,058 | - | - |
| NC Capital Management Trust - Cash Portfolio | 95,968,907 | 95,968,907 | - | - |
| NC Capital Management Trust - Term Portfolio* | 2,715,124 | - | 2,715,124 | - |
| Wachovia Money Market | 5,110,041 | 5,110,041 | | |
| Community Health Trust | 21,797,784 | 21,797,784 | - | - |
| Fidelity Treasury Portfolio II C1 III (Installment Purc) | 6,509,940 | 6,509,940 | - | - |
| First Citizens Trust (Revenue Bonds) | 3,508,152 | 3,508,152 | - | - |
| Total: | \$ 198,371,614 | \$ 192,656,490 | \$ 2,715,124 | \$ 3,000,000 |

* Because the NC Capital Management Trust Term Portfolio had a weighted average maturity of 0.9 years, it was presented as an investment with maturity of 6-12 months.

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:

State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). 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, 2007. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US agencies (Federal Home Loan Bank) 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 45 percent of the County's investments are in Commercial Paper and the Federal Home Loan Bank. These investments are 4.65% and 47.61% respectively of the County's total investments.

The ABC Board did not have any investments as of June 30, 2007.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The receivables as of June 30, 2007 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 | \$ 936,740 | \$ 756,957 | \$ 4,444,697 | \$ 6,529 | \$ 20,676 | \$ 16,092,196 | \$ 546,213 | \$ 22,204,575 | \$ 45,008,583 |
| Capital projects | - | 163,617 | - | - | - | - | - | 199,201 | 362,818 |
| Other governmental | 82,567 | - | 62,578 | - | - | - | - | 51,986 | 197,131 |
| Total receivables | 1,019,307 | 920,574 | 4,507,275 | 6,529 | 20,676 | 16,092,196 | 546,213 | 22,455,762 | 45,568,532 |
| Allowance for doubtful accounts | - | - | (181,277) | - | - | (9,178,988) | (546,213) | - | (9,906,478) |
| Total governmental activities | <u>\$ 1,019,307</u> | <u>\$ 920,574</u> | <u>\$ 4,325,998</u> | <u>\$ 6,529</u> | <u>\$ 20,676</u> | <u>\$ 6,913,208</u> | <u>\$ -</u> | <u>\$ 22,455,762</u> | <u>\$ 35,662,054</u> |
| Business-type activities: | | | | | | | | | |
| Sewer utility | \$ 387,420 | \$ 78,415 | \$ - | \$ 69,257 | \$ - | \$ - | \$ - | \$ 682,217 | \$ 1,217,309 |
| Total receivables | 387,420 | 78,415 | - | 69,257 | - | - | - | 682,217 | 1,217,309 |
| Allowance for doubtful accounts | - | - | - | - | - | - | - | - | - |
| Total business-type activities | <u>\$ 387,420</u> | <u>\$ 78,415</u> | <u>\$ -</u> | <u>\$ 69,257</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 682,217</u> | <u>\$ 1,217,309</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, 2007 of \$546,213 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

| | Deferred | Unearned |
|--|-----------------|-----------------|
| Net property taxes receivable (general fund) | \$ 4,265,737 | \$ - |
| Net property taxes receivable (special revenue) | 60,261 | - |
| Collections in advance (general fund) | - | 2,851,930 |
| Collections in advance (special revenue) | - | 20,499 |
| Prepaid capital lease (community health trust) | - | 3,500,000 |
| Emergency medical services receivable (general fund) | 6,913,208 | - |
| Solid waste (general fund) | 20,676 | - |
| Special assessments receivable (general fund) | 6,529 | - |
| Total deferred/unearned revenue for governmental funds | \$ 11,266,411 | \$ 6,372,429 |

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 three properties whereby the County would hold title to these properties and fund major improvements to these properties. As

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of fiscal year end, two of these title transfers had been executed and are thusly included in the County's capital assets. As of fiscal year end, no construction activity for the improvements had occurred. 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, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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, 2007

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, 2007 amounted to \$5,525,221. Of this amount, \$5,508,246 is recorded as a liability in the government-wide financial statements for governmental activities, and \$16,975 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, 2007 amounted to \$108,154. 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, 2007 amounted to \$15,147,742 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, 2007

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

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, 2008.
- 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, 2008.
- Designated for debt service – represents the amount of fund balance designated for debt service.
- Designated for mental health – represents the amount of fund balance set aside for funding of mental health.
- 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, 2007:

| | General Fund | Community Health Trust Fund | Capital Projects Fund | Nonmajor Funds | |
|--|----------------------|-----------------------------|-----------------------|-----------------------|-------------------|
| | | | | Special Revenue Funds | Debt Service Fund |
| Fund Balance: | | | | | |
| Reserve for encumbrances | \$ 2,347,317 | \$ - | \$ - | \$ - | \$ - |
| Reverve for encumbrances - mental health | 23,360 | - | - | - | - |
| Reserve by State Statute | 21,366,268 | 1,150,000 | 199,201 | 130,272 | 4,281 |
| Reserve by State Statute - mental health | 1,785,026 | - | - | - | - |
| Reserve for other purposes | 5,683,200 | - | - | 20,499 | - |
| Designations: | | | | | |
| Subsequent year's expenditures | 19,209,735 | - | - | 238,221 | 49,999 |
| Risk management | 4,005,899 | - | - | - | - |
| Debt service | 4,679,719 | - | - | - | - |
| Mental health | 3,679,842 | - | - | - | - |
| Social services | 499,849 | - | - | - | - |
| Undesignated | 29,523,581 | 19,639,807 | 81,617,175 | 1,888,598 | 513,354 |
| | <u>\$ 92,803,796</u> | <u>\$ 20,789,807</u> | <u>\$ 81,816,376</u> | <u>\$ 2,277,590</u> | <u>\$ 567,634</u> |

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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, 2007.

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, 2007

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) | \$195,846,605 |
| Investment in joint venture | 8,365,483 |
| Pension assets | <u>15,250</u> |
| Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities | <u>\$204,227,338</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) | \$ 4,332,527 |
| Solid waste receivable | 20,676 |
| Emergency medical services receivable (net) | <u>6,913,208</u> |
| Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities | <u>\$ 11,266,411</u> |

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

**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 | \$ 26,420,793 |
| Bonds and other notes payable | 271,226,307 |
| Unamortized bond premium due within one year | 247,770 |
| Unamortized bond premium | 1,315,436 |
| Accrued compensated absences | 5,508,246 |
| Accrued interest payable | <u>2,418,522</u> |
| Subtotal | 307,137,074 |
| Less: accrued interest receivable | (920,574) |
| Less: bond issuance costs net of accumulated amortization | <u>(623,999)</u> |
| Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities | <u>\$305,592,501</u> |

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

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 | \$ | 15,175,177 |
| Less: depreciation expense | | (10,143,828) |
| Plus: decrease in investment in joint venture | | (74,045) |
| Plus: decrease in pension asset | | (141,812) |
| Plus: net value of assets transferred from Internal Service Fund because fund was closed | | <u>949,050</u> |

| | | |
|---|--|---------------------|
| Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities | | <u>\$ 5,764,542</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) | \$ | (621,103) |
| Increase in deferred revenue of emergency medical services receivable (net) | | 1,108,680 |
| Increase in deferred revenue of other revenues | | 19,864 |
| Decrease in deferred revenue of impact fees receivable | | <u>(31,325)</u> |

| | | |
|---|--|-------------------|
| Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities | | <u>\$ 476,116</u> |
|---|--|-------------------|

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

**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 | \$ (26,023,636) |
| Amortization of issuance costs | 46,838 |
| Increase in issuance cost | (123,167) |
| Increase in debt (net) | 9,389,610 |
| Decrease in accrued interest payable | (23,159) |
| Increase in accrued compensated absences | 584,906 |
| Increase in accrued interest receivable | (543,384) |
| Amortization of bond premium | <u>(247,770)</u> |
| Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities | <u>\$ (16,939,762)</u> |

4. “Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.”

| | |
|---|---|
| Change in net assets as of June 30, 2007 – Internal Service Fund | <u>\$ (989,263)</u> |
| Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities | <u>\$ (989,263)</u> |

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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 2006 through February 2007 apply to the fiscal year ended June 30, 2007. 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 2007 - 2008 fiscal year and are not shown as receivables at June 30, 2007.

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. Amounts collected by the County and disbursed to the Department of State Treasurer during the year ended June 30, 2007 were \$192,714 and \$202,460. In addition to the delinquent interest collections, there was interest earning in fiscal year 2007 in the amount of \$1,095.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

Governmental Activities

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Transfers/ Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|----------------------|---------------------------------|---------------------------|
| Nondepreciable capital assets: | | | | |
| Land | \$ 6,189,453 | \$ 647,751 | \$ - | \$ 6,837,204 |
| Construction in progress | 76,047,396 | 12,717,323 | (29,149,103) | 59,615,616 |
| Total nondepreciable capital assets | <u>82,236,849</u> | <u>13,365,074</u> | <u>(29,149,103)</u> | <u>66,452,820</u> |
| Depreciable capital assets: | | | | |
| Buildings | 147,014,478 | 19,901,098 | (2,601,241) | 164,314,335 |
| Office furniture and equipment | 433,137 | 24,345 | (106,500) | 350,982 |
| Machinery and equipment | 7,258,662 | 251,397 | (3,077,022) | 4,433,037 |
| Computer hardware | 2,377,883 | 57,703 | 232,407 | 2,667,993 |
| Computer software | 963,906 | 103,512 | 11,642,306 | 12,709,724 |
| Vehicles | 7,405,879 | 1,700,417 | 2,830,784 | 11,937,080 |
| Total depreciable capital assets | <u>165,453,945</u> | <u>22,038,472</u> | <u>8,920,734</u> | <u>196,413,151</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 42,315,559 | 8,682,226 | (301,552) | 50,696,233 |
| Office furniture and equipment | 428,177 | 1,818 | (102,774) | 327,221 |
| Machinery and equipment | 5,958,538 | 139,625 | (2,339,437) | 3,758,726 |
| Computer hardware | 2,077,521 | 52,846 | 433,921 | 2,564,288 |
| Computer software | 687,796 | 490,590 | 107,566 | 1,285,952 |
| Vehicles | 5,407,947 | 598,786 | 2,380,213 | 8,386,946 |
| Total accumulated depreciation | <u>56,875,538</u> | <u>9,965,891</u> | <u>177,937</u> | <u>67,019,366</u> |
| Total depreciable capital assets, net | <u>108,578,407</u> | <u>12,072,581</u> | <u>8,742,797</u> | <u>129,393,785</u> |
| Governmental activities capital assets, net | <u>\$ 190,815,256</u> | <u>\$ 25,437,655</u> | <u>\$ (20,406,306)</u> | <u>\$ 195,846,605</u> |

During 2007, the County incurred \$9,788,388 of expenditures for construction on behalf of Durham Public Schools. The County does not include school construction in its construction in progress in the capital assets of governmental activities.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

D. CAPITAL ASSETS (continued)

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

| | |
|-----------------------------------|-----------------------------|
| Governmental activities: | |
| General government | \$ 2,684,333 |
| Public safety | 2,117,962 |
| Environmental protection | 18,181 |
| Economic and physical development | 15,209 |
| Human services | 501,591 |
| Education | 4,691,298 |
| Cultural and recreational | 115,254 |
| Total depreciation expense | <u><u>\$ 10,143,828</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 | 34,257,405 | 1,397,123 | - | 35,654,528 |
| Total nondepreciable capital assets | <u>34,442,631</u> | <u>1,397,123</u> | <u>-</u> | <u>35,839,754</u> |
| Depreciable capital assets: | | | | |
| Land improvements - water and sewer lines | 24,225,904 | - | - | 24,225,904 |
| Buildings | 4,103,344 | - | - | 4,103,344 |
| Machinery and equipment | 293,758 | - | (16,084) | 277,674 |
| Vehicles | 12,230 | - | 39,996 | 52,226 |
| Total depreciable capital assets | <u>28,635,236</u> | <u>-</u> | <u>23,912</u> | <u>28,659,148</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements - water and sewer lines | 8,374,647 | 479,178 | - | 8,853,825 |
| Buildings | 2,137,947 | 64,525 | - | 2,202,472 |
| Machinery and equipment | 171,301 | 15,348 | - | 186,649 |
| Vehicles | 408 | 14,777 | 23,912 | 39,097 |
| Total accumulated depreciation | <u>10,684,303</u> | <u>573,828</u> | <u>23,912</u> | <u>11,282,043</u> |
| Total depreciable capital assets, net | <u>17,950,933</u> | <u>(573,828)</u> | <u>-</u> | <u>17,377,105</u> |
| Business-type activities capital assets, net | <u><u>\$ 52,393,564</u></u> | <u><u>\$ 823,295</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 53,216,859</u></u> |

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2007 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Transfers/ Decreases</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|-------------------|---------------------------------|---------------------------|
| Nondepreciable capital assets: | | | | |
| Land | \$ 1,621,257 | \$ - | \$ (81,804) | \$ 1,539,453 |
| Total nondepreciable capital assets | <u>1,621,257</u> | <u>-</u> | <u>(81,804)</u> | <u>1,539,453</u> |
| Depreciable capital assets: | | | | |
| Buildings and improvements | 2,091,927 | 600,555 | - | 2,692,482 |
| Leasehold improvements | 623,721 | 50,355 | - | 674,076 |
| Vehicles | 61,048 | - | - | 61,048 |
| Machinery and equipment | 734,314 | 14,111 | - | 748,425 |
| Law enforcement | <u>103,033</u> | <u>40,486</u> | <u>-</u> | <u>143,519</u> |
| Total depreciable capital assets | <u>3,614,043</u> | <u>705,507</u> | <u>-</u> | <u>4,319,550</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 752,098 | 45,031 | (188,721) | 608,408 |
| Leasehold improvements | 230,168 | 27,617 | (3,101) | 254,684 |
| Vehicles | 61,048 | - | - | 61,048 |
| Machinery and equipment | 621,876 | 43,193 | (14,951) | 650,118 |
| Law enforcement | <u>60,815</u> | <u>10,899</u> | <u>(941)</u> | <u>70,773</u> |
| Total accumulated depreciation | <u>1,726,005</u> | <u>126,740</u> | <u>(207,714)</u> | <u>1,645,031</u> |
| Total depreciable capital assets, net | <u>1,888,038</u> | <u>578,767</u> | <u>207,714</u> | <u>2,674,519</u> |
| ABC Board capital assets, net | <u>\$ 3,509,295</u> | <u>\$ 578,767</u> | <u>\$ 125,910</u> | <u>\$ 4,213,972</u> |

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2007:

| | Balance | | | Balance | Amounts |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | July 1, 2006 | Increases | Decreases | June 30, 2007 | Due Within |
| | | | | | One Year |
| Governmental activities: | | | | | |
| General obligation bonds | \$259,881,989 | \$ - | \$17,716,720 | \$242,165,269 | \$ 17,570,586 |
| Certificates of participation | 22,325,000 | - | 2,340,000 | 19,985,000 | 2,460,000 |
| Industrial utilities extension policy | 1,950,334 | 7,229,610 | 701,868 | 8,478,076 | 1,171,737 |
| Unamortized bond premium | 1,810,976 | - | 247,770 | 1,563,206 | 247,770 |
| Installment notes payable | 25,406,798 | 2,160,009 | 4,795,551 | 22,771,256 | 5,208,512 |
| Accrued compensated absences | 4,923,340 | 4,155,268 | 3,570,362 | 5,508,246 | 3,761,482 |
| Separation allowance | - | - | - | - | - |
| Other financing agreements | 4,717,005 | - | 469,506 | 4,247,499 | 9,958 |
| | <u>4,717,005</u> | <u>-</u> | <u>469,506</u> | <u>4,247,499</u> | <u>9,958</u> |
| Total governmental activities | <u>\$321,015,442</u> | <u>\$ 13,544,887</u> | <u>\$ 29,841,777</u> | <u>\$304,718,552</u> | <u>\$ 30,430,045</u> |

| | Balance | | | Balance | Amounts |
|--------------------------------|----------------------|------------------|---------------------|----------------------|---------------------|
| | July 1, 2006 | Increases | Decreases | June 30, 2007 | Due Within |
| | | | | | One Year |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 5,778,015 | \$ - | \$ 498,281 | \$ 5,279,734 | \$ 494,414 |
| Revenue bonds | 21,935,000 | - | 1,355,000 | 20,580,000 | 1,425,000 |
| Unamortized bond premium | 729,725 | - | 33,834 | 695,891 | 33,834 |
| Accrued compensated absences | 23,473 | 10,185 | 16,683 | 16,975 | 12,989 |
| | <u>23,473</u> | <u>10,185</u> | <u>16,683</u> | <u>16,975</u> | <u>12,989</u> |
| Total business-type activities | <u>\$ 28,466,213</u> | <u>\$ 10,185</u> | <u>\$ 1,903,798</u> | <u>\$ 26,572,600</u> | <u>\$ 1,966,237</u> |

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, there were no general obligation bonds issued in fiscal year 2007.

Interest requirements for the general obligation bonds are payable semi-annually at annual rates varying from 3.00% to 5.60%. These debt obligations are backed by the full faith, credit and taxing power of the County. General Fund revenues are used to repay general long-term debt obligations.

Two-thirds (2/3s) bonds

Durham County issues 2/3s bonds to provide funds for the acquisition and construction of major capital facilities. 2/3s bonds are similar to general obligation bonds in that they also are direct obligations and pledge the full faith and credit of the government. 2/3s bonds have been issued for governmental and business-type activities, there were no 2/3s bonds issued in fiscal year 2007.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

E. LONG-TERM OBLIGATIONS (continued)

General obligation bonds, installment purchases, certificate of participation bonds and revenue bonds outstanding at June 30, 2007 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, 2007</u> |
|--|-----------------------|--------------------|----------------------------|---------------------------------|----------------------------------|
| <u>Governmental activities:</u> | | | | | |
| Public improvement, Series 2000 (2/3 Bonds) Refunding, Series 2001 | 5.40% to 5.60% | 6/1/2000 | 5/11/2017 | \$ 1,700,000 | \$ 1,163,967 |
| Public improvement, Series 2002A Refunding, Series 2002B | 4.25% to 5.50% | 2/15/2001 | 4/1/2013 | 87,490,000 | 50,445,000 |
| Public improvement, Series 2002B Refunding, Series 2002B | 3.25% to 4.75% | 1/1/2002 | 3/1/2022 | 11,050,000 | 8,300,000 |
| Public improvement, Series 2002B Refunding, Series 2002B | 4.25% to 5.50% | 1/1/2002 | 3/1/2022 | 33,567,112 | 9,516,302 |
| Public improvement, Series 2002B Refunding, Series 2002B | 4.00% to 5.00% | 5/1/2002 | 4/1/2022 | 68,410,000 | 61,535,000 |
| Public improvement, Series 2004A (2/3 Bonds) Refunding, Series 2004B | 4.00% to 5.00% | 5/1/2004 | 5/1/2023 | 10,600,000 | 10,000,000 |
| Public improvement, Series 2004B Refunding, Series 2004B | 4.00% to 5.00% | 5/1/2004 | 5/1/2023 | 46,600,000 | 42,100,000 |
| Public improvement, Series 2006A (2/3 Bonds) Refunding, Series 2006B | 4.00% to 5.00% | 5/1/2006 | 6/1/2023 | 11,380,000 | 11,080,000 |
| Public improvement, Series 2006B Refunding, Series 2006B | 4.00% to 5.00% | 5/1/2006 | 6/1/2023 | 49,225,000 | 48,025,000 |
| Certificate of participation, Series 1997 - jail facility | 4.00% to 5.00% | 12/1/1997 | 5/1/2014 | 38,865,000 | 19,985,000 |
| Installment purchase public facility | 4.64% | 5/14/1996 | 11/14/2014 | 7,300,000 | 3,850,284 |
| Installment purchase garage facility | 4.415% | 8/20/2003 | 8/20/2018 | 14,502,000 | 11,913,557 |
| Installment purchase computer hardware | 2.20% | 8/15/2003 | 8/15/2006 | 3,100,000 | - |
| Installment purchase computer software | 2.99% | 3/9/2004 | 2/9/2009 | 3,425,000 | 1,248,956 |
| Installment purchase voice IP | 3.22% | 5/2/2005 | 5/2/2009 | 1,410,000 | 727,620 |
| Installment purchase vehicles and computer hardware | 2.20% | 10/12/2005 | 10/12/2009 | 5,830,000 | 3,251,086 |
| Installment purchase vehicles | 3.84% | 9/15/2006 | 9/15/2010 | 2,160,000 | 1,779,753 |
| Other financing agreements | | | | | |
| Housing finance agency | 0.00% | 10/1/2002 | 5/30/2023 | 196,859 | 157,026 |
| 800 Mhz radio system upgrade | 4.64% | 9/27/2005 | 6/30/2015 | 5,012,454 | 4,090,473 |
| Total governmental activities | | | | | <u>\$ 289,169,024</u> |
| <u>Business-type activities:</u> | | | | | |
| Public improvement, Series 2000 (2/3 Bonds) Refunding, Series 2002B | 5.40% to 5.60% | 6/1/2000 | 5/11/2017 | \$ 7,180,000 | \$ 4,916,034 |
| Revenue bonds, Series 2003 - sewer plant expansion/improvements | 3.00% to 5.00% | 1/1/2002 | 3/1/2010 | 1,282,887 | 363,700 |
| | 3.00% to 4.75% | 12/1/2002 | 6/11/2028 | 24,515,000 | 20,580,000 |
| Total business-type activities | | | | | <u>\$ 25,859,734</u> |
| Total bonded indebtedness | | | | | <u>\$ 315,028,758</u> |

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2007 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 |
| 2008 | \$ 17,570,586 | \$ 11,388,226 | \$ 2,460,000 | \$ 985,890 | \$ 5,218,470 | \$ 879,929 | \$ - | \$ - | \$ 25,249,056 | \$ 13,254,045 |
| 2009 | 18,294,635 | 10,530,713 | 2,585,000 | 862,890 | 4,344,665 | 714,838 | - | - | 25,224,300 | 12,108,441 |
| 2010 | 18,010,808 | 9,622,218 | 2,705,000 | 740,103 | 2,944,984 | 597,792 | - | - | 23,660,792 | 10,960,113 |
| 2011 | 17,191,576 | 8,714,875 | 2,840,000 | 608,910 | 2,114,083 | 513,041 | - | - | 22,145,659 | 9,836,826 |
| 2012 | 19,097,297 | 7,972,939 | 2,980,000 | 469,750 | 9,208,172 | 1,540,607 | - | - | 31,285,469 | 9,983,296 |
| 2013-2017 | 74,835,367 | 28,138,883 | 6,415,000 | 485,000 | 3,170,765 | 209,695 | - | - | 84,421,132 | 28,833,578 |
| 2018-2022 | 74,510,000 | 11,073,563 | - | - | 17,616 | - | - | - | 74,527,616 | 11,073,563 |
| 2023-2027 | 2,655,000 | 125,525 | - | - | - | - | - | - | 2,655,000 | 125,525 |
| 2028-2032 | - | - | - | - | - | - | - | - | - | - |
| | <u>\$ 242,165,269</u> | <u>\$ 87,566,942</u> | <u>\$ 19,985,000</u> | <u>\$ 4,152,543</u> | <u>\$ 27,018,755</u> | <u>\$ 4,455,902</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 289,169,024</u> | <u>\$ 96,175,387</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 |
| 2008 | \$ 494,414 | \$ 292,189 | \$ - | \$ - | \$ - | \$ - | \$ 1,425,000 | \$ 989,408 | \$ 1,919,414 | \$ 1,281,597 |
| 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 |
| 2013-2017 | 2,894,636 | 408,419 | - | - | - | - | 3,270,000 | 3,046,283 | 6,164,636 | 3,454,702 |
| 2018-2022 | - | - | - | - | - | - | 4,135,000 | 2,186,000 | 4,135,000 | 2,186,000 |
| 2023-2027 | - | - | - | - | - | - | 5,250,000 | 1,059,738 | 5,250,000 | 1,059,738 |
| 2028-2032 | - | - | - | - | - | - | 1,205,000 | 57,238 | 1,205,000 | 57,238 |
| | <u>\$ 5,279,734</u> | <u>\$ 1,629,667</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,580,000</u> | <u>\$ 10,547,549</u> | <u>\$ 25,859,734</u> | <u>\$ 12,177,216</u> |

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

E. LONG-TERM OBLIGATIONS (continued)

Industrial Extensions Policy

The Industrial Extensions Policy 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.

The annual requirements to amortize reimbursements payable under this policy at June 30, 2007 are as follows:

| YEAR ENDING JUNE 30, | <u>Governmental activities</u> | | <u>Business-type activities</u> | | <u>Total</u> | |
|----------------------|--------------------------------|-------------------|---------------------------------|-----------------|---------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2008 | \$ 1,171,737 | \$ 23,263 | \$ - | \$ - | \$ 1,171,737 | \$ 23,263 |
| 2009 | 1,142,134 | 102,866 | - | - | 1,142,134 | 102,866 |
| 2010 | 981,615 | 31,346 | - | - | 981,615 | 31,346 |
| 2011 | 962,723 | 25,238 | - | - | 962,723 | 25,238 |
| 2012 | 928,902 | 14,059 | - | - | 928,902 | 14,059 |
| 2013-2017 | <u>3,290,965</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,290,965</u> | <u>-</u> |
| TOTAL | <u>\$ 8,478,076</u> | <u>\$ 196,772</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,478,076</u> | <u>\$ 196,772</u> |

Interest requirements related to the Industrial Extensions Policy are nominal.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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 2007.

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, 2007, such statutory limit for the County was \$1,762,829,771 providing a legal debt margin of \$1,515,384,768.

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, 2007, the swap had a negative fair value totaling (\$176.7) thousand, 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, 2007

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 | (\$177) | 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, 2007, 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 \$574,724 as of June 30, 2007.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$650,830 for the year ended June 30, 2007. The future minimum rental payments due under the leases at June 30, 2007 are as follows:

| YEAR ENDING JUNE 30, | <u>COUNTY</u> | <u>ABC BOARD</u> |
|----------------------|---------------------|-------------------|
| 2008 | 454,769 | 29,292 |
| 2009 | 179,822 | 30,167 |
| 2010 | 116,335 | 31,076 |
| 2011 | 99,075 | 32,010 |
| 2012 | 99,075 | 2,674 |
| 2013-2017 | <u>454,094</u> | <u>-</u> |
| TOTAL | <u>\$ 1,403,170</u> | <u>\$ 125,219</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, 2007 were \$14,302,953 and \$49,302,907, respectively. Annual minimum lease payments to be remitted to the County for use of the facility are \$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 agreements, 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 has 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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

F. COMMITMENTS (continued)

2. School Facilities

In May 2006, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2006 – 2015 that included school projects totaling \$291,974,185 funded through voter approved general obligation bond referendums in November 2001 and November 2003 in the amount of \$157,091,084 and miscellaneous revenue in the amount of \$3,353,131 and a request for a general obligation bond referendum in fiscal year 2010 in the amount of \$131,529,970. Four (4) school projects with a total combined budget of \$31,640,715 began construction and renovations. Total construction in progress for fiscal year 2007 for these projects was \$60,074,801 while total combined construction in progress since inception was \$71,694,566.

3. Construction

The total ten-year estimated and funded project costs of the CIP until June of 2015 is \$718,372,775. 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)/special obligation bonds (SOBs), revenue bonds, county contributions, sewer utility contributions and other miscellaneous revenues.

The CIP allocated funding for fiscal year 2007 in the amount of \$62,866,036. Funds provided approximately \$411,461 for capital projects of general governmental activities, \$80,290 for public safety activities, \$1,400,000 for business-type activities, \$53,566,123 for education facilities, \$2,764,504 for cultural and recreation activities, \$2,915,449 for environmental protection, and \$2,552,130 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 2006 – 2015, 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 April 2004, the County issued \$40,600,000 of the 2003 voter approved general obligation bonds and the remaining \$6,000,000 of the 2001 voter approved general obligation bonds. In May, 2006 the County issued \$49,225,000 of the 2003 voter approved general obligation bonds.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

F. COMMITMENTS (continued)

4. Capital commitments

The County had commitments at June 30, 2007 of approximately \$1,998,590 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.

5. Other commitments

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

The County participates in a number of Federal and State of North Carolina grant awards 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, 2007

G. INTERFUND BALANCES AND ACTIVITIES

The following is a schedule of interfund receivable and payable balances as of June 30, 2007:

Due to:

General Fund from Agency Fund, City of Durham Tax Fund
 Amount due per interlocal agreement, city tax incentive

\$ 9,979

Due from:

Agency Fund, City of Durham Tax Fund, to General Fund
 Amount due per interlocal agreement, city tax incentive

\$ 9,979

This due to/due from is because of an interlocal agreement, city tax incentive, between the County and the City of Durham, whereby the City will pay to the County the amount of one sixth of all collections over 98%. As per the agreement, the amount owed as of fiscal year end is recorded as a due to/due from and paid in the following fiscal year by the Agency Fund, City of Durham Tax Fund.

Transfers:

The following is a summary of transfers for the year ended June 30, 2007:

| Transfers in: | | | | |
|-----------------------------|-------------------------|--------------------------------------|--|----------------------|
| Transfers out: | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total |
| General fund | \$ - | \$ 3,564,572 | \$ 28,896,395 | \$ 32,460,967 |
| Capital projects fund | - | - | 10,727,524 | 10,727,524 |
| Community health trust fund | 4,346,255 | - | - | 4,346,255 |
| Equipment leasing fund | 991,031 | - | - | 991,031 |
| Nonmajor governmental funds | 1,958,465 | - | - | 1,958,465 |
| Total transfers | <u>\$ 7,295,751</u> | <u>\$ 3,564,572</u> | <u>\$ 39,623,919</u> | <u>\$ 50,484,242</u> |

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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.

Transfers from the Equipment Leasing Fund to the General Fund were because the fund was closed by the BOCC. Of the amount transferred, \$949,050 was capital assets net of accumulated depreciation.

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

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

1. North Carolina Local Governmental Employees' Retirement System

Plan Description. The County and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of North Carolina General Statute (NCGS) Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent (6%) of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.87% and 4.78%, 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, 2007, 2006 and 2005 were \$3,455,523, \$3,192,245, and

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

\$3,186,701, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$91,756, \$92,065, and \$86,390, 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.

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2006, the Separation Allowance's membership consisted of:

| | |
|-----------------------------|-------------------|
| Retirees receiving benefits | 4 |
| Active plan members | <u>163</u> |
| Total | <u><u>167</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 \$0 or 0% of annual covered payroll. There were no contributions made by employees.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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, 2007 was determined as part of the December 31, 2005 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, 2005 was twenty-five years.

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 | \$ 143,800 |
| Interest on net pension asset | (11,387) |
| Adjustment to annual required contribution | <u>9,399</u> |
| Annual pension cost | 141,812 |
| Contributions made | <u>0</u> |
| Increase in net pension asset | 141,812 |
| Net pension asset, beginning of year | <u>(157,062)</u> |
| Net pension asset, end of year | <u><u>\$ (15,250)</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, 2007 | \$ 141,812 | 0% | \$ (15,250) |
| June 30, 2006 | 160,286 | 107.58% | (157,062) |
| June 30, 2005 | 136,880 | 116.58% | (144,906) |

3. Supplemental Retirement Income Plan for Law Enforcement Officers

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy. Article 12 E of NCGS Chapter 143 requires the County to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2007 were \$551,089, which consisted of \$374,637 from the County and \$176,452 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, 2007 totaled \$9,435, which consisted of \$3,620 from the ABC Board and \$5,815 from the law enforcement officers employed by the ABC Board. The County and the ABC Board's required contributions and the officers' voluntary contributions represented 5% and 2.34%, and 5% and 5%, respectively, of the covered payroll.

4. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 4.5% 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, 2007, the County's required and actual contributions were \$75,330.

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. 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 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.

Funding Policy. The County's contributions were calculated using a covered payroll amount of \$63,553,078. The County's total payroll was \$72,516,304. Total contributions for the year ended June 30, 2007 were \$4,962,012, which consisted of \$3,159,433 from the County and \$1,802,579 from the non-law enforcement personnel. The County's required contribution and the non-law enforcement personnel's voluntary contribution represented 7.81% of the covered payroll amount.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

6. Other Post-Employment Benefits

In addition to providing pension benefits, the County has elected to provide health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the County. The County pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently, 334 retirees are eligible for health benefits. For the fiscal year ended June 30, 2007, the County made payments of \$878,217 for health benefits. The County obtains health care coverage through private insurers. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 1.18% and .06% of covered payroll, respectively.

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, 2007, the County made contributions to the State for death benefits of \$55,045. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The net assets of the Death Benefit Plan are not available for future benefit payments but will be used to reduce future contribution requirements.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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 2007, a total of \$913,891 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 \$1,287,563 was incurred for benefits during the fiscal year 2007.

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, 2007.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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 \$88,599 to the Council during the fiscal year ended June 30, 2007. 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, 2007

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, 2007:

| | |
|--------------------------|----------------------------|
| Total assets | \$ 1,043,438 |
| Total liabilities | <u>(568,928)</u> |
| Total equity | <u><u>\$ 474,510</u></u> |
| | |
| Total revenues | \$ 570,399 |
| Total expenditures | <u>(1,331,668)</u> |
| | |
| Increase in fund balance | <u><u>\$ (761,269)</u></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, 2007

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 2007 appropriation of approximately \$4.139 million to the College represents approximately 15.85% of its total non-operating revenues and approximately 5.63% of its capital outlay revenues, with the majority of funding being provided by the State of North Carolina Department of Community Colleges. In addition, the County contributed \$.378 million to capital outlay bringing the County's contribution to Durham Technical Community College capital outlay to 9.81%. 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, 2007. 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 a 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, 2007, the County recorded an equity interest in the Bureau of \$857,000 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, 2007

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, 2007, 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, 2007, the County's equity interest in the Authority was \$7,508,483.

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 2007, the amount funded by the County was approximately \$597,058. 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, 2007 is \$8,365,483.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

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 | \$ 156,180,324 | \$ 77,904,406 |
| Food Stamps | 26,499,819 | - |
| Temporary Assistance for Needy Families | 2,084,249 | - |
| Special Assistance to Adults | - | 2,223,185 |
| Title IV-E Adoption Assistance | 652,294 | - |
| Total Direct Federal and State Awards | \$ 185,416,686 | \$ 80,127,591 |

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 | \$ 2,247,441 | \$ - |
| U.S. Department of Justice | 622,190 | - |
| U.S. Department of Homeland Security | 398,140 | - |
| N.C. Department of Health and Human Services | 26,928,075 | 24,200,523 |
| Other State Programs | - | 2,164,552 |
| Total Indirect Federal and State Awards | \$ 30,195,846 | \$ 26,365,075 |
| Total Federal and State Awards | \$ 215,612,532 | \$ 106,492,666 |

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

O. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2007, the expenditures made in the County's Emergency Services Special Revenue Fund exceeded the authorized appropriations made by the governing board by \$6,343. These expenditures are for public safety expenditures for the Emergency Services System (911). The County has an interlocal agreement with the City of Durham whereby they manage and operate the system, and we reimburse the City for the County's share of expenditures. The County's portion of the last quarter expenditures were more than anticipated and the final payment exceeded the annual appropriation. Beginning fiscal year 2008, an assessment of appropriations and expenditures will be performed near year end for the Emergency Services Special Revenue Fund, and, if necessary, appropriations will be amended accordingly with BOCC approval or remittances will be limited to the appropriation 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, 2001 | \$ 547,161 | \$ 1,171,475 | \$ 624,314 | \$ 0 | \$ 5,359,280 | 11.65% |
| 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% |

DURHAM COUNTY, NORTH CAROLINA

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

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed |
|--------------------------------|---|-----------------------------------|
| 2002 | \$ 102,261 | 108.22% |
| 2003 | 119,569 | 104.78% |
| 2004 | 128,752 | 109.52% |
| 2005 | 138,885 | 114.89% |
| 2006 | 162,469 | 106.14% |
| 2007 | 143,800 | - |

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, 2006 |
| Actuarial cost method | Project unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 24 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 |

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OTHER SUPPLEMENTARY INFORMATION

**COMBINING and INDIVIDUAL
FUND STATEMENTS and
SCHEDULES**

MAJOR GOVERNMENTAL FUND

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

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DURHAM COUNTY, NORTH CAROLINA

**Schedule of Expenditures Compared with Project Authorizations
Capital Projects Fund
From Project Inception and for the Fiscal Years Ended June 30, 2007**

| PROJECT | EXPENDITURES | | SPENT TO DATE | REMAINING COMMITMENT |
|--|----------------------|-----------------------|-----------------------|-------------------------|
| | CURRENT YEAR | PRIOR YEARS | | |
| Durham Public School Projects | \$ 9,788,388 | \$ 55,629,818 | \$ 65,418,206 | \$ 39,542,127 |
| Eligibility Building | 1,500 | 16,580 | 18,080 | 1,920 |
| Justice Center | 1,241,673 | 5,465,145 | 6,706,818 | 6,114,637 |
| Judicial Building Renovation | 134,116 | 41,829 | 175,945 | 455,927 |
| Cooperative Extension Renovation | 11,655 | 810,710 | 822,365 | 1,186 |
| NCML & Bioquest | 262,222 | 10,216,275 | 10,478,497 | 491,503 |
| EMS Relocation Linc | 1,165,447 | 501,436 | 1,666,883 | 126,367 |
| Human Services Complex | 4,965,623 | 1,501,465 | 6,467,088 | 1,479,554 |
| Senior Center | 472,869 | 5,146,986 | 5,619,855 | 40,706 |
| North Durham Library | 1,709,820 | 4,551,694 | 6,261,514 | 94,573 |
| Stanford Warren Library | 142,889 | 1,582,645 | 1,725,534 | 253,316 |
| Southwest Branch Library | 2,063 | 593,088 | 595,151 | 2,769,353 |
| South Regional Library | 129,075 | 1,288,255 | 1,417,330 | 4,269,932 |
| East Regional Library | 615,841 | 5,603,400 | 6,219,241 | 64,668 |
| American Tobacco Garage Parking | - | 14,268,099 | 14,268,099 | 233,901 |
| Scattered Site Housing Program | 12,855 | 400,000 | 412,855 | 164,086 |
| County Computer Repl Project | 1,121,079 | 3,043,892 | 4,164,971 | 2,946,529 |
| Head Start YMCA Building | 181,250 | 924,352 | 1,105,602 | 6,648 |
| County ERP Software Project | 262,953 | 3,129,392 | 3,392,345 | 72,655 |
| DTCC Student Services Building | 259,396 | 2,735,783 | 2,995,179 | 4,821 |
| Crim Justice Resource Center | 4,810 | 479,359 | 484,169 | 17,777 |
| Open Space/Farmland Preservation | 296,594 | 562,894 | 859,488 | 3,361,512 |
| DTCC Campus Improvements | 10,389 | 959,714 | 970,103 | 4,229,897 |
| Telecommunications System Upgrade | 53,449 | 1,322,769 | 1,376,218 | 33,782 |
| New Hope/Duke Land Acquisition | - | 500,000 | 500,000 | 50,000 |
| Detention Center Project | 66,000 | 73,278 | 139,278 | 127,915 |
| Fingerprinting Area Project | - | - | - | - |
| Animal Shelter Building Office Project | 52,762 | 6,946 | 59,708 | 658,365 |
| BOCC Chamber Upgrade | 79,355 | 103 | 79,458 | 40,542 |
| Open Space Acquisition and Development | 6,500 | - | 6,500 | 13,148 |
| | <u>\$ 23,050,573</u> | <u>\$ 121,355,907</u> | <u>\$ 144,406,480</u> | <u>\$ 67,667,347</u> |

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

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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 Memorial Emergency Medical Services (EMS) 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, 2007**

| | 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 | \$ 5,402 | \$ 10,322 | \$ 15,724 |
| Total assets | <u>5,402</u> | <u>10,322</u> | <u>15,724</u> |
| Net assets | | | |
| Held in trust for: | | | |
| Individuals, organizations, and other governments | 5,402 | 10,322 | 15,724 |
| Total net assets | <u>\$ 5,402</u> | <u>\$ 10,322</u> | <u>\$ 15,724</u> |

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

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Net Assets
Private-purpose Trust Funds
Year Ended June 30, 2007**

| | George R. Linder Memorial Private-purpose Trust Fund | Vic Pearson EMS Memorial Private-purpose Trust Fund | Total Private-purpose Trust Funds |
|-------------------------------------|---|--|--|
| Additions | | | |
| Employee contributions | \$ - | \$ 3,743 | \$ 3,743 |
| Investment income | 226 | (110) | 116 |
| Total additions | <u>226</u> | <u>3,633</u> | <u>3,859</u> |
| Deductions | | | |
| Benefits | - | 2,100 | 2,100 |
| Total deductions | <u>-</u> | <u>2,100</u> | <u>2,100</u> |
| Change in net assets | 226 | 1,533 | 1,759 |
| Total net assets - beginning | <u>5,176</u> | <u>8,789</u> | <u>13,965</u> |
| Total net assets - ending | <u>\$ 5,402</u> | <u>\$ 10,322</u> | <u>\$ 15,724</u> |

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

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.

Reappraisal Reserve Fund – accounted for funds set-aside for the revaluation of taxable real property as required by the General Statutes of the State of North Carolina; closed in fiscal year 2007.

School Impact Fees Fund – accounted for funds set aside to be expended for future school construction and renovations as needed as a result of community growth; closed in fiscal year 2007.

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, 2007**

| | Special Revenue Funds | Debt Service Funds | Total Nonmajor Governmental Funds |
|---|--------------------------------------|-----------------------------------|--|
| Assets | | | |
| Cash and cash equivalents / investments | \$ 2,382,281 | \$ 706,485 | \$ 3,088,766 |
| Accounts receivable | 82,567 | - | 82,567 |
| Net taxes receivable | 60,261 | - | 60,261 |
| Due from other governments - federal and state agencies | 47,705 | 4,281 | 51,986 |
| Total assets | \$ 2,572,814 | \$ 710,766 | \$ 3,283,580 |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,998 | \$ 116,132 | \$ 118,130 |
| Arbitrage rebate payable | - | 27,000 | 27,000 |
| Due to other governments - local | 212,466 | - | 212,466 |
| Collections in advance | 20,499 | - | 20,499 |
| Deferred revenues: | | | |
| Taxes | 60,261 | - | 60,261 |
| Total liabilities | <u>295,224</u> | <u>143,132</u> | <u>438,356</u> |
| Fund balances: | | | |
| Reserved: | | | |
| State statute | 130,272 | 4,281 | 134,553 |
| Other purposes | 20,499 | - | 20,499 |
| Unreserved | <u>2,126,819</u> | <u>563,353</u> | <u>2,690,172</u> |
| Total fund balances | <u>2,277,590</u> | <u>567,634</u> | <u>2,845,224</u> |
| Total liabilities and fund balances | \$ 2,572,814 | \$ 710,766 | \$ 3,283,580 |

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007**

| | Special Revenue Funds | Debt Service Funds | Total Nonmajor Governmental Funds |
|--|--------------------------------------|-----------------------------------|--|
| Revenues | | | |
| Taxes | \$ 4,407,662 | \$ - | \$ 4,407,662 |
| Licenses and permits | (2,000) | - | (2,000) |
| Investments | 159,564 | 104,235 | 263,799 |
| Rent | - | 40,075 | 40,075 |
| Charges for services | 1,517,247 | 246,321 | 1,763,568 |
| Total revenues | <u>6,082,473</u> | <u>390,631</u> | <u>6,473,104</u> |
| Expenditures | | | |
| Current: | | | |
| General government | 8,326,410 | - | 8,326,410 |
| Public safety | 4,236,503 | - | 4,236,503 |
| Economic and physical development | 307,200 | - | 307,200 |
| Debt service: | | | |
| Principal retirement | - | 25,140,527 | 25,140,527 |
| Interest and fiscal charges | - | 14,362,230 | 14,362,230 |
| Total expenditures | <u>12,870,113</u> | <u>39,502,757</u> | <u>52,372,870</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(6,787,640)</u> | <u>(39,112,126)</u> | <u>(45,899,766)</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | 39,623,919 | 39,623,919 |
| Transfers out | (1,958,465) | - | (1,958,465) |
| Total other financing sources (uses) | <u>(1,958,465)</u> | <u>39,623,919</u> | <u>37,665,454</u> |
| Net change in fund balances | (8,746,105) | 511,793 | (8,234,312) |
| Fund balance - beginning | <u>11,023,695</u> | <u>55,841</u> | <u>11,079,536</u> |
| Fund balance - ending | <u>\$ 2,277,590</u> | <u>\$ 567,634</u> | <u>\$ 2,845,224</u> |

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DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2007

| | FIRE TAX DISTRICTS | | | |
|---|--------------------|------------------|------------------|------------------|
| | Bethesda | Lebanon | Parkwood | Redwood |
| Assets | | | | |
| Cash and cash equivalents / investments | \$ 115,628 | \$ 61,779 | \$ 77,405 | \$ 23,495 |
| Accounts receivable | - | - | - | - |
| Net taxes receivable | 11,750 | 14,831 | 6,323 | 19,477 |
| Due from other governments - federal and state agencies | - | - | - | - |
| Total assets | <u>\$ 127,378</u> | <u>\$ 76,610</u> | <u>\$ 83,728</u> | <u>\$ 42,972</u> |
| Liabilities and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other governments - local | - | - | - | - |
| Collections in advance | 3,023 | 5,742 | 4,065 | 3,007 |
| Taxes and assessments | 11,750 | 14,831 | 6,323 | 19,477 |
| Total liabilities | <u>14,773</u> | <u>20,573</u> | <u>10,388</u> | <u>22,484</u> |
| Fund balances: | | | | |
| Reserved: | | | | |
| State statute | - | - | - | - |
| Other purposes | 3,023 | 5,742 | 4,065 | 3,007 |
| Unreserved | 109,582 | 50,295 | 69,275 | 17,481 |
| Total fund balances | <u>112,605</u> | <u>56,037</u> | <u>73,340</u> | <u>20,488</u> |
| Total liabilities and fund balances | <u>\$ 127,378</u> | <u>\$ 76,610</u> | <u>\$ 83,728</u> | <u>\$ 42,972</u> |

| New Hope | Eno | Bahama | Butner Safety District Fund | Special Park District Fund | Emergency Services Fund | Total Nonmajor Special Revenue Funds |
|------------------|------------------|-------------------|--|---|--|---|
| \$ 11,685 | \$ 22,582 | \$ 185,912 | \$ 7,266 | \$ 3,687 | \$ 1,872,842 | \$ 2,382,281 |
| - | - | - | - | - | 82,567 | 82,567 |
| 604 | 73 | 6,731 | 281 | 191 | - | 60,261 |
| - | - | - | - | - | 47,705 | 47,705 |
| <u>\$ 12,289</u> | <u>\$ 22,655</u> | <u>\$ 192,643</u> | <u>\$ 7,547</u> | <u>\$ 3,878</u> | <u>\$ 2,003,114</u> | <u>\$ 2,572,814</u> |
| \$ - | \$ - | \$ - | \$ 1,980 | \$ 18 | \$ - | \$ 1,998 |
| - | - | - | - | - | 212,466 | 212,466 |
| 129 | 180 | 4,048 | - | 305 | - | 20,499 |
| 604 | 73 | 6,731 | 281 | 191 | - | 60,261 |
| <u>733</u> | <u>253</u> | <u>10,779</u> | <u>2,261</u> | <u>514</u> | <u>212,466</u> | <u>295,224</u> |
| - | - | - | - | - | 130,272 | 130,272 |
| 129 | 180 | 4,048 | - | 305 | - | 20,499 |
| <u>11,427</u> | <u>22,222</u> | <u>177,816</u> | <u>5,286</u> | <u>3,059</u> | <u>1,660,376</u> | <u>2,126,819</u> |
| <u>11,556</u> | <u>22,402</u> | <u>181,864</u> | <u>5,286</u> | <u>3,364</u> | <u>1,790,648</u> | <u>2,277,590</u> |
| <u>\$ 12,289</u> | <u>\$ 22,655</u> | <u>\$ 192,643</u> | <u>\$ 7,547</u> | <u>\$ 3,878</u> | <u>\$ 2,003,114</u> | <u>\$ 2,572,814</u> |

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2007

| | FIRE TAX DISTRICTS | | | | |
|--|--------------------|------------------|------------------|------------------|------------------|
| | Bethesda | Lebanon | Parkwood | Redwood | New Hope |
| Revenues | | | | | |
| Taxes | \$ 1,009,186 | \$ 739,966 | \$ 1,128,435 | \$ 600,895 | \$ 42,521 |
| Licenses and permits | - | - | - | - | - |
| Investments | 12,837 | 14,844 | 283 | 2,533 | 1,370 |
| Charges for services | - | - | - | - | - |
| Total revenues | <u>1,022,023</u> | <u>754,810</u> | <u>1,128,718</u> | <u>603,428</u> | <u>43,891</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | - |
| Public safety | 165,000 | 450,000 | 1,093,234 | 581,438 | 41,395 |
| Economic and physical development | - | - | - | - | - |
| Total expenditures | <u>165,000</u> | <u>450,000</u> | <u>1,093,234</u> | <u>581,438</u> | <u>41,395</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>857,023</u> | <u>304,810</u> | <u>35,484</u> | <u>21,990</u> | <u>2,496</u> |
| Other financing sources (uses) | | | | | |
| Transfers out | (829,125) | (446,372) | - | (35,468) | - |
| Total other financing sources (uses) | <u>(829,125)</u> | <u>(446,372)</u> | <u>-</u> | <u>(35,468)</u> | <u>-</u> |
| Net change in fund balances | 27,898 | (141,562) | 35,484 | (13,478) | 2,496 |
| Fund balance - beginning | <u>84,707</u> | <u>197,599</u> | <u>37,856</u> | <u>33,966</u> | <u>9,060</u> |
| Fund balance - ending | <u>\$ 112,605</u> | <u>\$ 56,037</u> | <u>\$ 73,340</u> | <u>\$ 20,488</u> | <u>\$ 11,556</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>Reappraisal Reserve Fund</u> | <u>School Impact Fees Fund</u> | <u>Total Nonmajor Special Revenue Funds</u> |
|------------------|-------------------|--|---|--|---|--|---|
| \$ 16,910 | \$ 545,556 | \$ 16,224 | \$ 307,969 | \$ - | \$ - | \$ - | \$ 4,407,662 |
| - | - | - | - | - | - | (2,000) | (2,000) |
| 1,341 | 17,239 | 284 | 851 | 53,876 | 11,631 | 42,475 | 159,564 |
| - | - | - | - | 1,517,247 | - | - | 1,517,247 |
| <u>18,251</u> | <u>562,795</u> | <u>16,508</u> | <u>308,820</u> | <u>1,571,123</u> | <u>11,631</u> | <u>40,475</u> | <u>6,082,473</u> |
| - | - | - | - | - | - | 8,326,410 | 8,326,410 |
| 16,210 | 480,937 | 15,069 | - | 1,393,220 | - | - | 4,236,503 |
| - | - | - | 307,200 | - | - | - | 307,200 |
| <u>16,210</u> | <u>480,937</u> | <u>15,069</u> | <u>307,200</u> | <u>1,393,220</u> | <u>-</u> | <u>8,326,410</u> | <u>12,870,113</u> |
| <u>2,041</u> | <u>81,858</u> | <u>1,439</u> | <u>1,620</u> | <u>177,903</u> | <u>11,631</u> | <u>(8,285,935)</u> | <u>(6,787,640)</u> |
| - | - | - | - | - | (276,061) | (371,439) | (1,958,465) |
| - | - | - | - | - | (276,061) | (371,439) | (1,958,465) |
| 2,041 | 81,858 | 1,439 | 1,620 | 177,903 | (264,430) | (8,657,374) | (8,746,105) |
| <u>20,361</u> | <u>100,006</u> | <u>3,847</u> | <u>1,744</u> | <u>1,612,745</u> | <u>264,430</u> | <u>8,657,374</u> | <u>11,023,695</u> |
| <u>\$ 22,402</u> | <u>\$ 181,864</u> | <u>\$ 5,286</u> | <u>\$ 3,364</u> | <u>\$ 1,790,648</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,277,590</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, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|------------------|------------------|-------------------|---|
| Revenues | | | | |
| Taxes | \$ 977,785 | \$ 977,785 | \$ 1,009,186 | \$ 31,401 |
| Investments | 3,613 | 3,613 | 12,837 | 9,224 |
| Total revenues | <u>981,398</u> | <u>981,398</u> | <u>1,022,023</u> | <u>40,625</u> |
| Expenditures | | | | |
| Public safety | 165,948 | 165,948 | 165,000 | 948 |
| Total expenditures | <u>165,948</u> | <u>165,948</u> | <u>165,000</u> | <u>948</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>815,450</u> | <u>815,450</u> | <u>857,023</u> | <u>41,573</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (815,450) | (829,126) | (829,125) | 1 |
| Appropriated fund balance | - | 13,676 | - | (13,676) |
| Total other financing sources (uses) | <u>(815,450)</u> | <u>(815,450)</u> | <u>(829,125)</u> | <u>(13,675)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 27,898 | <u>\$ 27,898</u> |
| Fund balance - beginning | | | <u>84,707</u> | |
| Fund balance - ending | | | <u>\$ 112,605</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, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|------------------|------------------|------------------|---|
| Revenues | | | | |
| Taxes | \$ 693,535 | \$ 693,535 | \$ 739,966 | \$ 46,431 |
| Investments | 2,367 | 2,367 | 14,844 | 12,477 |
| Total revenues | <u>695,902</u> | <u>695,902</u> | <u>754,810</u> | <u>58,908</u> |
| Expenditures | | | | |
| Public safety | 477,746 | 477,746 | 450,000 | 27,746 |
| Total expenditures | <u>477,746</u> | <u>477,746</u> | <u>450,000</u> | <u>27,746</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>218,156</u> | <u>218,156</u> | <u>304,810</u> | <u>86,654</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (435,292) | (446,373) | (446,372) | 1 |
| Appropriated fund balance | 217,136 | 228,217 | - | (228,217) |
| Total other financing sources (uses) | <u>(218,156)</u> | <u>(218,156)</u> | <u>(446,372)</u> | <u>(228,216)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | (141,562) | <u>\$ (141,562)</u> |
| Fund balance - beginning | | | <u>197,599</u> | |
| Fund balance - ending | | | <u>\$ 56,037</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, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|------------------|------------------|-------------------|---|
| Revenues | | | | |
| Taxes | \$ 1,093,234 | \$ 1,093,234 | \$ 1,128,435 | \$ 35,201 |
| Investments | - | - | 283 | 283 |
| Total revenues | <u>1,093,234</u> | <u>1,093,234</u> | <u>1,128,718</u> | <u>35,484</u> |
| Expenditures | | | | |
| Public safety | <u>1,093,234</u> | <u>1,093,234</u> | <u>1,093,234</u> | - |
| Total expenditures | <u>1,093,234</u> | <u>1,093,234</u> | <u>1,093,234</u> | - |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>35,484</u> | <u>35,484</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 35,484 | <u>\$ 35,484</u> |
| Fund balance - beginning | | | <u>37,856</u> | |
| Fund balance - ending | | | <u>\$ 73,340</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, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|-----------------|-----------------|------------------|---|
| Revenues | | | | |
| Taxes | \$ 564,080 | \$ 564,080 | \$ 600,895 | \$ 36,815 |
| Investments | 1,302 | 1,302 | 2,533 | 1,231 |
| Total revenues | <u>565,382</u> | <u>565,382</u> | <u>603,428</u> | <u>38,046</u> |
| Expenditures | | | | |
| Public safety | 501,438 | 581,438 | 581,438 | - |
| Total expenditures | <u>501,438</u> | <u>581,438</u> | <u>581,438</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>63,944</u> | <u>(16,056)</u> | <u>21,990</u> | <u>38,046</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (119,864) | (39,864) | (35,468) | 4,396 |
| Appropriated fund balance | 55,920 | 55,920 | - | (55,920) |
| Total other financing sources (uses) | <u>(63,944)</u> | <u>16,056</u> | <u>(35,468)</u> | <u>(51,524)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | (13,478) | <u>\$ (13,478)</u> |
| Fund balance - beginning | | | <u>33,966</u> | |
| Fund balance - ending | | | <u>\$ 20,488</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, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|-----------------|-----------------|----------------------|---|
| Revenues | | | | |
| Taxes | \$ 41,220 | \$ 41,220 | \$ 42,521 | \$ 1,301 |
| Investments | 175 | 175 | 1,370 | 1,195 |
| Total revenues | <u>41,395</u> | <u>41,395</u> | <u>43,891</u> | <u>2,496</u> |
| Expenditures | | | | |
| Public safety | 41,395 | 41,395 | 41,395 | - |
| Total expenditures | <u>41,395</u> | <u>41,395</u> | <u>41,395</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>2,496</u> | <u>2,496</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 2,496 | <u>\$ 2,496</u> |
| Fund balance - beginning | | | <u>9,060</u> | |
| Fund balance - ending | | | <u>\$ 11,556</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, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|-----------------|-----------------|----------------------|---|
| Revenues | | | | |
| Taxes | \$ 16,133 | \$ 16,133 | \$ 16,910 | \$ 777 |
| Investments | 77 | 77 | 1,341 | 1,264 |
| Total revenues | <u>16,210</u> | <u>16,210</u> | <u>18,251</u> | <u>2,041</u> |
| Expenditures | | | | |
| Public safety | 16,210 | 16,210 | 16,210 | - |
| Total expenditures | <u>16,210</u> | <u>16,210</u> | <u>16,210</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>2,041</u> | <u>2,041</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 2,041 | <u>\$ 2,041</u> |
| Fund balance - beginning | | | <u>20,361</u> | |
| Fund balance - ending | | | <u>\$ 22,402</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, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|-----------------|-----------------|-----------------------|---|
| Revenues | | | | |
| Taxes | \$ 479,567 | \$ 479,567 | \$ 545,556 | \$ 65,989 |
| Investments | 1,370 | 1,370 | 17,239 | 15,869 |
| Total revenues | <u>480,937</u> | <u>480,937</u> | <u>562,795</u> | <u>81,858</u> |
| Expenditures | | | | |
| Public safety | 480,937 | 480,937 | 480,937 | - |
| Total expenditures | <u>480,937</u> | <u>480,937</u> | <u>480,937</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>81,858</u> | <u>81,858</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 81,858 | <u>\$ 81,858</u> |
| Fund balance - beginning | | | <u>100,006</u> | |
| Fund balance - ending | | | <u>\$ 181,864</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, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|-----------------|-----------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ 14,743 | \$ 14,743 | \$ 16,224 | \$ 1,481 |
| Investments | 326 | 326 | 284 | (42) |
| Total revenues | <u>15,069</u> | <u>15,069</u> | <u>16,508</u> | <u>1,439</u> |
| Expenditures | | | | |
| Public safety | 15,069 | 15,069 | 15,069 | - |
| Total expenditures | <u>15,069</u> | <u>15,069</u> | <u>15,069</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>1,439</u> | <u>1,439</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 1,439 | <u>\$ 1,439</u> |
| Fund balance - beginning | | | <u>3,847</u> | |
| Fund balance - ending | | | <u>\$ 5,286</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, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|-----------------|-----------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ 306,677 | \$ 307,277 | \$ 307,969 | \$ 692 |
| Investments | 485 | 485 | 851 | 366 |
| Total revenues | <u>307,162</u> | <u>307,762</u> | <u>308,820</u> | <u>1,058</u> |
| Expenditures | | | | |
| Economic and physical development | <u>307,162</u> | <u>307,762</u> | <u>307,200</u> | <u>562</u> |
| Total expenditures | <u>307,162</u> | <u>307,762</u> | <u>307,200</u> | <u>562</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>1,620</u> | <u>1,620</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 1,620 | <u>\$ 1,620</u> |
| Fund balance - beginning | | | <u>1,744</u> | |
| Fund balance - ending | | | <u>\$ 3,364</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, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|------------------|------------------|---------------------|---|
| Revenues | | | | |
| Investments | \$ 1,905 | \$ 1,905 | \$ 53,876 | \$ 51,971 |
| Charges for services | 1,274,211 | 1,274,211 | 1,517,247 | 243,036 |
| Total revenues | <u>1,276,116</u> | <u>1,276,116</u> | <u>1,571,123</u> | <u>295,007</u> |
| Expenditures | | | | |
| Public safety | 1,386,877 | 1,386,877 | 1,393,220 | (6,343) |
| Total expenditures | <u>1,386,877</u> | <u>1,386,877</u> | <u>1,393,220</u> | <u>(6,343)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(110,761)</u> | <u>(110,761)</u> | <u>177,903</u> | <u>288,664</u> |
| Other financing sources (uses) | | | | |
| Appropriated fund balance | 110,761 | 110,761 | - | (110,761) |
| Total other financing sources (uses) | <u>110,761</u> | <u>110,761</u> | <u>-</u> | <u>(110,761)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 177,903 | <u>\$ 177,903</u> |
| Fund balance - beginning | | | <u>1,612,745</u> | |
| Fund balance - ending | | | <u>\$ 1,790,648</u> | |

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Reappraisal Reserve Special Revenue Fund
Year Ended June 30, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|-----------------|--------------|------------------|---|
| Revenues | | | | |
| Investments | \$ - | \$ - | \$ 11,631 | \$ 11,631 |
| Total revenues | <u>-</u> | <u>-</u> | <u>11,631</u> | <u>11,631</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>11,631</u> | <u>11,631</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (283,000) | (283,000) | (276,061) | 6,939 |
| Appropriated fund balance | 283,000 | 283,000 | - | (283,000) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(276,061)</u> | <u>(276,061)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | (264,430) | <u>\$ (264,430)</u> |
| Fund balance - beginning | | | <u>264,430</u> | |
| Fund balance - ending | | | <u>\$ -</u> | |

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- School Impact Fees Special Revenue Fund
Year Ended June 30, 2007**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|--|-----------------|--------------------|--------------------|---|
| Revenues | | | | |
| Licenses and permits | \$ - | \$ - | \$ (2,000) | \$ (2,000) |
| Investments | - | 39,036 | 42,475 | 3,439 |
| Total revenues | <u>-</u> | <u>39,036</u> | <u>40,475</u> | <u>1,439</u> |
| Expenditures | | | | |
| General government | - | 8,326,410 | 8,326,410 | - |
| Total expenditures | <u>-</u> | <u>8,326,410</u> | <u>8,326,410</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(8,287,374)</u> | <u>(8,285,935)</u> | <u>1,439</u> |
| Other financing sources (uses) | | | | |
| Transfers out | - | (370,000) | (371,439) | (1,439) |
| Appropriated fund balance | - | 8,657,374 | - | (8,657,374) |
| Total other financing sources (uses) | <u>-</u> | <u>8,287,374</u> | <u>(371,439)</u> | <u>(8,658,813)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>(8,657,374)</u> | <u>\$ (8,657,374)</u> |
| Fund balance - beginning | | | <u>8,657,374</u> | |
| Fund balance - ending | | | <u>\$ -</u> | |

DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Debt Service Fund
 Year Ended June 30, 2007

| | Budget | | Actual | Positive (Negative) Variance |
|--|---------------------|---------------------|---------------------|------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenues | \$ 6,970,000 | \$ - | \$ - | \$ - |
| Investments | 50,000 | 50,000 | 104,235 | 54,235 |
| Rent | 26,401 | 26,401 | 40,075 | 13,674 |
| Charges for services | 246,321 | 246,321 | 246,321 | - |
| Total revenues | <u>7,292,722</u> | <u>322,722</u> | <u>390,631</u> | <u>67,909</u> |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal retirement | 25,439,778 | 25,189,656 | 25,140,527 | 49,129 |
| Interest and fiscal charges | 15,132,089 | 14,485,956 | 14,362,230 | 123,726 |
| Total expenditures | <u>40,571,867</u> | <u>39,675,612</u> | <u>39,502,757</u> | <u>172,855</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(33,279,145)</u> | <u>(39,352,890)</u> | <u>(39,112,126)</u> | <u>240,764</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 33,229,145 | 39,624,000 | 39,623,919 | (81) |
| Appropriated fund balance | 50,000 | (271,110) | - | 271,110 |
| Total other financing sources (uses) | <u>33,279,145</u> | <u>39,352,890</u> | <u>39,623,919</u> | <u>271,029</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 511,793 | <u>\$ 511,793</u> |
| Fund balance - beginning | | | <u>55,841</u> | |
| Fund balance - ending | | | <u>\$ 567,634</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, 2007**

| | <u>Budget</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|---|------------------|-------------------|---|
| Revenues: | | | |
| Charges for services | \$ 7,849,855 | \$ 7,265,530 | \$ (584,325) |
| Expenditures: | | | |
| Operating | <u>5,389,269</u> | <u>3,912,432</u> | <u>1,476,837</u> |
| Excess (deficiency) of revenues over (under) expenditures | 2,460,586 | 3,353,098 | 892,512 |
| Other Financing Sources (Uses): | | | |
| Capital expenses | (50,000) | (673,204) | (623,204) |
| Debt service | (3,512,683) | (3,229,157) | 283,526 |
| Investment income | 60,000 | 561,643 | 501,643 |
| Assessments | 6,240 | 637 | (5,603) |
| Interest on assessments | 2,000 | 415 | (1,585) |
| Sewer connection fees | 491,113 | 611,960 | 120,847 |
| Miscellaneous | <u>10,400</u> | <u>100</u> | <u>(10,300)</u> |
| Total other financing sources (uses) | (2,992,930) | (2,727,606) | 265,324 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (532,344) | 625,492 | 1,157,836 |
| Fund Balance Appropriated | <u>532,344</u> | <u>-</u> | <u>532,344</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>\$ -</u> | <u>\$ 625,492</u> | <u>\$ 625,492</u> |

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2007**

| | | |
|--|-----------|------------------|
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS) | \$ | 625,492 |
| RECONCILING ITEMS: | | |
| Capital outlay | | 673,204 |
| Debt principal payments | | 1,853,279 |
| Amortization of bond issuance costs | | (8,207) |
| Capitalization of interest | | 723,921 |
| Decrease in accrued interest payable | | 14,776 |
| Increase in accrued payroll | | 657 |
| Increase in accrued vacation | | 6,498 |
| Decrease in assessments receivable | | (637) |
| Decrease in accrued interest receivable | | 41,073 |
| Decrease in accounts receivable | | (28,780) |
| Depreciation | | (573,828) |
| Amortization of bond premium | | 33,834 |
| | | <hr/> |
| CHANGE IN NET ASSETS (GAAP BASIS) | \$ | 3,361,282 |
| | | <hr/> <hr/> |

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, 2007

| | 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 | \$ 202,449 | \$ 300,089 | \$ 109,508 | \$ (48,810) | \$ 23,334 |
| Net taxes receivable | - | - | - | - | - |
| Due from governmental agencies | - | - | - | - | - |
| Total assets | <u>\$ 202,449</u> | <u>\$ 300,089</u> | <u>\$ 109,508</u> | <u>\$ (48,810)</u> | <u>\$ 23,334</u> |
| Liabilities | | | | | |
| Funds held for others | \$ 202,449 | \$ 300,089 | \$ 109,508 | \$ (48,810) | \$ - |
| Due to governmental agencies | - | - | - | - | 23,334 |
| Total liabilities | <u>\$ 202,449</u> | <u>\$ 300,089</u> | <u>\$ 109,508</u> | <u>\$ (48,810)</u> | <u>\$ 23,334</u> |

| Durham Public School | Town of Chapel Hill Tax Fund | City of Durham Tax Fund | City of Raleigh Tax Fund | Totals |
|-----------------------------|-------------------------------------|--------------------------------|---------------------------------|---------------------|
| \$ 594,426 | \$ 37,524 | \$ 267,421 | \$ 6,697 | \$ 1,492,638 |
| 7,103 | 13,780 | 3,090,139 | 2,554 | 3,113,576 |
| - | - | 18 | - | 18 |
| <u>\$ 601,529</u> | <u>\$ 51,304</u> | <u>\$ 3,357,578</u> | <u>\$ 9,251</u> | <u>\$ 4,606,232</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 563,236 |
| 601,529 | 51,304 | 3,357,578 | 9,251 | 4,042,996 |
| <u>\$ 601,529</u> | <u>\$ 51,304</u> | <u>\$ 3,357,578</u> | <u>\$ 9,251</u> | <u>\$ 4,606,232</u> |

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2007**

| | <u>July 1, 2006</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2007</u> |
|---|---------------------|------------------|-------------------|----------------------|
| <u>Child Support Trust Fund</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 192,705 | \$ 1,298,193 | \$ 1,288,449 | \$ 202,449 |
| Liabilities | | | | |
| Funds held for others | \$ 192,705 | \$ 1,298,193 | \$ 1,288,449 | \$ 202,449 |
| <u>Sheriff's Evidence Trust Fund</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 209,719 | \$ 101,943 | \$ 11,573 | \$ 300,089 |
| Liabilities | | | | |
| Funds held for others | \$ 209,719 | \$ 101,943 | \$ 11,573 | \$ 300,089 |
| <u>Jail Inmate Trust Fund</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 93,540 | \$ 604,932 | \$ 588,964 | \$ 109,508 |
| Liabilities | | | | |
| Funds held for others | \$ 93,540 | \$ 604,932 | \$ 588,964 | \$ 109,508 |
| <u>Sheriff's Trust Fund</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 26,198 | \$ 475,630 | \$ 550,638 | \$ (48,810) |
| Liabilities | | | | |
| Funds held for others | \$ 26,198 | \$ 475,630 | \$ 550,638 | \$ (48,810) |
| <u>State Treasurer DMV</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 14,441 | \$ 193,918 | \$ 185,025 | \$ 23,334 |
| Liabilities | | | | |
| Due to governmental agencies | \$ 14,441 | \$ 193,918 | \$ 185,025 | \$ 23,334 |
| <u>Durham Public School</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 155,726 | \$ 541,994 | \$ 103,294 | \$ 594,426 |
| Net taxes receivable | - | 947,208 | 940,105 | 7,103 |
| Total assets | \$ 155,726 | \$ 1,489,202 | \$ 1,043,399 | \$ 601,529 |
| Liabilities | | | | |
| Due to governmental agencies | \$ 155,726 | \$ 1,489,202 | \$ 1,043,399 | \$ 601,529 |

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2007**

| | <u>July 1, 2006</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2007</u> |
|--|---------------------|-----------------------|-----------------------|----------------------|
| <u>Town of Chapel Hill Tax Fund</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 30,026 | \$ 3,671,998 | \$ 3,664,500 | \$ 37,524 |
| Net taxes receivable | 15,115 | 1,568,416 | 1,569,751 | 13,780 |
| Total assets | <u>\$ 45,141</u> | <u>\$ 5,240,414</u> | <u>\$ 5,234,251</u> | <u>\$ 51,304</u> |
| Liabilities | | | | |
| Due to governmental agencies | <u>\$ 45,141</u> | <u>\$ 5,240,414</u> | <u>\$ 5,234,251</u> | <u>\$ 51,304</u> |
| <u>City of Durham Tax Fund</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 548,949 | \$ 204,748,701 | \$ 205,030,229 | \$ 267,421 |
| Net taxes receivable | 3,314,099 | 106,033,969 | 106,257,929 | 3,090,139 |
| Due from governmental agencies | 18 | 18 | 18 | 18 |
| Total assets | <u>\$ 3,863,066</u> | <u>\$ 310,782,688</u> | <u>\$ 311,288,176</u> | <u>\$ 3,357,578</u> |
| Liabilities | | | | |
| Due to governmental agencies | <u>\$ 3,863,066</u> | <u>\$ 310,782,688</u> | <u>\$ 311,288,176</u> | <u>\$ 3,357,578</u> |
| <u>City of Raleigh Tax Fund</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 5,792 | \$ 646,749 | \$ 645,844 | \$ 6,697 |
| Net taxes receivable | 2,939 | 335,693 | 336,078 | 2,554 |
| Due from governmental agencies | 54 | - | 54 | - |
| Total assets | <u>\$ 8,785</u> | <u>\$ 982,442</u> | <u>\$ 981,976</u> | <u>\$ 9,251</u> |
| Liabilities | | | | |
| Due to governmental agencies | <u>\$ 8,785</u> | <u>\$ 982,442</u> | <u>\$ 981,976</u> | <u>\$ 9,251</u> |
| <u>Total All Agency Funds</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,277,096 | \$ 212,284,058 | \$ 212,068,516 | \$ 1,492,638 |
| Net taxes receivable | 3,332,153 | 108,885,286 | 109,103,863 | 3,113,576 |
| Due from governmental agencies | 72 | 18 | 72 | 18 |
| Total assets | <u>\$ 4,609,321</u> | <u>\$ 321,169,362</u> | <u>\$ 321,172,451</u> | <u>\$ 4,606,232</u> |
| Liabilities | | | | |
| Funds held for others | \$ 522,162 | \$ 2,480,698 | \$ 2,439,624 | \$ 563,236 |
| Due to governmental agencies | 4,087,159 | 318,688,664 | 318,732,827 | 4,042,996 |
| Total liabilities | <u>\$ 4,609,321</u> | <u>\$ 321,169,362</u> | <u>\$ 321,172,451</u> | <u>\$ 4,606,232</u> |

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

DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹ as of June 30, 2007**

| | 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 |
| Court facilities | 14,029,273 | - | 14,018,073 | - |
| Board of elections | 419,207 | - | - | - |
| Register of deeds | 1,706,230 | - | - | 20,000 |
| General services | 84,724,248 | 4,790,491 | 79,064,248 | - |
| Information technology | 4,861,855 | - | - | 29,298 |
| Human resources | 17,237 | - | - | 11,530 |
| Total general government | 113,408,004 | 4,790,491 | 93,082,321 | 85,173 |
| Public Safety: | | | | |
| Sheriff | 50,220,474 | 1,398,962 | 39,455,839 | 219,120 |
| County fire protector | 646,562 | - | 384,060 | 6,744 |
| Emergency Mangement | 111,363 | - | - | - |
| Community based corrections | 835,175 | - | 749,021 | - |
| Animal contro | 2,245,252 | - | 1,844,179 | - |
| VFD paramedic services | 233,904 | - | - | - |
| Youth home | 391,983 | - | 367,000 | - |
| Emergency medical services | 4,542,049 | - | 1,947,350 | - |
| Total public safety | 59,226,762 | 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 | \$ 4,771,240 | - | 3,765,510 | 14,283 |
| Mental health | 634,186 | - | 192,000 | - |
| Social services | 11,729,276 | - | 11,257,473 | - |
| Other human services | 335,383 | - | - | - |
| Total human services | 17,470,085 | - | 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 | - |
| 11,200 | - | - | - | - |
| 410,650 | 8,557 | - | - | - |
| - | 291,606 | - | 1,394,624 | - |
| 150,744 | 18,443 | 691,572 | 8,750 | - |
| 878,861 | 1,630,841 | - | 2,322,855 | - |
| 5,707 | - | - | - | - |
| <u>2,181,543</u> | <u>1,975,786</u> | <u>948,284</u> | <u>10,344,406</u> | <u>-</u> |
| 986,321 | 157,520 | 6,577,761 | 1,424,951 | - |
| 25,333 | 7,200 | 223,225 | - | - |
| 101,313 | - | 10,050 | - | - |
| - | - | 86,154 | - | - |
| 124,917 | 7,100 | 257,406 | 11,650 | - |
| - | - | 233,904 | - | - |
| 8,500 | - | 16,483 | - | - |
| 506,018 | 28,789 | 1,858,661 | 201,231 | - |
| <u>1,752,402</u> | <u>200,609</u> | <u>9,263,644</u> | <u>1,637,832</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 | - | - |
| - | - | <u>64,227</u> | - | - |
| 334,205 | - | 524,237 | 133,005 | - |
| 43,481 | 69,992 | 328,713 | - | - |
| 50,286 | 90,256 | 138,955 | 192,306 | - |
| - | - | 335,383 | - | - |
| <u>427,972</u> | <u>160,248</u> | <u>1,327,288</u> | <u>325,311</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, 2007**

| | Total Assets | Land | Buildings | Office Furniture and Equipment |
|----------------------------------|-------------------------|---------------------|-----------------------|---|
| Education: | | | | |
| Public schools | \$ 7,034,857 | \$ - | \$ 7,034,857 | \$ - |
| Cultural and Recreational | | | | |
| Library | 5,137,243 | - | 4,156,852 | 18,347 |
| Capital Projects: | | | | |
| Construction in progress | 59,615,616 | - | - | - |
| Total Capital Assets | <u>\$ 262,865,971</u> | <u>\$ 6,837,204</u> | <u>\$ 164,314,335</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 | 178,594 | 402,175 | - |
| - | - | - | - | 59,615,616 |
| <u>\$ 4,433,037</u> | <u>\$ 2,667,993</u> | <u>\$ 11,937,080</u> | <u>\$ 12,709,724</u> | <u>\$ 59,615,616</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, 2007

| | Capital Assets July 1, 2006 | Additions | Transfers and Deletions | Capital Assets June 30, 2007 |
|---|-----------------------------------|------------------|-------------------------------|------------------------------------|
| 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 | 422,893 | 109,538 | 3,697,070 | 4,229,501 |
| Court facilities | 11,195,858 | | 2,833,415 | 14,029,273 |
| Board of elections | 419,207 | | - | 419,207 |
| Register of deeds | 480,400 | 21,640 | 1,204,190 | 1,706,230 |
| General services | 80,323,596 | 164,413 | 4,236,239 | 84,724,248 |
| Management information systems | 1,826,421 | 11,918 | 3,023,516 | 4,861,855 |
| Human resources | 5,707 | - | 11,530 | 17,237 |
| Total general government | <u>94,686,190</u> | <u>307,509</u> | <u>18,414,305</u> | <u>113,408,004</u> |
| Public Safety: | | | | |
| County sheriff | 45,803,849 | 801,313 | 3,615,312 | 50,220,474 |
| Fire marshal | 646,562 | | - | 646,562 |
| Emergency management | - | 111,363 | | 111,363 |
| Criminal justice partnership | 811,181 | 23,994 | - | 835,175 |
| Animal control | 1,018,846 | 40,227 | 1,186,179 | 2,245,252 |
| VFD Paramedic Services (Bahama/Redwood) | 155,936 | 77,968 | - | 233,904 |
| Youth home | 391,983 | | - | 391,983 |
| Emergency medical services | 2,564,094 | 306,605 | 1,671,350 | 4,542,049 |
| Total public safety | <u>51,392,451</u> | <u>1,361,470</u> | <u>6,472,841</u> | <u>59,226,762</u> |
| Environmental Protection: | | | | |
| Environmental engineering | 210,876 | | 50,550 | 261,426 |
| Open Space | | | 647,751 | 647,751 |
| Total Environmental Protection | <u>210,876</u> | <u>-</u> | <u>698,301</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, 2007

| | Capital Assets July 1, 2006 | Additions | Transfers and Deletions | Capital Assets June 30, 2007 |
|---|--|----------------------|--|---|
| Economic and Physical Development: | | | | |
| Cooperative extensior | 669,495 | - | (635,000) | 34,495 |
| Soil and Erosion | - | - | 29,732 | 29,732 |
| Total Economic and Physical Development: | <u>669,495</u> | | <u>(605,268)</u> | <u>64,227</u> |
| Human Services: | | | | |
| Public health | 4,307,409 | 243,049 | 220,782 | 4,771,240 |
| Mental health | 634,186 | - | - | 634,186 |
| Social services | 9,972,360 | 71,301 | 1,685,615 | 11,729,276 |
| Other human services | 270,809 | 64,574 | - | 335,383 |
| Total human services | <u>15,184,764</u> | <u>378,924</u> | <u>1,906,397</u> | <u>17,470,085</u> |
| Education: | | | | |
| Public schools | - | 7,034,857 | - | 7,034,857 |
| Cultural and Recreational: | | | | |
| Library | 4,267,130 | 38,964 | 831,149 | 5,137,243 |
| Capital Projects: | | | | |
| Construction in progress | 76,047,396 | 12,717,323 | (29,149,103) | 59,615,616 |
| Total Capital Assets | <u>\$ 242,458,302</u> | <u>\$ 21,839,047</u> | <u>\$ (1,431,378)</u> | <u>\$ 262,865,971</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, 2007 (continued)**

| Description | Interest Rate | Issue Date | Amount Outstanding 6-30-06 | 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 | \$ 1,240,543 | \$ - | \$ - |
| Refunding, Series 2001 | 4.25%-5.50% | 2/15/01 | 58,385,000 | - | - |
| Public Improvement, Series 2002A | 3.25%-4.75% | 1/1/02 | 8,850,000 | - | - |
| Refunding, Series 2002B | 4.25%-5.50% | 1/1/02 | 11,936,915 | - | - |
| Public Improvement, Series 2002B | 4.00%-5.00% | 5/1/02 | 62,910,000 | - | - |
| Public Improvement, Series 2004A (2/3 Bonds) | 4.00%-5.00% | 5/1/04 | 10,200,000 | - | - |
| Public Improvement, Series 2004B | 4.00%-5.00% | 5/1/04 | 43,600,000 | - | - |
| Public Improvement, Series 2006A | 4.00%-5.00% | 5/1/06 | 11,380,000 | - | - |
| Public Improvement, Series 2006B | 4.00%-5.00% | 5/1/06 | 49,225,000 | - | - |
| Water And Sewer Lines Donated To City: | | | | | |
| Refunding, Series 2002B | 4.25%-5.50% | 1/1/02 | 2,154,531 | - | - |
| Unamortized Bond Premium | | | 1,810,976 | - | - |
| Total Bonded Debt | | | <u>261,692,965</u> | <u>-</u> | <u>-</u> |
| Other Long-Term Debt | | | | | |
| Installment Purchase Agreements: | | | | | |
| Certificates of Participation | | | | | |
| Refunding Cops, Series 1997 | 4.00%-5.00% | 12/1/97 | 22,325,000 | - | - |
| Total Certificates Of Participation | | | <u>22,325,000</u> | <u>-</u> | <u>-</u> |
| Other Financing Agreements | | | | | |
| Total Installment Purchase Agreements | | | <u>30,123,803</u> | <u>2,160,000</u> | <u>9</u> |
| Earned Vacation Pay | | | 4,923,340 | - | 4,155,268 |
| Seperation Allowance | | | - | - | - |
| Industrial Extension Policy | | | 1,950,334 | 7,229,610 | - |
| Total Other Long-Term Debt | | | <u>59,322,477</u> | <u>9,389,610</u> | <u>4,155,277</u> |
| Total General Long-Term Debt | | | <u>\$ 321,015,442</u> | <u>\$ 9,389,610</u> | <u>\$ 4,155,277</u> |

| Due Fiscal Year 2006-2007 | | Amount Outstanding 6-30-07 | Due Fiscal Year 2007 - 2008 | | Long-Term Principal Due Thereafter |
|------------------------------|---------------|----------------------------------|--------------------------------|---------------|--|
| Principal | Interest | | Principal | Interest | |
| \$ 76,576 | \$ 69,087 | \$ 1,163,967 | \$ 76,576 | \$ 64,876 | \$ 1,087,391 |
| 7,940,000 | 3,171,475 | 50,445,000 | 7,895,000 | 2,774,475 | 42,550,000 |
| 550,000 | 408,000 | 8,300,000 | 550,000 | 386,000 | 7,750,000 |
| 3,875,621 | 596,846 | 8,061,294 | 3,789,950 | 403,065 | 4,271,344 |
| 1,375,000 | 2,992,660 | 61,535,000 | 1,375,000 | 2,937,660 | 60,160,000 |
| 200,000 | 428,500 | 10,000,000 | 200,000 | 422,500 | 9,800,000 |
| 1,500,000 | 1,834,750 | 42,100,000 | 1,500,000 | 1,759,750 | 40,600,000 |
| 300,000 | 480,900 | 11,080,000 | 300,000 | 468,900 | 10,780,000 |
| 1,200,000 | 2,146,250 | 48,025,000 | 1,200,000 | 2,098,250 | 46,825,000 |
| 699,523 | 107,727 | 1,455,008 | 684,060 | 72,750 | 770,948 |
| 247,770 | - | 1,563,206 | 247,770 | - | 1,315,436 |
| 17,964,490 | 12,236,195 | 243,728,475 | 17,818,356 | 11,388,226 | 225,910,119 |
| 2,340,000 | 1,102,890 | 19,985,000 | 2,460,000 | 985,890 | 17,525,000 |
| 2,340,000 | 1,102,890 | 19,985,000 | 2,460,000 | 985,890 | 17,525,000 |
| 5,265,057 | 1,019,804 | 27,018,755 | 5,218,470 | 879,929 | 21,800,285 |
| 7,605,057 | 2,122,694 | 47,003,755 | 7,678,470 | 1,865,819 | 39,325,285 |
| 3,570,362 | - | 5,508,246 | 3,761,482 | - | 1,746,764 |
| - | - | - | - | - | - |
| 701,868 | 102,081 | 8,478,076 | 1,171,737 | 23,263 | 7,306,339 |
| 11,877,287 | 2,224,775 | 60,990,077 | 12,611,689 | 1,889,082 | 48,378,388 |
| \$ 29,841,777 | \$ 14,460,970 | \$ 304,718,552 | \$ 30,430,045 | \$ 13,277,308 | \$ 274,288,507 |

DURHAM COUNTY, NORTH CAROLINA

**Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2007 (continued)**

| Description | Interest Rate | Issue Date | Amount Outstanding 6-30-06 | Issued During Year | Adjusted During Year |
|---|---------------|------------|-------------------------------|-----------------------|-------------------------|
| Proprietary Debt | | | | | |
| Enterprise Fund: | | | | | |
| Public Improvement-Series 2000 (2/3 Bonds) | 5.40%-5.60% | 6/1/00 | \$ 5,239,458 | \$ - | \$ - |
| Refunding, Series 2002B | 3.00%-5.00% | 1/1/02 | 538,557 | - | - |
| Revenue Bonds, Series 2003 | 3.00%-4.75% | 12/1/02 | 21,935,000 | - | - |
| Unamortized Bond Premium | | | 729,725 | - | - |
| Total Enterprise Fund Bonded Debt | | | <u>28,442,740</u> | <u>-</u> | <u>-</u> |
| Earned Vacation Pay | | | 23,473 | - | 10,185 |
| Total Proprietary Debt | | | <u>28,466,213</u> | <u>-</u> | <u>10,185</u> |
| Total General Long-Term and Proprietary Debt | | | <u>\$ 349,481,655</u> | <u>\$ 9,389,610</u> | <u>\$ 4,165,462</u> |

| Due Fiscal Year 2006-2007 | | Amount Outstanding 6-30-07 | Due Fiscal Year 2007 - 2008 | | Long-Term Principal Due Thereafter |
|------------------------------|----------------------|----------------------------------|--------------------------------|----------------------|--|
| Principal | Interest | | Principal | Interest | |
| \$ 323,424 | \$ 291,793 | \$ 4,916,034 | \$ 323,424 | \$ 274,004 | \$ 4,592,610 |
| 174,857 | 26,928 | 363,700 | 170,990 | 18,185 | 192,710 |
| 1,355,000 | 1,057,158 | 20,580,000 | 1,425,000 | 989,408 | 19,155,000 |
| 33,834 | - | 695,891 | 33,834 | - | 662,057 |
| <u>1,887,115</u> | <u>1,375,879</u> | <u>26,555,625</u> | <u>1,953,248</u> | <u>1,281,597</u> | <u>24,602,377</u> |
| 16,683 | - | 16,975 | 12,989 | - | 3,986 |
| <u>1,903,798</u> | <u>1,375,879</u> | <u>26,572,600</u> | <u>1,966,237</u> | <u>1,281,597</u> | <u>24,606,363</u> |
| <u>\$ 31,745,575</u> | <u>\$ 15,836,849</u> | <u>\$ 331,291,152</u> | <u>\$ 32,396,282</u> | <u>\$ 14,558,905</u> | <u>\$ 298,894,870</u> |

DURHAM COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy Year Ended June 30, 2007

| | |
|---|---------------------------------|
| Property Valuations | |
| Real property | \$ 17,319,467,597 |
| Personal property | 2,518,003,626 |
| Public service | 517,286,245 |
| DMV-registered vehicles | <u>1,680,614,666</u> |
| | |
| Total subject to tax | <u><u>\$ 22,035,372,134</u></u> |
| | |
| Real property/personal property/corporate excess levy | \$ 279,649,301 |
| DMV -registered vehicles levy | <u> </u> |
| Gross Levy | <u>\$ 279,649,301</u> |
| | |
| Abatements/discoveries | <u>9,507,025</u> |
| | |
| Net Levy | 289,156,326 |
| | |
| Uncollected at June 30, 2006 | <u>(3,977,221)</u> |
| | |
| Current year taxes collected | <u>\$ 285,179,105</u> |
| | |
| Percent of current taxes collected | <u><u>98.62%</u></u> |

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, 2007**

| Year of Levy | Uncollected Balance July 1, 2006 | Current Year Gross Levy | Collections | Abatements/ Discoveries | Uncollected Balance June 30, 2007 |
|--|---|--------------------------------|-----------------------|--------------------------------|--|
| 2006 | \$ - | \$ 279,649,301 | \$ 285,179,105 | \$ 9,507,025 | 3,977,221 |
| 2005 | 4,510,667 | - | 3,224,011 | (160,283) | 1,126,373 |
| 2004 | 1,251,031 | - | 364,664 | (70,150) | 816,217 |
| 2003 | 886,905 | - | 142,879 | (301,908) | 442,118 |
| 2002 | 770,021 | - | 85,992 | (254,877) | 429,152 |
| 2001 | 237,824 | - | 31,647 | (12,009) | 194,168 |
| 2000 and prior | 841,671 | - | 59,962 | (40,700) | 741,009 |
| | <u>\$ 8,498,119</u> | <u>\$ 279,649,301</u> | <u>\$ 289,088,260</u> | <u>\$ 8,667,098</u> | <u>7,726,258</u> |
| Less allowance for uncollectible ad valorem taxes receivable | | | | | <u>(286,684)</u> |
| Ad valorem taxes receivable (net) | | | | | <u>\$ 7,439,574</u> |
| Receivable by fund, net: | | | | | |
| General Fund | | | | \$ 3,895,720 | |
| Capital financing | | | | <u>370,017</u> | |
| General Fund | | | | | 4,265,737 |
| Bethesda fire | | | | 11,750 | |
| Lebanon fire | | | | 14,831 | |
| Parkwood fire | | | | 6,323 | |
| Redwood fire | | | | 19,477 | |
| New Hope fire | | | | 604 | |
| Eno fire | | | | 73 | |
| Bahama fire | | | | 6,731 | |
| Special Park fire | | | | 191 | |
| Special Butner | | | | <u>281</u> | |
| Special revenue funds | | | | | 60,261 |
| Durham Public Schools | | | | 7,103 | |
| City of Durham | | | | 3,090,139 | |
| City of Chapel Hill | | | | 13,780 | |
| City of Raleigh | | | | <u>2,554</u> | |
| Fiduciary funds | | | | | <u>3,113,576</u> |
| | | | | | <u>\$ 7,439,574</u> |

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable by Levy Year
June 30, 2007**

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2006</u> | <u>Additions</u> | <u>Collections</u> | <u>Abatements/ Discoveries</u> | <u>Uncollected Balance June 30, 2007</u> |
|--|--|-----------------------|-----------------------|--------------------------------|--|
| 2006-2007 | \$ - | \$ 279,649,301 | \$ 285,179,105 | \$ 9,507,025 | \$ 3,977,221 |
| 2005-2006 | 4,510,667 | - | 3,224,011 | (160,283) | 1,126,373 |
| 2004-2005 | 1,251,031 | - | 364,664 | (70,150) | 816,217 |
| 2003-2004 | 886,905 | - | 142,879 | (301,908) | 442,118 |
| 2002-2003 | 770,021 | - | 85,992 | (254,877) | 429,152 |
| 2001-2002 | 237,824 | - | 31,647 | (12,009) | 194,168 |
| 2000 and prior | 841,671 | - | 59,962 | (40,700) | 741,009 |
| | <u>\$ 8,498,119</u> | <u>\$ 279,649,301</u> | <u>\$ 289,088,260</u> | <u>\$ 8,667,098</u> | <u>7,726,258</u> |
| Less allowance for uncollectible ad valorem taxes receivable | | | | | <u>(286,684)</u> |
| Ad valorem taxes receivable (net) | | | | | <u>\$ 7,439,574</u> |
| Reconciliation with revenues: | | | | | |
| Taxes - ad valorem - governmental funds | | | | | 184,521,827 |
| Taxes - ad valorem - agency funds | | | | | <u>104,566,433</u> |
| Total collections and credits | | | | | <u>\$ 289,088,260</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.

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DURHAM COUNTY, NORTH CAROLINA

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

| | Fiscal Year | | | | | |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| 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 |
| Restricted | 1,258,149 | 68,075,839 | 103,709,387 | 66,164,257 | 105,228,878 | 84,617,682 |
| Unrestricted | (11,605,654) | (85,015,214) | (73,943,192) | (46,859,134) | (73,886,171) | (56,648,117) |
| 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> |
| 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 |
| Restricted | 26,235 | 20,662,536 | 4,307,582 | 750,592 | 963,121 | 2,180,110 |
| Unrestricted | 14,717,551 | (11,511,169) | 13,933,360 | 10,471,031 | 10,636,796 | 10,104,513 |
| 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> |
| 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 |
| Restricted | 1,284,384 | 88,738,375 | 108,016,969 | 66,914,849 | 106,191,999 | 86,797,792 |
| Unrestricted | 3,111,897 | (96,526,383) | (60,009,832) | (36,388,103) | (63,249,375) | (46,543,604) |
| 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> |

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 Six Fiscal Years**

| | Fiscal Year | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Expenses | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 39,936,181 | \$ 22,243,167 | \$ 26,032,334 | \$ 26,351,619 | \$ 28,142,742 | \$ 61,082,121 |
| Public safety | 37,503,756 | 40,084,513 | 40,967,085 | 45,099,164 | 52,182,047 | 49,069,987 |
| Transportation | 44,423 | 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 |
| Environmental protection | 1,984,277 | 2,114,239 | 2,288,155 | 2,760,078 | 2,817,714 | 3,022,401 |
| Human services | 271,087,299 | 293,265,929 | 302,529,857 | 341,183,062 | 344,328,289 | 371,034,045 |
| Education | 78,128,417 | 84,594,783 | 104,597,540 | 104,106,885 | 105,485,526 | 106,234,157 |
| Cultural and recreational | 8,167,116 | 7,366,833 | 7,089,954 | 7,375,565 | 11,569,884 | 12,136,121 |
| 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 |
| Total governmental activities | 458,282,723 | 476,740,691 | 509,487,196 | 557,070,555 | 574,550,047 | 628,389,378 |
| Business-type activities: | | | | | | |
| Sewer utility | 4,454,553 | 3,989,544 | 4,111,848 | 5,306,714 | 4,210,944 | 5,124,493 |
| Total primary government expenses | 462,737,276 | 480,730,235 | 513,599,044 | 562,377,269 | 578,760,991 | 633,513,871 |
| 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 |
| Public safety | 4,197,381 | 6,327,314 | 6,317,160 | 7,100,689 | 7,958,685 | 9,458,116 |
| Transportation | - | 547 | 2,619 | 15,323 | - | - |
| Economic and physical development | - | - | - | 10,588 | 10,588 | 5,956 |
| Environmental protection | 1,499,938 | 1,516,759 | 1,414,760 | 5,824,811 | 7,183,222 | 2,858,342 |
| Human services | 21,825,888 | 26,754,479 | 21,653,068 | 28,870,290 | 27,649,080 | 4,470,817 |
| Cultural and recreational | 263,499 | 232,807 | 56,264 | 279,545 | 260,841 | 289,708 |
| Nondepartmental | - | - | 500 | - | - | - |
| Operating grants and contributions: | | | | | | |
| General government | 120,203 | 688,942 | 2,963,721 | 2,463,328 | 2,590,512 | 2,505,275 |
| Public safety | 2,015,856 | 1,573,012 | 2,356,010 | 2,148,442 | 3,231,746 | 4,262,803 |
| Economic and physical development | 107,308 | 149,967 | 405,071 | 380,608 | 440,969 | 551,745 |
| Environmental protection | - | 135,144 | 67,061 | - | - | - |
| Human services | 221,453,755 | 235,311,976 | 245,224,200 | 273,354,673 | 275,404,044 | 328,749,307 |
| Cultural and recreational | 497,495 | 483,422 | 290,522 | 250,378 | 386,952 | 297,356 |
| Nondepartmental | 7,565 | 148,530 | - | - | - | - |
| Capital grants and contributions: | | | | | | |
| General government | 310,578 | 1,135,008 | 88,764 | 416,024 | - | 45,271 |
| Public safety | 155,954 | 5,481 | - | 24,580 | - | - |
| Economic and physical development | 394,866 | - | - | - | - | - |
| Environmental protection | - | - | - | - | 335,000 | 419,511 |
| Education | 908,702 | 236,944 | - | 140,637 | 2,565,712 | 8,083,680 |
| 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 |
| 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 |
| Capital grants and contributions: sewer utility | 356,796 | - | 1,824,929 | - | 159,600 | - |
| Total business-type activities program revenues | 6,049,891 | 5,255,807 | 6,518,719 | 5,376,090 | 7,809,633 | 7,848,710 |
| Total primary government program revenues | 265,904,862 | 286,407,025 | 294,115,001 | 334,075,431 | 344,254,762 | 378,634,404 |

DURHAM COUNTY, NORTH CAROLINA

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

| | Fiscal Year | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Net (Expense)/Revenue | | | | | | |
| Governmental activities | \$ (198,427,752) | \$ (195,589,473) | \$ (221,890,914) | \$ (228,371,214) | \$ (238,104,918) | \$ (257,603,684) |
| Business-type activities | 1,595,338 | 1,266,263 | 2,406,871 | 69,376 | 3,598,689 | 2,724,217 |
| 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> |
| 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 |
| Property taxes, levied for fire districts | 3,390,576 | 3,764,099 | 3,664,756 | 3,739,469 | 3,985,570 | 4,067,755 |
| Property taxes, levied for other districts purposes | - | - | - | 324,597 | 327,758 | 323,940 |
| 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 |
| Occupancy tax | 3,501,737 | 1,877,939 | 2,858,358 | 2,433,608 | 2,210,411 | 2,466,816 |
| Animal tax | 246,962 | 245,689 | 466,748 | 482,165 | 443,996 | 437,639 |
| Gross receipts tax | 203,575 | 182,933 | 200,066 | 185,738 | 199,465 | 204,714 |
| 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 (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 |
| Amortization of bond premium | 191,044 | 191,044 | 193,174 | 193,174 | 202,273 | 247,770 |
| 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> |
| Business-type activities: | | | | | | |
| Investment and rental income | 429,209 | 351,858 | 166,107 | 626,115 | 611,070 | 603,131 |
| Other revenues | - | 82,886 | - | - | 2,940 | 100 |
| Amortization of bond premium | - | 43,030 | 55,031 | 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> |
| 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> |
| 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> |
| Total primary government | <u>(2,572,062)</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 |
| Business-type activities | (547,515) | 1,744,037 | 2,628,009 | 729,325 | 4,246,533 | 3,361,282 |
| 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> |

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 Six Fiscal Years**

| | Fiscal Year | | | | | |
|------------------------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| General Fund | | | | | | |
| Reserved | \$ 17,993,896 | \$ 20,473,063 | \$ 22,735,334 | \$ 32,426,226 | \$ 28,494,058 | \$ 31,205,471 |
| Unreserved | 30,844,713 | 35,720,732 | 38,722,720 | 35,110,365 | 46,766,882 | 61,598,325 |
| 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> |
| 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 |
| Other nonmajor funds | 234,990 | 376,542 | 893,945 | 2,746,362 | 881,399 | 155,052 |
| 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 |
| Capital projects fund | 82,532,368 | 69,499,221 | 101,056,252 | 65,335,536 | 101,042,969 | 81,617,175 |
| Other nonmajor funds | 3,116,161 | 3,287,901 | 5,075,790 | 5,182,680 | 10,198,137 | 2,690,172 |
| 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> |

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 Six Fiscal Years**

| | Fiscal Year | | | | | |
|---|----------------------|-----------------------|----------------------|------------------------|----------------------|-----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Revenues | | | | | | |
| Taxes | \$ 186,224,417 | \$ 192,658,421 | \$ 205,017,041 | \$ 217,778,065 | \$ 231,888,087 | \$ 243,726,551 |
| Licenses and permits | 996,274 | 1,119,485 | 2,009,911 | 4,065,033 | 5,312,774 | 880,944 |
| Intergovernmental | 77,103,487 | 79,702,427 | 80,584,148 | 92,975,384 | 97,702,568 | 126,958,857 |
| Investments | 3,998,249 | 5,553,022 | 3,901,835 | 9,297,592 | 10,073,093 | 12,776,308 |
| Rent | | | | | | 1,985,592 (2) |
| Charges for services | 33,882,689 | 39,587,391 | 36,366,056 | 43,684,623 | 44,676,761 | 21,906,991 |
| Other revenues | 8,834,487 | 9,831,360 | 10,762,996 | 11,139,896 | 12,923,685 | 14,127,991 |
| Total revenues | <u>311,039,603</u> | <u>328,452,106</u> | <u>338,641,987</u> | <u>378,940,593</u> | <u>402,576,968</u> | <u>422,363,234</u> |
| Expenditures | | | | | | |
| General government | 20,559,502 | 20,016,132 | 23,770,689 | 24,030,548 | 25,873,688 | 53,083,781 |
| Public safety | 36,166,560 | 37,431,865 | 38,777,865 | 42,812,116 | 45,997,598 | 48,084,025 |
| Transportation | 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 |
| Environmental protection | 1,973,798 | 2,091,867 | 2,193,159 | 2,403,268 | 2,821,303 | 2,991,804 |
| Human services | 122,999,807 | 134,196,935 | 132,033,272 | 155,505,806 | 158,201,370 | 156,237,699 |
| Education | 75,548,399 | 75,984,462 | 78,662,943 | 83,044,943 | 89,560,342 | 96,175,984 |
| Cultural and recreational | 7,232,710 | 7,175,210 | 7,194,385 | 7,492,517 | 8,188,661 | 9,894,487 |
| Nondepartmental | 8,540,335 | 9,925,637 | 10,644,972 | 11,197,360 | 15,342,913 | - (3) |
| 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 |
| Interest and fiscal charges | 9,292,764 | 11,652,366 | 11,428,032 | 13,440,112 | 12,771,432 | 14,362,230 |
| Debt issuance costs | - | - | - | - | - | 123,167 |
| Amortization of lease discount | 1,150,000 | 1,150,000 | 1,150,000 | 1,150,000 | 1,150,000 | 1,150,000 |
| Total expenditures | <u>309,433,946</u> | <u>332,340,887</u> | <u>375,985,573</u> | <u>406,585,461</u> | <u>423,146,127</u> | <u>433,557,387</u> |
| Excess of revenues over (under) expenditures | <u>1,605,657</u> | <u>(3,888,781)</u> | <u>(37,343,586)</u> | <u>(27,644,868)</u> | <u>(20,569,159)</u> | <u>(11,194,153)</u> |
| 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 |
| Operating transfers out | (29,294,534) | (32,801,332) | (34,455,445) | (39,523,513) | (43,462,928) | (49,493,211) |
| Costs on issuance of debt | (241,856) | - | (193,744) | - | (1,000) | - |
| Premium on issuance of debt | - | - | 42,591 | - | 982,737 | - |
| Proceeds from issuance of bonds | 79,840,006 | - | 57,200,000 | - | 60,605,000 | - |
| 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 |
| Total other financing sources (uses) | <u>81,165,122</u> | <u>357,184</u> | <u>78,325,849</u> | <u>1,410,000</u> | <u>67,416,737</u> | <u>2,201,981</u> |
| Net change in fund balances | <u>\$ 82,770,779</u> | <u>\$ (3,531,597)</u> | <u>\$ 40,982,263</u> | <u>\$ (26,234,868)</u> | <u>\$ 46,847,578</u> | <u>\$ (8,992,172)</u> |
| Debt service as a percentage of noncapital expenditures | 8.27% | 8.97% | 8.64% | 9.05% | 8.92% | 9.29% |

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 Six 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 |

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 |

DURHAM COUNTY, NORTH CAROLINA

Government-wide Revenues Last Six 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 | - |

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 |

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 |
|---|-------------------------------|--------------------------|-----------------------|-------------------------------------|------------------|---------------------------|
| 1998 | \$ 16,574,475 | \$ 20,677,443 | \$ 12,500 | \$ 1,501,801 | \$ 58,952,764 | \$ 77,759,233 |
| 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 |

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 |
|--|--|--|---------------------------------|-----------------------------|----------------|
| \$ 3,277,449 | \$ 6,331,391 | \$ 5,905,865 | \$ 37,600,267 | \$ 2,682,914 | \$ 231,276,102 |
| 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 |

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 |
|----------------------------|------------------------|-------------------|----------------------|----------------------------|
| 1998 | \$ 124,158,718 | \$ 33,963,844 | \$ 1,648,069 | \$ 47,601,635 |
| 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 |

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.

| <u>Rental Income</u> | <u>Investment Income</u> | <u>Charges for Services</u> | <u>Other Revenues</u> | <u>Total</u> |
|--------------------------|------------------------------|---------------------------------|---------------------------|----------------|
| \$ - | \$ 3,117,493 | \$ 10,703,879 | \$ 6,438,469 | \$ 227,632,107 |
| - | 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 |

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REVENUE CAPACITY INFORMATION

Principal Property Taxpayers

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

Schedule of Assessed Value and Actual Value of Taxable Property

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

Property Tax Levies and Collections

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

Property Tax Levies Direct and Overlapping Local Government Jurisdictions

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

Direct and Overlapping Property Tax Rates

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

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DURHAM COUNTY, NORTH CAROLINA

Principal Property Taxpayers

June 30, 2007

Current Year and Nine Years Ago

| Taxpayer | Fiscal Year 2007 | | | Fiscal Year 1998 | | |
|--|---------------------------|-------------|---|---------------------------|-------------|---|
| | Assessed Valuation | Rank | Percentage of Total Taxable Assessed Valuation | Assessed Valuation | Rank | Percentage of Total Taxable Assessed Valuation |
| GlaxoSmithKline | \$ 583,897,512 | 1 | 2.65% | \$ - | - | - |
| International Business Machine | 518,494,206 | 2 | 2.35% | 413,432,988 | 2 | 3.46% |
| AW North Carolina, Inc. | 225,328,878 | 3 | 1.02% | - | - | - |
| Verizon South, Inc. | 218,669,860 | 4 | 0.99% | - | - | - |
| Cree Research, Inc. | 211,159,290 | 5 | 0.96% | - | - | - |
| Duke Energy Corp. | 183,322,363 | 6 | 0.83% | 127,357,349 | 5 | 1.07% |
| Highwoods/Forsyth Ltd. | 86,664,715 | 7 | 0.39% | 92,799,554 | 7 | 0.78% |
| BlueCross and Blue Shield of NC | 83,859,264 | 8 | 0.38% | - | - | - |
| State Street Bank & Trust | 83,584,221 | 9 | 0.38% | - | - | - |
| Southpoint Mall, LLC. | 82,926,624 | 10 | 0.38% | - | - | - |
| Glaxo Wellcome Inc. | - | - | - | 487,993,683 | 1 | 4.09% |
| General Telephone Co. of the Southeast | - | - | - | 209,526,807 | 3 | 1.75% |
| Northern Telecom, Inc. | - | - | - | 184,890,235 | 4 | 1.55% |
| Mitsubishi Semiconductor America, Inc. | - | - | - | 117,492,208 | 6 | 0.98% |
| IBM Credit Corporation | - | - | - | 88,446,404 | 8 | 0.74% |
| Triangle Service Center | - | - | - | 69,401,639 | 9 | 0.58% |
| BNR, Inc. | - | - | - | 51,759,646 | 10 | 0.43% |
| | <u>\$ 2,277,906,933</u> | | <u>10.33%</u> | <u>\$ 1,843,100,513</u> | | <u>15.43%</u> |

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

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 |
|-------------|------------------|-------------------|--------------------------|---------------------|-------------------|-----------------------------------|---|--------------------------------------|
| 1998 | \$ 8,679,036,560 | \$ 1,954,330,979 | \$ 431,651,479 | \$ 1,189,613,743 | \$ 12,254,632,761 | 0.9597 | 0.0200-0.2000 | 0.7720 |
| 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 |

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 was occurred on January 1, 2001.
- (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 |
| 1998 | \$170,127,881 | \$ 6,685,178 | \$ 176,813,059 | \$ 171,058,402 | 96.75% | \$ 5,719,549 | \$ 176,777,951 | 99.98% |
| 1999 | 176,702,912 | 8,406,748 | 185,109,660 | 178,936,118 | 96.66% | 6,105,656 | 185,041,774 | 99.96% |
| 2000 | 193,766,553 | 739,197 | 194,505,750 | 188,032,446 | 96.67% | 6,384,584 | 194,417,030 | 99.95% |
| 2001 | 203,060,841 | 1,016,642 | 204,077,483 | 196,861,891 | 96.46% | 5,536,237 | 202,398,128 | 99.18% |
| 2002 | 222,892,295 | (2,136,718) | 220,755,577 | 214,138,224 | 97.00% | 5,382,322 | 219,520,546 | 99.44% |
| 2003 | 232,148,202 | 858,451 | 233,006,653 | 227,535,763 | 97.65% | 4,599,487 | 232,135,250 | 99.63% |
| 2004 | 233,435,165 | 8,034,281 | 241,469,446 | 236,816,081 | 98.07% | 3,962,135 | 240,778,216 | 99.71% |
| 2005 | 254,087,231 | 6,652,168 | 260,739,399 | 255,882,258 | 98.14% | 3,904,178 | 259,786,436 | 99.63% |
| 2006 | 268,261,053 | 7,833,588 | 276,094,641 | 271,744,257 | 98.42% | 3,224,011 | 274,968,268 | 99.59% |
| 2007 | 279,649,301 | 9,507,025 | 289,156,326 | 285,179,105 | 98.62% | - | 285,179,105 | 98.62% |

Notes:

Amounts included above represent taxes in the General Fund, the Special Tax District Funds and the Agency Funds.

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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 |
| 1998 | \$ 117,832,280 | \$ 432,681 | \$ 442,205 | \$ 586,467 | \$ 405,884 | \$ 13,196 | \$ 6,981 |
| 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 |

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 |
|---------------|--------------------------------------|---------------------------------------|---------------------------|----------------------------|--|---------------------------------|
| \$ 197,937 | \$ 321,763 | \$ 2,937 | \$ 56,586,256 | \$ - | \$ 719,982 | \$ 177,548,569 |
| 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 |

DURHAM COUNTY, NORTH CAROLINA

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

(rate per \$100 of assessed value)

| | 1998 | 1999 | 2000 | 2001 ² | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|---------------|---------------|---------------|-------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| County Direct Rates | | | | | | | | | | |
| County-wide Rate | \$ 0.9597 | \$ 0.9397 | \$ 0.9297 | \$ 0.9297 | \$ 0.7290 | \$ 0.7530 | \$ 0.7630 | \$ 0.7900 | \$ 0.8090 | \$ 0.8090 |
| Various Special Tax Districts | 0.0200-0.2000 | 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 |
| Total average direct rate | 0.7720 | 0.7790 | 0.8750 | 0.6940 | 0.7130 | 0.7630 | 0.7680 | 0.7690 | 0.7990 | 0.8765 |
| Municipality Rates | | | | | | | | | | |
| City of Durham | 0.6800 | 0.6800 | 0.6800 | 0.6900 | 0.5340 | 0.5450 | 0.5450 | 0.5830 | 0.5830 | 0.6030 |
| Town of Chapel Hill | 0.5380 | 0.5380 | 0.5680 | 0.5780 | 0.5040 | 0.5530 | 0.5530 | 0.5750 | 0.5220 | 0.5220 |
| City of Raleigh | - | - | - | - | - | 0.3850 | 0.3850 | 0.3950 | 0.3950 | 0.4350 |

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, 2001.

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 |
|---|------------------------------------|----|--|-------------------|------------------------------|
| 1998 | 211,708 (1) | \$ | 12,254,632,761 | \$ 980,370,621 | \$ 159,846,904 |
| 1999 | 218,455 (2) | | 12,549,030,411 | 1,003,922,433 | 148,309,082 |
| 2000 | 222,000 (3) | | 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 |

NOTES:

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

| <u>Net Bonded Debt</u> | <u>Ratio of Net Bonded Debt to Taxable Property Assessed Value</u> | <u>Net Bonded Debt Per Capita</u> |
|----------------------------|--|---|
| \$ 159,846,904 | 1.3 | 755 |
| 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 |

DURHAM COUNTY, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Years**

| | <u>1998</u> | <u>1999</u> | <u>Fiscal Year 2000</u> | <u>2001</u> | <u>2002</u> |
|---|-----------------------|-----------------------|-----------------------------|-----------------------|-------------------------|
| Assessed Value of Property | \$ 12,254,632,761 | \$ 12,549,030,411 | \$ 13,265,146,816 | \$ 13,925,885,584 | \$ 19,089,466,059 |
| Debt Limit, 8% of Assessed Value (Statutory Limitation) | 980,370,621 | 1,003,922,433 | 1,061,211,745 | 1,114,070,847 | 1,527,157,285 |
| Amount of Debt Applicable to Limit General Obligation Bonds | 184,315,000 | 340,596,315 | 166,210,000 | 149,205,001 | 213,730,004 |
| Less: Resources Restricted to Paying Principal | - | - | - | - | - |
| Total net debt applicable to limit | <u>184,315,000</u> | <u>340,596,315</u> | <u>166,210,000</u> | <u>149,205,001</u> | <u>213,730,004</u> |
| Legal Debt Margin | <u>\$ 796,055,621</u> | <u>\$ 663,326,118</u> | <u>\$ 895,001,745</u> | <u>\$ 964,865,846</u> | <u>\$ 1,313,427,281</u> |
| Total net debt applicable to limit as a percentage of debt limit | <u>18.80%</u> | <u>33.93%</u> | <u>15.66%</u> | <u>13.39%</u> | <u>14.00%</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.

| 2003 | 2004 | Fiscal Year 2005 | 2006 | 2007 |
|-------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|
| \$ 19,452,484,383 | \$ 20,071,879,031 | \$ 20,601,509,290 | \$ 21,280,715,939 | \$ 22,035,372,134 |
| 1,556,198,751 | 1,605,750,322 | 1,648,120,743 | 1,702,457,275 | 1,762,829,771 |
| 197,730,004 | 239,020,001 | 221,945,003 | 265,660,003 | 247,445,003 |
| - | - | - | - | - |
| <u>197,730,004</u> | <u>239,020,001</u> | <u>221,945,003</u> | <u>265,660,003</u> | <u>247,445,003</u> |
| <u>\$ 1,358,468,747</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>12.71%</u> | <u>14.89%</u> | <u>13.47%</u> | <u>15.60%</u> | <u>14.04%</u> |

DURHAM COUNTY, NORTH CAROLINA

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2007**

| | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|--|-----------------------------|--|---|
| Municipality: | | | |
| City of Durham | \$ 176,104,770 | 100% | \$ 176,104,770 |
| Town of Chapel Hill | 21,630,000 | 0% | - |
| City of Raleigh | 202,135,000 | 0% | - |
| Overlapping debt | <u>399,869,770</u> | | <u>176,104,770</u> |
| Direct debt | 242,165,269 | | 242,165,269 |
| Total direct and overlapping debt | <u>\$ 642,035,039</u> | | <u>\$ 418,270,039</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 | | | |
| 1998 | \$ 11,767,477 | \$ 8,885,878 | \$ 66,672 | \$ 20,720,027 | \$ 231,276,102 | 9.00 |
| 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 |

DURHAM COUNTY, NORTH CAROLINA

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

| General Bonded Debt Outstanding | | | | | |
|--|---------------------------------|---|----------------------------------|---|-------------------|
| Fiscal Year | General Obligation Bonds | Less: Amounts Available in Debt Service Fund | Total General Bonded Debt | Percentage of Actual Taxable Value of Property¹ | Per Capita |
| 1998 | \$ 184,315,000 | \$ - | \$184,315,000 | 1.50% | 870.61 |
| 1999 | 340,596,315 | - | 340,596,315 | 2.71% | 1,559.11 |
| 2000 | 166,210,000 | - | 166,210,000 | 1.25% | 748.69 |
| 2001 | 149,205,001 | - | 149,205,001 | 1.07% | 648.92 |
| 2002 | 213,730,004 | - | 213,730,004 | 1.12% | 929.26 |
| 2003 | 197,730,004 | - | 197,730,004 | 1.02% | 834.30 |
| 2004 | 239,020,001 | - | 239,020,001 | 1.19% | 987.69 |
| 2005 | 221,945,003 | - | 221,945,003 | 1.08% | 898.84 |
| 2006 | 265,660,003 | - | 265,660,003 | 1.25% | 1,064.11 |
| 2007 | 247,445,003 | - | 247,445,003 | 1.12% | 970.75 |

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 | Industrial Extensions Policy | Capital Leases | |
| 1998 | \$ 159,846,904 | \$ 65,200,000 | \$ 7,021,788 | \$ 1,414,072 | \$ 217,018 | \$ 233,699,782 |
| 1999 | 148,309,082 | 36,015,000 | 6,730,517 | 1,142,873 | 89,761 | 192,287,233 |
| 2000 | 157,334,829 | 34,300,000 | 6,425,574 | 835,878 | - | 198,896,281 |
| 2001 | 140,848,864 | 32,515,000 | 6,106,318 | 2,592,289 | - | 182,062,471 |
| 2002 | 205,913,962 | 30,655,000 | 5,772,077 | 1,809,115 | - | 244,150,154 |
| 2003 | 190,428,070 | 28,715,000 | 5,426,159 | 2,824,913 | - | 227,394,142 |
| 2004 | 232,231,073 | 26,690,000 | 24,813,943 | 2,216,073 | - | 285,951,089 |
| 2005 | 215,664,108 | 24,560,000 | 23,807,269 | 1,458,890 | - | 265,490,267 |
| 2006 | 259,881,989 | 22,325,000 | 30,123,804 | 1,950,334 | - | 314,281,127 |
| 2007 | 242,165,269 | 19,985,000 | 27,018,755 | 8,478,076 | - | 297,647,100 |

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 | Industrial Extensions Policy | Total Business-Type Activities | Total Primary Government | Percentage of Personal Income¹ | Per Capita¹ |
| \$ 24,468,096 | \$ - | \$ 278,898 | \$ 24,746,994 | \$ 258,446,776 | 4.36% | 1,220.77 |
| 22,685,918 | - | 181,117 | 22,867,035 | 215,154,268 | 3.37% | 984.89 |
| 8,875,171 | - | 233,620 | 9,108,791 | 208,005,072 | 3.02% | 936.96 |
| 8,356,137 | - | 163,447 | 8,519,584 | 190,582,055 | 2.71% | 828.87 |
| 7,816,042 | - | 71,960 | 7,888,002 | 252,038,156 | 3.49% | 1,095.82 |
| 7,301,934 | 24,515,000 | 28,423 | 31,845,357 | 259,239,499 | 3.51% | 1,093.84 |
| 6,788,928 | 24,515,000 | - | 31,303,928 | 317,255,017 | 4.06% | 1,310.97 |
| 6,280,895 | 23,245,000 | - | 29,525,895 | 295,016,162 | 3.63% | 1,194.77 |
| 5,778,014 | 21,935,000 | - | 27,713,014 | 341,994,141 | 4.37% | 1,369.87 |
| 5,279,734 | 20,580,000 | - | 25,859,734 | 323,506,834 | 3.96% | 1,269.14 |

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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>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|-----------------------------------|--------------|--------------|--------------|--------------|
| General government | 193 | 210 | 212 | 210 |
| Public safety | 454 | 472 | 471 | 518 |
| Economic and physical development | 7 | 6 | 6 | 6 |
| Environmental protection | 12 | 12 | 18 | 22 |
| Human services | 739 | 782 | 796 | 771 |
| Cultural and recreational | 80 | 84 | 84 | 79 |
| Utilities | 3 | 3 | 4 | 4 |
| Total | <u>1,488</u> | <u>1,569</u> | <u>1,591</u> | <u>1,610</u> |

| <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 213 | 206 | 220 | 213 | 216 | 243 |
| 543 | 546 | 559 | 585 | 585 | 590 |
| 5 | 5 | 6 | 8 | 8 | 11 |
| 23 | 21 | 24 | 29 | 28 | 30 |
| 775 | 734 | 686 | 659 | 644 | 651 |
| 80 | 73 | 75 | 74 | 73 | 90 |
| 4 | 5 | 5 | 5 | 5 | 4 |
| <u>1,643</u> | <u>1,590</u> | <u>1,575</u> | <u>1,573</u> | <u>1,559</u> | <u>1,619</u> |

DURHAM COUNTY, NORTH CAROLINA

Operating Indicators By Function Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | | | | | | | |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|---------|------------|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
| General Administration | | | | | | | | | | |
| Registered voters | 146,097 | 161,350 | 154,645 | 161,708 | 152,176 | 156,865 | 152,346 | 164,129 | 146,115 | 145,373 |
| Taxable real estate parcels | 100,427 | 92,600 | 89,785 | 87,608 | 86,177 | 83,847 | 82,873 | 81,253 | 79,149 | 77,194 |
| Tax bills** | 267,305 | 327,282 | 310,855 | 301,008 | 294,927 | 282,681 | 257,468 | 267,247 | 256,280 | 252,413 |
| Human Services | | | | | | | | | | |
| Adult care home residents served through on-site inspections | 889 | 886 | 884 | 855 | 852 | * | * | * | * | * |
| Persons testing for HIV/STD | 60,122 | 62,013 | 64,698 | 62,177 | 65,429 | 74,741 | 71,192 | 66,993 | 55,452 | * |
| Food assistance individuals | 22,527 | 21,706 | 20,291 | 19,012 | 16,854 | 14,120 | 12,783 | 13,053 | 13,882 | * |
| Education | | | | | | | | | | |
| Students attending public school (1) | 31,981 | 31,981 | 31,719 | 30,947 | 30,889 | 30,821 | 29,816 | 29,000 | 29,400 | 28,235 |
| Public school teachers (2) | 2,419 | 2,368 | 2,293 | 2,184 | 2,164 | 2,119 | 2,126 | 2,075 | 2,073 | 1,979 |
| Community college students-average semester (3) | * | * | * | * | * | * | * | * | * | * |
| Community college faculty (3) | * | * | * | * | * | * | * | * | * | * |
| Community Development and Cultural | | | | | | | | | | |
| Residential permits issued - new (5) | 2,153 | 2,284 | 2,058 | 1,983 | 1,714 | 1,864 | 1,626 | 1,860 | 1,827 | 1,550 |
| Commercial permits issued - new (5) | 274 | 229 | 301 | 243 | 269 | 228 | 255 | 295 | 319 | 328 |
| Building permits - additional, alterations (5) | 1,705 | 1,739 | 1,581 | 1,724 | 1,708 | 1,764 | 1,656 | 1,510 | 1,550 | 1,607 |
| Inspections performed | * | * | * | * | * | * | * | * | * | * |
| Environmental Services | | | | | | | | | | |
| Animal control service calls | 12,390 | 12,526 | 11,405 | 10,423 | 11,744 | 10,679 | 9,513 | 10,965 | 11,706 | 11,642 |
| Animals impounded | 6,684 | 6,613 | 6,906 | 6,358 | 6,318 | 5,754 | 5,432 | 5,348 | 5,411 | 7,851 |
| Sanitation inspections | 8,130 | 8,419 | 8,433 | 8,209 | 8,463 | 9,788 | 9,413 | 8,128 | 7,500 | 6,339 |
| Public Safety | | | | | | | | | | |
| Detention intake | 12,456 | 12,743 | 12,672 | 12,447 | 12,438 | 13,069 | 12,258 | 8,019 | * | * |
| Civil processes served | 32,967 | 33,174 | 34,281 | 30,819 | 34,631 | 31,124 | 26,950 | 23,822 | 25,611 | 26,660 |
| Pistol permits processed | 1,051 | 1,261 | 1,373 | 1,287 | 1,125 | 1,787 | 1,429 | * | * | 3,451 |
| Average daily jail population | 597 | 549 | 509 | 470 | 449 | 418 | 414 | 432 | 460 | 460 |
| Fire/medical incidents responded to by contracting fire departments | 10,000 | 6,239 | 7,599 | 7,549 | 7,423 | 6,842 | 6,393 | 6,071 | 6,835 | 3,766 |
| Durham EMS trips | 23,132 | 21,766 | 19,839 | 19,001 | 20,728 | 21,447 | 21,016 | 19,995 | 23,996 | 23,605 (4) |

* Information not available.

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

(1) North Carolina Department of Public Instruction. 1997-2005 Final Average Daily Membership. 2006 Durham County Public Schools.

(2) Durham County Public Schools.

(3) Durham Technical Community College.

(4) EMS did not become a County function until fiscal year 1998.

(5) Permits are for the complete previous calendar year for each fiscal year.

DURHAM COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | | | | | | | |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
| General Government | | | | | | | | | | |
| Rentable square footage | 726,461 | 721,454 | * | * | * | * | * | * | * | * |
| Human Services | | | | | | | | | | |
| Number of centers | 6 | 6 | 6 | 7 | 8 | 9 | 10 | 10 | 9 | 9 |
| Education | | | | | | | | | | |
| Number of schools | 46 | 46 | 46 | 44 | 44 | 44 | 44 | 44 | 46 | 43 |
| Number of higher education institutions | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Community Development and Cultural | | | | | | | | | | |
| Libraries - branches | 8 | 9 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Volume of library books | 584,299 | 514,958 | 496,926 | 475,730 | 480,641 | 466,984 | 466,798 | 477,486 | 472,407 | 454,107 |
| Number of County parks | 2 | | 60 | 59 | 59 | 59 | 59 | 58 | 60 | 60 |
| Public Safety | | | | | | | | | | |
| Sheriff - Stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Detention capacity | 736 | 736 | 736 | 736 | 736 | 736 | 736 | 736 | 736 | 736 |
| Fire protection - City Stations | 15 | 14 | 14 | 14 | 13 | 13 | 12 | 12 | 13 | 12 |
| Fire protection - Volunteer Stations | 11 | 11 | 11 | 12 | 12 | 11 | 12 | 12 | 13 | 12 |
| EMS - Stations | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |

*Information not available.

(1) EMS did not become a County function until fiscal year 1998.

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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.

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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> |
|---|--|-----------------------------------|--------------------|--|
| 1998 | \$ 22,018 | \$ - | \$ 15,641 | \$ 6,377 |
| 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 |

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> |
|---|---|---------------------------------------|
| 1998 | \$ 777,375,661 | \$ 12,254,632,761 |
| 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 |

NOTES:

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

(2) Last revaluation of taxable property occurred on January 1, 2001

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> |
|-------------|---|---|---|--|--|
| 1998 | 211,708 | \$ 5,934,136 | \$ 29,903 | 28,235 | 2.1% |
| 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 | 7,385,221 | 34,605 | 30,889 | 5.6% |
| 2004 | 242,000 | 7,818,289 | 32,482 | 30,947 | 4.2% |
| 2005 | 246,924 | 8,159,907 | 33,505 | 31,719 | 4.6% |
| 2006 | 249,654 | * | 37,262 | 31,981 | 3.9% |
| 2007 | 254,902 | * | 36,388 | 32,749 | 3.8% |

* Information not yet available

(1) The 2001-2004 and 1997 estimate is 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) 1997-2002 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. 1997-2005 Final Average Daily Membership 2006, 2007 Durham County Public Schools.

(5) North Carolina Employment Security Commission.

DURHAM COUNTY, NORTH CAROLINA

Principal Employers Current Year and Nine Years Ago

| Employer | 2007 | | | 1998 | | |
|--|---------------|------|---------------------------------------|---------------|------|---------------------------------------|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Duke University & Medical Center | 30,551 | 1 | 22.89% | 19,500 | 1 | 16.95% |
| International Business Machines (IBM) | 11,530 | 2 | 8.64% | 11,000 | 2 | 9.56% |
| Durham Public Schools | 5,489 | 3 | 4.11% | 4,000 | 4 | 3.48% |
| GlaxoSmithKline | 5,272 | 4 | 3.95% | 3,979 | 5 | 3.46% |
| Blue Cross & Blue Shield of NC | 2,745 | 5 | 2.06% | 2,222 | 6 | 1.93% |
| NORTEL Networks | 2,600 | 6 | 1.94% | 8,300 | 3 | 7.21% |
| Durham City Government | 2,336 | 7 | 1.75% | 1,728 | 8 | 1.50% |
| Lenovo Group, Ltd. | 2,300 | 8 | 1.72% | - | - | - |
| Veterans Administration Medical Center | 2,162 | 9 | 1.62% | 1,700 | 9 | 1.48% |
| RTI International, Inc. | 2,117 | 10 | 1.59% | - | - | - |
| Durham Hospital Corporation | - | - | - | 2,004 | 7 | 1.74% |
| Durham County Government | - | - | - | 1,450 | 10 | 1.26% |
| | <u>67,102</u> | | <u>50.27%</u> | <u>55,883</u> | | <u>48.57%</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, 2007, and have issued our report thereon dated October 24, 2007. 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, 2007, as described in the Trust Agreement referred to in the first paragraph.

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

Cherry Bekaert & Holland, L.L.P.

Raleigh, North Carolina
October 24, 2007

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DURHAM COUNTY, NORTH CAROLINA

**Schedule of Debt Covenant Compliance
Year Ended June 30, 2007**

| | Enterprise Fund Sewer Utility Fund |
|--|---|
| | <u> </u> |
| Operating revenues | |
| Charges for services | \$ 7,236,750 |
| Total operating revenues | <u>7,236,750</u> |
| Operating expenses | |
| Personnel services | 360,806 |
| Contracted services - wastewater treatment plant | 2,937,288 |
| Utilities | 283,788 |
| Maintenance and other | 323,395 |
| Depreciation | 573,828 |
| Total operating expenses | <u>4,479,105</u> |
| Operating income (loss) | <u>2,757,645</u> |
| Add: | |
| Depreciation expense | <u>573,828</u> |
| Income available for debt service | <u><u>\$ 3,331,473</u></u> |
| Fiscal year revenue bond debt payments | \$ 2,412,158 |
| Fiscal year total debt payments | \$ 3,262,992 |
| Senior lien debt service coverage | 1.38 |
| Total debt service coverage | 1.02 |
| 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 Jessica Brown-Linton, Assistant Finance Director under the guidance and direction of Susan F. Tezai, CPA, Deputy Finance Director.

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

Dennis Roberts, Senior Accountant

Larry DeWalt, Accountant

Sarah Hill, Accountant

Dave Jerrido, Accountant

Delphine Powell, Accountant

Bill Alston, Accountant

Catherine Davis, Compliance Manager

Alice Hawes, Accounting Clerk III

Gail Hurst, Accounting Clerk III

Shawantha Perry, Accounting Clerk III

Will Sutton, Shared Services System Admin.