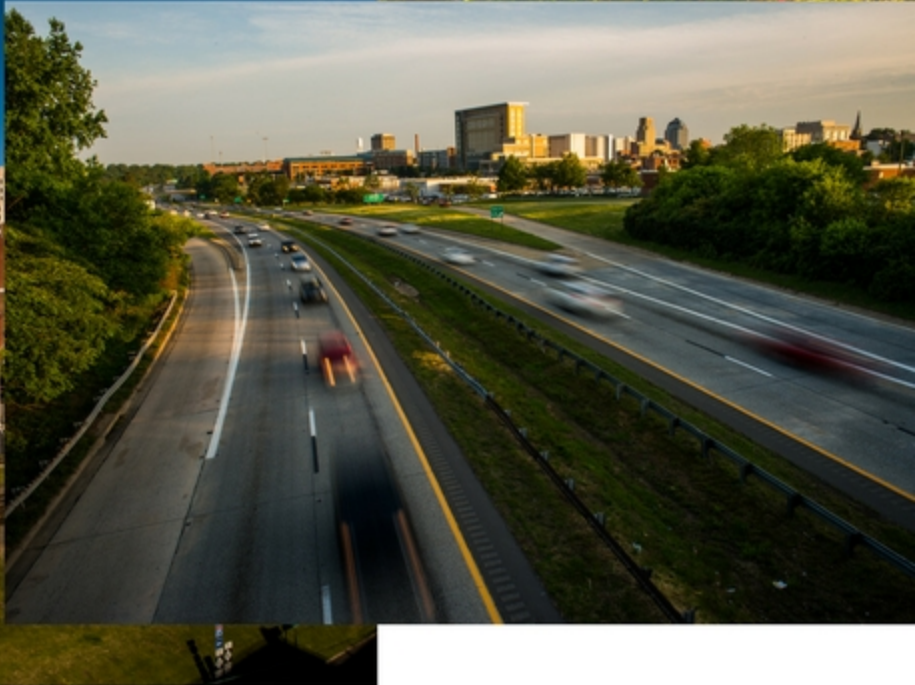


COUNTY OF DURHAM, NORTH CAROLINA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Year Ended June 30, 2017



This Comprehensive Annual Financial Report for the year ended June 30, 2017 is dedicated to the Durham County Chief Financial Officer (CFO), George K. Quick, who is retiring December 31, 2017 after more than 16 years of service to Durham County as CFO.

Cover Design:

Larry DeWalt II  
DCO Finance Department

&

Dawn D. Dudley  
DCO Public Information Department

# **County of Durham, North Carolina**



## **Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017**

**George K. Quick  
Chief Financial Officer**

**Susan F. Tezai, CPA  
Deputy Chief Financial Officer**

**Prepared by the Durham County Finance Department**



## INTRODUCTORY SECTION

<i>Letter of Transmittal</i>	vii
<i>Principal Officials</i>	xix
<i>Organization Chart</i>	xxi
<i>GFOA Certificate of Achievement</i>	xxiii

## FINANCIAL SECTION

<i>Independent Auditors' Report</i>	1
<i>Management's Discussion and Analysis</i>	3
<i>Basic Financial Statements:</i>	
<i>Government-wide Financial Statements:</i>	
<i>Statement of Net Position</i>	29
<i>Statement of Activities</i>	30
<i>Fund Financial Statements:</i>	
<i>Balance Sheet – Governmental Funds</i>	31
<i>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position</i>	32
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	33
<i>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities</i>	34
<i>Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund</i>	35
<i>Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Health Trust Fund</i>	38
<i>Statement of Net Position – Proprietary Funds</i>	39
<i>Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds</i>	40
<i>Statement of Cash Flows – Proprietary Funds</i>	41
<i>Statement of Fiduciary Net Position – Fiduciary Funds</i>	42
<i>Statement of Changes in Fiduciary Net Position – Fiduciary Funds</i>	43
<i>Notes to the Basic Financial Statements</i>	45

## REQUIRED SUPPLEMENTARY INFORMATION

<i>Other Postemployment Benefits- Schedule of Funding Progress</i>	119
<i>Other Postemployment Benefits- Schedule of Employer Contributions</i>	120

	PAGE
<i>Schedule of the County's Proportionate Share of Net Pension Liability– Local Governmental Employees' Retirement System</i>	121
<i>Schedule of the County Contributions - Local Government Employees' Governmental Retirement System</i>	122
<i>Schedule of the County's Proportionate Share of Net Pension Asset – Register of Deeds' Supplemental Pension Fund</i>	123
<i>Schedule of the County Contributions – Register of Deeds' Supplemental Pension Fund</i>	124
<i>Schedule of the County's Proportionate Share of the Net Pension Liability – Firefighters' and Rescue Squad Workers' Pension Fund</i>	125
<i>Schedule of Changes in Total Pension Liability-Law Enforcement Officers' Special Separation Allowance</i>	126
<i>Schedule of Total Pension Liability as a Percentage of Covered Payroll-Law Enforcement Officers' Special Separation Allowance</i>	127

### **OTHER SUPPLEMENTARY INFORMATION**

<i>Combining and Individual Fund Statements and Schedules:</i>	
<i>Major Governmental Funds:</i>	
<i>Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund</i>	131
<i>Schedule of Expenditures Compared with Project Authorizations – Capital Projects Fund</i>	132
<i>Combining Statements – Private-purpose Trust Funds:</i>	
<i>Combining Statement of Fiduciary Net Position – Private-purpose Trust Funds</i>	135
<i>Combining Statement of Changes in Fiduciary Net Position – Private-purpose Trust Funds</i>	136
<i>Combining and Individual Fund Statements and Schedules:</i>	
<i>Combined Balance Sheet – Nonmajor Governmental Funds</i>	139
<i>Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds</i>	140
<i>Combining Balance Sheet – Nonmajor Special Revenue Funds</i>	142
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds</i>	144

	PAGE
<i>Schedules of Revenues, Expenditures and Changes in Fund Balances –</i>	
<i>Budget and Actual:</i>	
<i>Bethesda Fire Tax District Fund</i>	146
<i>Lebanon Fire Tax District Fund</i>	147
<i>Parkwood Fire Tax District Fund</i>	148
<i>Redwood Fire Tax District Fund</i>	149
<i>New Hope Fire Tax District Fund</i>	150
<i>Eno Fire Tax District Fund</i>	151
<i>Bahama Fire Tax District Fund</i>	152
<i>Bethesda Service Tax District Fund</i>	153
<i>Durham County Fire and Rescue Service Tax District Fund</i>	154
<i>Special Park Tax District Fund</i>	155
<i>Major Business-Type Fund:</i>	
<i>Schedule of Revenues and Expenditures – Budget and Actual</i>	
<i>(Non-GAAP Basis) - Enterprise Fund – Sewer Utility Fund</i>	159
<i>Reconciliation of Modified Accrual Basis to Full Accrual Basis –</i>	
<i>Enterprise Fund - Sewer Utility Fund</i>	160
<i>Fiduciary Funds – Agency Funds:</i>	
<i>Combining Statement of Fiduciary Assets and Liabilities – Agency Funds</i>	162
<i>Combining Statement of Changes in Fiduciary Assets and Liabilities –</i>	
<i>Agency Funds</i>	164
<i>Capital Assets, Long-Term Debt and Other Information:</i>	
<i>Capital Assets Used in the Operation of Governmental Funds:</i>	
<i>Schedule by Function and Activity</i>	168
<i>Schedule of Changes by Function and Activity</i>	172
<i>Gross Bonded Debt and Other Long-Term Debt</i>	174
<i>Analysis of Current Tax Levy</i>	178
<i>Schedule of Ad Valorem Taxes Receivable by Fund</i>	179
<i>Schedule of Ad Valorem Taxes Receivable by Levy Year</i>	180

## STATISTICAL SECTION

<i>Net Position by Component – Last Ten Fiscal Years</i>	183
<i>Changes in Net Position – Last Ten Fiscal Years</i>	184
<i>Fund Balances, Governmental Funds – Last Ten Fiscal Years</i>	186
<i>Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years</i>	187
<i>Government-wide Expenses by Function – Last Ten Fiscal Years</i>	188
<i>Government-wide Revenues – Last Ten Fiscal Years</i>	190
<i>General Government Expenditures by Function – Last Ten Fiscal Years</i>	192
<i>General Government Revenues by Source – Last Ten Fiscal Years</i>	194

	PAGE
<i>Principal Property Taxpayers Current and Nine Years Ago</i>	199
<i>Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years</i>	200
<i>Property Tax Levies and Collections – Last Ten Fiscal Years</i>	201
<i>Property Tax Levies – Direct and Overlapping Local Government Jurisdictions – Last Ten Fiscal Years</i>	202
<i>Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years</i>	204
<i>Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt per Capita – Last Ten Fiscal Years</i>	206
<i>Legal Debt Margin Information – Last Ten Fiscal Years</i>	208
<i>Direct and Overlapping Governmental Activities Debt</i>	210
<i>Ratio of Annual Debt Service for Bonded Debt to Total General Governmental Expenditures – Last Ten Fiscal Years</i>	211
<i>Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years</i>	212
<i>Ratios of Outstanding Debt by Type – Last Ten Fiscal Years</i>	214
<i>Full-time Equivalent County Government Employees by Function – Last Ten Fiscal Years</i>	218
<i>Operating Indicators by Function – Last Ten Fiscal Years</i>	220
<i>Capital Asset Statistics by Function – Last Ten Fiscal Years</i>	221
<i>Property Value and Construction – Last Ten Fiscal Years</i>	225
<i>Demographic and Economic Statistics – Last Ten Years</i>	226
<i>Principal Employers Current and Nine Years Ago</i>	227
<b>Compliance Section:</b>	
<i>Covenant Compliance:</i>	
<i>Independent Auditors' Report on the Revenue Bond Covenant Compliance</i>	229
<i>Schedule of Debt Covenant Compliance</i>	231



**INTRODUCTORY SECTION  
(TAB)**



## *Letter of Transmittal*

October 31, 2017

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, 2017.

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.

Durham County's financial statements have been audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Durham County for the fiscal year ended June 30, 2017 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 unmodified opinion and that Durham County's financial statements for the fiscal year ended June 30, 2017 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, requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and North Carolina state law for state funds. Information related to this single audit, including the schedule of financial assistance, findings and questioned costs, and the independent auditors' report on the internal control structure and compliance with applicable laws and regulations are presented in a separate document.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Durham County'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 301,243. Durham County is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

Durham County provides a full range of services, including sheriff and fire protection, emergency medical, human services (public health and social services), elections, register of deeds, animal control, youth home, criminal justice and cultural and recreational. Funding is provided for educational services of the Durham Public Schools and Durham Technical Community College. Funding is provided for cultural and recreational services of the North Carolina Museum of Life and Science. Also, the County funds services provided in conjunction with the City of Durham through interlocal agreements including economic and physical development, emergency communications, environmental engineering and inspections. Solid waste services are provided through contracting with a private company. Mental health services that include substance abuse and developmental disabilities are provided through a contract with a Managed Care Organization (MCO), Alliance Behavioral Healthcare, Inc. In accordance with standards of the Governmental Accounting Standards Board (GASB) defining the governmental reporting entity, this report includes all funds and component units (except as noted below) that are controlled

by or are dependent on the County's governing body. Component units are legally separate entities for which Durham County is financially accountable. The Durham County Board of Alcoholic Beverage Control (ABC Board) is a component unit of Durham County. The ABC Board is presented as a proprietary fund. Additional information on the ABC Board can be found in Note A.1 in the notes to the financial statements. The Durham County Industrial Facility and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt for private businesses for economic development purposes. The Authority is governed by a seven-member board, all of whom are appointed by the County Commissioners. The County can remove any board member of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements. Other governmental type entities within the County which have substantial autonomy and separate governmental characteristics are the Durham Public School Administrative Unit, Durham Technical Community College, Raleigh-Durham Airport Authority, the Special Airport District of Durham and Wake Counties, Triangle J Council of Governments, GoTriangle, Durham and Wake Counties Research and Production Service District and Advisory Committee, Durham Convention and Visitors Bureau, and the Alliance Behavioral Healthcare, Inc. 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 15<sup>th</sup> 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 31<sup>st</sup> of each year. The board is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of Durham County's fiscal year. The adopted budget is prepared by fund, function (e.g., public safety), and department (e.g., sheriff). However, the appropriations are formally budgeted and approved on a functional basis. Budget-to-actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the community health trust fund, a major special revenue fund, this comparison is presented on pages 35-38 as part of the basic financial statements for the governmental funds. For other major funds and nonmajor governmental funds, with appropriated annual budgets, this comparison is presented in the other supplementary section of this report, which starts on page 139.

## **Factors Affecting Financial Condition**

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

### **Local Economy**

#### **Economic Development**

Durham County has an expanding, diversified economy with a strong foundation in electronics, metallurgy, telecommunications, health care, and medical related industries.

The City of Durham, the County's major municipality, is known as the City of Medicine because of the significant impact that biotechnology, health care and other medical related industries have on the economic base.

The County possesses a variety of technical resources and intellectual assets such as three nationally renowned doctoral based research universities with a strong entrepreneurial focus located in the region, state funded research centers in biotechnology and microelectronics, and a strong business support system. Close collaboration between the academic and business communities fosters a free flowing exchange of information and ideas beneficial to both groups. In August 2017, *Public Technology Institute* awarded Durham County for its significant achievement for technology used to improve services with its "Data Center Infrastructure Upgrade". *Genetic Engineering & Biotechnology News*, June 2017, recognized Durham as the #8 city for "US Biopharma Clusters" based on venture capital funding, patents, lab space, and jobs. Also, in June 2017, *Forbes* recognized Durham as the 5<sup>th</sup> "Top Tech Cities Undergoing a Tenant Boom" based on the number of prominent educational institutions, percentage of tech workers, percentage of knowledge workers, and venture capital funding.

Construction of new facilities and expansion of others is testimony to the fact that Durham is a nurturing environment for start-up companies and for more established companies. Many companies from various regions of the U.S. as well as other countries have moved their headquarters here to take advantage of the County's diverse resources in an environment that fosters business development. Business expansions announced in calendar year 2016 totaled over \$875.8 million, with plans to create over 4,250 new jobs in the County. In addition, business expansions announced through the third quarter of calendar year 2017 totaled over \$500 million with plans to create another 2,334 new jobs.

The diversity of industries represented in the County and its strong emphasis on business development through research and development has brought national recognition to the area. The County continues to receive recognitions nationally for its improvement economically. *Growella*, August 2017, recognized Durham as the #1 "City for Millennials to Move". In May 2017, *Smart Asset*, recognized Durham as the #1 "Healthiest Housing Market in North Carolina", and in March 2017, *Today* recognized Durham as the #5 "Destination to Retire in the U.S.". April 2017, *Reward Expert*, ranked Durham as the #5 "Mid-sized South Atlantic Cities to Visit in 2017", and in February 2017 Durham was ranked #7 on the list of "Best Places to Live in the U.S." by *U.S. New & World Report*.

## **Research and Development**

Durham is located at the pinnacle of North Carolina's famous Research Triangle Park, formed in 1959 by business leaders, government officials and leaders from Duke University of Durham, North Carolina State University in Raleigh and the University of North Carolina at Chapel Hill. The Research Triangle Park (RTP) consists of 7,000 acres of land, 95% of its corporate enterprises are located in Durham County. In its fifty-fifth year, RTP is the longest-operating research park in the country. RTP is also the nation's largest and most successful research and development-oriented business park. There is more than 200 tenant companies and organizations located in the Park that represent some of the world's largest and most prestigious corporate and government organizations in scientific and technological research. Businesses in the Park employ approximately 40,521 full-time employees and an estimated 8,002 contract employees.

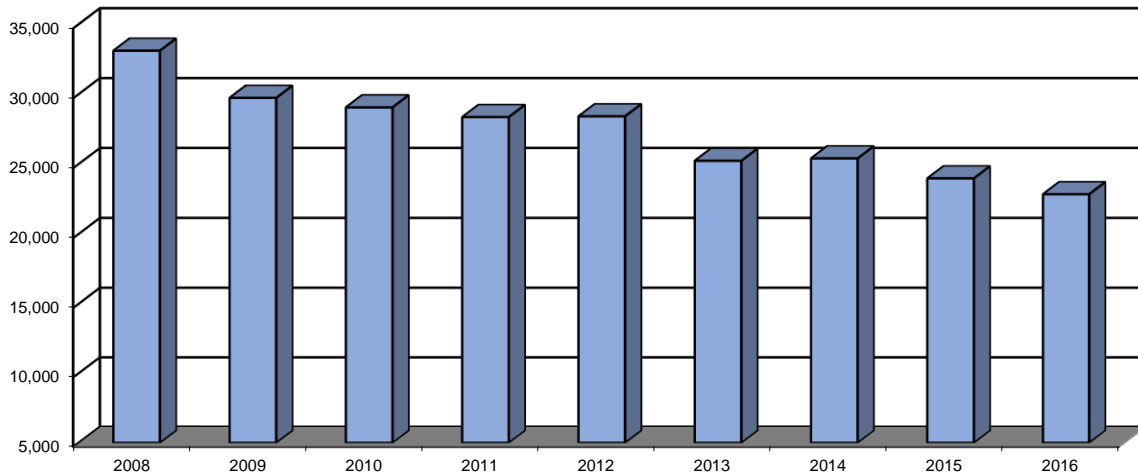
The number of research and development companies in the Park as well as other areas of the County continues to grow. In calendar year 2016, SunCap/FedEx, a commercial real estate developer and logistics service provider, announced a new \$39 million facility with the creation of 350 new jobs and Nutarix, a datacenter infrastructure enterprise cloud solution provider, invested \$3.5 million in a new facility creating 250 new jobs. In addition to new businesses, current businesses also announced expansions in the Park. Businesses such as DCRI-Durham ID, Research Triangle Institute, Aurobindo, Braeburn, and Peter Millar announced expansions in calendar year 2016 with an estimated investment of over \$164 million and over 400 new jobs. Other existing companies, Biogen, Freudenberg IT, Credit Suisse, IBM, Precision BioScience, and Duke Genomics announced planned expansions through the third quarter of calendar year 2017 with an estimated investment of over \$150 million and the creation of over 670 jobs. In March 2017, a report from *Site Selection* recognized Durham Metro as the #5 “Metro to Attract Corporate Facility Investments in its Population Tier”.

Research conducted in Durham County continues to cover a broad range of high tech fields such as biotechnology, medical instrumentation, metallurgy, electronic hardware and software development, health care products, digital switching and transmission systems, telecommunication and microelectronics. There also continues to be an abundance of highly skilled graduates from the region’s research universities and prestigious law, business and medical schools. In September 2017, *The World University Rankings*, ranked Duke #18 on the list of “Top Universities in the World” and in November 2016, *Best Hospitality Degree*, recognized North Carolina Central University #4 on the list of “Online Hospitality Management Degree Programs in the Nation”.

### **Health care**

The City of Durham is called the City of Medicine because of its vibrant healthcare industry, which includes more than 1,200 medical- and health-related companies that are located in Durham County. There is a wide spectrum of major medical centers in the area, including Duke University Medical Center. In August 2017, *US News & World Report* “Honor Roll List for Best Hospitals”, ranks them as the 17<sup>th</sup> best Hospital in the nation with five specialties ranking in the top 20; the highest being the sixth Best Hospital for Adult Ophthalmology in the US, and the #1 Hospital in the State; a world class academic and health care system; transforming medicine locally and globally through innovative medical research; and educating future clinical and scientific leaders. The result is that Durham County has four times the national average of physicians, three times the national average of nurses, and nearly one third of all workers in the labor force works in a health or medical related industry.

## **Manufacturing**



Source: Employment Security Commission (ESC)

Durham County is a strong manufacturing center in the region. The manufacturing sector experienced a decrease in employment from 23,982 in 2015 to 22,845 in 2016. The County experienced a decrease of 1,137 manufacturing jobs in calendar year 2016. Although we experienced a significant decrease of jobs in this sector (4.74%), the local economy continues to rebound with the decreases in the unemployment rates for the Nation, State, and the County. The County will continue to have strong representation in the manufacturing sector with the continuously improving economy.

## **Telecommunications**

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

## **Quality of Life**

Durham is a diverse down-home city, defined by a combination of a growing economy, quality of life, strong community, offering enough to interest big city lovers while maintaining its small town appeal. In November 2016, *WalletHub* ranked Durham #26 on its list of "Best Cities for Veterans to Live". In December 2016, *WalletHub* recognized Durham as #18 on the list of "Most Caring Cities in the Nation". In addition, Durham boasts nationally acclaimed restaurants. *Cosmopolitan* recognized Pizzerias Toro as the #19 "Best College Pizzeria in the Nation" and *The Tasting Table* named Lilly's Pizza the #1 "Best Pizza in N.C." in May 2017. In addition, *Eater* recognized Saltbox Seafood Joint as one of "The South's 38 Essential Restaurants", March 2017. Durham has performance facilities such as the Durham Performing Arts Center (DPAC) and the Carolina Theater that host Broadway shows and other professional performances. In March 2017, *Curbed*, recognized the DPAC as the 21<sup>st</sup> "Most Spectacular Theaters in the United States". Durham has nationally recognized sports cultures, such as Duke University, North Carolina

Central University, and the Triple A affiliate of the Tampa Bay Rays, the Durham Bulls. In September 2017, the Durham Bulls captured the Triple A National Championship for the second time in franchise history. In March 2017, *Wallet Hub* recognized Durham as the #3 “Best City for College Basketball Fans”. Durham County has a distinctive history and culture. Its advantageous location, climate and lifestyle draw people from around the world to a place that has a dynamic business environment and a beautiful setting in the Piedmont region of North Carolina. *Condé Nast Traveler* recognized 21C Museum Hotel as #22 on its list of “Top Hotels in the South: Readers’ Choice Awards 2017”, October 2017.

### **Major Employers**

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

<b>Company or Institution</b>
<b>Duke University &amp; Health System</b>
<b>International Business Machines (IBM)</b>
<b>Durham Public Schools</b>
<b>GlaxoSmithKline</b>
<b>Blue Cross Blue Shield of North Carolina</b>
<b>Durham City Government</b>
<b>Fidelity Investments</b>
<b>Quintiles Transnational Corporation</b>
<b>Research Triangle Institute (RTI)</b>
<b>Veterans Affairs (VA) Medical Center</b>
<b>Cree, Inc.</b>
<b>AW North Carolina, Inc.</b>
<b>US Environmental Protection Agency (EPA)</b>
<b>Durham County Government</b>
<b>National Institute of Environmental Health Sciences (NEIHS)</b>
<b>North Carolina Central University</b>
<b>Walmart</b>
<b>Merck &amp; Co., Inc</b>
<b>Lab Corp</b>

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 2016 were over \$875 million. Economic development announcements occurring through the third quarter of 2017 amounted to over \$500 million.



## Economic Development Statistics

### Per Capita Income

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

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Durham MSA</b>	39,383	40,116	40,597	41,785	40,963	41,376	42,830	44,507
<b>Raleigh MSA</b>	39,580	37,849	39,479	40,631	42,709	43,947	46,636	48,411
<b>North Carolina</b>	34,483	34,719	36,028	36,520	37,910	38,683	39,365	40,759
<b>United States</b>	40,189	39,626	40,163	42,298	45,188	44,765	48,112	49,827

Source: Bureau of Economic Analysis

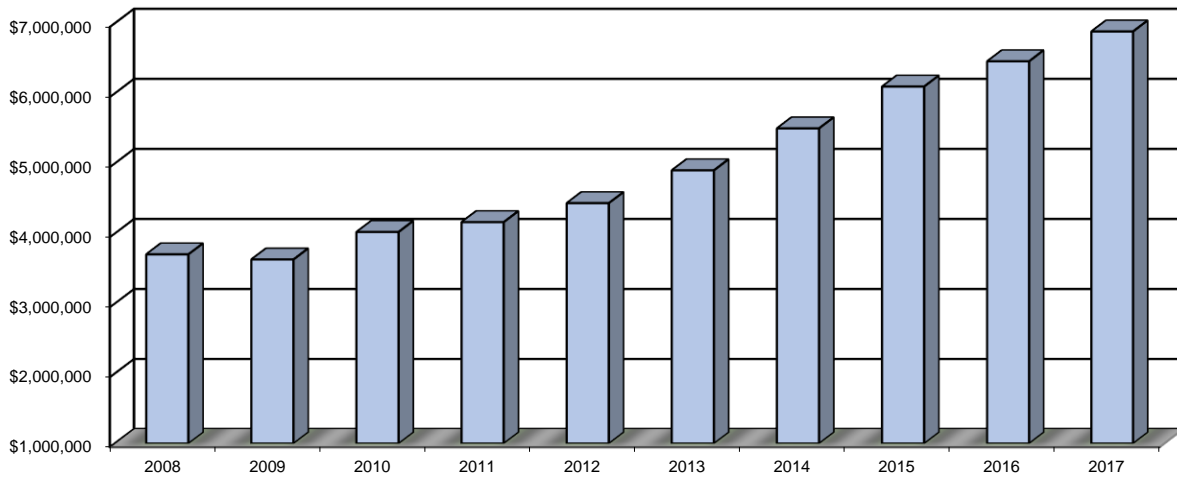
Note: Effective for fiscal year 2012's report, the Bureau of Economic Analysis announced that they would no longer release advance estimates of personal income for metropolitan areas (formerly released in August of each year) and that these estimates for all local areas would be released eleven months after the end of the reference (calendar) year. As such, as of fiscal year 2013, the per capital income presented is the calendar year prior to the previous calendar year.

Note: The Bureau of Economic Analysis makes comprehensive revisions to the per capita income estimates annually. The latest revision was November 2015 for periods 1969-2013.

### Retail Sales

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

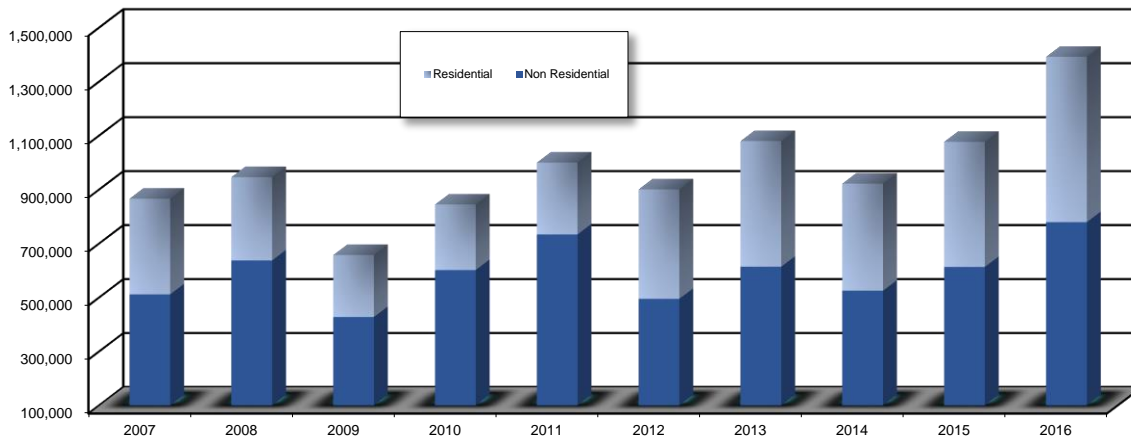
<b>Year Ended June 30,</b>	<b>Total Taxable Sales (000's)</b>	<b>Percent Growth Over Previous Year</b>
2008	\$ 3,703,207	-2.50%
2009	3,630,249	-1.97%
2010	4,022,518	10.81%
2011	4,163,246	3.50%
2012	4,434,078	6.51%
2013	4,902,628	10.57%
2014	5,501,325	12.21%
2015	6,097,770	10.84%
2016	6,458,506	5.92%
2017	6,884,030	6.59%



Since fiscal year 2009 when the economy started to slowly recover, Durham’s retail sales have continued to increase from over \$6.45 billion in fiscal year 2016 to slightly over \$6.88 billion in fiscal year 2017. One of the main reasons for this growth is because of new businesses, small and large, continuing to develop in the area. In fiscal year 2017, the total taxable sales reported were over \$6.88 billion, an increase of over \$425 million (6.59 %), reflecting continued positive growth in the County’s economy.

**Construction Activity**

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

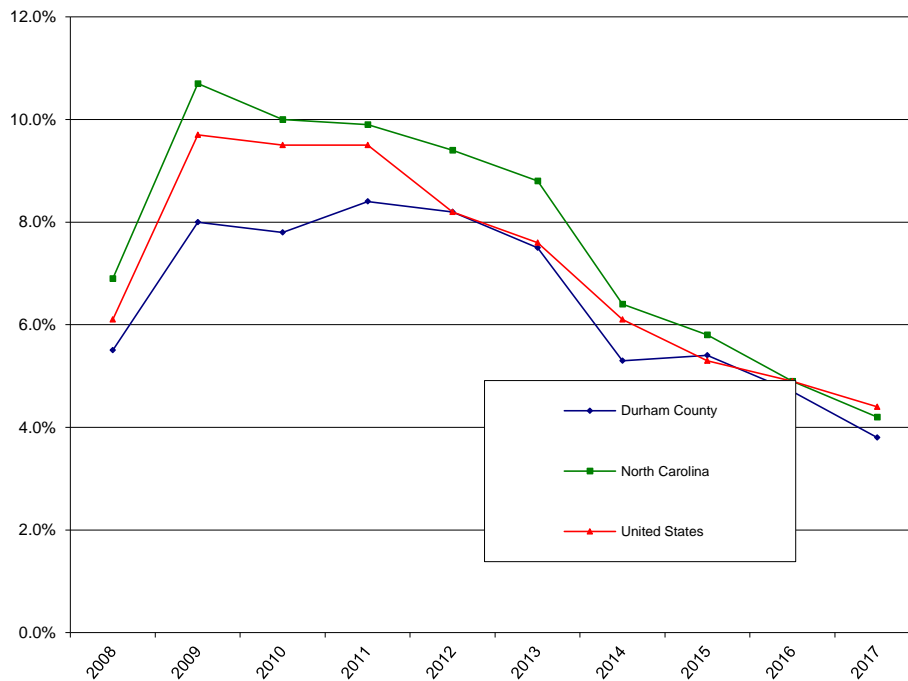


As of June 30, 2017, the total number of occupied dwelling units in Durham County was 123,791. Also, for the first six months of 2017, 1,808 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. From calendar year 2015 to 2016, there was an overall increase in the value of all building permits issued in the County. The increase was in both the value of non-residential construction and residential construction activity. The increase in the value of permits issued as well as increases in the number of permits issued is an indication of the continued economic growth in the County.

## Unemployment

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

	<b>Durham County</b>	<b>North Carolina</b>	<b>United States</b>
<b>2008</b>	5.5%	6.9%	6.1%
<b>2009</b>	8.0%	10.7%	9.7%
<b>2010</b>	7.8%	10.0%	9.5%
<b>2011</b>	8.4%	9.9%	9.5%
<b>2012</b>	8.2%	9.4%	8.2%
<b>2013</b>	7.5%	8.8%	7.6%
<b>2014</b>	5.3%	6.4%	6.1%
<b>2015</b>	5.4%	5.8%	5.3%
<b>2016</b>	4.7%	4.9%	4.9%
<b>2017</b>	3.8%	4.2%	4.4%



As of June 2017, the County's unemployment rate was 3.8%, a decrease of .9% from June 2016. The decrease in the County's unemployment rate is an encouraging indication of continued economic growth. The County's unemployment rate compares favorably to the State's and the Nation's unemployment rates which were at 4.2% and 4.4%, respectively. The County's primary commitment remains job creation and maintaining a strong economy.

## Long-term Financial Planning

The Board of County Commissioners continues to reaffirm the County's financial stability as one of its highest priorities. The Board recognizes that it is difficult to execute short- and long-term plans if the focus is on day-to-day viability. Consequently, the County's

annual budget and financial decisions made throughout the fiscal year support an underlying philosophy to maintain a strong fund balance and the planned expansion of programs and services. In addition, the County has implemented a multi-year budget forecast (5 years) for the County's general fund and debt service fund. Listed below are several of the County's major accomplishments for the year.

### **Facility Master Plan**

The Facility Master Plan that was originally approved in fiscal year 2000 and laid the groundwork for the future building needs of the County and was centered on sound planning and solid financial research. As of Fiscal Year 2013, the County no longer provides mental health services; as a result, the County had no facility needs for Mental Health. However, the County is currently renting the Human Services Complex space planned for use to provide mental health services to the MCO contracted to provide mental health services, Alliance Behavioral Healthcare, Inc. The most recent Master Plan, amended in fiscal year 2016, reflects the changes in facility needs and options for the County. The Facility Master Plan as currently amended serves as the basis for the facility projects included in the Capital Improvement Plan.

### **Capital Improvement Plan**

The County maintains a 10-year Capital Improvement Plan (CIP), which is fully updated every two years. During 2016-2017 fiscal year, the Board of County Commissioners (BOCC) adopted the 2017-2026 Capital Improvement Plan (CIP). The plan itself provides a blueprint which the County uses to meet the growing facility needs of the schools, libraries, museum, court system, public safety, human service agencies, general government needs and open space. The CIP also provides a financial overview of the financing options for the existing capital projects as well as those capital projects not yet implemented but are 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 construction contract award for the following projects all of which are currently under construction: Administrative Building II Renovation (former Judicial Building), Main Library Renovation GMP #1 including demolition/abatement, general trades, elevators, and temporary fencing, Lincoln Community Health Center Phase II Renovation, Fire Station #17 (EMS and City Fire Department Co-location) and the BOCC Audiovisual Technology Upgrades. Other projects in various stages of design, preliminary activities and/or regulatory approvals include the Administrative Building Renovation, Judicial Building Annex Renovation (old First Union), EMS Station #1, Downtown Parking Decks, and the Youth Home and Assessment Center. The Criminal Justice Resource Center Alley Drainage Improvement and the Main Library Renovation GMP #2 which includes all remaining packages required for construction is currently out for bids with anticipated construction contract award in November 2017. It is also important to note that the recently completed Emergency Medical Services Long Range Space Planning and Analysis and the Update to the Space Needs Analysis and Facility Master Plan are being refreshed and will be used as a resource to allow Durham County to make informed decisions regarding the upcoming CIP which will forecast new projects over the upcoming years.

In 2008, the County adopted a High Performance Building Policy incorporating sustainable design into County building projects. The Policy requires that new construction over 10,000 square feet shall achieve a minimum rating of LEED (Leadership in Energy and Environmental Design) “Gold”, and that renovation projects obtain a “Certified” rating. Currently, the County has nine LEED certified buildings that have been completed which include the following: Triangle Wastewater Treatment Plant Administrative Building – “Certified”, East Regional Library – “Certified”, North Regional Library – “Silver”, South Regional Library – “Gold”, Animal Control Office Building - “Silver”, Southwest Library Renovation and Addition – “Silver”, the Criminal Justice Center Third Floor Renovation – “Silver”, the recently completed Durham County Courthouse – “Gold” and the recently completed Human Services Facility – “Silver”. The County is also seeking various levels of LEED Certification for the Administrative Building II Renovation (former Judicial Building), Main Library Renovation, Administrative Building Renovation and the Judicial Building Annex which are current projects not yet completed. Additional projects which will be identified in the upcoming CIP will also be designed using sustainable design guidelines.

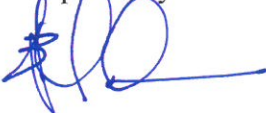
### **Awards and Acknowledgements**

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, 2016. This was the seventeenth 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 unflinching support for maintaining the highest standards of professionalism in the management of Durham County’s finances.

Respectfully submitted,



Wendell M. Davis  
County Manager



George K. Quick  
Chief Financial Officer

# Durham County Board of County Commissioners



Wendy Jacobs  
Chair



James Hill  
Vice Chair



Heidi Carter



Brenda A. Howerton



Ellen W. Reckhow

## Durham County Administration

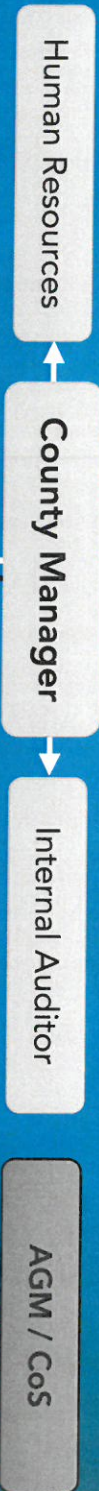


Wendell M. Davis  
County Manager



George K. Quick  
Chief Financial Officer

**CITIZENS**



**Goal 1: Community & Family Prosperity**

- General Manager of Strategic Management, Public Affairs, Innovation, & Special Projects**
- Strategic Planning & Innovation
  - Public Information
  - Legislative Services & Advocacy
  - Youth Initiatives
  - Durham Public Schools
  - Housing Programs
  - Management Reporting
  - Board Request & Constituent Services
  - Special Projects

**Goal 2: Health & Well-being for All**

- General Manager, of Public Health & Community Well Being**
- Public Health
  - Social Services
  - Cooperative Extension
  - Veteran Services
  - Liaison to Alliance Behavioral Services
  - Libraries

**Goal 3: Safe & Secure Community**

- General Manager for Community & Public Safety**
- Sheriff Office & Jail Operations
  - Fire Marshal
  - Emergency Management
  - E-911 & Emergency Communications
  - Forest Protection
  - Youth Detention Home
  - Emergency Medical Services
  - CJRC

**Goal 4: Environmental Stewardship**

- General Manager of Environmental Stewardship & Community Prosperity**
- City/County Planning
  - City/County GIS
  - City/County Inspections
  - Economic Development
  - County Engineering
  - Soil & Water Conservation District
  - Register of Deeds

**Goal 5: Accountable, Efficient & Visionary Government**

- General Manager, Financial Affairs, Process Improvement & Gov. Efficiency**
- Finance
  - Budget and Management Svcs
  - Information Technology & SAP Shared Svcs
  - Tax Administration
  - General Services
  - Board of Elections







Government Finance Officers Association

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

Presented to

**County of Durham  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO



**FINANCIAL SECTION (TAB)**

## Report of Independent Auditor

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durham County, North Carolina (the "County"), as of and for the year then ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Durham County ABC Board (the "Board"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Board were not audited in accordance with *Government Auditing Standards*.

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

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

### Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2017, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the community health trust fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note O to the basic financial statements, a new reporting standard was implemented, which resulted in a restatement of net position as of June 30, 2016 for governmental activities. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplemental and Other Information*

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

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

## **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Raleigh, North Carolina  
October 31, 2017

## 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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-xviii.

### Financial Highlights

- The assets and deferred outflows of resources of Durham County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$198,826,715 (*net position*). However, of this amount, unrestricted net position has a deficit balance of (\$79,440,604) (*unrestricted net position*) which is primarily because of the debt the County has issued on behalf of the school system, Durham Technical Community College and the Museum of Life and Science to fund capital outlay as required by State law. The assets funded by the County are owned by the Durham Public School System, Durham Technical Community College and the Museum of Life and Science and are capitalized in their financial statements. Therefore, the County, as the issuing government, has incurred a liability without a corresponding increase in assets.
- The government's total net position increased by \$33,220,374, an increase of 20.06 percent, due to increases in both the governmental activities' net position and the business-type activities' net position of over \$28.71 million and \$4.51 million, respectively.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$238,584,295, an increase of \$11,635,840 in comparison with the prior year. Approximately 18.3 percent of this total amount, or \$43,657,038, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$159,274,677 or 36.61 percent of total general fund expenditures, compared to fiscal year 2016 which was \$146,301,297 or 34.15 percent of total general fund expenditures. The net change in fund balance for fiscal year 2017 was an increase of over \$12 million with almost a 2.5 percent increase in the fund balance available as a percentage of expenditures. The primary reasons for the increases are the revenue collections were 100.73 percent of budget while expenditures were only 93.62 percent of budget. The net change in fund balance increased by over \$2.6 million in fiscal year 2017 from fiscal year 2016. The primary reasons for the increase in the net change in fund balance are the increase in excess of revenues over expenditures of over \$819 thousand, the increase in transfers in of over \$49 thousand and the decrease in transfers out of over \$1.7 million.
- The County's total debt increased by \$35,941,497 (5.89 percent) during the current fiscal year. The key factors in this increase were the issuance of new debt in the amount of \$34,159,908, the increase in the LGERS pension obligation of \$26,826,457, the increase in the County's net OPEB obligation of \$5,887,041, and the increase in the total LEOSA pension liability of \$6,124,839, offset by the annual retirement of governmental and business-type activities debt.
- Durham County continues to maintain its AAA bond rating.

## Overview of the Financial Statements

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

### Basic Financial Statements

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

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

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

Following the notes is the required supplementary information.

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

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

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

is legally separate from the County however the County is financially accountable for the Board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

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

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

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

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

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



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

**Proprietary funds.** Durham County has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sewer and water utilities. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities, only in more detail. The proprietary fund financial statements provide separate information for the sewer utility which is considered to be a major fund of the County. After the first year of operations, the water utility that services the Rougemont Community, a small rural area of the County, was deemed to not be self-sustaining based on user fees and was therefore closed into the General fund as of fiscal year 2017. The County will continue to provide water services to the Rougemont community and subsidize the operations of this health-related service with funds from the General fund.

The basic proprietary fund financial statements can be found on pages 39-41 of this report.

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-118 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Durham County's progress in funding its obligation to provide pension benefits and postemployment benefits to its employees. Required supplementary information can be found on pages 119-127 of this report.

Following the required supplementary information, combining statements referred to earlier are provided to show details in connection with non-major governmental funds. Budgetary information for each fund as required by the North Carolina General Statutes and detailed comparative statements, including annually budgeted funds, can also be found in this section. Combining and individual fund statements and schedules can be found on pages 131-165 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$198,826,715 as of June 30, 2017. Net position is reported in three categories: net investment in capital assets, restricted net position and unrestricted net position.

The County's net position increased by \$33,220,374 for the fiscal year ended June 30, 2017. One of the largest portions in the amount of \$224,287,892 reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### DURHAM COUNTY'S NET POSITION

	Governmental		Business - type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 284,642,037	\$ 273,612,371	\$ 35,527,336	\$ 29,802,086	\$ 320,169,373	\$ 303,414,457
Capital assets	423,403,851	403,969,997	71,864,837	74,101,104	495,268,688	478,071,101
Total assets	708,045,888	677,582,368	107,392,173	103,903,190	815,438,061	781,485,558
Total deferred outflows of resources	51,969,120	20,448,481	797,007	636,093	52,766,127	21,084,574
Long-term liabilities outstanding	626,185,848	589,037,454	19,541,686	20,748,583	645,727,534	609,786,037
Other liabilities	20,648,711	16,938,166	719,271	349,631	21,367,982	17,287,797
Total liabilities	646,834,559	605,975,620	20,260,957	21,098,214	667,095,516	627,073,834
Total deferred inflows of resources	2,238,071	4,016,996	43,886	71,411	2,281,957	4,088,407
Net position:						
Net investment in capital assets	171,070,634	120,531,058	53,217,258	53,957,575	224,287,892	174,488,633
Restricted	52,646,580	56,579,115	1,332,847	952,588	53,979,427	57,531,703
Unrestricted	(112,774,836)	(89,071,940)	33,334,232	28,459,495	(79,440,604)	(60,612,445)
Total net position	\$ 110,942,378	\$ 88,038,233	\$ 87,884,337	\$ 83,369,658	\$ 198,826,715	\$ 171,407,891

The second portion of the County's net position in the amount of \$53,979,427 represents resources that are subject to external legal restrictions that limit the County's ability to access and use these funds beyond the purpose for which they were provided. Unexpended bond proceeds, grant funding and statutorily restricted revenues are included in this category.

The remaining portion of net position is unrestricted net position. This balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2017, the unrestricted net position is a deficit in the amount of (\$79,440,604). 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 of the County since it is not financing assets owned by the County. Therefore, this debt is reflected within the unrestricted portion of net position rather than as part of the category net investment in capital assets. In addition, as of fiscal year 2008, the unrestricted net position deficit includes pension liabilities for other postemployment benefits per GASB Statements No. 43 and No. 45. Also, as of fiscal year 2011, the

restricted net position now includes Stabilization by State Statute per GASB Statement No. 54 which further increases the unrestricted net position deficit. In addition, as of fiscal year 2015, the County implemented GASB Statements No. 68 and No. 71 reporting the County's proportionate share of the Register of Deeds' Supplemental Pension Fund's net pension asset, Local Government Employees' Retirement System's net pension liability and their respective deferred outflows of resources, deferred inflows of resources and pension expense. As of fiscal year 2017, the County also implemented GASB Statement No. 73 reporting the County's total pension liability for LEOSSA and its respective deferred outflows of resources, deferred inflows of resources and pension expense. At the end of the current fiscal year, the County was not able to report positive balances in all three categories of net position for the government as a whole. However, the same did not hold true for the separate governmental and business-type activities. The unrestricted net position for the governmental activities had a deficit balance of (\$112,774,836) while the other two categories of net position, net investment in capital assets and restricted net position, and all three categories of net position of the business-type activities were positive. The unrestricted net position for the business-type activities had a positive balance of \$33,334,232.

### DURHAM COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business - type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 34,332,811	\$ 34,221,674	\$ 12,331,995	\$ 9,200,098	\$ 46,664,806	\$ 43,421,772
Operating grants and contributions	59,791,850	57,255,276	-	-	59,791,850	57,255,276
Capital grants and contributions	5,086,832	4,364,682	42,925	284,195	5,129,757	4,648,877
General revenues:						
Taxes	353,613,376	346,840,735	-	-	353,613,376	346,840,735
Investment and interest income	(1,149,566)	4,684,275	110,656	71,355	(1,038,910)	4,755,630
Other revenues	1,090,502	953,890	-	12,841	1,090,502	966,731
Total revenues	<u>452,765,805</u>	<u>448,320,532</u>	<u>12,485,576</u>	<u>9,568,489</u>	<u>465,251,381</u>	<u>457,889,021</u>
Expenses:						
General government	64,194,870	60,091,561	-	-	64,194,870	60,091,561
Public safety	75,533,420	69,100,186	-	-	75,533,420	69,100,186
Transportation	353,001	205,873	-	-	353,001	205,873
Economic and physical development	7,368,799	7,343,752	-	-	7,368,799	7,343,752
Environmental Protection	5,966,371	4,303,325	-	-	5,966,371	4,303,325
Human services	93,649,136	92,160,946	-	-	93,649,136	92,160,946
Education	149,192,760	144,524,127	-	-	149,192,760	144,524,127
Cultural and recreational	14,802,765	12,762,810	-	-	14,802,765	12,762,810
Interest and fiscal charges	12,999,003	19,749,259	-	-	12,999,003	19,749,259
Sewer utility	-	-	7,970,882	7,447,186	7,970,882	7,447,186
Total expenses	<u>424,060,125</u>	<u>410,241,839</u>	<u>7,970,882</u>	<u>7,447,186</u>	<u>432,031,007</u>	<u>417,689,025</u>
Increase (decrease) in net position	28,705,680	38,078,693	4,514,694	2,121,303	33,220,374	40,199,996
Net position, beginning, previously reported	88,038,233	48,335,549	83,369,643	81,248,355	171,407,876	129,583,904
Restatement (Note O)	(5,801,535)	1,623,991	-	-	(5,801,535)	1,623,991
Net position, beginning, restated	<u>82,236,698</u>	<u>49,959,540</u>	<u>83,369,643</u>	<u>81,248,355</u>	<u>165,606,341</u>	<u>131,207,895</u>
Net position, ending	<u>\$ 110,942,378</u>	<u>\$ 88,038,233</u>	<u>\$ 87,884,337</u>	<u>\$ 83,369,658</u>	<u>\$ 198,826,715</u>	<u>\$ 171,407,891</u>

Because the County funds Durham Public Schools', Durham Technical Community College's and the Museum of Life and Science's capital needs but does not carry the resulting assets on the County's

financial statements, the County reports a net deficit on the statement of net position for governmental activities. In spite of this deficit reported in governmental activities, the County's finances are strong as evidenced by:

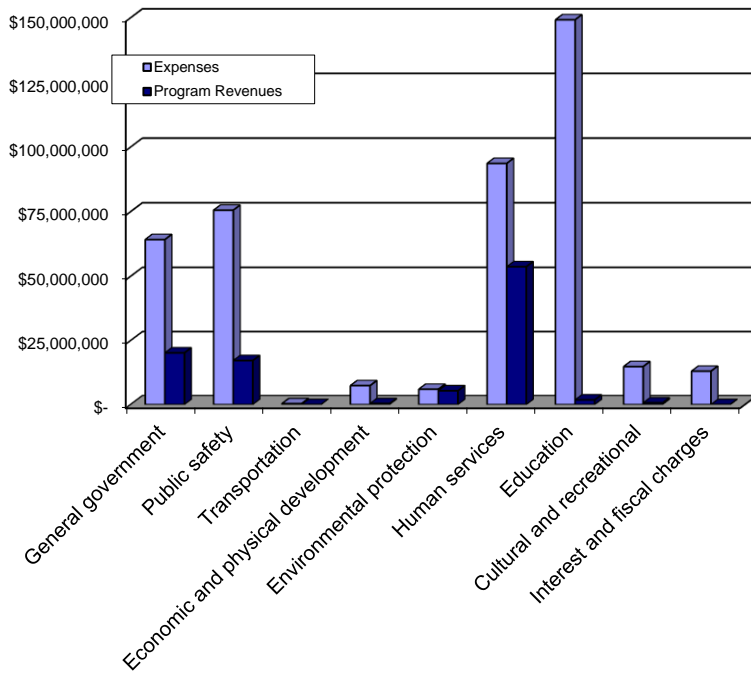
- Continued diligence in the collection of property taxes by maintaining an overall collection percentage of 99.79 percent for the current levy year for governmental activities.
- Planning and management of revenues and expenses through the use of financial models for capital and debt service.
- Continued low cost of bonded debt that is a direct result of the County's high bond rating by the rating agencies of Moody's and Standard and Poor's. The County considers this unique achievement to be a key factor in keeping the interest costs low on the County's outstanding debt.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.
- A multi-year budget forecast (5 years) for the County's general fund and debt service fund.

***Governmental activities.*** The governmental activities increased the County's beginning net position by 28,705,680 or 86.41% of the total increase in the net position of the County. This amount is an increase of 34.91 percent of the governmental activities beginning net position. This is down from a prior year increase of \$38,078,693 or 94.72 of the total increase in the net position of the County. However, revenues increased in fiscal year 2017 compared to fiscal year 2016 by over \$4.4 million (0.99 percent). Expenses increased as well, by over \$13.8 million (3.37 percent). In fiscal year 2017, property taxes levied for general purposes and for fire districts increased by slightly over \$3.43 million (1.32 percent) and \$43 thousand (0.56 percent), respectively. This increase was primarily because of the increased collections for the registered motor vehicles on the North Carolina Vehicle Tax System (NCVTS) also known as the "Tag and Tax Together System" combined with the County's continued collection efforts including participation in the North Carolina Local Government Debt Setoff Clearinghouse Program. In addition, local option sales taxes increased for the seventh consecutive year by over \$2.3 million (3.20 percent) as a result of increased spending and collections, an indicator of a healthy economic climate. Investments decreased by over \$5.8 million (124.54 percent) which is primarily because the value in the financial derivative instrument for the County's SWAP Agreement per GASB Statement No. 53 decreased in fiscal year 2017 by slightly over \$4.7 million compared to an increase in value in fiscal year 2016 of over \$439 thousand, combined with a decrease in fair market value of County investments in fiscal year 2017 of slightly over \$274 thousand, and a decrease in accrued interest receivable of slightly over \$151 thousand whereas there was an increase of over \$318 thousand in accrued interest receivable in the prior fiscal year, resulting in a variance of almost \$470 thousand compared to fiscal year 2016. The remaining balance of the decrease is due to a decrease in investment earnings of over \$195 thousand. Program revenues for charges for services increased by only \$111 thousand (0.32 percent) while operating grants and contributions increased by \$2.54 million (4.24 percent), combined with an increase in capital grants and contributions of over \$722 thousand (16.55 percent). The slight increases in charges for services was insignificant. The operating grant program revenues for the general government function increased by almost \$2.2 million (62.51

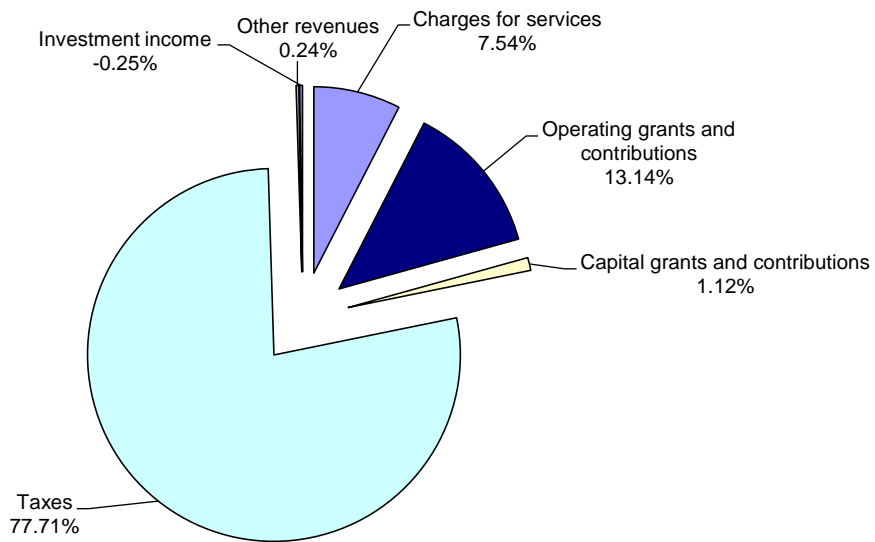
percent) which is a combination of an increase in the Juvenile Justice grant of almost \$2.1 million and an increase of ABC Board distributions of \$100 thousand. Operating grant program revenues for the Human Services function increased by over \$1.1 million primarily due to increased levels of service, while Public Safety and Economic Development decreased by \$430 thousand and \$207 thousand, respectively. The capital grant program revenues for the general government function decreased by over \$1.1 million (46.62 percent) due mainly to a decrease of over \$1.054 million in funding for the Rougemont water system seen in the current year as the project was funded in 2016 and completed in 2017. This decrease in capital grant program revenues was offset primarily with an increase in the environmental protection program of over \$1.9 million primarily due to increased funding of projects which includes \$300 thousand for the Santee Road project as well as over \$1.5 million for the Lincoln Community Health Center Phase II renovation project, with the balance of the change of \$164 thousand attributable to the Hollow Rock nature park project, combined with a slight decrease in cultural and educational funding. The County's finances continue to be strong, sound and stable because of solid, dedicated and committed financial management.

For the most part, increases in governmental activities' expenses closely paralleled inflation and growth in the demand for services. The County's total governmental activities' expenses increased by over \$13.8 million (3.37 percent). Public safety expenses increased by over \$6.4 million (9.31 percent) primarily because of increased services in the law enforcement, emergency medical services and County fire protection combined with the increase in pension expense and salaries, benefits, and over \$1.1 million on construction. Education expenses increased by over \$4.6 million (3.23 percent) for the most part due to increased construction costs of over \$4.2 million for Durham Public Schools. Human services expenses increased by over \$1.4 million (1.61 percent) due for the most part to an increase in net pension expense combined with deferred inflows and outflows. General government expenses increased by over \$4.1 million (6.83 percent) primarily in other general government, the county manager's office, tax, finance, risk management and insurance, information systems and technology, general services, elections, and legal, due mainly to increases in services and salaries and benefits. Interest and fiscal charges decreased by over \$6.7 million (34.18 percent) due to the increase in the amortization of the bond premium of over \$7.3 million between prior and current year, an increase in fiscal charges paid of almost \$1.7 million, the increased amortization of loss on refunding of over \$663 thousand, and an increase in the change of accrued interest payable of over \$669 thousand, combined with County contributions for the bond refundings of over \$986 thousand. In addition, there was an increase in transportation of over \$147 thousand (71.47 percent) because of continued funding for the new light rail system working with the local transit, GoTriangle. Environmental protection increased by over \$1.6 million (38.65 percent) mainly because of construction expense of over \$900 thousand combined with a net change of over \$368 thousand in operating, an increase in depreciation expense of \$117 thousand, and the net increase of pension expense with deferred outflows and inflows of over \$105 thousand, and an insignificant change in accrued vacation. Cultural and recreational increased by over \$2 million (15.98 percent). Over \$843 thousand of this increase is due to the change in the decrease from prior year to current year in the investment of joint venture. Related general fund expenditures increased by almost \$641 thousand, with \$333 thousand of this amount to fund the newly established Durham Tourism Development Authority, construction costs of over \$269 thousand for the Museum of Life and Science, and the change in net pension expense and deferred inflows and outflows of \$259 thousand. The remainder is an increase in operating. In addition, there was a slight increase in economic and physical development of \$25 thousand (0.34 percent).

## Expenses and Program Revenues – Governmental Activities



## Revenues by Source – Governmental Activities

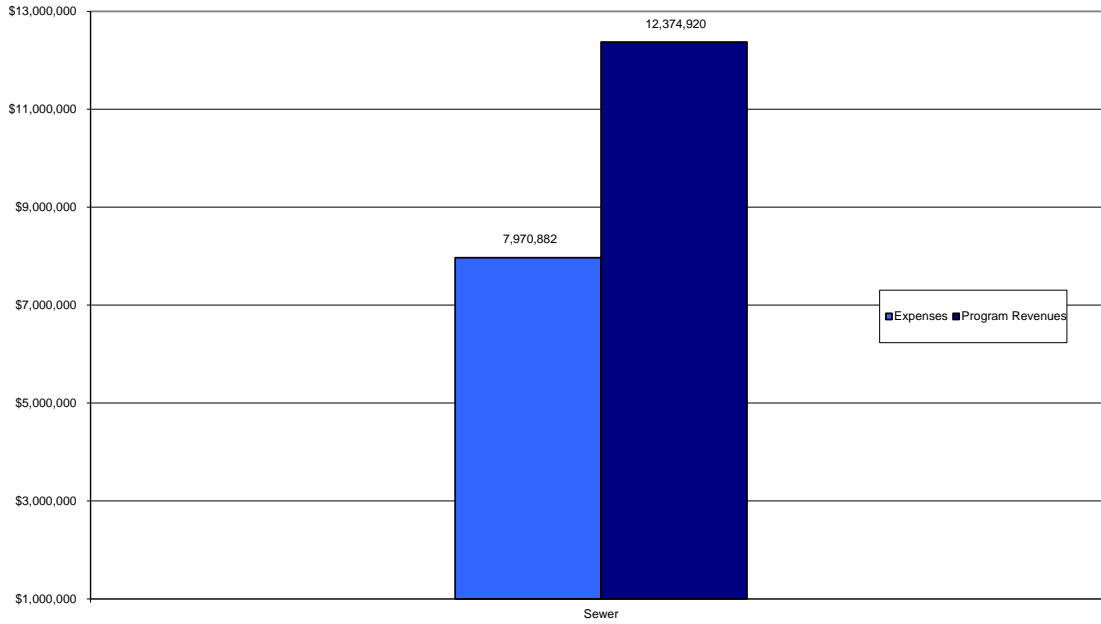


**Business-type activities.** Business-type activities increased the County's net position by \$4,514,694 accounting for 13.59 percent of the increase of the total growth in the government's net position. Key elements of this are as follows:

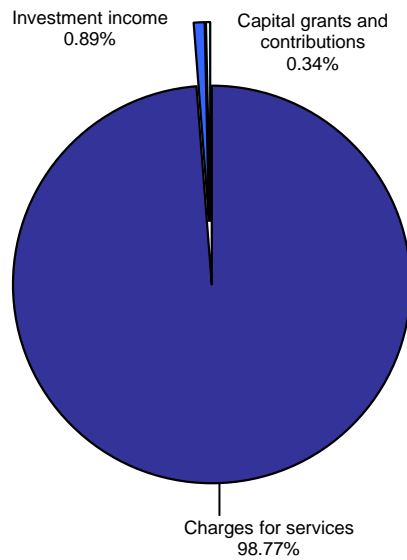
- Expenses increased \$523,696 (7.03 percent) because of increases in operating expenses including personnel services, maintenance, and other, due to the increases in services delivered, as demonstrated by a consistent operating margin year over year. There were no debt issuance costs for fiscal year 2017. Depreciation expense remained consistent in fiscal year 2017.
- Charges for services increased by \$3,131,897 (34.04 percent). There was a rate increase of 2.5 percent for all customers, both residential and industrial, effective July 1, 2016 as well as an increase in the capital recovery charges of 1.8 percent. All other sewer utility charges remained the same. In addition to the rate increase, the County provided services to the Town of Cary for several months. During fiscal year 2016, no sewer services were provided to the Town of Cary, resulting in part in the increase in charges for services during fiscal year 2017. The increase in charges is also due to greater development in the RTP area, leading to an increase of over \$1.5 million in capital recovery fees and an increase of over \$243 thousand in sewer inspection fees because of these new sewer connections and a 1.8 percent fee increase for fiscal year 2017. Demand for Durham County services also increased by over \$1.3 million, over \$936 thousand for an agreement between Durham County and the Town of Cary to take wastewater from the town of Cary for several months due to a force main rehabilitation project, and \$443 thousand for increased fees of 2.5 percent in 2017 as well as demand for the provision of sewer services from Durham County citizens.
- Investment and interest income increased by \$39,301 (55.08 percent) primarily because of a slight increase in annual earnings, offset by a slight decrease in the accrued interest receivable at year end of \$13 thousand.
- There was capital contributions (sewer lines) from private developers in fiscal year 2017 of \$42,925 compared to \$284,195 in fiscal year 2016.

**(The remainder of this page is intentionally left blank.)**

### Expenses and Program Revenues – Business-type Activities



### Revenues by Source – Business-type Activities





## Financial Analysis of the County's Funds

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

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

As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$238,584,295, an increase of \$11,635,840 in comparison with the prior year. Approximately 81.70 percent of this total amount (\$194,927,257) constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it is 1) non-spendable (\$1,010,444), 2) restricted by revenue source for specific purposes, programs and services (\$3,023,772), or 3) because it is restricted by State Statute (\$39,622,822).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, Durham County's fund balance available for appropriation in the general fund was \$159,274,677, while total fund balance reached \$194,798,890. The Board of County Commissioners of Durham County has determined that the County should maintain an available fund balance of 35 percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the County. As of June 30, 2017, the County has an available fund balance of 36.61 percent of general fund expenditures, while total fund balance represents 44.78 percent of that same amount. The percentage of available fund balance to total general fund expenditures increased from 34.15 percent for fiscal year 2016 to 36.61 percent for fiscal year 2017, an increase of 2.46 percent. The net change in fund balance for fiscal 2017 was an increase of over \$12 million. The primary reasons for the increases are the revenue collections were 100.73 percent of budget while expenditures were only 93.62 percent of budget.

The fund balance of the County's general fund increased by \$12,052,314 during the current fiscal year. Key factors in the changes are as follows:

- The general fund taxes increased by 1.88 percent or \$6,358,942. This increase is for the most part the result of increased collections in the current year levy collections of \$3,795,261 (1.47 percent) combined with an increase in local option sales tax of \$2,383,420 (3.20 percent) and occupancy tax in the amount of \$451,694 (12.87 percent), offset by a decrease in the prior year levy collections of \$352,015 (32.42%). The increase in current year levy taxes was primarily because of the continued increased collections for the registered motor vehicles on the North Carolina Vehicle Tax System (NCVTS) also known as the "Tag and Tax Together System" combined with the County's continued collection efforts including participation in the North Carolina Debt Setoff Clearinghouse Program. The increase in the local option sales tax was mainly due to increased spending. This is the seventh consecutive year of increased local option sales tax collections which

is excellent. The increase in occupancy tax was mainly because of increased visitors to the County during the fiscal year.

- Intergovernmental revenues of the general fund increased slightly by 4.52 percent or \$2,549,070. The increase is primarily because of an increase in human services funding for public health of \$3.7 million. There was also an increase in funding for other intergovernmental revenues of over \$1.56 million with a decrease in funding for social services of over \$2.7 million, an increase in distribution from the ABC Board of \$100 thousand and a decrease in funding for the library of over \$67 thousand.
- Charges for services increased by \$782,070 (2.95 percent). This is in part due to an increase of over \$1.9 million in emergency medical services charges, almost \$1.2 million of which is due to increased services and an increase of almost \$699 thousand in annual Medicaid cost settlement funds received. This is offset by a decrease of \$409,076 in election registration list charges from prior fiscal year. There was an increase in solid waste fees of \$261,140 primarily related to an increase in fees during fiscal year 2017, and decreases in register of deeds fees and collections of registration and transfer fees (\$205,724), general government charges (\$260,579), and public protection (\$427,004) due to decreased collections for the sheriffs' office, services for the County jail, and County youth home.
- Investments and rent decreased by over \$444 thousand (10.63 percent) and \$16 thousand (1.64 percent), respectively.
- Licenses and permits decreased by \$141,994 (9.25 percent) mainly because of a decrease in construction permits of \$141,323 (14.29 percent) due to less construction.
- Other revenues increased by \$136,612 (14.32 percent) primarily because of an increase in other revenues of over \$127 thousand.
- General government expenditures increased by \$3,983,355 (7.90 percent). This is due mainly to increases in other general government (\$729,893), the county manager's office (\$712,269), tax (\$592,669), finance (\$592,309), risk management and insurance (\$317,961), and information, systems and technology (\$316,048). Other increases in expenditures occurred in general services (\$216,323), elections (\$273,070), and legal (\$205,862). The increase in other expenditures was related primarily to contract services increasing by over \$508 thousand due primarily to funding for the Durham Sports Commission of over \$122 thousand, the purchase of OpenGov software for over \$99 thousand, increased funding for homeless services for Urban Ministries of over \$76 thousand, and funding for a downtown event of over \$62 thousand, with the balance due to smaller increases of various contracted services. Funding for My Brother's Keeper also increased by over \$77 thousand. The increase in county manager's office expenditures is mainly due to increased spending on contract services of over \$182 thousand and salaries and benefits of over \$514 thousand, with the balance due to increased services. The tax increases are mainly related to operating expenses which increased by over \$913 thousand, \$885 thousand being for contracted services, partially offset by a decrease in salaries and benefits of over \$378 thousand. The finance increase is primarily related to capital software expenditures for the Open Text and Fiscal Technologies software packages, as well as increases in salaries and benefits of over \$127 thousand. The risk management and insurance increase is primarily because of increased salaries and benefits of over \$115 thousand as well as increased insurance expense. The increase in information, systems and technology was primarily because of increased salaries and benefits of over \$504 thousand, offset by a decrease of over \$101 thousand in training-related travel and over \$44 thousand in computer expense. The increase in general services was mostly because of increased maintenance costs offset by decreased charges for contracted services of over \$173

thousand as well as an increase in salaries and benefits. The increase in elections costs was primarily because this was an election year. The increases in legal relate to increased litigation costs and salaries and benefits.

- Public safety increased by \$1,922,680 (2.99 percent). Of this increase, the county jail expenditures increased by over \$270 thousand and the sheriff's office increased by over \$558 thousand primarily due to the increase in LEO expenditures netted with a decrease in operating costs. Emergency medical services increased by over \$604 thousand primarily because of increases in salaries and benefits and operating. The county fire protection increased by over \$361 thousand primarily due to increases in fire protection services. There were also increases in criminal justice partnership of over \$136 thousand and animal control of \$134 thousand, offset by a decrease of over \$121 thousand in other public safety.
- Transportation expenditures increased by over \$147 thousand (71.47 percent) due to increased funding to the Go Triangle transit program.
- Economic and physical development decreased by \$1,277,704 (19.89 percent) primarily because of decreased payouts of public funds for local economic development agreements of over \$764 thousand (29.78 percent). In addition, Soil and Water Conservation decreased by over \$224 thousand primarily because of decreased capital assets expenditures towards vehicles and software of \$62 thousand, as well as decreases in operating. Cooperative extension decreased by over \$265 thousand mainly due to decreased services relating to the juvenile justice grant of over \$311 thousand, offset in part by increased expenditures on contracted services.
- Human services' expenditures decreased by \$230,939 (0.25 percent). This decrease is due to the increase in public health of \$1,008,956 (4.25 percent) in salaries, benefits, contracted services for administration and education, and noncapital computer expense, offset by decreases in social services of \$694,321 (1.14 percent) primarily because of decreases in operating expenses for the fiscal year and mental health of \$497,495 (7.41 percent) due to the decrease in the amount paid for contracted services to Alliance Behavioral Healthcare, Inc. for the provision of mental health services for Durham County citizens. There was a slight decrease in other human services of over \$48 thousand.
- Education increased by \$3,588,216 (2.73 percent) from the prior fiscal year. Of this increase, Durham Public Schools and Durham Technical Community College received increased funding for operating expenditures of \$3,291,351 and \$367,425, respectively.
- Cultural and recreational increased by \$640,858 (5.18 percent), with over \$326 thousand of this increase for the library system because of increased services, technology, and resources spending, and in part due to increased library youth services of \$83 thousand. There was an increase in other cultural and recreational of over \$314 thousand primarily due to \$333 thousand in funding for the newly established Durham Tourism Development Authority.
- Environmental protection decreased by \$368,463 (7.59 percent) primarily due to a decrease in expenditures for environmental engineering of over \$380 thousand due primarily to land expenditures in prior year of over \$306 thousand, offset in part by a slight increase in other of over \$13 thousand.

The Community Health Trust Fund has a total fund balance of \$5,188,006, all of which is financing resources to be used for health related operating and capital expenditures as directed and approved by the Board of County Commissioners. The net decrease in fund balance during the current year in the community health trust fund was \$1,220,439. The decrease in fiscal year 2017 was less than the decrease in fiscal year 2016 by over \$1.4 million. This was due to a decrease in transfers out of over

\$1.1 million, due to decreased health-related funding for fiscal year 2017, combined with increased investment earnings of over \$261 thousand. The increase in investment earnings is a result of maintaining a greater proportion of the invested amount than prior year due to reduced transfers out as compared to prior year, as well as the market since these funds are managed by investment managers in the market as approved by special legislation.

In fiscal year 2017, the primary revenue activity was the recognition of the annual amount from the lease (\$3,950,000). In addition, there was the recognition of a gain in investment earnings (\$19,157). Operating financing uses, transfers out of (\$5,189,596) also occurred. \$3,950,000 of this amount was a transfer into the general fund as a funding source for health-related expenditures for Emergency Medical Services. The balance of \$1,239,596 was a transfer into the capital projects fund as a funding source for a health-related construction project for emergency medical services. 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 2017, because of the needed assistance in funding health related costs, the BOCC voted to waive allocating only a percentage of the earnings from the previous calendar year for fiscal year 2017. 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 \$27,729,251, all of which is financing resources to be used for the acquisition, construction or improvement of major capital facilities other than those financed by proprietary funds. The net increase in fund balance during the current year in the capital projects' fund was \$254,261 due primarily to funding for the fiscal year of intergovernmental revenues, transfers in, and the issuance of installment purchases being slightly more than the expenditures for the acquisition, construction or improvement of major capital facilities for the County, School System, Durham Technical Community College and Museum of Life and Science. The County's activity was recorded to construction in progress in capital assets of the County while the Schools System's, Durham Technical Community College's and the Museum of Life and Science's activity was recorded in their capital assets as they hold title to those assets.

The primary revenue activity was the recognition of other financing sources, the issuance of installment purchases (\$30,359,908) and transfers (\$13,791,947). The fund also recognized intergovernmental revenues (\$5,086,832) and investments (\$116,285). For expenditures, there was construction activity in the amount of \$47,187,222. In addition, there were other financing uses in the transfer of \$5,713,489 from the capital projects fund to the debt service fund. The construction activity was primarily for environmental protection, education, general government in amounts of \$19,373,102, \$16,487,182, and \$6,326,738, respectively. Construction activity also occurred for cultural and recreational, public safety, and economic and physical development in the amounts of \$2,491,917, \$1,129,611, and \$993,140, respectively.

The Debt Service Fund has a total fund balance of \$8,051,571, all of which is financing resources to be used for the retirement of the County's general long-term debt other than debt issued for and serviced by proprietary funds. The net increase in fund balance during the current year in the debt service fund was \$680,071 due primarily because the revenues and other financing sources was

slightly more than the annual retirement of the principal and interest of the County's general long-term debt and other financing uses.

The primary funding activity was the recognition of other financing sources, the issuance of refunding bonds (\$96,460,000), the premium on the issuance of the refinancing (\$17,940,846) and transfers (\$61,149,701). The fund also recognized intergovernmental revenues (\$482,463), charges for services (\$567,610) and investments (\$91,731). In the expenditures, there was principal and interest for the retirement of general long-term debt in the amounts of \$37,427,611 and \$18,653,456, respectively. In addition, there were debt issuance costs for the refunding bonds of \$617,443. The payment to refund the debt was \$115,022,770. Other financing uses, transfers was \$4,291,000.

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

At the end of the fiscal year, unrestricted net position of the sewer utility fund amounted to \$33,334,232. There was an increase in total net position of \$4,514,694. Other factors concerning the finances of this fund have already been addressed in the discussion of Durham County's business-type activities.

Refer to page 6 for discussion on the closing of the Rougemont Community Water System fund into the General fund in fiscal year 2017.

### **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 \$10,874,169 and can be summarized briefly as follows:

- \$539,577 in increases allocated to general administration were largely due to increases to honor commitments from fiscal year 2016 coupled with increases in appropriations primarily for salaries and benefits associated with the newly created HIPPA Compliance Officer position, the funding for the OpenText and Fiscal Technologies forensics software to further improve business processes and strengthen internal controls, as well as pay plan adjustments for compensation leave payouts and benefits.
- \$3,059,598 in increases allocated to public safety were primarily to honor commitments from fiscal year 2016, to appropriate unspent restricted funds in fiscal year 2017, to fund additional contracted services to support collection agency costs of EMS revenues, pay plan adjustments for EMS staff, and year end compensation leave payout for public safety staff, as well as to provide additional

services in the Sheriff Office, Animal Protective Services, and Criminal Justice Resource Center such as the State Criminal Alien Assistance Program, Healthy Animal Initiative, Justice and Mental Health Collaboration Grant, and the Safety and Justice Challenge Network Innovation Fund to implement an automated notification system for Durham County's criminal courts. These additional services were funded through the recognition of new grants and additional federal and state awards.

- \$191,669 in decreases allocated to economic and physical development were primarily the result of the reclassification of the Project BUILD Program to Public Health which is in the human services functional area offset with increases in appropriations to honor commitments from fiscal year 2016, and to appropriate unspent restricted funds in fiscal year 2017.
- \$52,033 in increases allocated to environmental protection were primarily to honor commitments from fiscal year 2016 and to appropriate funds as a result of the closure of the Rougemont Community Water System Fund for the provision of these services in the General Fund.
- \$5,674,551 in increases allocated to human services were primarily because of increases in social services, public health, and other human services (Transportation Access). The increases were to honor commitments from fiscal year 2016, to appropriate unspent restricted funds in fiscal year 2017, and the reclassification of the Project BUILD program from Cooperative Extension to Public Health. Additionally, funds were appropriated to provide a variety of increased services in social services, public health, and Durham County ACCESS such as HIV-STD prevention, viral disease planning, the positive parenting program, nutritional education for incarcerated individuals, funds for the implementation of the Durham Integrated Domestic Violence Response System Program, funds for the Community Response Program, funds for the Triple P (Positive Parenting Program), and funds to support Bull City United (Durham's Cure Violence Program). The increased level of services were funded for the most part through the recognition of new grants, donations and additional federal and state awards.
- \$618,584 in increases allocated to cultural and recreational were primarily to honor commitments from fiscal year 2016, to appropriate unspent restricted funds in fiscal year 2017, and to appropriate funds for The Durham Convention and Visitors Bureau related to reimbursement of lease payments and maintenance expenditures.
- \$500,000 in increases allocated to transportation were for increases in funding for specific purposes, programs and projects as set forth in the Durham Bus and Rail Investment Plan (Plan). The Plan is funded by the \$7 vehicle registration tax. The funding is distributed to the regional public transportation authority, GoTriangle, who is responsible for administering the Plan.
- \$621,495 in increases in operating transfers was to support the County's contribution to various capital projects, including transfers to the Pay-As-You-Go Capital Fund for the Main Library Upgrade Project and the EMS Station #1 Renovation Project.

Of this net increase, \$4,029,423 was to be funded from intergovernmental revenues, taxes increased \$500,000, charges for services increased \$90,000, other revenues increased \$207,655, and operating transfers in funding increased by \$451,363. The remaining \$5,595,728 was to be budgeted from available fund balance. During the year, revenues exceeded budgetary estimates by \$3,161,186 while other financing sources did not exceed budgetary estimates by \$273,145; however, expenditures were far less than budgetary estimates with a positive variance of \$25,299,585, thus eliminating the need to draw upon existing fund balance.

## Capital Asset and Debt Administration

**Capital assets.** Durham County's capital assets for its governmental and business-type activities as of June 30, 2017 totals \$495,268,688 (net of accumulated depreciation). These assets include land, easements, buildings, water systems, improvements, office furniture and equipment, machinery and equipment, computer hardware, computer software, vehicles and construction in progress. The total increase in the County's net capital assets for the current fiscal year was \$17,197,587 (3.60 percent). Governmental activities' increased \$19,433,854 (4.81 percent) and business-type activities decreased by \$2,236,267 (3.02 percent).

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

- Construction continued on the collection systems rehabilitation in the amount of \$494,359 and the waste water treatment plant land purchase project in the amount of \$39,410.
- Construction for the Durham Public School Projects continued in fiscal year 2017 in the amount of \$10,022,997. Of this expenditure amount, \$406,607 is related to school system projects that were completed and closed during the year. The County did not capitalize this construction activity because the County does not hold title to these properties.
- Construction for the Whitted School continued in fiscal year 2017 in the amount of \$4,572,158. The County did not capitalize this construction activity because the County does not hold title to this property.
- Construction for Durham Technical Community College projects for campus improvements, expansion, and building renovations occurred in fiscal year 2017 in the amount of \$1,892,028. The County did not capitalize this construction activity because the County does not hold title to this property.
- Construction for the Museum of Life and Science occurred in fiscal year 2017 in the amount of \$540,036. Construction occurred for the new museum parking deck project in the amount of 505,563, with the remaining balance for the Museum of Life and Science improvements. The County did not capitalize this construction activity because the County does not hold title to this property.
- Other construction activity for cultural and recreational expenses other than for the Museum occurred. Construction of the Main Library Upgrade continued in fiscal year 2017 in the amount of \$1,944,382, with the remaining balance of the activity for the Stanford L. Warren library upgrade.
- Construction for the RTP Triangle Foundation Park Center occurred in fiscal year 2017 in the amount of \$993,140, for economic and physical development. The County did not capitalize this construction activity because the County does not hold title to this property.
- Construction activity for environmental protection occurred in the amount of \$19,373,102 in environmental engineering primarily for the judicial buildings renovation – phase II

(\$17,539,487), New Junction Road Industrial project (\$1,279,487), and the Lincoln Community Health Center (LCHC) phase II renovations project (\$385,208). Other activity occurred on the, open space and farmland preservation, Hollow Rock/New Hope project, human services complex, administration building refurbishment, and downtown parking deck project.

- Construction activity for general government occurred in the amount of \$6,326,738. Of this amount, the County capitalized \$6,022,180. The remaining amount of \$304,556 was not capitalized as the County does not hold title to these properties. Of the construction activity that was capitalized for general government, the major activity was the 16 County IT hardware upgrade (\$2,860,226), the Rougemont Community Water System (\$512,414) which was closed in FY17, ongoing roof replacement (\$1,600,479) new justice center (\$163,536) ongoing HVAC replacement (\$346,207), and the County Building Envelope upgrades (\$105,000). Other activity on County owned projects occurred in the 12 County IT hardware upgrade (\$140,346), HCM SAP Software upgrade project (\$125,779), ongoing parking resurfacing, Jail Elevator upgrade, 16 telecommunications upgrade, 16 Sheriff Technology upgrade, computer software, and the County storage facility. Activity on projects not owned by the County was the W.G. Pearson/Student U renovation (\$163,670). Other activity occurred on projects not owned by the County in scattered site housing and single family rehabilitation.
- Construction activity for public safety occurred in the amount of \$1,129,611. Of this amount, the County capitalized \$129,611 which was for the Detention Center renovations in the amount of \$78,565 and the EMS Station #1 renovations in the amount of \$51,046. The remaining amount of \$1 million for the County's share of the E911 Facility Project was not capitalized as the County does not hold title to this property.
- Major capital asset increases net of disposals occurred in the asset classes of vehicles (\$2,218,516), machinery and equipment (\$5,083,815), and computer hardware (\$1,713,597) in governmental activities.
- Water systems for governmental activities increased in the amount of \$2,406,929 as the Rougemont Community Water System was completed and began operation in fiscal year 2017.
- Buildings for governmental activities increased by \$2,656,918 due to the completion of construction on County buildings during the fiscal year.
- There was contributed capital in the amount of \$42,925 for fiscal year 2017 for business-type activities.



**DURHAM COUNTY'S CAPITAL ASSETS**  
(Net of Depreciation)

	Governmental		Business - type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 8,673,131	\$ 8,673,131	\$ 185,226	\$ 185,226	\$ 8,858,357	\$ 8,858,357
Easements	1,857,991	1,857,991	5,000	5,000	1,862,991	1,862,991
Improvements- water and sewer lines	-	-	27,220,664	13,543,047	27,220,664	13,543,047
Buildings	231,462,801	142,176,515	56,854,766	50,131,834	288,317,567	192,308,349
Water systems	2,406,929	-	-	-	2,406,929	-
Office furniture and equipment	3,008,753	951,534	-	-	3,008,753	951,534
Machinery and equipment	12,734,488	2,860,628	855,173	249,388	13,589,661	3,110,016
Computer hardware	5,754,850	163,634	36,416	321	5,791,266	163,955
Computer software	16,375,974	2,222,523	48,830	-	16,424,804	2,222,523
Vehicles	20,237,864	7,230,713	364,733	43,799	20,602,597	7,274,512
Construction in progress	251,502,396	237,833,328	10,476,257	9,942,489	261,978,653	247,775,817
<b>Total</b>	<b>\$ 554,015,177</b>	<b>\$ 403,969,997</b>	<b>\$ 96,047,065</b>	<b>\$ 74,101,104</b>	<b>\$ 650,062,242</b>	<b>\$ 478,071,101</b>

Additional information on the County's capital assets can be found in Note D on pages 75-77 of this report.

**Long-term debt.** At the end of the current fiscal year, Durham County had total debt outstanding of \$536,229,979. Of this amount, \$288,450,361 comprises bonded debt backed by the full faith and credit of the government. Also included is \$8,125,000 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 \$206,894,554, installment notes in the amount of \$5,632,677, general obligation bond anticipation notes of \$16,470,518 and other financing agreements in the amount of \$10,656,869. The general obligation bond anticipation notes are also backed by the full faith and credit of the government.

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

	Activities		Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 288,086,321	\$ 271,397,457	\$ 364,040	\$ 496,658	\$ 288,450,361	\$ 271,894,115
Revenue bonds	-	-	8,125,000	8,830,000	8,125,000	8,830,000
Certificates of participation	206,894,554	218,034,927	-	-	206,894,554	218,034,927
Installment notes payable	22,103,195	29,342,347	-	-	22,103,195	29,342,347
Other financing agreements	57,443	67,401	10,599,426	11,270,571	10,656,869	11,337,972
<b>Total</b>	<b>\$ 517,141,513</b>	<b>\$ 518,842,132</b>	<b>\$ 19,088,466</b>	<b>\$ 20,597,229</b>	<b>\$ 536,229,979</b>	<b>\$ 539,439,361</b>

The County's total debt excluding accrued compensated absences, net OPEB obligation, net LGERS pension obligation, and LEOWSA total pension obligation decreased by \$3,209,382 (0.59 percent) during the current fiscal year. The key factors in this decrease were the annual retirement of governmental and business-type activities debt, the issuance of \$30,359,908 in general obligation bond anticipation notes and \$3,800,000 in taxable general obligation bonds. There was a debt refunding that occurred in fiscal year 2017 through the issuance of general obligation bonds; however, they had no significant impact on the carrying value of debt. This is because of the premium that was received on the general obligation bonds refunding combined with the amount the County contributed towards the debt refunding.

The County maintains bond ratings from Moody's Investors Service, Inc. and Standard & Poor's Rating Services of Aaa and AAA, respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the County is \$2,818,427,620, leaving a legal debt margin of \$2,566,157,620. The net bonded debt per capita is \$956.

Additional information on the County's long-term debt can be found in Note E on pages 78-85 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 2017, which is a decrease from a rate of 4.7 percent as of June 2016. The County's unemployment rate is lower than the state's and nation's unemployment rate of 4.2 percent and 4.4 percent, respectively, as of June 2017.
- The construction activity for non-residential and residential construction was over \$1.39 billion for calendar year 2016 compared to over \$1.1 billion for the calendar year 2015.
- The manufacturing sector employment had minor decrease of 4.74 percent (1,137 positions) for calendar year 2016 (22,845) compared to calendar year 2015 (23,982).

- Reported retail sales are reported on total taxable sales based on sales and use tax returns. The total taxable sales for Durham County for 2017 reported were \$6,884,030 compared to \$6,458,506 reported for fiscal year 2016, an increase of \$425,524 (6.59 percent). Total taxable sales are reported in thousands of dollars. The increase in retail sales is another indication of the County's strong economy.
- Economic development announcements for 2016 were over \$875 million, and economic announcements occurring through the third quarter of 2017 amounted to over \$500 million.
- The per capita income for Durham MSA for 2015 is \$44,507, an increase of 3.92 percent over 2014. Raleigh has a per capita income of \$48,411. The per capita for the State increased from 2014 to 2015 to \$40,759, an increase of 3.54 percent, while the per capita for the nation increased to \$49,827, an increase of 3.56 percent. The source for this information is the Bureau of Economic Analysis (BEA).
- Inflationary trends in the region compare favorably to the national indices.

All of these factors were considered in preparing the County's budget for the 2018 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$159,274,677 or 36.61 percent of total general fund expenditures, an increase of \$12,973,380 or 8.87 percent from the previous fiscal year. The County has appropriated \$14,421,763 of this amount for spending in the 2018 fiscal year budget. The County completed a reappraisal that was effective for the 2016 tax year which is levied in the 2017 fiscal year. For fiscal year 2017, the property tax collection percentage established by the revaluation remains consistent at 99.60%, with the overall property valuation increasing by only 1.56 percent. The tax rate assessed for the 2018 fiscal year is \$0.7679, an increase of \$0.0275 from the prior fiscal year. Also, there were various fee adjustments in general fund charges for services for the 2018 fiscal year in the departments of public health, board of elections, sheriff, emergency medical services. In addition, there were several new charges for services added for the board of elections, emergency medical services, and public health. Transfers from the special revenue funds are budgeted for the 2018 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2018 fiscal year as a funding source for health related spending.

The sewer rates were increased for the 2018 budget year in the sewer utility fund. The sewer rates were increased by 2.5 percent for all customers, both residential and industrial, effective July 1, 2017. These rate increases were necessary to maintain operations and sufficient funds to service debt. The capital recovery charges were increased by 1.8 percent, effective July 1, 2017. The capital recovery charge is fee for existing facility capital reimbursement based on flow allocation to new users. The monitoring charge for BOD5 was increased by \$2.00 and the monitoring charge for gallium and indium was increased by \$6.00. The increase in monitoring charges are to match the charges we receive from the contract laboratory used. All other sewer utility charges remained the same.

## **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, 200 East Main Street, Floor 4M, Durham, NC 27701. You can also visit our website at <http://www.dconc.gov>.

**THIS PAGE LEFT INTENTIONALLY BLANK**

**BASIC FINANCIAL STATEMENTS  
(DIVIDER)**

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Position

June 30, 2017

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
<b>Assets</b>				
Cash and cash equivalents / investments	\$ 219,770,986	\$ 32,841,148	\$ 252,612,134	\$ 6,272,293
Cash and cash equivalents / investments - restricted	13,023,758	1,332,847	14,356,605	-
Receivables:				
Accounts receivable	1,797,132	474,044	2,271,176	7,563
Accrued interest receivable	460,357	38,282	498,639	-
Net property taxes receivable	1,690,440	-	1,690,440	-
Solid waste receivable	24,437	-	24,437	-
Animal taxes receivable	316,619	-	316,619	-
Water services receivable	1,440	-	1,440	-
Net emergency medical services receivable	2,466,821	-	2,466,821	-
WSR loan receivable	2,376,169	-	2,376,169	-
Inventory	923,790	-	923,790	2,781,338
Due from other governments - federal and state agencies	22,205,283	64,710	22,269,993	-
Due from other governments - local	3,389,426	772,865	4,162,291	-
Prepaid expenses	86,654	3,440	90,094	304,220
Investment in joint venture	10,328,975	-	10,328,975	-
Pension assets - ROD Supplemental Plan	581,930	-	581,930	-
Derivative financial instrument	5,197,820	-	5,197,820	-
Capital assets:				
Nondepreciable:				
Land	8,673,131	185,226	8,858,357	2,274,417
Easements	1,857,991	5,000	1,862,991	-
Construction in progress	251,502,396	10,476,257	261,978,653	-
Depreciable:				
Land improvements - sewer lines and systems	-	27,220,664	27,220,664	-
Buildings	231,462,801	56,854,766	288,317,567	3,667,500
Water systems	2,406,929	-	2,406,929	-
Office furniture and equipment	3,008,753	-	3,008,753	-
Machinery and equipment	12,734,488	855,173	13,589,661	1,640,338
Computer hardware	5,754,850	36,416	5,791,266	-
Computer software	16,375,974	48,830	16,424,804	-
Vehicles	20,237,864	364,733	20,602,597	243,278
Leasehold improvements	-	-	-	1,562,444
Accumulated depreciation	(130,611,326)	(24,182,228)	(154,793,554)	(3,275,290)
<b>Total assets</b>	<b>708,045,888</b>	<b>107,392,173</b>	<b>815,438,061</b>	<b>15,478,101</b>
<b>Deferred outflows of resources</b>				
Contributions to pension plan in current fiscal year - ROD	27,235	-	27,235	-
Contributions to pension plan in current fiscal year - LGERS	7,119,033	85,070	7,204,103	-
Contributions to pension plan in current fiscal year - LEOSSA	185,771	-	185,771	-
ROD pension deferrals	156,653	-	156,653	-
LGERS pension deferrals	22,481,021	271,051	22,752,072	558,485
Unamortized loss on refundings	21,999,407	440,886	22,440,293	-
<b>Total deferred outflows of resources</b>	<b>51,969,120</b>	<b>797,007</b>	<b>52,766,127</b>	<b>558,485</b>
<b>Liabilities</b>				
Accounts payable	11,984,254	599,652	12,583,906	990,884
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	3,558,063	54,396	3,612,459	-
Accrued payroll and related amounts withheld	3,959,660	52,223	4,011,883	58,980
Due to other governments - federal and state agencies	21,097	-	21,097	836,698
Due to other governments - local	520,000	-	520,000	1,130,354
Security deposits	275,169	-	275,169	-
Retiree and COBRA prepaid benefit contributions	181,696	-	181,696	-
Escrow - register of deeds	148,772	-	148,772	-
Other liabilities	-	-	-	340,922
Long-term liabilities:				
Accrued compensated absences due within one year	4,937,280	65,351	5,002,631	-
Bonds and other notes payable due within one year	41,715,298	1,428,033	43,143,331	488,571
Net pension liability - LGERS	33,188,255	386,466	33,574,721	625,664
Total pension liability - LEOSSA	6,124,839	-	6,124,839	-
Net OPEB obligation	61,793,606	-	61,793,606	-
Accrued compensated absences	3,000,355	1,403	3,001,758	117,568
Bonds and other notes payable	475,426,215	17,660,433	493,086,648	669,963
<b>Total liabilities</b>	<b>646,834,559</b>	<b>20,260,957</b>	<b>667,095,516</b>	<b>5,259,604</b>
<b>Deferred inflows of resources</b>				
Prepaid taxes	959,447	-	959,447	-
ROD pension deferrals	35,817	-	35,817	-
LGERS pension deferrals	1,132,585	43,886	1,176,471	37,827
LEOSSA pension deferrals	110,222	-	110,222	-
<b>Total deferred inflows of resources</b>	<b>2,238,071</b>	<b>43,886</b>	<b>2,281,957</b>	<b>37,827</b>
<b>Net position</b>				
Net investment in capital assets	171,070,634	53,217,258	224,287,892	4,954,153
Restricted for:				
Stabilization by State Statute	39,622,822	-	39,622,822	-
Capital projects	10,000,747	1,332,847	11,333,594	-
Grants and technology	2,779,483	-	2,779,483	-
Fire services	243,528	-	243,528	-
Working capital	-	-	-	1,061,280
Unrestricted net position	(112,774,836)	33,334,232	(79,440,604)	4,723,772
<b>Total net position</b>	<b>\$ 110,942,378</b>	<b>\$ 87,884,337</b>	<b>\$ 198,826,715</b>	<b>\$ 10,739,155</b>

**DURHAM COUNTY, NORTH CAROLINA**  
**Statement of Activities**  
**Year Ended June 30, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Durham County ABC Board
	Expenses	Charges for Services	Operating	Capital	Primary Government		Total	
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities		
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 64,194,870	\$ 13,196,914	\$ 5,686,528	\$ 1,260,807	\$ (44,050,621)	\$ -	\$ (44,050,621)	\$ -
Public safety	75,533,420	12,301,993	4,840,111	-	(58,391,316)	-	(58,391,316)	-
Transportation	353,001	-	-	-	(353,001)	-	(353,001)	-
Economic and physical development	7,368,799	52,116	334,540	-	(6,982,143)	-	(6,982,143)	-
Environmental protection	5,966,371	3,298,084	74,244	2,004,287	(589,756)	-	(589,756)	-
Human services	93,649,136	5,096,785	48,568,587	-	(39,983,764)	-	(39,983,764)	-
Education	149,192,760	-	-	1,821,738	(147,371,022)	-	(147,371,022)	-
Cultural and recreational	14,802,765	386,919	287,840	-	(14,128,006)	-	(14,128,006)	-
Interest and fiscal charges	12,999,003	-	-	-	(12,999,003)	-	(12,999,003)	-
Total governmental activities	424,060,125	34,332,811	59,791,850	5,086,832	(324,848,632)	-	(324,848,632)	-
Business-type activities:								
Sewer utility	7,970,882	12,331,995	-	42,925	-	4,404,038	4,404,038	-
Total business-type activities	7,970,882	12,331,995	-	42,925	-	4,404,038	4,404,038	-
<b>Total primary government</b>	<b>\$ 432,031,007</b>	<b>\$ 46,664,806</b>	<b>\$ 59,791,850</b>	<b>\$ 5,129,757</b>	<b>(324,848,632)</b>	<b>4,404,038</b>	<b>(320,444,594)</b>	<b>-</b>
<b>Component units:</b>								
Durham County ABC Board	\$ 34,998,527	\$ 36,072,852	\$ -	\$ -	-	-	-	1,074,325
<b>Total component units</b>	<b>\$ 34,998,527</b>	<b>\$ 36,072,852</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,074,325</b>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					262,886,545	-	262,886,545	-
Property taxes, levied for fire districts					7,870,019	-	7,870,019	-
Property taxes, levied for other districts purposes					1,219,855	-	1,219,855	-
Local option sales tax					76,855,214	-	76,855,214	-
Occupancy tax					3,961,343	-	3,961,343	-
Gross receipts tax					479,899	-	479,899	-
Vehicle registration tax					340,501	-	340,501	-
Investment and interest income					(1,149,566)	110,656	(1,038,910)	323
Other revenues					1,090,502	-	1,090,502	22,408
Total general revenues					353,554,312	110,656	353,664,968	22,731
Change in net position					28,705,680	4,514,694	33,220,374	1,097,056
Net position, beginning, previously reported					88,038,233	83,369,643	171,407,876	9,642,099
Adjustments (Note O):								
Restatement					(5,801,535)	-	(5,801,535)	-
Net position, beginning, restated					82,236,698	83,369,643	165,606,341	9,642,099
Net position, ending					\$ 110,942,378	\$ 87,884,337	\$ 198,826,715	\$ 10,739,155



DURHAM COUNTY, NORTH CAROLINA

**Balance Sheet  
Governmental Funds  
June 30, 2017**

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents / investments	\$ 173,464,247	\$ 5,188,006	\$ 25,925,505	\$ 8,022,059	\$ 2,608,530	\$ 215,208,347
Cash and cash equivalents / investments - restricted	2,779,483	-	10,000,747	-	243,528	13,023,758
Receivables:						
Accounts receivable	1,796,584	-	-	548	-	1,797,132
Net property taxes receivable	1,641,809	-	-	-	48,631	1,690,440
Solid waste receivable	24,437	-	-	-	-	24,437
Animal taxes receivable	316,619	-	-	-	-	316,619
Water services receivable	1,440	-	-	-	-	1,440
Net emergency medical services receivable	2,466,821	-	-	-	-	2,466,821
WSR loan receivable	-	-	2,376,169	-	-	2,376,169
Inventory	923,790	-	-	-	-	923,790
Due from other governments - federal and state agencies	21,560,741	-	580,337	28,964	35,241	22,205,283
Due from other governments - local	3,389,426	-	-	-	-	3,389,426
Due from capital project fund	4,140,424	-	-	-	-	4,140,424
Prepaid expenditures	86,654	-	-	-	-	86,654
Total assets	<u>\$ 212,592,475</u>	<u>\$ 5,188,006</u>	<u>\$ 38,882,758</u>	<u>\$ 8,051,571</u>	<u>\$ 2,935,930</u>	<u>\$ 267,650,740</u>
<b>Liabilities</b>						
Accounts payable	\$ 7,346,996	\$ -	\$ 4,636,914	\$ -	\$ 344	\$ 11,984,254
Accrued payroll and related amounts withheld	3,959,660	-	-	-	-	3,959,660
Due to other governments - federal and state agencies	21,097	-	-	-	-	21,097
Due to other governments - local	520,000	-	-	-	-	520,000
Due to general fund	-	-	4,140,424	-	-	4,140,424
Security deposits	275,169	-	-	-	-	275,169
Retiree and COBRA prepaid benefit contributions	181,696	-	-	-	-	181,696
Escrow - register of deeds	148,772	-	-	-	-	148,772
Total liabilities	<u>12,453,390</u>	<u>-</u>	<u>8,777,338</u>	<u>-</u>	<u>344</u>	<u>21,231,072</u>
<b>Deferred inflows of resources</b>						
Prepaid taxes	889,069	-	-	-	70,378	959,447
Net property taxes receivable	1,641,809	-	-	-	48,631	1,690,440
Solid waste receivable	24,437	-	-	-	-	24,437
Animal taxes receivable	316,619	-	-	-	-	316,619
Water services receivable	1,440	-	-	-	-	1,440
Net emergency medical services receivable	2,466,821	-	-	-	-	2,466,821
WSR loan receivable	-	-	2,376,169	-	-	2,376,169
Total deferred inflows of resources	<u>5,340,195</u>	<u>-</u>	<u>2,376,169</u>	<u>-</u>	<u>119,009</u>	<u>7,835,373</u>
<b>Fund balances</b>						
Non-spendable:						
Inventories	923,790	-	-	-	-	923,790
Prepaid expenditures	86,654	-	-	-	-	86,654
Restricted:						
Stabilization by State Statute	34,513,769	-	5,079,541	29,512	-	39,622,822
Museum	694,053	-	-	-	-	694,053
Tax technology	180,135	-	-	-	-	180,135
Sheriff	99,245	-	-	-	-	99,245
Fire marshal	2,914	-	-	-	243,528	246,442
Public health programs	389,392	-	-	-	-	389,392
Social services programs	629,087	-	-	-	-	629,087
Environmental protection programs	93,476	-	-	-	-	93,476
Register of deeds	680,567	-	-	-	-	680,567
Special Butner	8,703	-	-	-	-	8,703
Youth home programs	1,911	-	-	-	-	1,911
Education	-	-	761	-	-	761
Committed:						
Risk management	7,899,218	-	-	-	-	7,899,218
Public health	151	-	-	-	-	151
Debt service	18,716,415	-	-	-	-	18,716,415
Sheriff inmate	381,012	-	-	-	-	381,012
Education: Article 46	1,289,189	-	-	-	-	1,289,189
OPEB	48,699,722	-	-	-	-	48,699,722
Self-insured health benefits	1,473,928	-	-	-	-	1,473,928
Reappraisal reserve	187,668	-	-	-	-	187,668
LEO Special Separation Allowance	1,983,825	-	-	-	-	1,983,825
Assigned, reported in:						
General fund	14,421,763	-	-	-	-	14,421,763
Community health trust fund	-	5,188,006	-	-	-	5,188,006
Capital projects fund	-	-	22,648,949	-	-	22,648,949
Debt service	-	-	-	8,022,059	-	8,022,059
Assigned, reported in nonmajor:						
Special revenue	-	-	-	-	2,573,049	2,573,049
Unassigned, general	61,442,303	-	-	-	-	61,442,303
Total fund balances	<u>194,798,890</u>	<u>5,188,006</u>	<u>27,729,251</u>	<u>8,051,571</u>	<u>2,816,577</u>	<u>238,584,295</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 212,592,475</u>	<u>\$ 5,188,006</u>	<u>\$ 38,882,758</u>	<u>\$ 8,051,571</u>	<u>\$ 2,935,930</u>	<u>\$ 267,650,740</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
June 30, 2017**

---

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

Total fund balance - governmental funds	\$ 238,584,295
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	433,732,826
Other long-term assets used in governmental activities are not a current financial resource and, therefore, are not reported in the funds.	5,779,750
Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.	51,969,120
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	11,438,565
Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.	(1,278,624)
Long-term liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.	(629,283,554)
Net position of governmental activities	<u>\$ 110,942,378</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, 2017

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 344,906,054	\$ -	\$ -	\$ -	\$ 9,089,860	\$ 353,995,914
Licenses and permits	1,393,097	-	-	-	-	1,393,097
Intergovernmental revenues	58,968,170	-	5,086,832	482,463	341,217	64,878,682
Investments	3,733,571	19,157	116,285	91,731	25,140	3,985,884
Rent	972,562	-	-	-	-	972,562
Charges for services	27,337,639	3,950,000	-	567,610	-	31,855,249
Other revenues	1,090,502	-	-	-	-	1,090,502
Total revenues	<u>438,401,595</u>	<u>3,969,157</u>	<u>5,203,117</u>	<u>1,141,804</u>	<u>9,456,217</u>	<u>458,171,890</u>
<b>Expenditures</b>						
Current:						
General government	54,395,897	-	6,326,738	-	-	60,722,635
Public safety	66,162,654	-	1,129,611	-	3,625,190	70,917,455
Transportation	353,001	-	-	-	-	353,001
Economic and physical development	5,145,544	-	993,140	-	1,211,792	7,350,476
Environmental protection	4,487,423	-	19,373,102	-	-	23,860,525
Human services	92,909,696	-	-	-	-	92,909,696
Education	134,879,723	-	16,487,182	-	-	151,366,905
Cultural and recreational	13,017,397	-	2,491,917	-	-	15,509,314
Debt service:						
Principal retirement	-	-	-	37,427,611	-	37,427,611
Interest and fiscal charges	-	-	-	18,653,456	-	18,653,456
Debt issuance costs	-	-	385,532	617,443	-	1,002,975
Total expenditures	<u>371,351,335</u>	<u>-</u>	<u>47,187,222</u>	<u>56,698,510</u>	<u>4,836,982</u>	<u>480,074,049</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>67,050,260</u>	<u>3,969,157</u>	<u>(41,984,105)</u>	<u>(55,556,706)</u>	<u>4,619,235</u>	<u>(21,902,159)</u>
<b>Other financing sources (uses)</b>						
Transfers in	8,699,617	-	13,791,947	61,149,701	-	83,641,265
Transfers out	(63,697,563)	(5,189,596)	(5,713,489)	(4,291,000)	(4,749,602)	(83,641,250)
Issuance of bonds	-	-	3,800,000	-	-	3,800,000
Issuance of installment purchases	-	-	30,359,908	-	-	30,359,908
Premium on issuance of refinancing	-	-	-	17,940,846	-	17,940,846
Issuance of refunding bonds	-	-	-	96,460,000	-	96,460,000
Payment to refunded debt escrow agent	-	-	-	(115,022,770)	-	(115,022,770)
Total other financing sources (uses)	<u>(54,997,946)</u>	<u>(5,189,596)</u>	<u>42,238,366</u>	<u>56,236,777</u>	<u>(4,749,602)</u>	<u>33,537,999</u>
<b>Net change in fund balances</b>	<u>12,052,314</u>	<u>(1,220,439)</u>	<u>254,261</u>	<u>680,071</u>	<u>(130,367)</u>	<u>11,635,840</u>
<b>Fund balance - beginning</b>	<u>182,746,576</u>	<u>6,408,445</u>	<u>27,474,990</u>	<u>7,371,500</u>	<u>2,946,944</u>	<u>226,948,455</u>
<b>Fund balance - ending</b>	<u>\$ 194,798,890</u>	<u>\$ 5,188,006</u>	<u>\$ 27,729,251</u>	<u>\$ 8,051,571</u>	<u>\$ 2,816,577</u>	<u>\$ 238,584,295</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, 2017**

---

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

Net changes in fund balances - total governmental funds	\$ 11,635,840
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.	18,418,841
Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.	31,520,639
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,515,244)
Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.	1,873,866
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(29,228,262)
Change in net position of governmental activities	<u>\$ 28,705,680</u>

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

**DURHAM COUNTY, NORTH CAROLINA**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
<b>Revenues</b>				
Taxes				
Current levy	\$ 259,109,390	\$ 259,109,390	\$ 261,896,586	\$ 2,787,196
Prior years' levy	764,660	764,660	733,818	(30,842)
Tax penalties and interest	520,000	520,000	501,610	(18,390)
Advertising and selling	10,000	10,000	26,651	16,651
Payments in lieu of taxes	45,000	45,000	51,507	6,507
Local option sales tax	75,085,530	75,085,530	76,855,214	1,769,684
Animal tax	-	-	6,233	6,233
Occupancy tax	3,465,000	3,465,000	3,961,343	496,343
Gross receipts tax	350,000	350,000	479,899	129,899
Vehicle registration tax	-	500,000	340,501	(159,499)
Solid waste tax	30,000	30,000	35,308	5,308
White goods tax	9,000	9,000	17,384	8,384
Total taxes	339,388,580	339,888,580	344,906,054	5,017,474
Intergovernmental revenues				
Beer and wine tax	200,000	200,000	190,173	(9,827)
Social services	43,028,383	45,546,840	38,433,556	(7,113,284)
Public health	5,884,307	7,167,281	8,880,976	1,713,695
Library	297,740	351,540	287,840	(63,700)
ABC Board	2,100,000	2,100,000	2,100,000	-
Other	6,443,689	6,617,881	9,075,625	2,457,744
Total intergovernmental revenues	57,954,119	61,983,542	58,968,170	(3,015,372)
Charges for services				
Register of deeds	4,565,000	4,565,000	4,783,369	218,369
General government charges	6,739,609	6,739,609	6,289,248	(450,361)
Collection fees	1,482,500	1,482,500	1,509,875	27,375
Public protection	1,917,389	1,917,389	1,804,479	(112,910)
Environmental protection	283,250	283,250	67,197	(216,053)
Solid waste fees	2,214,447	2,214,447	2,288,236	73,789
Facilities fees	350,000	350,000	279,264	(70,736)
Library fees and charges	304,500	304,500	265,094	(39,406)
Public health	315,135	315,135	444,086	128,951
Social services	23,100	23,100	3,613	(19,487)
Emergency medical services charges	9,024,035	9,114,035	9,585,561	471,526
Other charges	28,431	28,431	17,617	(10,814)
Total charges for services	27,247,396	27,337,396	27,337,639	243
Investment and rental income				
Investment earnings	2,900,000	2,900,000	3,733,571	833,571
Rent	1,007,024	1,007,024	972,562	(34,462)
Total investment and rental income	3,907,024	3,907,024	4,706,133	799,109
Licenses and permits				
Construction permits	834,250	834,250	847,918	13,668
Cablevision and franchise fees	490,000	490,000	489,246	(754)
Wine and beer licenses	20,000	20,000	20,298	298
Other licenses and permits	15,000	15,000	35,635	20,635
Total licenses and permits	1,359,250	1,359,250	1,393,097	33,847

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, 2017**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
<b>Revenues (continued)</b>				
Other revenues				
Miscellaneous	\$ 421,962	\$ 443,212	\$ 489,027	\$ 45,815
Confiscated property				
federal investigation	-	-	51,265	51,265
Inmate welfare	110,000	110,000	144,190	34,190
Sale of surplus property and materials	-	-	76,587	76,587
Other	25,000	211,405	329,433	118,028
Total other revenues	556,962	764,617	1,090,502	325,885
<b>Total revenues</b>	<b>430,413,331</b>	<b>435,240,409</b>	<b>438,401,595</b>	<b>3,161,186</b>
<b>Expenditures</b>				
General administration				
Board of county commissioners	985,962	784,565	747,285	37,280
County manager	2,249,930	2,667,327	2,577,739	89,588
Finance	3,587,232	4,249,683	3,774,165	475,518
Tax	7,506,473	7,851,449	6,926,639	924,810
Legal	2,374,328	2,464,865	2,383,495	81,370
Court facilities	467,340	470,031	416,361	53,670
Human resources	8,951,022	6,962,926	6,396,716	566,210
Elections	1,587,807	1,901,526	1,895,605	5,921
Risk management and insurance	3,255,664	3,293,261	2,678,630	614,631
General services	13,427,449	14,185,612	12,039,999	2,145,613
Geographic information systems	438,833	438,833	438,833	-
Information systems and technology	7,750,464	8,669,719	7,554,222	1,115,497
Register of deeds	1,867,072	2,231,316	1,809,064	422,252
Other	6,410,194	5,228,234	4,757,144	471,090
Total general administration	60,859,770	61,399,347	54,395,897	7,003,450
Economic and physical development				
Planning	1,064,255	1,064,255	870,250	194,005
Cooperative extension	1,731,233	1,398,747	1,285,461	113,286
Soil and water conservation	566,260	600,306	581,907	18,399
Open space management	77,175	193,096	61,993	131,103
Industrial extension	2,556,908	2,509,758	1,803,198	706,560
Other	582,300	620,300	542,735	77,565
Total economic and physical development	6,578,131	6,386,462	5,145,544	1,240,918
Human services				
Public health	25,588,404	28,098,546	24,722,325	3,376,221
Mental health	6,217,381	6,217,381	6,217,381	-
Social services	65,592,216	68,315,939	60,242,547	8,073,392
Other	1,620,811	2,061,497	1,727,443	334,054
Total human services	99,018,812	104,693,363	92,909,696	11,783,667
Education				
Durham public schools				
Current	126,605,707	126,605,707	126,605,707	-
Capital	1,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	6,601,516	6,601,516	6,601,516	-
Capital	302,500	302,500	302,500	-
Total education	134,879,723	134,879,723	134,879,723	-

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, 2017**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
<b>Expenditures (continued)</b>				
Public safety				
Criminal justice partnership	\$ 4,235,894	\$ 4,417,675	\$ 3,845,324	\$ 572,351
County sheriff	19,687,329	20,718,086	19,436,704	1,281,382
County jail	16,617,292	17,208,784	16,814,377	394,407
Youth home	1,518,850	1,327,051	1,238,259	88,792
Animal control	1,610,812	1,885,205	1,828,839	56,366
Emergency communications center	1,315,305	1,315,305	1,221,819	93,486
Emergency medical services	15,814,610	16,475,560	15,944,575	530,985
County fire protection	6,100,585	6,547,109	5,608,857	938,252
Medical examiner	160,000	225,500	223,900	1,600
Total public safety	<u>67,060,677</u>	<u>70,120,275</u>	<u>66,162,654</u>	<u>3,957,621</u>
Transportation				
Airport authority	12,500	12,500	12,500	-
Go Triangle	-	500,000	340,501	159,499
Total transportation	<u>12,500</u>	<u>512,500</u>	<u>353,001</u>	<u>159,499</u>
Environmental protection				
Solid waste	2,476,996	2,315,912	2,136,027	179,885
Environmental engineering	2,357,927	2,571,044	2,301,203	269,841
Other	50,193	50,193	50,193	-
Total environmental protection	<u>4,885,116</u>	<u>4,937,149</u>	<u>4,487,423</u>	<u>449,726</u>
Cultural and recreational				
Library	11,317,390	11,602,974	10,898,270	704,704
Other	1,786,127	2,119,127	2,119,127	-
Total cultural and recreational	<u>13,103,517</u>	<u>13,722,101</u>	<u>13,017,397</u>	<u>704,704</u>
<b>Total expenditures</b>	<u>386,398,246</u>	<u>396,650,920</u>	<u>371,351,335</u>	<u>25,299,585</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>44,015,085</u>	<u>38,589,489</u>	<u>67,050,260</u>	<u>28,460,771</u>
<b>Other financing sources (uses)</b>				
Transfers in	8,521,399	8,972,762	8,699,617	(273,145)
Appropriated fund balance	10,539,584	16,135,312	-	(16,135,312)
Transfers out	(63,076,068)	(63,697,563)	(63,697,563)	-
Total other financing uses	<u>(44,015,085)</u>	<u>(38,589,489)</u>	<u>(54,997,946)</u>	<u>(16,408,457)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>12,052,314</u>	<u>\$ 12,052,314</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>182,746,576</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 194,798,890</u>	

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

**DURHAM COUNTY, NORTH CAROLINA**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Community Health Trust Fund  
Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 19,157	\$ 19,157
Charges for services	3,950,000	3,950,000	3,950,000	-
<b>Total revenues</b>	<u>3,950,000</u>	<u>3,950,000</u>	<u>3,969,157</u>	<u>19,157</u>
<b>Other financing sources (uses)</b>				
Transfers out	(3,950,000)	(5,189,596)	(5,189,596)	-
Appropriated fund balance	-	1,239,596	-	(1,239,596)
<b>Total other financing uses</b>	<u>(3,950,000)</u>	<u>(3,950,000)</u>	<u>(5,189,596)</u>	<u>(1,239,596)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>\$ -</u>	(1,220,439)	<u>\$ (1,220,439)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>6,408,445</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 5,188,006</u>	

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



DURHAM COUNTY, NORTH CAROLINA

Statement of Net Position

Proprietary Funds

June 30, 2017

	<u>Enterprise Funds</u>
	<u>Sewer Utility</u>
	<u>Fund</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents / investments	\$ 32,841,148
Cash and cash equivalents / investments - restricted	1,332,847
Receivables:	
Accounts receivable	474,044
Accrued interest receivable	38,282
Total receivables	<u>512,326</u>
Due from other governments - federal and state agencies	64,710
Due from other governments - local	772,865
Prepaid expenses	3,440
Total current assets	<u>35,527,336</u>
Noncurrent assets	
Capital assets:	
Land	185,226
Easements	5,000
Land improvements - sewer and water lines	27,220,664
Building treatment plant	56,854,766
Machinery and equipment	855,173
Vehicles	364,733
Computer hardware	36,416
Computer software	48,830
Construction in progress	10,476,257
Total capital assets	<u>96,047,065</u>
Less accumulated depreciation and amortization	<u>(24,182,228)</u>
Net capital assets	<u>71,864,837</u>
Total noncurrent assets	<u>71,864,837</u>
<b>Total assets</b>	<b><u>107,392,173</u></b>
<b>Deferred outflows of resources</b>	
Contributions to pension plan in current fiscal year	85,070
Pension deferrals - LGERS	271,051
Unamortized loss on refundings	440,886
<b>Total deferred outflows of resources</b>	<b><u>797,007</u></b>
<b>Liabilities</b>	
Current liabilities	
Current portion of accrued compensated absences	65,351
Current portion of long-term debt	1,428,033
Accounts payable	599,652
Arbitrage rebate payable	13,000
Accrued interest payable	54,396
Accrued payroll and related amounts withheld	52,223
Total current liabilities	<u>2,212,655</u>
Noncurrent liabilities	
Accrued compensated absences	1,403
Net pension liability - LGERS	386,466
Long-term debt	17,660,433
Total noncurrent liabilities	<u>18,048,302</u>
<b>Total liabilities</b>	<b><u>20,260,957</u></b>
<b>Deferred inflows of resources</b>	
Pension deferrals - LGERS	43,886
<b>Total deferred inflows of resources</b>	<b><u>43,886</u></b>
<b>Net position</b>	
Net investment in capital assets	53,217,258
Restricted for capital projects	1,332,847
Unrestricted	33,334,232
<b>Total net position</b>	<b><u>\$ 87,884,337</u></b>

**DURHAM COUNTY, NORTH CAROLINA**

**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2017**

	<b>Enterprise Funds</b>
	<b>Sewer Utility</b>
	<b>Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 9,698,870
Total operating revenues	<u>9,698,870</u>
<b>Operating expenses</b>	
Personnel services	1,765,845
Utilities	533,302
Maintenance and other	2,178,932
Depreciation	3,032,750
Total operating expenses	<u>7,510,829</u>
<b>Operating income</b>	<u>2,188,041</u>
<b>Nonoperating revenue (expense)</b>	
Investment and interest income	110,656
Sewer connection fees	2,633,125
Interest and fiscal charges	(460,053)
Total nonoperating revenue (expense)	<u>2,283,728</u>
<b>Income before transfers and contributions</b>	4,471,769
Capital contributions	<u>42,925</u>
<b>Change in net position</b>	4,514,694
<b>Beginning net position</b>	<u>83,369,643</u>
<b>Total net position, ending</b>	<u>\$ 87,884,337</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, 2017

	<u>Enterprise Funds</u>
	<u>Sewer Utility Fund</u>
<b>Operating activities</b>	
Cash received from sales	\$ 9,254,802
Cash paid to employees	(1,735,162)
Cash paid for operating plant	(2,317,388)
Prepaid	4,675
<b>Net cash provided (used) by operating activities</b>	<u>5,206,927</u>
<b>Noncapital financing activities</b>	
Sewer connection fees received	2,633,125
<b>Net cash provided (used) by noncapital financing activities</b>	<u>2,633,125</u>
<b>Capital and related financing activities</b>	
Principal payments on long-term debt	(1,408,488)
Interest paid	(472,790)
Acquisition and construction costs of capital assets	(753,558)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,634,836)</u>
<b>Investing activities</b>	
Investment income and dividends	123,772
<b>Net cash provided (used) by investing activities</b>	<u>123,772</u>
<b>Net increase (decrease) in cash and cash equivalents/investments</b>	<u>5,328,988</u>
<b>Cash and cash equivalents/investments</b>	
<b>Beginning of year</b>	<u>28,845,007</u>
<b>End of year</b>	<u>\$ 34,173,995</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 2,188,041
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	3,032,750
Pension expense	112,401
Change in assets, deferred outflows of resources, and liabilities:	
Accounts receivable	(354,877)
Due from other governments - federal and state agencies	16,363
Due from other governments - local	(105,554)
Accounts payable	394,846
Compensated absences and accrued payroll	3,352
Deferred outflows of resources for pensions	(85,070)
Prepaid expenses	4,675
Total adjustments	<u>3,018,886</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 5,206,927</u>
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities:</b>	
Capital contributions	<u>\$ 42,925</u>

# DURHAM COUNTY, NORTH CAROLINA

## Statement of Fiduciary Net Position Fiduciary Funds June 30, 2017

---

	<b>Private-purpose Trust Funds</b>	<b>Agency Funds</b>
	<hr/>	<hr/>
<b>Assets</b>		
Cash and cash equivalents	\$ 44,541	\$ 1,471,555
Accounts receivable	-	159,521
Net property taxes receivable	-	1,007,269
Due from governmental agencies	-	1,237,694
Total assets	<hr/> 44,541 <hr/>	<hr/> \$ 3,876,039 <hr/>
<b>Liabilities</b>		
Funds held for others	-	812,489
Due to governmental agencies	-	3,063,550
Total liabilities	<hr/> - <hr/>	<hr/> \$ 3,876,039 <hr/>
<b>Net position</b>		
Held in trust for:		
Individuals, organizations, and other governments	44,541	
Total net position	<hr/> \$ 44,541 <hr/>	

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

**DURHAM COUNTY, NORTH CAROLINA**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
Year Ended June 30, 2017**

---

	<b>Private-purpose Trust Funds</b>
<b>Additions</b>	
Employee contributions	\$ 2,989
Donations	420
Investment income	64
Total additions	<u>3,473</u>
<b>Deductions</b>	
Benefits	<u>700</u>
Total deductions	<u>700</u>
<b>Change in net position</b>	2,773
<b>Total net position - beginning</b>	<u>41,768</u>
<b>Total net position - ending</b>	<u>\$ 44,541</u>

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

**THIS PAGE LEFT INTENTIONALLY BLANK**

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Durham (the “County”) was established in 1881 by the North Carolina General Assembly under North Carolina State Law [General Statute (G.S.) 153A-10]. The County is governed by a five-member board of commissioners and provides the following services: public safety, cultural and recreational, human services, economic and physical development, environmental protection, education and general administration.

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following is a summary of the more significant accounting policies:

1. Reporting Entity

The County is one of the 100 counties established in North Carolina under State Law [G.S. 153A-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 GAAP, 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 below is reported in a separate column in the County’s government-wide financial statements to emphasize that it is legally separate from the County.

Discretely Presented Component Unit

Durham County Board of Alcoholic Control (ABC Board)

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 Board of County Commissioners. The ABC Board is required by State Statute to distribute gross receipts remaining after distributions provided for therein to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as a business-type activity.

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, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

2. Government-wide and Fund Financial Statements

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government net position (the County) and its component unit (the ABC Board). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

*Fund Financial Statements:* The fund financial statements provide information about the County’s funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.



DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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:

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

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

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

*Debt Service Fund.* This fund accounts for the accumulation of resources that are restricted, committed, or assigned for principal and interest related costs for all general long-term debt other than debt issued for and serviced by proprietary funds.

The County reports the following major enterprise fund:

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The County no longer reports the following nonmajor enterprise fund:

*Rougemont Community Water System Fund.* This fund was created in fiscal year 2016 to account for and report the revenues and expenses related to the provision of water services for the Rougemont Community. However, in fiscal year 2017 after further analysis of the financial activity, the County realized that these services would never be self-supporting through user fees. As a result in fiscal year 2017, the County closed the Rougemont Community Water System (RCWS) Fund (proprietary fund) into the General Fund (governmental fund). The closing into the General Fund is because the system was developed due to health-related risks (e.g., contaminated wells in the community) and will only service the Rougemont Community. Therefore, the provision of these services are now subsidized with funding in the General Fund. All activity was deemed insignificant for separate reporting purposes. Because the financial activity for the RCWS was reported in the business-type activities in the Statement of Net Position in fiscal year 2016, the beginning net position for business-type activities for fiscal year 2017 will have a (\$15) variance from the ending net position reported in fiscal year 2016.

Additionally, the County reports the following fund and fund types:

The County also reports *Other Governmental Funds*, which are individually nonmajor, in total. The Bethesda Fire District, Lebanon Fire District, Parkwood Fire District, Redwood Fire District, New Hope Fire District, Eno Fire District, Bahama Fire District, Bethesda Service Tax District, Durham County Fire and Rescue Service District, and Special Park District and are all special revenue fund types. Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned for specified purposes other than debt service or capital projects. These funds appear on the Combining Balance Sheet for Nonmajor Special Revenue Funds and the activity is shown on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances for Nonmajor Special Revenue Funds.

Fiduciary Funds:

*Private-purpose Trust Funds.* Private-purpose trust funds are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The County maintains the following private-purpose trust funds:

*George R. Linder Memorial Private-purpose Trust Fund.* This 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.* This private-purpose trust fund is used to account for resources legally held in trust for use of assisting

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 is used to account 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 is used to account for funds held by the Sheriff's Office as a result of gathering evidence.

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

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

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

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

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

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

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

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes and sales tax distributions. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales tax distributions collected and held by the State at year-end on behalf of the County are recognized as revenue within 90 days of year-end, and certain intergovernmental revenues, such

as the beer and wine tax, collected and held by the State at year-end on behalf of the County, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

**4. Budgetary Data Control**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Community Health Trust, Fire Tax and Service Tax Special Revenue Funds, the Debt Service Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund and the Enterprise Capital Projects Funds. The Enterprise Capital Projects Funds are consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds and at the project level for the multi-year funds. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

The County Manager is authorized to transfer budgeted amounts within a function up to 15% cumulatively and up to \$20,000 between functions of the same fund with a report to the Board of County Commissioners (BOCC) at the next regularly scheduled meeting. Any revisions that alter the total expenditures of any function which exceed \$20,000 whether by transfer or additional appropriated fund balance within a fund, all transfers between funds, and all transfers from the contingency account must be approved by the BOCC. The General Fund and the Community

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Health Trust Fund original budget and the amended final budget are reported in the basic financial statements. The original and the amended final budget for all other governmental major funds and nonmajor funds, the schedule of expenditures compared with project authorizations for the capital projects fund and the Non-GAAP Basis for the major and nonmajor proprietary funds are reported in the Combining and Individual Fund Statements and Schedules elsewhere in this report.

The following summarizes the supplementary appropriations made for the major governmental funds other than the capital projects fund during fiscal year 2017:

	Original Budget	Total Amendments	Revised Budget
General	\$ 449,474,314	\$ 10,874,169	\$ 460,348,483
Community Health Trust	\$ 3,950,000	\$ 1,239,596	\$ 5,189,596
Debt Service	\$ 58,157,563	\$ 118,646,714	\$ 176,804,277

All annual appropriations lapse at each fiscal year-end.

5. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Pooled cash and investments are maintained and used by all funds except the Child Support, Sheriff, Jail Inmate, Evidence and Vic Pearson Private-purpose Trust Fund. The Child Support, Sheriff, Jail Inmate, Evidence and Vic Pearson trust accounts are maintained in demand deposit accounts.

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

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

Under the Pooling Method, all uninsured deposits are collateralized with a pool of securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the ABC Board, these deposits are considered to be held by their agent in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the ABC Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows.

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depositor using the Pooling Method.

At June 30, 2017, the County's deposits had a carrying amount of \$49,403,319 and a bank balance of \$55,176,528. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$54,426,528 was covered by collateral held under the Pooling Method.

At June 30, 2017, the ABC Board's deposits had a carrying amount of \$6,244,833 and a bank balance of \$5,951,337. All of the bank balance was insured by federal depository insurance or collateralized 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.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

As of June 30, 2017, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Valuation Measurement Method</u>	<u>Less Than 6</u>		
			<u>Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>
US Government Agencies	\$ 81,864,859	Fair Value-Level 2	\$ 16,989,220	\$ 23,106,261	\$ 41,769,378
Commercial Paper	17,854,941	Fair Value-Level 2	17,854,941	-	-
NC Capital Management Trust-Government Portfolio	109,761,971	Amortized Cost	109,761,971	N/A	N/A
NC Capital Management Trust-Term Portfolio *	5,075,441	Fair Value-Level 1	5,075,441	-	-
Certificate of Deposit	4,524,304	Fair Value-Level 1	4,524,304	-	-
<b>Total:</b>	<b>\$ 219,081,516</b>		<b>\$ 154,205,877</b>	<b>\$ 23,106,261</b>	<b>\$ 41,769,378</b>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

\* Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 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 a final maturity of not more than three years.

**Credit Risk:**

The County has no formal policy regarding credit risk, but maintains internal management procedures that limit the County's investments to the provisions of North Carolina General Statute 159-30 that restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County invests in commercial paper bearing the highest credit rating, as determined by nationally recognized statistical rating organizations (NRSROs) and banker's acceptances where the accepting bank or its holding company are incorporated in North Carolina. As of June 30, 2017, the County's investments in commercial paper were rated A1 by Standard & Poor's, F1 by Fitch Ratings, and P1 by Moody's Investors Service. In addition, all of the County's commercial paper carries a long-term debt rating of A or better. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017. The County's investment in the NC Capital



DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government, and agencies obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

**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. The County's formal policy indicates that the County shall utilize a third party custodial agent for book entry transactions, all of which shall be a trust department authorized to do trust work in North Carolina who has an account with the Federal Reserve. Certificated securities shall be in the custody of the Chief Financial Officer.

**Concentration of Credit Risk:**

The County places no limit on the amount that the County may invest in any one issuer. More than 63 percent of the County's investments are in the Federal Home Loan Mortgage Corp and Federal Farm Credit Bank. These investments are 41% and 22% respectively, of the County's total investment portfolio. All securities owned by the County at June 30, 2017 were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank.

**Interest rate swap**

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

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair value:**

As of June 30, 2017, the swap had a positive fair value totaling \$5,197,820, estimated using the zero-coupon method. This method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps. The positive fair value is reported as an asset, derivative financial instrument, with the accumulated increase in the fair value of the hedging derivative reported as deferred inflows of resources in the Statement of Net Position. The fair value decreased by \$4,709,998 in fiscal year 2017. The changes in fair value are reported in investment income in the Statement of Activities.

<u>Associated Bond Issues</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Variable Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008 A&B 2009 A Certificates of Participation General Obligation Bonds and Certificates of Participation	\$216,051	7/1/11	3/1/31	3.733% + BMA/ *	1.132% + 6-month LIBOR	\$5,197,820	Aaa/AA

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

**Risks:**

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

**Credit risk:**

As of June 30, 2017, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding swap in the amount of \$5,197,820 because the swap had a positive fair value. However, should the relationship between the tax-exempt and taxable interest rates change and the fair values of the swap become negative, the County would not be exposed to credit risk in the amount of the derivative's fair value. Both County and the counterparty's payment obligations under the swap are guaranteed by Aaa/AA/AA rated Bank of New York Mellon.

**Basis and tax risk:**

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Termination risk:**

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

The ABC Board did not have any investments as of June 30, 2017.

6. Receivables

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

**(The remainder of this page is intentionally left blank.)**

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Receivables at the government-wide level at June 30, 2017, were as follows:

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Taxes</u>	<u>Solid Waste</u>	<u>Emergency Medical Services</u>	<u>Community Development Mortgage Loans</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental activities:								
General	\$ 1,893,975	\$ 412,042	\$ 1,963,480	\$ 24,437	\$ 48,458,309	\$ 379,333	\$ 24,950,167	\$ 78,081,743
Capital projects	2,376,169	48,315	-	-	-	-	580,337	3,004,821
Debt Service	548	-	-	-	-	-	28,964	29,512
Other governmental	-	-	48,722	-	-	-	35,241	83,963
Total receivables	4,270,692	460,357	2,012,202	24,437	48,458,309	379,333	25,594,709	81,200,039
Allowance for doubtful accounts	(95,951)	-	(5,143)	-	(45,991,488)	(379,333)	-	(46,471,915)
Total governmental activities	<u>\$ 4,174,741</u>	<u>\$ 460,357</u>	<u>\$ 2,007,059</u>	<u>\$ 24,437</u>	<u>\$ 2,466,821</u>	<u>\$ -</u>	<u>\$ 25,594,709</u>	<u>\$ 34,728,124</u>
Business-type activities:								
Sewer utility	\$ 474,044	\$ 38,282	\$ -	\$ -	\$ -	\$ -	\$ 837,575	\$ 1,349,901
Total receivables	474,044	38,282	-	-	-	-	837,575	1,349,901
Allowance for doubtful accounts	-	-	-	-	-	-	-	-
Total business-type activities	<u>\$ 474,044</u>	<u>\$ 38,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,575</u>	<u>\$ 1,349,901</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 collectability, the full amount of the outstanding loans receivable balance as of June 30, 2017 of \$379,333 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion – unamortized loss on bond refundings, pension related deferrals (ROD and LGERS) and contributions made to the pension plan in the current fiscal year (ROD, LGERS, and LEOSSA).

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

8. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These outlays are accounted for using the consumption method.

9. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as tangible and non-consumable with an acquisition cost of \$5,000 or more or intangible with an acquisition cost or fair market value, if donated or gifted, of \$50,000 or more and an estimated life in excess of one year. Purchased or constructed capital assets are recorded at original cost at the time of acquisition or completion. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of business type activities is included as part of the capitalized value of the assets constructed as per GASB Statement No. 62. Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

Description	Estimated Useful Lives
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
Water system	50 years
Construction in progress (CIP)	N/A
Capital leases	Life of the lease
Easements	Indefinite, to be monitored for impairment

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Long-term Obligations

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

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources. In addition, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. 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.

11. Compensated Absences

Permanent employees of the County can earn vacation leave at the rate of 11 days per year for the first two years up to a maximum of 25 days per year after twenty-five years. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is 30 days. At the end of each calendar year, the accumulated vacation leave in excess of 225 hours for employees who work a 37.5 hour workweek, 240 hours for employees who work a 40 hour work week, 252 hours for employees who work a 42 hour workweek, and 336 hours for employees who work a 56 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, 252, and 336 hours, respectively. At termination, employees are paid for any accumulated vacation leave up to the maximum amount. Accumulated vacation leave and salary related payments at June 30, 2017 amounted to \$8,004,389. Of this amount, \$7,937,635 is recorded as a liability in the government-wide financial statements for governmental activities, and \$66,754 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, 2017 and 2016 amounted to \$117,568 and \$108,311. 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, 2017 amounted to \$28,745,292 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



DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

leave with the County used as retirement credit is limited to one month for every 20 days of sick leave. Since neither the County nor the ABC Board has any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

12. Encumbrances

As required by North Carolina General Statutes, encumbrance accounting is employed in the governmental funds. The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. These amounts are included in the Stabilization by State Statute amount in restricted fund balance. Amounts outstanding at June 30, 2017 are as follows:

	Major Funds			Nonmajor Funds
General Fund	Community Health Trust	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
\$ 3,626,594	\$ -	\$ 4,499,204	\$ -	\$ -

13. Net Position/Fund Balances

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.
- Prepaid expenditures – portion of fund balance that is not an available resource because it represents payments to vendors that are applicable to future accounting periods.

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

- Restricted for Stabilization of State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. This statute restricts appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year. This restriction is only applied to annually budgeted governmental funds.
- Restricted for museum – portion of fund balance that is restricted by revenue source for North Carolina Museum of Life and Science purposes.
- Restricted for tax technology – portion of fund balance that is restricted by revenue source for tax technology purposes.
- Restricted for sheriff – portion of fund balance that is restricted by revenue source for sheriff and law enforcement purposes.
- Restricted for fire marshal – portion of fund balance that is restricted by revenue source for fire and emergency management purposes.
- Restricted for public health programs – portion of fund balance that is restricted by revenue source for public health programs.
- Restricted for social services programs – portion of fund balance that is restricted by revenue source for social services programs.
- Restricted for environmental protection programs – portion of fund balance that is restricted by revenue source for environmental protection programs.
- Restricted for register of deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds Office.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Restricted for Special Butner – portion of fund balance that is restricted by revenue source for the Special Butner area of Durham County.
- Restricted for youth home programs – portion of fund balance that is restricted by revenue source for the Youth Home of Durham County.
- Restricted for education – portion of fund balance restricted by revenue source that can be used only for school capital or school debt service for Durham Public Schools.

*Committed Fund Balance* – Portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of Durham County’s governing body, the Board of County Commissioners (highest level of decision-making authority). Note that only the highest level action that constitutes the most binding constraint can be considered a commitment for fund balance classification purposes. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Committed for LEO special separation allowance – portion of fund balance that will be used for the Law Enforcement Officers’ Special Separation Allowance obligations.

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

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

The following schedule presents the assigned fund balances at June 30, 2017:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Special Revenue Funds
Assigned Fund Balance:					
Assigned for subsequent year	\$ 14,421,763	\$ -	\$ -	\$ -	\$ -
Assigned for health related purposes	-	5,188,006	-	-	-
Assigned for capital projects	-	-	22,648,949	-	-
Assigned for fire districts	-	-	-	-	2,522,428
Assigned for economic development purposes	-	-	-	-	50,621
Assigned for debt service	-	-	-	8,022,059	-
	<u>\$ 14,421,763</u>	<u>\$ 5,188,006</u>	<u>\$ 22,648,949</u>	<u>\$ 8,022,059</u>	<u>\$ 2,573,049</u>

*Unassigned Fund Balance* – portion of fund balance that is the residual classification for amounts not restricted, committed or assigned to specific purposes within the General Fund. In governmental funds other than the General Fund, it includes any residual negative balances which may not be classified as restricted or committed in those funds.

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Durham County has an adopted fund balance policy. Included in the policy for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Chief Financial Officer may deviate from this priority after consultation with the County Manager. In addition, per the policy, the goal for the unassigned fund balance of the General Fund is 16% of total actual prior fiscal expenditures and the goal of total fund balance available as a percentage of expenditures is 35%. Once the 35% level has been achieved, the amount over 35% shall be used to fund the annual OPEB contribution to meet the OPEB obligation, pay-as-you-go capital projects or other non-reoccurring expenditures. In addition, the OPEB portion of the total fund balance for the general fund shall not exceed 25% of the total fund balance to ensure that the committed for OPEB portion of fund balance remains reasonably proportionate to the total fund balance for the general fund as a whole to include unassigned fund balance. Management has been instructed to conduct business in such a manor to achieve these goals. As of June 30, 2017, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 14.12% and 36.61%, respectively.

14. Use of Estimates

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

15. Interest rate swap

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

16. Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Register of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

The governmental fund balance sheet includes a reconciliation between total *fund balance for the governmental funds* and *net position for governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$(127,641,917) consists of the following:

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

Capital assets (net of depreciation)	\$423,403,851
Investment in joint venture	<u>10,328,975</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$433,732,826</u>

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

Derivative financial instrument	\$ 5,197,820
Pension asset – ROD	<u>581,930</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 5,779,750</u>

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

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

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

Pension deferrals – LGERS	\$ 29,600,054
Pension deferrals – ROD	183,888
Pension deferrals – LEOSSA	185,771
Unamortized loss on debt refundings	<u>21,999,407</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities \$ 51,969,120

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

Property taxes receivable (net)	\$ 1,690,440
Solid waste receivable	24,437
Animal taxes receivable	316,619
Emergency medical services receivable (net)	2,466,821
Water services receivable	1,440
WSR loan receivable	2,376,169
Investments (fair market value)	<u>4,562,639</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities \$ 11,438,565

5. “Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.”

Pension deferrals – LGERS	\$ (1,132,585)
Pension deferrals – ROD	(35,817)
Pension deferrals – LEOSSA	<u>(110,222)</u>

Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities \$ (1,278,624)

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

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

1. “Long-term liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.”

Bonds and other notes payable due within one year	\$ (41,715,298)
Bonds and other notes payable	(475,426,215)
Net OPEB obligation	(61,793,606)
Net pension liability – LGERS	(33,188,255)
Total pension liability – LEOSSA	(6,124,839)
Accrued compensated absences	(7,937,635)
Accrued interest payable	<u>(3,558,063)</u>
Subtotal	(629,743,911)
Less: accrued interest receivable	<u>460,357</u>
Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$(629,283,554)</u>

**(The remainder of this page is intentionally left blank.)**



DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances for the governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. The total adjustment of \$(17,069,840) is comprised of the following:

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

Capital outlay	\$ 30,922,847
Less: depreciation expense	(11,488,993)
Plus: decrease in investment in joint venture	<u>(1,015,013)</u>

Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	<u>\$ 18,418,841</u>
--	----------------------

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

Pension deferrals – LGERS	\$ 21,342,438
Pension deferrals – ROD	118,595
Contributions to the pension plan current fiscal year – LGERS	596,082
Contributions to the pension plan current fiscal year – ROD	1,808
Contributions to the pension plan current fiscal year – LEOSSA	185,771
Loss on debt refunding	11,127,770
Amortization on loss of debt refunding	<u>(1,851,825)</u>

Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	<u>\$ 31,520,639</u>
--	----------------------

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

---

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

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

Decrease in deferred revenue of taxes (net)	\$ (323,613)
Increase in deferred revenue of emergency medical services receivable (net)	57,501
Decrease in deferred revenue of animal tax receivable	(7,390)
Increase in deferred revenue of solid waste receivable	1,412
Decrease in derivative financial instrument	(4,709,998)
Increase in water services receivable	1,440
Decrease in pension asset – LEO	(143,979)
Decrease in pension asset – ROD	(116,532)
Decrease in investment earnings (fair market value)	<u>(274,085)</u>

Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities \$ (5,515,244)

4. “Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.”

Decrease in pension deferrals – LGERS	\$ 11,699,444
Decrease in pension deferrals – ROD	23,364
County’s portion of collective pension expense – LGERS	(9,396,014)
County’s portion of collective pension expense – ROD	(19,402)
County’s portion of collective pension expense – LEOSSA	<u>(433,526)</u>

Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities \$ 1,873,866

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

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

5. “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.”

Principal repayments	\$ 35,418,705
Increase in debt (net)	(26,661,938)
Increase in OPEB liability	(5,887,041)
Increase in pension liability – LGERS	(26,518,932)
Increase in accrued interest payable	(429,509)
Increase in accrued compensated absences	(318,201)
Decrease in accrued interest receivable	(151,367)
Increase in WSR loan receivable	2,376,169
Increase in premium due to issuance of refinancing	(17,940,846)
Write off of premium due to refunding	7,202,860
Amortization of bond premium	<u>3,681,838</u>
Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	<u>\$(29,228,262)</u>

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**C. PROPERTY TAXES**

**Property Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016. A general reappraisal (revaluation) of all real property is required to be performed at least once every eight years to establish market value, however the statutes allow for a shorter reappraisal cycle. The last general reappraisal (revaluation) affecting these financial statements was effective January 1, 2016. The next general reappraisal (revaluation) will be effective January 1, 2019.

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

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

**(The remainder of this page is intentionally left blank.)**

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

**D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

**Governmental Activities:**

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,673,131	\$ -	\$ -	\$ 8,673,131
Easements	1,857,991	-	-	1,857,991
Construction in progress	237,833,328	26,562,550	(12,893,482)	251,502,396
Total nondepreciable capital assets	<u>248,364,450</u>	<u>26,562,550</u>	<u>(12,893,482)</u>	<u>262,033,518</u>
Depreciable capital assets:				
Buildings	228,805,883	4,185,216	(1,528,298)	231,462,801
Water Systems	-	2,406,929	-	2,406,929
Office furniture and Equipment	3,033,616	17,830	(42,693)	3,008,753
Machinery and Equipment	7,650,673	5,328,858	(245,043)	12,734,488
Computer Hardware	4,041,253	1,732,088	(18,491)	5,754,850
Computer Software	16,431,798	503,747	(559,571)	16,375,974
Vehicles	18,019,348	3,432,767	(1,214,251)	20,237,864
Total depreciable capital assets	<u>277,982,571</u>	<u>17,607,435</u>	<u>(3,608,347)</u>	<u>291,981,659</u>
Less accumulated depreciation for:				
Buildings	86,629,368	5,716,866	(1,285,000)	91,061,234
Water Systems	-	4,012	-	4,012
Office furniture and Equipment	2,082,082	229,989	(42,573)	2,269,498
Machinery and Equipment	4,790,045	1,107,686	(207,699)	5,690,032
Computer Hardware	3,877,619	128,530	(5,132)	4,001,017
Computer Software	14,209,275	1,609,907	(587,870)	15,231,312
Vehicles	10,788,635	2,692,003	(1,126,417)	12,354,221
Total accumulated depreciation	<u>122,377,024</u>	<u>11,488,993</u>	<u>(3,254,691)</u>	<u>130,611,326</u>
Total depreciable capital assets, net	<u>155,605,547</u>	<u>6,118,442</u>	<u>(353,656)</u>	<u>161,370,333</u>
Governmental activities capital assets, net	<u>\$ 403,969,997</u>	<u>\$ 32,680,992</u>	<u>\$ (13,247,138)</u>	<u>\$ 423,403,851</u>

During 2017, the County incurred \$10,022,997 of expenses for public school construction. The County maintains school construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to these Durham County Board of Education properties.

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

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

**D. CAPITAL ASSETS (continued)**

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

Governmental activities:

General government	\$ 6,730,985
Public safety	3,938,783
Environmental protection	158,709
Economic and physical development	13,086
Human Services	268,253
Educational	202,024
Cultural and recreational	177,153
Total depreciation expense	\$ 11,488,993

**Business-type Activities/Sewer Utility Fund:**

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 185,226	\$ -	\$ -	\$ 185,226
Easements	5,000	-	-	5,000
Construction In Progress	9,942,489	533,768	-	10,476,257
Total nondepreciable capital assets	10,132,715	533,768	-	10,666,483
Depreciable capital assets:				
Land Improvements: Water and Sewer Lines	27,177,739	42,925	-	27,220,664
Buildings	56,854,766	-	-	56,854,766
Machinery and Equipment	755,612	99,561	-	855,173
Computer Hardware	36,416	-	-	36,416
Computer Software	-	48,830	-	48,830
Vehicles	317,246	71,399	(23,912)	364,733
Total depreciable capital assets	85,141,779	262,715	(23,912)	85,380,582
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	13,634,692	533,476	-	14,168,168
Buildings	6,722,932	2,372,435	-	9,095,367
Machinery and Equipment	506,224	83,155	-	589,379
Computer Hardware	36,095	-	-	36,095
Computer Software	-	9,495	-	9,495
Vehicles	273,447	34,189	(23,912)	283,724
Total accumulated depreciation	21,173,390	3,032,750	(23,912)	24,182,228
Total depreciable capital assets, net	63,968,389	(2,770,035)	-	61,198,354
Business-type activities capital assets, net	\$ 74,101,104	\$ (2,236,267)	\$ -	\$ 71,864,837

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

---

**D. CAPITAL ASSETS (continued)**

Capital assets activity for the ABC Board for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 2,274,417	\$ -	\$ -	\$ 2,274,417
Total nondepreciable capital assets	<u>2,274,417</u>	<u>-</u>	<u>-</u>	<u>2,274,417</u>
Depreciable capital assets:				
Buildings and improvements	3,578,014	89,486	-	3,667,500
Leasehold improvements	1,543,374	124,475	(105,405)	1,562,444
Vehicles	228,278	15,000	-	243,278
Machinery and equipment	1,577,884	219,530	(157,076)	1,640,338
Total depreciable capital assets	<u>6,927,550</u>	<u>448,491</u>	<u>(262,481)</u>	<u>7,113,560</u>
Less accumulated depreciation for:				
Buildings and improvements	1,194,670	84,215	-	1,278,885
Leasehold improvements	606,160	69,284	(15,681)	659,763
Vehicles	58,349	7,166	-	65,515
Machinery and equipment	1,261,059	165,812	(155,744)	1,271,127
Total accumulated depreciation	<u>3,120,238</u>	<u>326,477</u>	<u>(171,425)</u>	<u>3,275,290</u>
Total depreciable capital assets, net	<u>3,807,312</u>	<u>122,014</u>	<u>(91,056)</u>	<u>3,838,270</u>
Business-type activities capital assets, net	<u>\$ 6,081,729</u>	<u>\$ 122,014</u>	<u>\$ (91,056)</u>	<u>\$ 6,112,687</u>

**(The remainder of this page is intentionally left blank.)**

**DURHAM COUNTY, NORTH CAROLINA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

**E. LONG-TERM OBLIGATIONS**

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 243,742,657	\$ 100,260,000	\$ 91,732,657	\$ 252,270,000	\$ 25,815,000
Certificates of participation	9,280,000	-	3,095,000	6,185,000	3,095,000
Limited obligation bonds	186,835,000	-	6,940,000	179,895,000	6,940,000
Installment notes payable	29,342,347	30,359,908	37,599,060	22,103,195	1,467,934
Unamortized bond premium	49,574,727	17,940,846	10,884,698	56,630,875	4,387,406
Net OPEB obligation	55,906,565	8,846,423	2,959,382	61,793,606	-
Accrued compensated absences	7,619,434	5,390,111	5,071,910	7,937,635	4,937,280
Net pension liability (LGERS)	6,669,323	26,518,932	-	33,188,255	-
Total pension liability (LEOSSA)	-	6,124,839	-	6,124,839	-
Other financing agreements	67,401	-	9,958	57,443	9,958
<b>Total governmental activities</b>	<b>\$ 589,037,454</b>	<b>\$ 195,441,059</b>	<b>\$ 158,292,665</b>	<b>\$ 626,185,848</b>	<b>\$ 46,652,578</b>

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
General obligation bonds	\$ 32,343	\$ -	\$ 32,343	\$ -	\$ -
State revolving loans	11,270,571	-	671,145	10,599,426	671,146
Revenue bonds	8,830,000	-	705,000	8,125,000	725,000
Unamortized bond premium	464,315	-	100,275	364,040	31,887
Accrued compensated absences	72,413	59,771	65,430	66,754	65,351
Net pension liability (LGERS)	78,941	307,525	-	386,466	-
<b>Total business-type activities</b>	<b>\$ 20,748,583</b>	<b>\$ 367,296</b>	<b>\$ 1,574,193</b>	<b>\$ 19,541,686</b>	<b>\$ 1,493,384</b>

The implementation of GASB statement No. 73, for government activities, the County now recognizes a total pension liability for LEOSSA.

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

The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to eight percent (8%) of the appraised value of property subject to taxation less property valued for abatement. At June 30, 2017, such statutory limit for the County was \$2,818,427,620 providing a legal debt margin of \$2,566,157,620.



DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**E. LONG-TERM OBLIGATIONS (continued)**

**Defeasance of debt**

In fiscal year 2010, the County defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2010, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$48,609,998. The carrying values of the Refunding Bonds, Series 2009, which refunded 2000 Public Improvement Bonds and 2002B Public Improvement Bonds, were adjusted for the loss from defeasance (net of amortization) of \$4,239,510. As of June 30, 2017, the loss from defeasance (net of amortization) was \$1,724,922. This advance refunding was undertaken to reduce the total debt service payments over the next 12 years by \$3,013,418 and resulted in an economic gain of \$2,499,031.

In fiscal year 2011, the County defeased various bond issues by creating irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2011, the amount of defeased debt outstanding and removed from the County's liabilities amounted to \$64,055,000. Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the Refunding Bonds, Series 2011, which refunded 2004A&B Public Improvement Bonds and 2006A&B Public Improvement Bonds, have been adjusted for the loss of defeasance (net of amortization) of \$6,286,444. As of June 30, 2017, the loss from defeasance (net of amortization) was \$3,082,216. This advance refunding was undertaken to reduce the total debt service payments over the next 12 years by \$4,064,220 and resulted in an economic gain of \$2,832,738.

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

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**E. LONG-TERM OBLIGATIONS (continued)**

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

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

In fiscal year 2016, the County defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2016, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$31,690,000. The carrying values of the Refunding Bonds, Series 2016, which refunded 2008A Public Improvement Bonds and 2008B Public Improvement Bonds, were adjusted for the loss from defeasance (net of amortization) of \$3,071,981. As of June 30, 2017, the loss from defeasance (net of amortization) was \$2,515,534. This advance refunding was undertaken to reduce the total debt service payments over the next 11 years by \$3,315,659 and resulted in an economic gain of \$2,543,844.

In fiscal year 2016, the County defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2016, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$37,095,000. The carrying values of the Refunding Bonds, Series 2016, which refunded 2009A Certificate of Participation Bonds were adjusted for the loss from defeasance (net of amortization) of \$4,346,426. As of June 30, 2017, the loss from defeasance (net of amortization) was \$3,972,439. This advance refunding was undertaken to reduce the total debt service payments over the next 15 years by \$4,824,160 and resulted in an economic gain of \$3,777,918.

In fiscal year 2017, the County defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2017, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**E. LONG-TERM OBLIGATIONS (continued)**

\$103,895,000. The carrying values of the Refunding Bonds, Series 2017, which refunded variable rate 2016 Bond Anticipation Notes, 2014 Public Improvement Bonds, 2012 Refunded Public Improvement Bonds, and 2010B Build America Bonds were adjusted for the loss from defeasance (net of amortization) of \$11,127,770. As of June 30, 2017, the loss from defeasance (net of amortization) was \$10,704,297. This advance refunding was undertaken to reduce the total debt service payments over the next 20 years by \$5,896,895 and resulted in an economic gain of \$4,615,584.

**General obligation bonds**

Durham County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. There were no General obligation bonds issued in fiscal year 2017.

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

**Two-thirds (2/3s) bonds**

Durham County issues 2/3s bonds to provide funds for the acquisition and construction of major capital facilities. 2/3s bonds are similar to general obligation bonds in that they also are direct obligations and pledge the full faith and credit of the government. There were no 2/3s bonds issued in fiscal year 2017.

**Certificates of participation**

Durham County issues certificates of participation (COPs) for the acquisition and construction of major capital facilities. There were no COPs issued in fiscal year 2017.

**Limited Obligation Bonds**

Durham County issues limited obligation bonds (LOBs) for the acquisition and construction of major capital facilities. Limited obligation bonds are direct obligations and pledge the full faith and credit of the government. There were no LOBs issued in fiscal year 2017.

**Bond anticipation notes**

Durham County issues general obligation bond anticipation notes (BANs) for the acquisition and construction of major capital facilities. The BANs have been issued for governmental activities. The County has authorized the issuance of the BANs up to \$50,000,000 outstanding at any time.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

---

**E. LONG-TERM OBLIGATIONS (continued)**

The BANs are general obligations of the County, and the County has pledged its faith and credit to the payment of principal and interest on the BANs. In addition, the County has entered into a Standby Note Purchase Agreement which expires when the BANs will mature on March 23, 2020 and is subject to prior redemption at the option of the County. The BANs will be replaced by general obligation bonds. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

**(The remainder of this page is intentionally left blank.)**

**DURHAM COUNTY, NORTH CAROLINA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

**E. LONG-TERM OBLIGATIONS (continued)**

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2017 are as follows:

<u>Purpose:</u>	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Outstanding June 30, 2017
<u>Governmental activities:</u>					
Public improvement, Series 2008A (2/3 Bonds)	3.50% to 5.00%	5/8/2008	4/1/2027	\$ 12,100,000	\$ 400,000
Public improvement, Series 2008B	3.50% to 5.00%	5/9/2008	4/1/2027	34,090,000	1,050,000
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	43,272,209	26,335,000
Public improvement, Series 2010A	2.00% to 5.00%	11/10/2010	11/1/2018	25,980,000	6,510,000
Public improvement, Series 2010B	3.51% to 5.23%	11/10/2010	11/1/2030	34,020,000	6,385,000
Refunding 2011	3.00% to 5.00%	6/8/2011	11/1/2022	61,750,000	45,225,000
Public improvement, Series 2012	3.00% to 5.00%	4/25/2012	4/1/2032	64,670,000	14,440,000
Public improvement refunding, Series 2014	2.00% to 5.00%	6/3/2014	4/1/2034	44,635,000	22,325,000
Public improvement refunding, Series 2015	3.00% to 5.00%	7/9/2015	10/1/2026	29,340,000	29,340,000
Public improvement refunding, Series 2016	3.00% to 5.00%	9/26/2016	10/1/2036	96,460,000	96,460,000
Public improvement, Series 2017	3.23%	3/16/2017	10/1/2026	3,800,000	3,800,000
Certificate of participation, Series 2009A	4.00% to 5.00%	4/15/2009	6/1/2031	61,850,000	6,185,000
Limited Obligation Bonds, 2012	2.00% to 5.00%	3/29/2012	6/1/2032	63,780,000	47,830,000
Limited Obligation Bonds, 2013	1.50% to 5.00%	3/28/2013	6/1/2043	112,470,000	97,475,000
Limited Obligation Bonds, 2015 Refunding	4.00% to 5.00%	4/1/2016	12/1/2030	34,590,000	34,590,000
Bond Anticipation Notes	Variable Rate	3/23/2017	3/23/2020	633,295	633,295
Installment purchase, garage facility	4.415%	8/20/2003	8/20/2018	14,502,000	1,813,568
Installment purchase, utility performance	2.285%	9/18/2012	9/18/2028	4,549,000	3,819,108
Other financing agreements					
Installment financing purchase	Variable Rate	3/30/2017	3/30/2020	15,837,224	15,837,224
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	57,443
Total governmental activities					<u>\$ 460,510,638</u>
<u>Business-type activities:</u>					
Refunding Revenue bonds, 2012					
sewer plant expansion/improvements	2.49%	8/23/2012	6/11/2027	13,985,000	8,125,000
Enterprise State Revolving Loan I	2.22%	10/7/2012	5/1/2032	-	2,083,630
Enterprise State Revolving Loan II	2.22%	1/28/2011	5/1/2033	-	8,515,796
Total business-type activities					<u>18,724,426</u>
Total bonded indebtedness					<u><u>\$ 479,235,064</u></u>

**DURHAM COUNTY, NORTH CAROLINA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

**E. LONG-TERM OBLIGATIONS (continued)**

The annual requirements as of June 30, 2017 to amortize outstanding debt and funds available for draw under installment purchase contracts including interest payments, exclusive of accrued compensated absences are as follows:

**Governmental activities:**

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Limited Obligation Bonds		Installment Note Payable*		Other Financing Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 25,815,000	\$ 10,896,794	\$ 3,095,000	\$ 278,300	\$ 6,935,000	\$ 7,740,413	\$ 1,467,934	\$ 110,008	\$ 9,958	\$ -	\$ 37,322,892	\$ 19,025,515
2018	25,205,000	9,738,531	3,090,000	154,500	6,940,000	7,556,638	886,158	84,563	9,958	-	36,131,116	17,534,232
2019	25,210,000	15,778,835	-	-	9,905,000	7,217,788	285,770	73,287	9,958	-	35,410,728	23,069,910
2020	25,465,000	7,468,752	-	-	9,875,000	6,897,188	294,826	66,731	9,958	-	35,644,784	14,432,671
2021	24,925,000	6,160,032	-	-	9,850,000	6,494,238	309,084	59,916	9,958	-	35,094,042	12,714,186
2022-2026	72,960,000	16,896,300	-	-	49,110,000	26,081,163	1,775,521	185,479	7,653	-	123,853,174	43,162,942
2027-2031	36,460,000	4,107,725	-	-	46,030,000	15,182,825	613,383	14,114	-	-	83,103,383	19,304,664
2032-2047	16,230,000	1,180,200	-	-	41,250,000	10,687,500	-	-	-	-	57,480,000	11,867,700
	<u>\$ 252,270,000</u>	<u>\$ 72,227,169</u>	<u>\$ 6,185,000</u>	<u>\$ 432,800</u>	<u>\$ 179,895,000</u>	<u>\$ 87,857,753</u>	<u>\$ 5,632,676</u>	<u>\$ 594,098</u>	<u>\$ 57,443</u>	<u>\$ -</u>	<u>\$ 444,040,119</u>	<u>\$ 161,111,820</u>

**Business-type activities:**

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Limited Obligation Bonds		State Revolving Loan		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 671,146	\$ 235,307	\$ 725,000	\$ 202,313	\$ 1,396,146	\$ 437,620
2018	-	-	-	-	-	-	671,146	220,408	745,000	184,260	1,416,146	404,668
2019	-	-	-	-	-	-	671,146	205,508	765,000	165,710	1,436,146	371,218
2020	-	-	-	-	-	-	671,146	190,609	785,000	146,661	1,456,146	337,270
2021	-	-	-	-	-	-	671,146	175,709	800,000	127,115	1,471,146	302,824
2022-2026	-	-	-	-	-	-	3,355,729	655,056	4,305,000	326,813	7,660,729	981,869
2027-2031	-	-	-	-	-	-	3,355,729	282,570	-	-	3,355,729	282,570
2032-2047	-	-	-	-	-	-	532,238	11,816	-	-	532,238	11,816
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,599,426</u>	<u>\$ 1,976,983</u>	<u>\$ 8,125,000</u>	<u>\$ 1,152,872</u>	<u>\$ 18,724,426</u>	<u>\$ 3,129,855</u>

**\*NOTE:** The installment note payable principal amount on the above schedule amortizing outstanding debt as of June 30, 2017 does not include the outstanding bond anticipation notes (BANs) or installment financing contract (IFC) that are included in the summary of transactions affecting the County's long-term obligations for the year ended and in the outstanding debt with interest rates, date of issue, maturity dates, original issue amount and amount outstanding at year end. The BANs are not included in the above schedule because there is no annual payment. The County is authorized to utilize a draw-down program whereby funds are drawn to reimburse the County for capital project expenditures over a three year period. At the end of the three years (or less), the County issues fixed rate debt to pay off this debt. With the current draw program, the County is authorized to borrow up to \$50,000,000 of BANs and \$72,200,000 of IFCs. Of the amounts, \$633,295 and \$15,837,224 respectively, are currently outstanding as of June 30, 2017.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**E. LONG-TERM OBLIGATIONS (continued)**

**Revenue bonds**

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

In fiscal year 2003, \$24,515,000 of revenue bonds was issued to finance the construction project to expand the existing wastewater treatment facilities. In fiscal year 2013, \$13,985,000 of refunded revenue bonds were issued to refund the 2003 revenue bonds outstanding. The bonds are payable through 2027. The total principal and interest remaining to be paid on the bonds is \$9,277,870. Principal and interest paid for the year and total customer revenues were \$924,867 and \$9,298,341, respectively. Interest requirements for the revenue bonds are also payable annually at a fixed rate of 2.49%. These debt obligations are secured by a pledge of and lien upon, and payable solely from, the net receipts of the enterprise system and, in certain circumstances, by proceeds of the revenue bonds, investment earnings and certain net insurance and other proceeds. The revenue bonds are additionally secured by and payable from money and securities of certain funds, accounts and sub-accounts held by the trustee under the trust agreement and the first supplemental trust agreement. Sewer Utility Fund revenues are used to repay sewer utility long-term obligations. There were no revenue bonds issued in fiscal year 2017.

The ABC Board's long-term debt was \$1,158,534 as of June 30, 2017.

**(The remainder of this page is intentionally left blank.)**

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**F. COMMITMENTS**

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$558,778 for the year ended June 30, 2017. The future minimum rental payments due under the leases at June 30, 2017 are as follows:

YEAR ENDING JUNE 30,	COUNTY	ABC BOARD
2018	\$ 508,257	\$ 132,232
2019	161,679	135,848
2020	72,110	139,580
2021	34,274	121,100
2022	-	43,328
<b>TOTAL</b>	<b>\$ 776,320</b>	<b>\$ 572,088</b>

Leased Facilities

Pursuant to agreements executed between the County, Duke Regional Hospital (formerly Durham Regional Hospital, effective July 1, 2013) 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, 2017 were \$30,207,117 and \$33,398,743, respectively. Under the terms of the original agreement, annual minimum lease payments to be remitted to the County for use of the facility were \$3,500,000. These funds are accounted for in the Community Health Trust Fund.

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

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



DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**F. COMMITMENTS (continued)**

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

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

Also under the terms of the revised agreement, in support of emergency medical services, an additional \$350,000 payment was paid to the County during fiscal year 2009. In fiscal year 2016 and 2017, the County received \$2,417,855 and \$2,413,019 for these services, respectively. Through the remainder of the lease terms, payments made to the County will be adjusted for inflation using the CPI Index Adjustment. Under the revised agreement, Duke paid an additional \$375,000 to Lincoln Community Health Center for fiscal year 2009. LCHC received payments of \$3,132,221 and \$3,125,956 for fiscal year 2016 and 2017, respectively. Through the remainder of the lease terms, payments made to the LCHC would be adjusted for inflation using the CPI Index Adjustment. If LCHC ceases to exist without a successor entity that operates in the same manner, payment will be made to the County to support public health initiative for the citizens of Durham County.

2. Industrial Extension Policy

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

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**F. COMMITMENTS (continued)**

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

The annual requirements to amortize reimbursements payable under this policy at June 30, 2017 are as follows:

<u>YEAR ENDING JUNE 30,</u>	Governmental activities	
	PRINCIPAL	INTEREST
	2017	\$ 1,668,823
2018	1,651,563	-
2019	1,236,330	-
2020	1,234,831	-
2021	1,092,273	-
2022-2026	2,014,365	-
2027-2031	1,324,365	-
	\$ 10,222,550	\$ -

Interest requirements related to the Industrial Extensions Policy are nominal.

3. School Facilities

In June 2013, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2014 – 2023 that included school projects totaling \$330,260,205 funded through voter approved general obligation bond referendums in November 2001, November 2003, and November 2007 totaling \$298,763,205, 2/3's general obligation bonds in the amount of \$10,650,000, certificates of participation (COPS) in the amount of \$9,550,000, miscellaneous revenue in the amount of \$5,172,000, and County contributions of \$6,125,000. Total construction in progress for fiscal year 2017 for these projects was \$10,022,997 while total combined construction in progress since inception was \$195,055,089.

4. Construction

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**F. COMMITMENTS (continued)**

The CIP allocated funding for fiscal year 2017 in the amount of \$195,006,668. Funds provided approximately \$32,084,462 for capital projects of general governmental activities, \$4,400,000 for business-type activities, \$11,558,513 for public safety, \$110,000,000 for Education, \$14,678,693 for cultural and recreational, \$22,285,000 for environmental protection activities.

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

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

5. Capital commitments

The County had commitments at June 30, 2017 of approximately \$215,342 for the expansion of the wastewater treatment plant and construction of sewer distribution systems.

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

6. Other commitments

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

The County participates in a number of Federal and State of North Carolina awards and grant awards programs. The disbursement of funds under these programs are subject to a single audit in conformity with the provisions of the Single Audit Act, requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and North Carolina state law for state funds.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**F. COMMITMENTS (continued)**

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

**G. INTERFUND BALANCES AND ACTIVITIES**

The following is a schedule of interfund receivable and payable balances as of June 30, 2017:

Due to:		
General Fund from Capital Projects Fund		
Amount due per BOCC approved interfund loan	\$	<u>4,140,424</u>
Due from:		
Capital Projects Fund to General Fund		
Amount due per BOCC approved interfund loan	\$	<u>4,140,424</u>

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

**(The remainder of this page is intentionally left blank.)**

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

---

**G. INTERFUND BALANCES AND ACTIVITIES (continued)**

Transfers:

The following is a summary of transfers for the year ended June 30, 2017:

	Transfers in:			Total
	General Fund	Capital Projects Fund	Debt Service Fund	
Transfers out:				
General fund	\$ -	\$ 8,261,351	\$ 55,436,212	\$ 63,697,563
Community health trust fund	3,950,000	1,239,596	-	5,189,596
Capital projects fund	-	-	5,713,489	5,713,489
Debt service fund	-	4,291,000	-	4,291,000
Nonmajor governmental funds	4,749,602	-	-	4,749,602
Nonmajor enterprise fund	15	-	-	15
<b>Total transfers</b>	<b>\$ 8,699,617</b>	<b>\$ 13,791,947</b>	<b>\$ 61,149,701</b>	<b>\$ 83,641,265</b>

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

Transfers from the Community Health Trust Fund to the General Fund and the Debt Service Fund are for funding health-related expenditures and funding for health-related debt activity, respectively.

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

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

Transfer from the Rougemont Community Water System (RCWS) Fund (proprietary fund) to the General Fund (governmental fund) occurred as a result of moving the provision of the water services for the Rougemont Community to the General Fund and closing the RCWS Fund into the General Fund. In fiscal year 2017 after further financial analysis of the financial activity, the County realized that these services would never be self-supporting through user fees. The closing into the General Fund is because the system was developed due to health-related risks (e.g., contaminated wells in the community) and will only service the Rougemont Community. Therefore, the provision of these services are now being subsidized with funding in the General Fund.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

1. North Carolina Local Governmental Employees' Retirement System

*Plan Description.* The County and the ABC Board are participating employers in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. - County and ABC employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.32% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$7,204,103 for the year ended June 30, 2017. The ABC Board's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.36% for general employees and actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the ABC Board were \$160,184 and \$130,609 for the years ended June 30, 2017 and June 30, 2016, respectively.

*Refunds of Contributions* – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017, the County reported a liability of \$33,574,721 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was 1.581%, which was an increase of .08% from its proportion measured as of June 30, 2015.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

For the year ended June 30, 2017, the County recognized pension expense of \$9,508,415. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 630,811	\$ 1,176,497
Changes of assumptions	2,299,567	-
Net difference between projected and actual earnings on pension plan investments	18,562,582	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,259,115	-
County contributions subsequent to the measurement date	7,204,103	-
Total	\$ 29,956,178	\$ 1,176,497

\$7,204,103 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year End June 30:**

2018	\$ 3,533,861
2019	3,534,883
2020	9,075,669
2021	5,431,166
2022	-
Thereafter	-
	\$ 21,575,580



DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, includes 3.5% inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
County's Proportionate share of the net pension liability (asset)	\$ 79,688,432	\$ 33,574,721	\$ 4,942,913

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

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.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	20
Active plan members	<u>176</u>
Total	<u><u>196</u></u>

A separate report was not issued for the plan.

**(The remainder of this page is intentionally left blank.)**

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

*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.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements No. 73:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

*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. The County paid \$358,883 as the benefit came due for the reporting period. There were no contributions made by employees.

The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$185,771 as benefits came due for the reporting period.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2017, the County reported a total pension liability of \$6,124,839. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$433,526.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	110,222
County benefit payments and plan administrative expense made subsequent to the measurement date	185,771	-
Total	\$ 185,771	\$ 110,222

\$185,771 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year End June 30:</b>	
2018	\$ 22,267
2019	22,267
2020	22,267
2021	22,267
2022	21,154
Thereafter	-
	\$ 110,222

\$185,771 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

*Sensitivity of the County's total pension liability to changes in the discount rate.* The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Decrease (4.86%)
Total pension liability	\$ 6,595,497	\$ 6,124,839	\$ 5,692,350

**Schedule of Changes in Total Pension Liability  
 Law Enforcement Officers' Special Separation Allowance**

	<b>2017</b>
Beginning balance	\$ 6,160,911
Service Cost	241,762
Interest on the total pension liability	213,538
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability:	-
Changes of assumptions or other inputs	(132,489)
Benefit payments	(358,883)
Other changes	-
Ending balance of the total pension liability	\$ 6,124,839

Mortality rates are based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

**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, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

*Funding Policy.* Article 12 E of NCGS Chapter 143 requires the County and the ABC Board 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, 2017 were \$729,096, which consisted of \$487,965 from the County and \$241,131 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, 2017 totaled \$23,499 which consisted of \$5,947 from the ABC Board and \$17,552 from the law enforcement officers employed by the ABC Board. The County's required contributions and the officers' voluntary contributions represented 5% and 2.11%, 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 (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund 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 the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$27,235 for the year ended June 30, 2017.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017, the County reported an asset of \$581,930 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was 3.113%, which was an increase of .099% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$(19,402). At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>          </u>	<u>          </u>
Differences between expected and actual experience	\$ 623	\$ 7,532
Changes of assumptions	155,034	-
Net difference between projected and actual earnings on pension plan investments	996	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	28,285
County contributions subsequent to the measurement date	27,235	-
Total	<u>\$ 183,888</u>	<u>\$ 35,817</u>



DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

\$27,235 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year End June 30:</b>	
2018	\$ 45,354
2019	57,401
2020	24,581
2021	(6,518)
2022	-
Thereafter	-
	<u>\$ 120,836</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's Proportionate share of the net pension liability (asset)	\$ (469,209)	\$ (581,930)	\$ (676,595)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

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

*Plan Description.* All regular and volunteer firemen whose qualifications are certified by the Board of County Commissioners are eligible to participate in the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund. The State of North Carolina contributes, on behalf of the County of Durham, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) of the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the - Firefighters' and Rescue Squad Workers' Pension Fund. 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, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the plan, however the County may contribute on their behalf, for pension benefits, \$10 per month per participant and has no pension plan obligations beyond the amounts paid into the Fund. For the year end June 30, 2017, the County made no contributions. The State, a non-employer contributor, funds the plan through appropriations. The County does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2016, the State contributed \$13,900,000 to the plan. The County of Durham's proportionate share of the State's contribution is \$43,304.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

*Refunds of Contributions* – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member’s contributions and contributions paid by others on the member’s behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by FRSWPF.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017, the County reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the County through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the County and supported by the State was \$43,304. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the County is not projected to make any future contributions to the plan, its proportionate share at June 30, 2016 and at June 30, 2015 was 0%.

For the year ended June 30, 2017, the County recognized pension expense of \$12,705 and revenue of \$12,705 for support provided by the State. At June 30, 2017, the County reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, includes 3.5% inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section 1 of this note.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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

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

*Funding Policy.* The County's contributions were calculated using a covered payroll amount of \$87,755,476. The County's total payroll was \$100,121,136. Total contributions for the year ended June 30, 2017 were \$7,008,824, which consisted of \$4,408,858 from the County and \$2,599,966 from the non-law enforcement personnel. The County's required contribution and the non-law enforcement personnel's voluntary contribution represented 7.00% of the covered payroll amount.

7. Other Post-Employment Benefits

*Plan Description.* Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). For employees hired on or after July 1, 2006, this plan provides post-employment healthcare benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the County. Also, the plan provides post-employment healthcare benefits to employees hired after July 1, 2006 who are age 60 or more with twenty-five years or more of continuous service. Prior to July 1, 2006, employees qualified for the same level of benefits after at least twenty years of creditable service with the

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

County. The County pays full cost of coverage for these benefits until they reach age 65 or until they are eligible to receive Medicare benefits, whichever comes first. At that time such coverage is terminated, and the County pays full cost of a Medicare supplement policy. Also, retirees with at least ten years of service can purchase coverage at the County’s group rates for themselves and for their dependents at the County’s group rate for healthcare, dental and vision until they become Medicare eligible. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The BOCC may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2016, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	567	24
Active plan members	<u>1,613</u>	<u>177</u>
Total	<u><u>2,180</u></u>	<u><u>201</u></u>

*Funding Policy.* The County pays a portion of the cost of the Basic and the Core coverage healthcare benefits to qualified retirees. The County pays 100% of the cost of the Accountable Care Organization (ACO) plan coverage healthcare benefit to qualified retirees who complete an annual health risk assessment. These benefits are provided under a County resolution that can be amended by the BOCC. The County’s members pay monthly for themselves with ten to twenty-four years of service and for dependent coverage at the County’s group rates. For retirees that qualify for full cost coverage, the monthly rates for healthcare are: for retiree only coverage, the monthly rates are \$0 for the Core option, \$0 for the Basic option; for family dependent coverage, the monthly rates are \$80 for the Core option and \$40 for the Basic option and \$0 for ACO options; for family dependent coverage, the monthly rates are \$1,315.08 for the Core option, \$1,006.76 for the Basic option and \$1,086.57 for the ACO option; for the spouse only coverage, \$765.87 for the Core option, \$635.62 for the Basic option and \$603.46 for the ACO option; and for the child only coverage, the monthly rates are \$540.17 for the Core option, \$485.14 for the Basic option and \$404.92 for the ACO option. For retirees with ten to nineteen years of service, the monthly rates for healthcare are: for retiree only coverage, the monthly rates are \$670.85 for the Core option, \$623.18 for the Basic option and \$590.00 for the ACO option; for retiree/family dependent coverage, the monthly rates are \$1,905.93 for the Core option and \$1,589.94 for the Basic option and \$1,676.57 for the ACO option; for the retiree/spouse only coverage, the monthly rates are \$1,356.72 for the Core option and \$1,218.80 for the Basic option and \$1,193.46 for the ACO option; and for the retiree/child only coverage, the monthly rates are \$1,131.02 for the Core option, \$1,068.32 for the Basic option and \$994.92 for the ACO option. Retirees with ten or more years of service can participate in the County’s dental plan at the County’s group rates for themselves and dependents. For retiree only, the monthly rate is \$46.17; for retiree/family dependent coverage,

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

the monthly rate is \$130.82; for retiree/spouse only coverage, the monthly rate is \$104.31; and for the retiree/child coverage, the monthly rate was \$95.76. Retirees with ten or more years of service can also participate in the County's vision plan at the County's group rates for themselves and dependents. For retiree only, the monthly rate is \$10.16; for retiree/family dependent coverage, the monthly rate is \$24.60; for retiree/spouse only coverage, the monthly rate is \$15.67; and for the retiree/child coverage, the monthly rate is \$16.42. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The County at this time has chosen to fund the healthcare benefits on a pay as you go basis.

Retired Employees' Years of Creditable Service	Date Hired	
	Prior to July 1, 2006	On or after July 1, 2006
10 - 19 years of continuous service	A death benefit in the amount of \$10,000	A death benefit in the amount of \$10,000
20 – 24 years of continuous service	County pays full cost of retiree's medical insurance until they becomes Medicare eligible. At that time such coverage is terminated and the County pays full cost of a Medicare Supplement policy.	A death benefit in the amount of \$10,000
Employees who are 60 with 25 years or more of continuous service	County pays full cost of retiree's medical insurance until they becomes Medicare eligible. At that time such coverage is terminated and the County pays full cost of a Medicare Supplement policy.  A death benefit in the amount of \$10,000	County pays full cost of retiree's medical insurance until they becomes Medicare eligible. At that time such coverage is terminated and the County pays full cost of a Medicare Supplement policy.  A death benefit in the amount of \$10,000
Employees with at least 30 or more years of continuous service	County pays full cost of retiree's medical insurance until they becomes Medicare eligible. At that time such coverage is terminated and the County pays full cost of a Medicare Supplement policy.  A death benefit in the amount of \$10,000	County pays full cost of retiree's medical insurance until they becomes Medicare eligible. At that time such coverage is terminated and the County pays full cost of a Medicare Supplement policy.  A death benefit in the amount of \$10,000

The current ARC rate is 9.07% of annual covered payroll. For the current year, the County contributed \$2,959,382 or 3.03% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 2.81% and .22% of covered payroll, respectively. For the current year, the County did not contribute to an irrevocable trust but rather set aside funding for the HCB Plan in the fund balance of the General Fund in the amount of \$3,443,403 which represents 39.37% of ARC. The total committed fund balance for OPEB as of fiscal year end for the General Fund was \$48,699,722.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

Currently, 591 retirees are eligible for health benefits. The County's obligation to contribute to the HCB Plan is established and may be amended by the BOCC.

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

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

Annual required contribution	\$ 8,746,485
Valuation Discount Rate	4.00%
Interest on net OPEB obligation	2,236,263
Amortization Factor	26.1695
Adjustment to annual required contribution	<u>(2,136,325)</u>
Annual OPEB cost (expense)	\$ 8,846,423
Employer contributions made	<u>2,959,382</u>
Increase (decrease) in net OPEB obligation	\$ 5,887,041
Net OPEB obligation, beginning of year	<u>55,906,565</u>
Net OPEB obligation, end of year	<u><u>\$ 61,793,606</u></u>



DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

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

Fiscal Year Ended <u>June 30</u>	Annual <u>OPEB Cost</u>	Percentage of Annual <u>OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
2017	\$ 8,846,423	33.50%	\$61,793,606
2016	8,126,441	40.09%	55,906,565
2015	8,118,446	44.90%	51,038,152

*Funding Status and Funding Progress.* As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$133,959,494. The covered payroll (annual payroll of active employees covered by the plan) was \$90,005,176 and the ratio of the UAAL to the covered payroll was 148.80%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past progress, presented as required supplementary information following the notes to the financial statements and presented as multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return, representative values of the annual rates of separation, deaths after retirement according to the 1994 Group Annuity Mortality table with Projection Scale AA, asset valuation method of market value, annual medical cost trend rates, pre-Medicare 7.75 to 5.00 percent and post-Medicare 5.75 to 5.00 percent annually, ultimate trend rate year is 2022 with a 3.00% inflation rate, per capita costs adjusted to reflect expected cost changes related to age, anticipated plan participation of 100% and annual expected claim estimates for pre-65 and post-65. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was 30 years.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

8. Other Employment Benefits

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

All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. Contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. For the fiscal year ended June 30, 2017 the County made contributions to the State for death benefits of \$75,089. 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 net position of the Death Benefit Plan is not available for future benefit payments but will be used to reduce future contribution requirements.

**I. RISK MANAGEMENT**

Durham County's risk management is a coordinated and ongoing effort to assess and respond to risks which affect the achievement of the County's Strategic Plan. This is achieved through risk identification, assessment, and mitigation strategies to protect the County employees, assets, and operations from loss. The County accounts for and finances the risks of loss in the General Fund.

*Benefits Plan* – The County has a partially self-funded benefits plan. The County funds a core plan (health, dental, vision, life insurance and dependent coverage). The County's health and dental are fully self-funded. The County reports claims expenditures and liabilities in the General Fund. During fiscal year 2017, a total of \$22,318,196 was incurred for benefits and administrative costs of the County's benefit plan. As of June 30, 2017, the incurred but not reported liability for health and dental was \$2,045,000.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**I. RISK MANAGEMENT (continued)**

The following is a reconciliation of changes in liabilities for self-insured claims from amounts reported June 30, 2015 to the current fiscal year ended June 30, 2017:

	<u>Dental Claims</u>	<u>Health Claims</u>
Balance June 30, 2015	\$ 150,000	\$ 1,600,000
Claims reported and changes in estimates for FY 2016	1,654,311	13,996,625
Claims paid in FY 2016	<u>(1,699,311)</u>	<u>(13,921,625)</u>
Balance June 30, 2016	105,000	1,675,000
Claims reported and changes in estimates for FY 2017	1,727,412	12,792,975
Claims paid in FY 2017	<u>(1,737,412)</u>	<u>(12,517,975)</u>
Balance June 30, 2017	<u>\$ 95,000</u>	<u>\$ 1,950,000</u>

The County finances property and workers' compensation exposures using a combination of a deductible/retention and commercial excess insurance. Payments for claims have not exceeded appropriated funds in any of the past three fiscal years. Durham County maintains a committed fund balance for risk management.

In accordance with North Carolina General Statute 159-29, the County's Chief Financial Officer and Tax Collector are each individually bonded for \$250,000. In addition, the County's Sheriff and Register of Deeds are each individually bonded \$25,000 and \$50,000, respectively. All other employees which includes those employees who have access to cash and inventory are covered under a blanket bond in the amount of \$500,000.

Durham County ABC Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settlement claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(I), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

---

**J. LITIGATION**

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

**K. JOINTLY GOVERNED ORGANIZATIONS**

Triangle J Council of Governments

Durham County, in conjunction with five other counties and thirty municipalities, established the Triangle J Council of Governments (“Council”). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council’s governing board. The County paid membership fees of \$69,248 to the Council during the fiscal year ended June 30, 2017. There is no on-going financial interest or responsibility by the County.

Triangle Transit Authority

Durham County, in conjunction with other area local governments, is a member of the Research Triangle Regional Public Transportation Authority. Durham County appoints one member to the governing board and jointly appoints a second member with the City of Durham (the “City”). The Authority possesses final decision making ability and is solely responsible for the management, budget and fiscal operations of the Authority.

**L. JOINT VENTURES WITHOUT EQUITY INTEREST**

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

The Durham and Wake Counties Research and Production Service District Advisory Committee is a special taxing district governed by a ten-member board of which the individuals must be recommended by the Research Triangle Park and Tenants Association. The function of the Board is to make recommendations to the County Commissioners concerning the budget and tax rate to be set for the Special District/Research Triangle Park area. The District is a joint venture of the two Boards of County Commissioners; however, the County does not have an equity interest in the District. The District may issue bonds or other obligations pursuant to the provisions of the Local Government Bond Act of the North Carolina General Statutes and is empowered to cause taxes to be levied upon all taxable property within its district in Durham and Wake Counties sufficient to meet financial obligations. The County does not approve the budget of the District, nor does the County control the collection or disbursement of District funds. 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.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)**

Raleigh-Durham Airport Authority

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

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

Durham Technical Community College

Durham County provides funds to Durham Technical Community College, primarily for capital 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 2017 appropriation of approximately \$6.601 million to the College represents approximately 5.30% of its total current non-operating revenues, with the majority of funding being provided by the State of North Carolina Department of Community Colleges. In addition, the County contributed \$302,500 to capital outlay bringing the County’s contribution to Durham Technical Community College capital outlay to .11%. 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, 2017. Complete financial statements for the College may be obtained at their administrative offices at 1637 Lawson Street, Durham, North Carolina 27703.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**M. JOINT VENTURES WITH EQUITY INTEREST**

Durham Convention and Visitors Bureau

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

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

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

At June 30, 2017, the County recorded an equity interest in the Bureau of \$335,400 which is included in the investment in joint venture in the statement of net position. Complete financial statements may be obtained at the administrative offices at 101 East Morgan Street, Durham, North Carolina 27701.

Durham Civic Center Authority

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

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

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

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

---

**M. JOINT VENTURES WITH EQUITY INTEREST (continued)**

In January 2004, the City of Durham refunded debt that included the Civic Center Authority's long-term debt. Therefore, the Civic Center Authority's long-term debt consists of \$1,110,123 in general obligation bonds issued by the City of Durham, maturing in varying installments from 1997 to 2008 with interest at 2.00% to 4.00%. The debt is being serviced from property tax revenues of the City and amounts for additional equity purchases made by the County. The County's net investment in the Authority is reported in the investment in joint venture in the statement of net position. At June 30, 2017, the County's equity interest in the Authority was \$9,993,575.

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 2017, the amount funded by the County was approximately \$158,395. Complete financial statements for the Authority may be obtained from the City of Durham's administrative offices at 101 City Hall Plaza, Durham, North Carolina 27701.

The total investment in joint venture for Durham County recorded in the statement of net position for governmental activities for the above two ventures at June 30, 2017 is \$10,328,975.

**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	\$ 216,640,273	\$ 113,428,272
Children Health Insurance Program	5,988,772	20,070
Food Stamp	61,510,032	-
Temporary Assistance for Needy Families	1,298,555	-
Special Assistance to Adult	-	1,948,373
Title IV-E Adoption Assistance	985,033	231,514
IV-B Adoption Assistance	-	673,102
Refugee Assistance	35,771	-
Total Direct Federal and State Awards	\$ 286,458,436	\$ 116,301,331

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

---

**O. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$5,801,535.

**P. SUBSEQUENT EVENTS**

The County has evaluated subsequent events through October 31, 2017, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION  
(TAB)**

## DURHAM COUNTY, NORTH CAROLINA

### Other Postemployment Benefits Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability ("AAL") Project Unit Credit (B)	Unfunded AAL ("UAAL") (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a percentage of Covered payroll [(B-A)/C]
December 31, 2005	\$ -	\$ 150,676,744	\$ 150,676,744	0.00%	\$ 62,503,289	241.10%
December 31, 2008	-	80,802,284	80,802,284	0.00%	78,956,072	102.30%
December 31, 2010	-	92,462,774	92,462,774	0.00%	83,767,601	110.40%
December 31, 2012	-	95,709,409	95,709,409	0.00%	79,334,694	120.60%
December 31, 2014	-	107,313,006	107,313,006	0.00%	88,889,420	120.70%
June 30, 2016	-	133,959,494	133,959,494	0.00%	90,055,176	148.80%

## DURHAM COUNTY, NORTH CAROLINA

### Other Postemployment Benefits Schedule of Employer Contributions

---

<b>Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2008	\$ 13,552,376	6.37%
2009	7,168,139	15.54%
2010	7,168,139	16.24%
2011	7,436,944	26.12%
2012	7,436,944	29.45%
2013	8,065,601	33.20%
2014	8,002,006	31.18%
2015	8,035,206	45.37%
2016	8,035,206	40.55%
2017	8,746,485	33.84%

**DURHAM COUNTY, NORTH CAROLINA**

**Local Governmental Employees' Retirement System  
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)  
Last Four Fiscal Years\***

---

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	1.581%	1.503%	1.430%	1.397%
County's proportion of the net pension pension liability (asset) \$	\$ 33,574,721	\$ 6,748,246	\$ (8,435,963)	\$ 16,834,393
County's covered-employee payroll	\$ 97,483,272	\$ 89,938,408	\$ 84,777,497	\$ 80,776,038
County's proportion of the net pension pension liability (asset) as a percentage of its covered-employee payroll	34.44%	7.50%	(9.95%)	20.84%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Information is not available for years prior to 2014.

**DURHAM COUNTY, NORTH CAROLINA**

**Local Governmental Employees' Retirement System  
Schedule of Contributions, Last Four Fiscal Years**

---

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,204,103	\$ 6,610,387	\$ 6,377,809	\$ 6,003,706
Contributions in relation to the contractually required contribution	<u>7,204,103</u>	<u>6,610,387</u>	<u>6,377,809</u>	<u>6,003,706</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 97,510,119	\$ 97,483,272	\$ 89,938,408	\$ 84,777,497
Contributions as a percentage of covered-employee payroll	7.39%	6.78%	7.09%	7.08%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Information is not available for years prior to 2014.

**DURHAM COUNTY, NORTH CAROLINA**

**Register of Deeds' Supplemental Pension Fund  
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)  
Last Four Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	3.113%	3.014%	2.897%	2.772%
County's proportion of the net pension pension liability (asset) \$	\$ (581,930)	\$ (698,462)	\$ (656,716)	\$ (592,253)
County's covered-employee payroll	\$ 158,135	\$ 133,745	\$ 129,736	\$ 124,486
County's proportion of the net pension pension liability (asset) as a percentage of its covered-employee payroll	-(367.98%)	(522.23%)	(506.19%)	(475.76%)
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Information is not available for years prior to 2014.

**DURHAM COUNTY, NORTH CAROLINA**

**Register of Deeds' Supplemental Pension Fund  
Schedule of Contributions, Last Four Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 27,235	\$ 25,427	\$ 24,117	\$ 23,656
Contributions in relation to the contractually required contribution	<u>27,235</u>	<u>25,427</u>	<u>24,117</u>	<u>23,656</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 87,500	\$ 158,135	\$ 133,745	\$ 129,736
Contributions as a percentage of covered-employee payroll	31.13%	16.08%	18.03%	18.23%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Information is not available for years prior to 2014.

**DURHAM COUNTY, NORTH CAROLINA**

**Firefighters' and Rescue Squad Workers' Pension Fund  
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)  
Last Three Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset) %	0.00%	0.00%	0.00%
County's proportion of the net pension liability (asset) \$	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the County	<u>43,304</u>	<u>26,131</u>	<u>9,735</u>
Total	<u>\$ 43,304</u>	<u>\$ 26,131</u>	<u>\$ 9,735</u>
County's covered-employee payroll	N/A	N/A	N/A
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	84.94%	91.40%	93.42%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Information is not available for years prior to 2015.



**DURHAM COUNTY, NORTH CAROLINA**

**Law Enforcement Officers' Special Separation Allowance  
Schedule of Changes in Total Pension Liability, Last Fiscal Year**

---

	<u>2017</u>
Beginning balance	\$6,160,911
Service Cost	241,762
Interest on the total pension liability	213,538
Changes of benefit terms -	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(132,489)
Benefit payments	(358,883)
Other changes -	-
Ending balance of the total pension liability	<u>\$6,124,839</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

**DURHAM COUNTY, NORTH CAROLINA**

**Law Enforcement Officers' Special Separation Allowance  
Schedule of Total Pension Liability as a Percentage of Covered Payroll, Last Fiscal Year**

---

	<u>2017</u>
Total pension liability	\$6,124,839
Covered payroll	9,759,075
Total pension liability as a percentage of covered payroll	62.76%

Notes to schedule:

The County of Durham has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**THIS PAGE LEFT INTENTIONALLY BLANK**

**OTHER SUPPLEMENTARY INFORMATION  
(TAB)**

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

## MAJOR GOVERNMENTAL FUNDS

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

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

**THIS PAGE LEFT INTENTIONALLY BLANK**

DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual - Debt Service Fund  
 Year Ended June 30, 2017

	Budget		Actual	Positive (Negative) Variance
	Original	Final		
<b>Revenues</b>				
Investments	\$ 19,998	\$ 19,998	\$ 91,731	\$ 71,733
Intergovernmental revenues	368,221	368,221	482,463	114,242
Charges for services	400,000	400,000	567,610	167,610
Total revenues	<u>788,219</u>	<u>788,219</u>	<u>1,141,804</u>	<u>353,585</u>
<b>Expenditures</b>				
Debt service:				
Principal retirement	35,418,705	35,418,705	37,427,611	(2,008,906)
Interest and fiscal charges	22,038,858	18,786,103	18,653,456	132,647
Debt issuance costs	700,000	1,276,792	617,443	659,349
Total expenditures	<u>58,157,563</u>	<u>55,481,600</u>	<u>56,698,510</u>	<u>(1,216,910)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(57,369,344)</u>	<u>(54,693,381)</u>	<u>(55,556,706)</u>	<u>(863,325)</u>
<b>Other financing sources (uses)</b>				
Transfers in	57,376,990	61,322,762	61,149,701	(173,061)
Transfers out	-	(4,291,000)	(4,291,000)	-
Premium on issuance of refinancing	-	17,940,846	17,940,846	-
Issuance of refunding bonds	-	96,460,000	96,460,000	-
Payment to refunded debt escrow agent	-	(117,031,677)	(115,022,770)	2,008,907
Appropriated fund balance	(7,646)	292,450	-	(292,450)
Total other financing sources (uses)	<u>57,369,344</u>	<u>54,693,381</u>	<u>56,236,777</u>	<u>1,543,396</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>680,071</u>	<u>\$ 680,071</u>
<b>Fund balance - beginning</b>			<u>7,371,500</u>	
<b>Fund balance - ending</b>			<u>\$ 8,051,571</u>	



**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Expenditures Compared with Project Authorizations  
Capital Projects Fund  
From Project Inception and for the Fiscal Years Ended June 30, 2017**

<b>PROJECT</b>	<b>EXPENDITURES</b>		<b>SPENT TO DATE</b>	<b>REMAINING COMMITMENT</b>
	<b>CURRENT YEAR</b>	<b>PRIOR YEARS</b>		
Durham Public School Projects	\$ 9,616,390	\$ 62,363,867	\$ 71,980,257	\$ 90,628,723
Whitted School	4,572,158	2,347,797	6,919,955	1,430,045
E911 Facility County	1,000,000	-	1,000,000	1,924,443
Justice Center	163,536	113,424,294	113,587,830	208,625
NCML & Bioquest	34,473	15,106,339	15,140,812	-
Museum New Parking Deck	505,563	-	505,563	6,594,437
County Storage Facility	5,840	3,079,466	3,085,306	14,694
Human Services Complex	134,370	89,264,724	89,399,094	388,506
Judicial Building Renovation Phase II	17,539,487	2,427,730	19,967,217	27,241,912
Ongoing Parking Resurfacing Project	65,978	594,160	660,138	444,576
Ongoing HVAC Replacement Project	346,207	279,574	625,781	1,143,686
Jail Elevator Upgrade	77,328	-	77,328	2,215,243
County Building Envelope Upgrade	105,000	-	105,000	395,000
Standord L. Warren Library Upgrade	7,500	-	7,500	42,500
Open Space/Farmland Preservation	17,550	7,354,398	7,371,948	5,167,613
Dentention Center Renovations	78,565	-	78,565	471,435
DTCC Campus Improvements	1,666,785	10,413,215	12,080,000	-
DTCC Newton Building	-	-	-	320,000
DTCC Northern Durham	67,200	-	67,200	932,800
DTCC Newton Building Renovations	158,035	-	158,035	17,841,965
Scattered Site Housing Project III	109,194	302,685	411,879	121
EMS Station #1 Renovations	51,046	226,737	277,783	1,420,716
12 County IT Hardware Replacement	140,346	7,717,875	7,858,221	53,692
Single Family Rehabilitation Program	-	292,828	292,828	1,972
Single Family Rehabilitation 13	31,692	135,893	167,585	2,415
Main Library Upgrade	1,944,382	548,543	2,492,925	44,593,607
Hollow Rock/New Hope	2,850	219,440	222,290	443,647
Ongoing Roof Replacement	1,600,479	172,110	1,772,589	1,067,932
W.G. Pearson/Student Union Renovation	163,670	-	163,670	4,086,330
Major Laserfische Upgrade	3,851	82,850	86,701	193,299
16 IT Hardware Upgrade	2,860,226	-	2,860,226	820,774
HCM SAP Software Upgrade	125,779	174,698	300,477	137,944
16 Telecommunications Upgrade	236	109,263	109,499	488,501
16 Sheriff Technology Upgrade	14,960	116,500	131,460	467,940
Administration Building Refurbish	230	-	230	1,131,514
Downtown Parking Deck Project	13,800	-	13,800	236,200
LCHC Phase II Renovations	385,208	25,159	410,367	1,781,153
New Junction Road Industrial	1,279,487	-	1,279,487	35,513
Judicial Annex Building Renovation	120	-	120	4,099,880
Research Triangle Foundation	993,140	-	993,140	19,006,860
	<u>\$ 45,882,661</u>	<u>\$ 316,780,145</u>	<u>\$ 362,662,806</u>	<u>\$ 237,476,213</u>

## **FIDUCIARY FUNDS**

### **Private-purpose Trust Funds**

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

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

**THIS PAGE LEFT INTENTIONALLY BLANK**

**DURHAM COUNTY, NORTH CAROLINA**

**Combining Statement of Net Position  
Private-purpose Trust Funds  
June 30, 2017**

---

	<b>George R. Linder Memorial Private-purpose Trust Fund</b>	<b>Vic Pearson EMS Memorial Private-purpose Trust Fund</b>	<b>Total Private-purpose Trust Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,829	\$ 38,712	\$ 44,541
Total assets	<u>5,829</u>	<u>38,712</u>	<u>44,541</u>
<b>Net position</b>			
Held in trust for:			
Individuals, organizations, and other governments	5,829	38,712	44,541
Total net position	<u>\$ 5,829</u>	<u>\$ 38,712</u>	<u>\$ 44,541</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Combining Statement of Changes in Net Position  
Private-purpose Trust Funds  
Year Ended June 30, 2017**

	<b>George R. Linder Memorial Private-purpose Trust Fund</b>	<b>Vic Pearson EMS Memorial Private-purpose Trust Fund</b>	<b>Total Private-purpose Trust Funds</b>
<b>Additions</b>			
Employee contributions	\$ -	\$ 2,989	\$ 2,989
Donations	-	420	420
Investment income	31	33	64
Total additions	<u>31</u>	<u>3,442</u>	<u>3,473</u>
<b>Deductions</b>			
Benefits	-	700	700
Total deductions	<u>-</u>	<u>700</u>	<u>700</u>
<b>Change in net position</b>	31	2,742	2,773
<b>Total net position - beginning</b>	<u>5,798</u>	<u>35,970</u>	<u>41,768</u>
<b>Total net position - ending</b>	<u>\$ 5,829</u>	<u>\$ 38,712</u>	<u>\$ 44,541</u>

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

**Fire Tax District Funds** – to account for and report the proceeds of special district fire taxes for the Bethesda, Lebanon, Redwood, New Hope, Eno, and Bahama Fire Districts. Effective July 1, 2013 and July 1, 2015, fire taxes are no longer the primary funding source for the Bethesda and Parkwood Fire Districts, respectively. Therefore, the activity in these funds is mainly collections of delinquent taxes. Effective, July 1, 2015, the Parkwood Rural Fire District was merged into the Durham County Fire and Rescue Rural Fire District.

**Bethesda Service Tax District Fund** – to account for and report the proceeds of special service district taxes for providing fire protection to the Bethesda Rural Fire District. As of July 1, 2013, service taxes became the primary funding source for providing of fire protection to this district. The Bethesda Rural Fire District was merged into the Durham County Fire and Rescue Rural Fire District July 1, 2015.

**Durham County Fire and Rescue Service Tax District Fund** – to account for and report the proceeds of special district taxes for providing fire protection to the Durham County Fire and Rescue Rural Fire District. As of July 1, 2015, the County merged the Bethesda Rural Fire District and the Parkwood Rural Fire District into one district, the Durham County Fire and Rescue Rural Fire District.

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

**THIS PAGE LEFT INTENTIONALLY BLANK**

# DURHAM COUNTY, NORTH CAROLINA

## Combined Balance Sheet Nonmajor Governmental Funds June 30, 2017

---

	<b>Special Revenue Funds</b>
<b>Assets</b>	
Cash and cash equivalents / investments	\$ 2,608,530
Cash and cash equivalents / investments - restricted	243,528
Net property taxes receivable	48,631
Due from other governments - federal and state agencies	35,241
<b>Total assets</b>	<b>\$ 2,935,930</b>
<b>Liabilities</b>	
Accounts payable	\$ 344
Total liabilities	344
<b>Deferred inflows of resources</b>	
Prepaid taxes	70,378
Net property taxes receivable	48,631
Total deferred inflows of resources	119,009
<b>Fund balances</b>	
Restricted:	
Firefighters' relief funds	243,528
Assigned	2,573,049
Total fund balances	2,816,577
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<b>\$ 2,935,930</b>



## DURHAM COUNTY, NORTH CAROLINA

### Combined Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2017

---

	<b>Special Revenue Funds</b>
<b>Revenues</b>	
Taxes	\$ 9,089,860
Intergovernmental revenues	341,217
Investments	25,140
Total revenues	<u>9,456,217</u>
<b>Expenditures</b>	
Current:	
Public safety	3,625,190
Economic and physical development	1,211,792
Total expenditures	<u>4,836,982</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>4,619,235</u>
<b>Other financing sources (uses)</b>	
Transfers out	(4,749,602)
Total other financing sources (uses)	<u>(4,749,602)</u>
<b>Net change in fund balances</b>	(130,367)
<b>Fund balance - beginning</b>	<u>2,946,944</u>
<b>Fund balance - ending</b>	<u><u>\$ 2,816,577</u></u>

**THIS PAGE LEFT INTENTIONALLY BLANK**

DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2017

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
<b>Assets</b>				
Cash and cash equivalents / investments	\$ 11,386	\$ 299,950	\$ 37,453	\$ 190,337
Cash and cash equivalents / investments - restricted	-	-	-	-
Net property taxes receivable	2,126	7,833	972	18,757
Due from other governments - federal and state agencies	-	10,531	-	8,437
<b>Total assets</b>	<b>\$ 13,512</b>	<b>\$ 318,314</b>	<b>\$ 38,425</b>	<b>\$ 217,531</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 55	\$ -	\$ 23
<b>Total liabilities</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>23</b>
<b>Deferred inflows of resources</b>				
Prepaid taxes	-	92	-	652
Net property taxes receivable	2,126	7,833	972	18,757
<b>Total deferred inflows of resources</b>	<b>2,126</b>	<b>7,925</b>	<b>972</b>	<b>19,409</b>
<b>Fund balances</b>				
Restricted:				
Firefighters' relief funds	-	-	-	-
Assigned	11,386	310,334	37,453	198,099
<b>Total fund balances</b>	<b>11,386</b>	<b>310,334</b>	<b>37,453</b>	<b>198,099</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 13,512</b>	<b>\$ 318,314</b>	<b>\$ 38,425</b>	<b>\$ 217,531</b>

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<b>Bethesda Service Tax District</b>	<b>Durham County Fire and Rescue Service Tax District</b>	<b>Special Park Tax District</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 45,126	\$ 40,156	\$ 143,452	\$ 384,714	\$ 1,382,869	\$ 73,087	\$ 2,608,530
-	-	-	-	243,528	-	243,528
1,055	-	5,995	4,717	6,688	488	48,631
501	326	4,585	-	10,711	150	35,241
<u>\$ 46,682</u>	<u>\$ 40,482</u>	<u>\$ 154,032</u>	<u>\$ 389,431</u>	<u>\$ 1,643,796</u>	<u>\$ 73,725</u>	<u>\$ 2,935,930</u>
\$ -	\$ -	\$ 59	\$ -	\$ 182	\$ 25	\$ 344
-	-	59	-	182	25	344
-	-	956	-	46,087	22,591	70,378
1,055	-	5,995	4,717	6,688	488	48,631
<u>1,055</u>	<u>-</u>	<u>6,951</u>	<u>4,717</u>	<u>52,775</u>	<u>23,079</u>	<u>119,009</u>
-	-	-	-	243,528	-	243,528
45,627	40,482	147,022	384,714	1,347,311	50,621	2,573,049
<u>45,627</u>	<u>40,482</u>	<u>147,022</u>	<u>384,714</u>	<u>1,590,839</u>	<u>50,621</u>	<u>2,816,577</u>
\$ 46,682	\$ 40,482	\$ 154,032	\$ 389,431	\$ 1,643,796	\$ 73,725	\$ 2,935,930

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 Year Ended June 30, 2017

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
<b>Revenues</b>				
Taxes	\$ 152	\$ 1,210,973	\$ 483	\$ 995,261
Intergovernmental revenues	-	-	-	-
Investments	49	3,508	531	2,930
Total revenues	<u>201</u>	<u>1,214,481</u>	<u>1,014</u>	<u>998,191</u>
<b>Expenditures</b>				
Current:				
Public safety	-	789,336	-	962,220
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>789,336</u>	<u>-</u>	<u>962,220</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>201</u>	<u>425,145</u>	<u>1,014</u>	<u>35,971</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	(713,107)	(126,264)	-
Total other financing sources (uses)	<u>-</u>	<u>(713,107)</u>	<u>(126,264)</u>	<u>-</u>
<b>Net change in fund balances</b>	201	(287,962)	(125,250)	35,971
<b>Fund balance - beginning</b>	<u>11,185</u>	<u>598,296</u>	<u>162,703</u>	<u>162,128</u>
<b>Fund balance - ending</b>	<u>\$ 11,386</u>	<u>\$ 310,334</u>	<u>\$ 37,453</u>	<u>\$ 198,099</u>

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<u>Bethesda Service Tax District</u>	<u>Durham County Fire and Rescue Service Tax District</u>	<u>Special Park Tax District</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 99,989	\$ 38,530	\$ 1,545,846	\$ 620	\$ 3,978,304	\$ 1,219,702	\$ 9,089,860
-	-	-	-	341,217	-	341,217
409	410	4,453	1,855	7,270	3,725	25,140
<u>100,398</u>	<u>38,940</u>	<u>1,550,299</u>	<u>2,475</u>	<u>4,326,791</u>	<u>1,223,427</u>	<u>9,456,217</u>
91,695	33,094	1,745,641	-	3,204	-	3,625,190
-	-	-	-	-	1,211,792	1,211,792
<u>91,695</u>	<u>33,094</u>	<u>1,745,641</u>	<u>-</u>	<u>3,204</u>	<u>1,211,792</u>	<u>4,836,982</u>
8,703	5,846	(195,342)	2,475	4,323,587	11,635	4,619,235
-	-	-	-	-	-	-
-	-	-	(54,434)	(3,855,797)	-	(4,749,602)
-	-	-	<u>(54,434)</u>	<u>(3,855,797)</u>	-	<u>(4,749,602)</u>
8,703	5,846	(195,342)	(51,959)	467,790	11,635	(130,367)
<u>36,924</u>	<u>34,636</u>	<u>342,364</u>	<u>436,673</u>	<u>1,123,049</u>	<u>38,986</u>	<u>2,946,944</u>
<u>\$ 45,627</u>	<u>\$ 40,482</u>	<u>\$ 147,022</u>	<u>\$ 384,714</u>	<u>\$ 1,590,839</u>	<u>\$ 50,621</u>	<u>\$ 2,816,577</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, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 152	\$ 152
Investments	-	-	49	49
Total revenues	<u>-</u>	<u>-</u>	<u>201</u>	<u>201</u>
 <b>Net change in fund balances</b>	 <u>\$ -</u>	 <u>\$ -</u>	 201	 <u>\$ 201</u>
 <b>Fund balance - beginning</b>			 <u>11,185</u>	
 <b>Fund balance - ending</b>			 <u>\$ 11,386</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, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 1,143,329	\$ 1,143,329	\$ 1,210,973	\$ 67,644
Investments	-	-	3,508	3,508
Total revenues	<u>1,143,329</u>	<u>1,143,329</u>	<u>1,214,481</u>	<u>71,152</u>
<b>Expenditures</b>				
Public safety	459,765	789,451	789,336	115
Total expenditures	<u>459,765</u>	<u>789,451</u>	<u>789,336</u>	<u>115</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>683,564</u>	<u>353,878</u>	<u>425,145</u>	<u>71,267</u>
<b>Other financing sources (uses)</b>				
Transfers out	(683,564)	(713,564)	(713,107)	457
Appropriated fund balance	-	359,686	-	(359,686)
Total other financing sources (uses)	<u>(683,564)</u>	<u>(353,878)</u>	<u>(713,107)</u>	<u>(359,229)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(287,962)</u>	<u>\$ (287,962)</u>
<b>Fund balance - beginning</b>			<u>598,296</u>	
<b>Fund balance - ending</b>			<u>\$ 310,334</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, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 483	\$ 483
Intergovernmental revenues	-	-	-	-
Investments	-	-	531	531
Total revenues	<u>-</u>	<u>-</u>	<u>1,014</u>	<u>1,014</u>
<b>Other financing sources (uses)</b>				
Transfers out	-	(162,703)	(126,264)	36,439
Appropriated fund balance	-	162,703	-	(162,703)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(126,264)</u>	<u>(126,264)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	(125,250)	<u>\$ (125,250)</u>
<b>Fund balance - beginning</b>			<u>162,703</u>	
<b>Fund balance - ending</b>			<u>\$ 37,453</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, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 954,243	\$ 954,243	\$ 995,261	\$ 41,018
Investments	-	-	2,930	2,930
Total revenues	<u>954,243</u>	<u>954,243</u>	<u>998,191</u>	<u>43,948</u>
<b>Expenditures</b>				
Public safety	961,927	962,307	962,220	87
Total expenditures	<u>961,927</u>	<u>962,307</u>	<u>962,220</u>	<u>87</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(7,684)</u>	<u>(8,064)</u>	<u>35,971</u>	<u>44,035</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	7,684	8,064	-	(8,064)
Total other financing sources (uses)	<u>7,684</u>	<u>8,064</u>	<u>-</u>	<u>(8,064)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>35,971</u>	<u>\$ 35,971</u>
<b>Fund balance - beginning</b>			<u>162,128</u>	
<b>Fund balance - ending</b>			<u>\$ 198,099</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, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 91,668	\$ 91,668	\$ 99,989	\$ 8,321
Investments	-	-	409	409
Total revenues	<u>91,668</u>	<u>91,668</u>	<u>100,398</u>	<u>8,730</u>
<b>Expenditures</b>				
Public safety	91,668	91,698	91,695	3
Total expenditures	<u>91,668</u>	<u>91,698</u>	<u>91,695</u>	<u>3</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(30)</u>	<u>8,703</u>	<u>8,733</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	-	30	-	(30)
Total other financing sources (uses)	<u>-</u>	<u>30</u>	<u>-</u>	<u>(30)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>8,703</u>	<u>\$ 8,703</u>
<b>Fund balance - beginning</b>			<u>36,924</u>	
<b>Fund balance - ending</b>			<u>\$ 45,627</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, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 33,090	\$ 33,090	\$ 38,530	\$ 5,440
Investments	-	-	410	410
Total revenues	<u>33,090</u>	<u>33,090</u>	<u>38,940</u>	<u>5,850</u>
<b>Expenditures</b>				
Public safety	33,090	33,100	33,094	6
Total expenditures	<u>33,090</u>	<u>33,100</u>	<u>33,094</u>	<u>6</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(10)</u>	<u>5,846</u>	<u>5,856</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	-	10	-	(10)
Total other financing sources (uses)	<u>-</u>	<u>10</u>	<u>-</u>	<u>(10)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	5,846	<u>\$ 5,846</u>
<b>Fund balance - beginning</b>			<u>34,636</u>	
<b>Fund balance - ending</b>			<u>\$ 40,482</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, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 1,457,769	\$ 1,457,769	\$ 1,545,846	\$ 88,077
Investments	-	-	4,453	4,453
Total revenues	<u>1,457,769</u>	<u>1,457,769</u>	<u>1,550,299</u>	<u>92,530</u>
<b>Expenditures</b>				
Public safety	1,457,769	1,745,681	1,745,641	40
Total expenditures	<u>1,457,769</u>	<u>1,745,681</u>	<u>1,745,641</u>	<u>40</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(287,912)</u>	<u>(195,342)</u>	<u>92,570</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	-	287,912	-	(287,912)
Total other financing sources (uses)	<u>-</u>	<u>287,912</u>	<u>-</u>	<u>(287,912)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(195,342)</u>	<u>\$ (195,342)</u>
<b>Fund balance - beginning</b>			<u>342,364</u>	
<b>Fund balance - ending</b>			<u>\$ 147,022</u>	

**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual- Bethesda Service Tax District Special Revenue Fund  
Year Ended June 30, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 620	\$ 620
Investments	-	-	1,855	1,855
Total revenues	<u>-</u>	<u>-</u>	<u>2,475</u>	<u>2,475</u>
<b>Other financing sources (uses)</b>				
Transfers out	-	(183,056)	(54,434)	128,622
Appropriated fund balance	-	183,056	-	(183,056)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(54,434)</u>	<u>(54,434)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	(51,959)	<u>\$ (51,959)</u>
<b>Fund balance - beginning</b>			<u>436,673</u>	
<b>Fund balance - ending</b>			<u>\$ 384,714</u>	

**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual- Durham County Fire and Rescue Service Tax District  
Special Revenue Fund  
Year Ended June 30, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 3,949,942	\$ 3,949,942	\$ 3,978,304	\$ 28,362
Intergovernmental revenues	306,664	306,664	341,217	34,553
Investments	-	-	7,270	7,270
<b>Total revenues</b>	<u>4,256,606</u>	<u>4,256,606</u>	<u>4,326,791</u>	<u>70,185</u>
<b>Expenditures</b>				
Public safety	368,771	303,167	3,204	299,963
<b>Total expenditures</b>	<u>368,771</u>	<u>303,167</u>	<u>3,204</u>	<u>299,963</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>3,887,835</u>	<u>3,953,439</u>	<u>4,323,587</u>	<u>370,148</u>
<b>Other financing sources (uses)</b>				
Transfers out	(3,887,835)	(3,953,439)	(3,855,797)	97,642
<b>Total other financing sources (uses)</b>	<u>(3,887,835)</u>	<u>(3,953,439)</u>	<u>(3,855,797)</u>	<u>97,642</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	467,790	<u>\$ 467,790</u>
<b>Fund balance - beginning</b>			<u>1,123,049</u>	
<b>Fund balance - ending</b>			<u>\$ 1,590,839</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, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Positive (Negative) Variance</b>
<b>Revenues</b>				
Taxes	\$ 1,219,018	\$ 1,219,018	\$ 1,219,702	\$ 684
Investments	-	-	3,725	3,725
Total revenues	<u>1,219,018</u>	<u>1,219,018</u>	<u>1,223,427</u>	<u>4,409</u>
<b>Expenditures</b>				
Economic and physical development	1,219,018	1,219,028	1,211,792	7,236
Total expenditures	<u>1,219,018</u>	<u>1,219,028</u>	<u>1,211,792</u>	<u>7,236</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(10)</u>	<u>11,635</u>	<u>11,645</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	-	10	-	(10)
Total other financing sources (uses)	<u>-</u>	<u>10</u>	<u>-</u>	<u>(10)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	11,635	<u>\$ 11,635</u>
<b>Fund balance - beginning</b>			<u>38,986</u>	
<b>Fund balance - ending</b>			<u>\$ 50,621</u>	



**THIS PAGE LEFT INTENTIONALLY BLANK**

## **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.

**THIS PAGE LEFT INTENTIONALLY BLANK**

**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Revenues and Expenditures - Budget and Actual -  
(Non-GAAP Basis) Enterprise Fund - Sewer Utility Fund  
Year Ended June 30, 2017**

	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative) Variance</b>
<b>Revenues:</b>			
Charges for services	\$ 8,248,640	\$ 9,343,993	\$ 1,095,353
<b>Expenditures:</b>			
Operating	5,480,140	4,209,172	1,270,968
Repairs and maintenance	422,000	238,223	183,777
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,346,500</b>	<b>4,896,598</b>	<b>2,550,098</b>
<b>Other Financing Sources (Uses):</b>			
Capital expenses	(1,049,151)	(753,558)	295,593
Debt service	(1,884,700)	(1,881,279)	3,421
Investment income	18,000	123,772	105,772
Sewer connection fees	512,020	2,633,125	2,121,105
Total other financing sources (uses)	(2,403,831)	122,060	2,525,891
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(57,331)</b>	<b>5,018,658</b>	<b>5,075,989</b>
<b>Fund balance appropriated</b>	<b>57,331</b>	<b>-</b>	<b>57,331</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 5,018,658</b>	<b>\$ 5,018,658</b>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -  
Enterprise Fund - Sewer Utility Fund  
Year Ended June 30, 2017**

---

<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)</b>	<b>\$ 5,018,658</b>
<b>RECONCILING ITEMS:</b>	
Capital outlay	753,558
Capital contributions	42,925
Debt principal payments	1,408,488
Decrease in accrued interest payable	4,217
Increase in accrued payroll	(9,011)
Decrease in accrued vacation	\$ 5,659
Decrease in accrued interest receivable	(13,116)
Increase in accounts receivable	354,877
Depreciation	(3,032,750)
Pension expense	(112,401)
Deferred outflows of resources for pensions, current fiscal year contributions	85,070
Amortization of loss on refundings	(91,755)
Amortization of bond premium	100,275
<b>CHANGE IN NET POSITION (GAAP BASIS)</b>	<b><u>\$ 4,514,694</u></b>

## **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 late list penalties collected on taxes by the County on behalf of the Durham Public Schools; and to account for taxes collected by the County on behalf of the City of Durham, the Town of Chapel Hill, the City of Raleigh, and the Town of Morrisville.

**DURHAM COUNTY, NORTH CAROLINA**

**Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2017**

	<b>Child Support Trust Fund</b>	<b>Sheriff's Evidence Trust Fund</b>	<b>Jail Inmate Trust Fund</b>	<b>Sheriff's Trust Fund</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 261,688	\$ 416,063	\$ 70,222	\$ 64,516
Accounts receivable	-	-	-	-
Net property taxes receivable	-	-	-	-
Due from governmental agencies	-	-	-	-
Total assets	<u>\$ 261,688</u>	<u>\$ 416,063</u>	<u>\$ 70,222</u>	<u>\$ 64,516</u>
<b>Liabilities</b>				
Funds held for others	\$ 261,688	\$ 416,063	\$ 70,222	\$ 64,516
Due to governmental agencies	-	-	-	-
Total liabilities	<u>\$ 261,688</u>	<u>\$ 416,063</u>	<u>\$ 70,222</u>	<u>\$ 64,516</u>

<b>Durham Public School Fund</b>	<b>Town of Chapel Hill Tax Fund</b>	<b>City of Durham Tax Fund</b>	<b>City of Raleigh Tax Fund</b>	<b>Town of Morrisville Tax Fund</b>	<b>Totals</b>
\$ 69,348	\$ 55,902	\$ 512,621	\$ 20,907	\$ 288	\$ 1,471,555
127,631	210	31,645	35	-	159,521
-	1,663	1,004,510	1,087	9	1,007,269
-	17,436	1,209,753	10,505	-	1,237,694
<u>\$ 196,979</u>	<u>\$ 75,211</u>	<u>\$ 2,758,529</u>	<u>\$ 32,534</u>	<u>\$ 297</u>	<u>\$ 3,876,039</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 812,489
196,979	75,211	2,758,529	32,534	297	3,063,550
<u>\$ 196,979</u>	<u>\$ 75,211</u>	<u>\$ 2,758,529</u>	<u>\$ 32,534</u>	<u>\$ 297</u>	<u>\$ 3,876,039</u>



DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 Year Ended June 30, 2017

	July 1, 2016	Additions	Deductions	June 30, 2017
<b><u>Child Support Trust Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 257,041	\$ 1,248,864	\$ 1,244,217	\$ 261,688
<b>Liabilities</b>				
Funds held for others	\$ 257,041	\$ 1,223,733	\$ 1,219,086	\$ 261,688
<b><u>Sheriff's Evidence Trust Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 316,373	\$ 114,563	\$ 14,873	\$ 416,063
<b>Liabilities</b>				
Funds held for others	\$ 316,373	\$ 114,563	\$ 14,873	\$ 416,063
<b><u>Jail Inmate Trust Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 62,181	\$ 776,136	\$ 768,095	\$ 70,222
<b>Liabilities</b>				
Funds held for others	\$ 62,181	\$ 776,136	\$ 768,095	\$ 70,222
<b><u>Sheriff's Trust Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 82,395	\$ 720,432	\$ 738,311	\$ 64,516
<b>Liabilities</b>				
Funds held for others	\$ 82,395	\$ 657,606	\$ 675,485	\$ 64,516
<b><u>Durham Public School Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 15,598	\$ 1,368,799	\$ 1,315,049	\$ 69,348
Accounts receivable	129,645	1,274,948	1,276,962	127,631
Total assets	\$ 145,243	\$ 2,643,747	\$ 2,592,011	\$ 196,979
<b>Liabilities</b>				
Due to governmental agencies	\$ 145,243	\$ 2,382,978	\$ 2,331,242	\$ 196,979

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2017**

	July 1, 2016	Additions	Deductions	June 30, 2017
<b><u>Town of Chapel Hill Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 73,791	\$ 5,513,330	\$ 5,531,219	\$ 55,902
Accounts receivable	503	-	293	210
Net property taxes receivable	7,042	2,545,840	2,551,219	1,663
Due from governmental agencies	17,776	17,436	17,776	17,436
Total assets	<u>\$ 99,112</u>	<u>\$ 8,076,606</u>	<u>\$ 8,100,507</u>	<u>\$ 75,211</u>
<b>Liabilities</b>				
Due to governmental agencies	<u>\$ 99,112</u>	<u>\$ 5,344,197</u>	<u>\$ 5,368,098</u>	<u>\$ 75,211</u>
<b><u>City of Durham Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,681,534	\$ 324,444,401	\$ 325,613,314	\$ 512,621
Accounts receivable	71,990	15,943	56,288	31,645
Net property taxes receivable	1,223,176	150,715,833	150,934,499	1,004,510
Due from governmental agencies	1,201,347	1,209,753	1,201,347	1,209,753
Total assets	<u>\$ 4,178,047</u>	<u>\$ 476,385,930</u>	<u>\$ 477,805,448</u>	<u>\$ 2,758,529</u>
<b>Liabilities</b>				
Due to governmental agencies	<u>\$ 4,178,047</u>	<u>\$ 314,054,744</u>	<u>\$ 315,474,262</u>	<u>\$ 2,758,529</u>
<b><u>City of Raleigh Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 17,337	\$ 1,649,518	\$ 1,645,948	\$ 20,907
Accounts receivable	170	-	135	35
Net property taxes receivable	832	780,746	780,491	1,087
Due from governmental agencies	10,454	10,505	10,454	10,505
Total assets	<u>\$ 28,793</u>	<u>\$ 2,440,769</u>	<u>\$ 2,437,028</u>	<u>\$ 32,534</u>
<b>Liabilities</b>				
Due to governmental agencies	<u>\$ 28,793</u>	<u>\$ 1,688,676</u>	<u>\$ 1,684,935</u>	<u>\$ 32,534</u>
<b><u>Town of Morrisville Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,720	\$ 57,529	\$ 59,961	\$ 288
Net property taxes receivable	-	27,148	27,139	9
Total assets	<u>\$ 2,720</u>	<u>\$ 84,677</u>	<u>\$ 87,100</u>	<u>\$ 297</u>
<b>Liabilities</b>				
Due to governmental agencies	<u>\$ 2,720</u>	<u>\$ 57,720</u>	<u>\$ 60,143</u>	<u>\$ 297</u>
<b><u>Total All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,508,970	\$ 335,893,572	\$ 336,930,987	\$ 1,471,555
Accounts receivable	202,308	1,290,891	1,333,678	159,521
Net property taxes receivable	1,231,050	154,069,567	154,293,348	1,007,269
Due from governmental agencies	1,229,577	1,237,694	1,229,577	1,237,694
Total assets	<u>\$ 5,171,905</u>	<u>\$ 492,491,724</u>	<u>\$ 493,787,590</u>	<u>\$ 3,876,039</u>
<b>Liabilities</b>				
Funds held for others	\$ 717,990	\$ 2,772,038	\$ 2,677,539	\$ 812,489
Due to governmental agencies	4,453,915	323,528,315	324,918,680	3,063,550
Total liabilities	<u>\$ 5,171,905</u>	<u>\$ 326,300,353</u>	<u>\$ 327,596,219</u>	<u>\$ 3,876,039</u>

**THIS PAGE LEFT INTENTIONALLY BLANK**

**CAPITAL ASSETS, LONG-TERM DEBT  
and OTHER INFORMATION  
(DIVIDER)**

**THIS PAGE LEFT INTENTIONALLY BLANK**

**DURHAM COUNTY, NORTH CAROLINA**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity<sup>1</sup> as of June 30, 2017**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
<b>General Government:</b>					
County commissioners	\$ 948,128	\$ -	\$ -	\$ -	\$ -
Finance	3,891,721	-	-	-	-
Tax administration	3,380,732	-	-	-	-
County Attorney	12,380	-	-	-	-
Risk management	50,070	-	-	-	-
Court facilities	14,545,503	-	-	14,545,503	-
Register of deeds	2,464,807	-	-	-	944,572
General services	159,061,733	4,790,491	-	151,282,353	375,023
Information Technology	10,823,897	-	-	-	1,530,253
Human resources	22,350	-	-	-	11,530
Budget	10,897	-	-	-	-
Total general government	195,212,218	4,790,491	-	165,827,856	2,861,378
<b>Public Safety:</b>					
Sheriff	51,858,951	1,398,962	-	39,455,838	49,147
County fire protection	2,843,613	-	-	1,244,463	6,744
Emergency Management	2,020,291	-	-	1,144,636	45,635
Animal control	3,849,676	-	-	3,259,400	20,704
Criminal Justice Partnership	931,967	-	-	844,521	-
Youth home	544,722	-	-	367,000	-
Emergency medical services	11,793,518	-	-	1,947,348	-
Total public safety	73,842,738	1,398,962	-	48,263,206	122,230
<b>Environmental Protection:</b>					
Environmental engineering	8,773,058	1,523,280	-	77,873	7,315
Open Space and Real Estate	2,811,889	953,898	1,857,991	-	-
Total Environmental Protection	11,584,947	2,477,178	1,857,991	77,873	7,315
<b>Economic and Physical Development:</b>					
Cooperative extension	37,257	-	-	-	-
Planning	6,500	6,500	-	-	-
Soil and Erosion	76,683	-	-	-	-
Total Economic and Physical Development	120,440	6,500	-	-	-
<b>Human Services:</b>					
Public health	1,449,150	-	-	-	17,830
Mental health	713,710	-	-	-	-
Social services	3,830,522	-	-	3,101,314	-
Other human services	568,221	-	-	-	-
Total human services	6,561,603	-	-	3,101,314	17,830

<b>Machinery and Equipment</b>	<b>Computer Hardware</b>	<b>Vehicles</b>	<b>Computer Software</b>	<b>Water System</b>	<b>Construction in Progress</b>
\$ 948,128	\$ -	\$ -	\$ -	\$ -	\$ -
27,381	15,553	-	3,848,787	-	-
84,428	37,911	279,676	2,978,717	-	-
-	12,380	-	-	-	-
-	-	50,070	-	-	-
-	-	-	-	-	-
44,365	110,272	-	1,365,598	-	-
1,489,139	26,600	1,042,432	55,695	-	-
133,904	4,902,067	-	4,257,673	-	-
-	10,820	-	-	-	-
-	10,897	-	-	-	-
<u>2,727,345</u>	<u>5,126,500</u>	<u>1,372,178</u>	<u>12,506,470</u>	<u>-</u>	<u>-</u>
1,713,792	435,196	7,039,239	1,766,777	-	-
98,156	-	1,428,161	66,089	-	-
573,673	15,183	164,164	77,000	-	-
172,712	-	358,837	38,023	-	-
-	-	87,446	-	-	-
111,468	-	66,254	-	-	-
2,420,762	46,095	6,955,073	424,240	-	-
<u>5,090,563</u>	<u>496,474</u>	<u>16,099,174</u>	<u>2,372,129</u>	<u>-</u>	<u>-</u>
4,523,149	8,998	225,514	-	2,406,929	-
-	-	-	-	-	-
<u>4,523,149</u>	<u>8,998</u>	<u>225,514</u>	<u>-</u>	<u>2,406,929</u>	<u>-</u>
-	-	37,257	-	-	-
-	-	-	-	-	-
-	-	48,967	27,716	-	-
<u>-</u>	<u>-</u>	<u>86,224</u>	<u>27,716</u>	<u>-</u>	<u>-</u>
112,323	13,666	1,080,451	224,880	-	-
42,324	6,165	-	665,221	-	-
39,757	79,125	409,544	200,782	-	-
-	-	568,221	-	-	-
<u>194,404</u>	<u>98,956</u>	<u>2,058,216</u>	<u>1,090,883</u>	<u>-</u>	<u>-</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity<sup>1</sup> as of June 30, 2017**

	<u>Total Assets</u>	<u>Land</u>	<u>Easements</u>	<u>Buildings</u>	<u>Office Furniture and Equipment</u>
<b>Education:</b>					
Public school building	\$ 8,080,942	\$ -	\$ -	\$ 8,080,942	\$ -
<b>Cultural and Recreational:</b>					
Library	7,109,893	-	-	6,111,610	-
<b>Capital Projects:</b>					
Construction in progress	251,502,396	-	-	-	-
<b>Total Capital Assets</b>	<u>\$ 554,015,177</u>	<u>\$ 8,673,131</u>	<u>\$ 1,857,991</u>	<u>\$ 231,462,801</u>	<u>\$ 3,008,753</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds.



<b>Machinery and Equipment</b>	<b>Computer Hardware</b>	<b>Vehicles</b>	<b>Computer Software</b>	<b>Water System</b>	<b>Construction in Progress</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
199,027	23,922	396,558	378,776	-	-
-	-	-	-	-	251,502,396
<u>\$ 12,734,488</u>	<u>\$ 5,754,850</u>	<u>\$ 20,237,864</u>	<u>\$ 16,375,974</u>	<u>\$ 2,406,929</u>	<u>\$ 251,502,396</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity<sup>1</sup>**

**Year Ended June 30, 2017**

	<b>Capital Assets July 1, 2016</b>	<b>Additions</b>	<b>Transfers and Deletions</b>	<b>Capital Assets June 30, 2017</b>
<b>General Government:</b>				
Board of county commissioners	\$ 948,128	\$ -	\$ -	\$ 948,128
Finance	3,435,726	471,995	(16,000)	3,891,721
Tax administration	3,418,104	64,916	(102,288)	3,380,732
County attorney	12,380	-	-	12,380
Risk management	-	28,570	21,500	50,070
Court facilities	14,545,503	-	-	14,545,503
Register of deeds	2,464,807	-	-	2,464,807
General services	156,341,642	4,437,675	(1,717,584)	159,061,733
Information Technology	9,095,207	1,728,690	-	10,823,897
Human Resources	22,350	-	-	22,350
Budget	10,897	-	-	10,897
Total general government	<u>190,294,744</u>	<u>6,731,846</u>	<u>(1,814,372)</u>	<u>195,212,218</u>
<b>Public Safety:</b>				
County sheriff	51,274,629	1,047,663	(463,341)	51,858,951
Fire marshal	4,001,449	121,040	(51,920)	4,070,569
Emergency management	735,664	84,892	(27,221)	793,335
Criminal justice partnership	931,967	-	-	931,967
Animal control	3,717,332	-	132,344	3,849,676
Youth home	439,449	105,273	-	544,722
Emergency medical services	11,081,536	1,960,165	(1,248,183)	11,793,518
Total public safety	<u>72,182,026</u>	<u>3,319,033</u>	<u>(1,658,321)</u>	<u>73,842,738</u>
<b>Environmental Protection:</b>				
Environmental engineering	1,873,539	6,940,507	(40,988)	8,773,058
Open Space	2,811,889	-	-	2,811,889
Total Environmental Protection	<u>4,685,428</u>	<u>6,940,507</u>	<u>(40,988)</u>	<u>11,584,947</u>

<sup>1</sup> 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 Activity<sup>1</sup>**

**Year Ended June 30, 2017**

	<b>Capital Assets July 1, 2016</b>	<b>Additions</b>	<b>Transfers and Deletions</b>	<b>Capital Assets June 30, 2017</b>
<b>Economic and Physical Development:</b>				
Cooperative extension	\$ 34,495	\$ 24,384	\$ (21,622)	\$ 37,257
Planning	6,500	-	-	6,500
Soil and Erosion	76,683	-	-	76,683
Total Economic and Physical Development	<u>117,678</u>	<u>24,384</u>	<u>(21,622)</u>	<u>120,440</u>
<b>Human Services:</b>				
Public health	1,030,479	386,274	32,397	1,449,150
Mental health	713,710	-	-	713,710
Social services	3,881,736	44,219	(95,433)	3,830,522
Other human services	492,739	53,860	21,622	568,221
Total human services	<u>6,118,664</u>	<u>484,353</u>	<u>(41,414)</u>	<u>6,561,603</u>
<b>Education:</b>				
DPS Building	<u>8,080,942</u>	<u>-</u>	<u>-</u>	<u>8,080,942</u>
<b>Cultural and Recreational:</b>				
Library	<u>7,034,211</u>	<u>107,312</u>	<u>(31,630)</u>	<u>7,109,893</u>
<b>Capital Projects:</b>				
Construction in progress	<u>237,833,328</u>	<u>26,562,550</u>	<u>(12,893,482)</u>	<u>251,502,396</u>
<b>Total Capital Assets</b>	<u><u>\$ 526,347,021</u></u>	<u><u>\$ 44,169,985</u></u>	<u><u>\$ (16,501,829)</u></u>	<u><u>\$ 554,015,177</u></u>

<sup>1</sup> 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, 2017

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-16	Issued During Year	Adjusted During Year	Defeased During Year
<b>General Long-Term Debt</b>						
Bonded Debt:						
PUBLIC IMPROVEMENT,SERIES 2008A	3.50%-5.00%	5/1/08	\$ 800,000	\$ -	\$ -	\$ -
PUBLIC IMPROVEMENT,SERIES 2008B	3.50%-5.00%	5/1/08	2,100,000	-	-	-
REFUNDING, SERIES 2009	2.00%-5.00%	11/3/09	31,692,657	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010A	2.00%-5.00%	11/10/10	9,750,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010B	3.51%-5.23%	11/10/10	34,020,000	-	-	25,626,094
REFUNDING, SERIES 2011	3.00%-5.00%	6/08/11	53,975,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2012	3.00%-5.00%	04/25/12	41,895,000	-	-	24,550,000
PUBLIC IMPROVEMENT REFUNDING,SERIES 2014	2.00%-5.00%	06/3/14	40,170,000	-	-	15,610,000
PUBLIC IMPROVEMENT REFUNDING,SERIES 2015	3.00%-5.00%	07/09/15	29,340,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING,SERIES 2016	3.00%-5.00%	09/29/16	-	96,460,000	-	-
PUBLIC IMPROVEMENT,SERIES 2017	3.23%	03/16/17	-	3,800,000	-	-
UNAMORTIZED BOND PREMIUM			27,654,800	17,940,846	-	7,202,860
Total Bonded Debt			<u>271,397,457</u>	<u>118,200,846</u>	<u>-</u>	<u>72,988,954</u>
<b>Other Long-Term Debt</b>						
Installment Purchase Agreements:						
Certificates of Participation						
COPs 2009 FIXED						
			9,280,000	-	-	-
LOBS 2012	2.00%-5.00%	03/29/12	51,020,000	-	-	-
LOBS 2013	1.50%-5.00%	03/28/13	101,225,000	-	-	-
LOBS 2016	4.00%-5.00%	04/01/16	34,590,000	-	-	-
UNAMORTIZED BOND PREMIUM			21,919,927	-	-	-
Total Certificates Of Participation			<u>218,034,927</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Agreements						
Total Installment Purchase Agreements			<u>29,409,748</u>	<u>30,359,908</u>	<u>62,970</u>	<u>36,100,000</u>
Earned Vacation Pay			247,444,675	30,359,908	62,970	36,100,000
Net Pension Liability (LGRS)			7,619,434	5,390,111	-	-
Total pension Liability (LEOSSA)			6,669,323	26,518,932	-	-
Net OPEB Obligation			-	6,124,839	-	-
Total Other Long-Term Debt			<u>55,906,565</u>	<u>8,846,423</u>	<u>-</u>	<u>-</u>
			<u>317,639,997</u>	<u>77,240,213</u>	<u>62,970</u>	<u>36,100,000</u>
<b>Total General Long-Term Debt</b>			<u>\$ 589,037,454</u>	<u>\$ 195,441,059</u>	<u>\$ 62,970</u>	<u>\$ 109,088,954</u>

Due Fiscal Year 2016-2017		Amount Outstanding 6-30-17	Due Fiscal Year 2017 - 2018		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 400,000	\$ 36,000	\$ 400,000	\$ 400,000	\$ 16,000	\$ -
1,050,000	84,000	1,050,000	1,050,000	42,000	-
5,357,657	1,584,633	26,335,000	5,285,000	1,316,750	21,050,000
3,240,000	406,500	6,510,000	3,250,000	244,250	3,260,000
2,008,906	228,527	6,385,000	-	228,527	6,385,000
8,750,000	2,305,750	45,225,000	8,675,000	1,977,250	36,550,000
2,905,000	751,700	14,440,000	2,905,000	606,450	11,535,000
2,235,000	1,144,365	22,325,000	2,235,000	1,032,625	20,090,000
-	1,398,450	29,340,000	-	1,398,450	29,340,000
-	1,990,524	96,460,000	1,635,000	3,912,775	94,825,000
-	-	3,800,000	380,000	121,717	3,420,000
2,576,465	-	35,816,321	3,282,033	-	32,534,288
<u>28,523,028</u>	<u>9,930,449</u>	<u>288,086,321</u>	<u>29,097,033</u>	<u>10,896,794</u>	<u>258,989,288</u>
3,095,000	420,075	6,185,000	3,095,000	278,300	3,090,000
3,190,000	2,014,075	47,830,000	3,190,000	1,886,475	44,640,000
3,750,000	4,414,988	97,475,000	3,750,000	4,227,488	93,725,000
-	1,626,450	34,590,000	-	1,626,450	34,590,000
1,105,373	-	20,814,554	1,105,373	-	19,709,181
<u>11,140,373</u>	<u>8,475,588</u>	<u>206,894,554</u>	<u>11,140,373</u>	<u>8,018,713</u>	<u>195,754,181</u>
1,446,048	208,330	22,160,638	1,477,892	110,008	20,682,746
12,586,421	8,683,918	229,055,192	12,618,265	8,128,721	216,436,927
5,071,910	-	7,937,635	4,937,280	-	3,000,355
0	-	33,188,255	-	-	33,188,255
0	-	6,124,839	-	-	6,124,839
2,959,382	-	61,793,606	-	-	61,793,606
<u>20,617,713</u>	<u>8,683,918</u>	<u>338,099,527</u>	<u>17,555,545</u>	<u>8,128,721</u>	<u>320,543,982</u>
<u>\$ 49,140,741</u>	<u>\$ 18,614,367</u>	<u>\$ 626,185,848</u>	<u>\$ 46,652,578</u>	<u>\$ 19,025,515</u>	<u>\$ 579,533,270</u>

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt  
Year Ended June 30, 2017 (continued)

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-16	Issued During Year	Adjusted During Year	Defeased During Year
<b>Proprietary Debt</b>						
Enterprise Fund:						
Refunding, Series 2009	3.00%-4.75%	12/1/02	\$ 32,343	\$ -	\$ -	\$ -
Enterprise Revolving Loan	2.22%	7/1/10	2,222,538	-	-	-
Enterprise Revolving Loan II	2.22%	7/1/10	9,048,033	-	-	-
Revenue Bonds Refunding, Series 2012	2.49%	08/23/12	8,830,000	-	-	-
Unamortized Bond Premium			464,315	-	-	-
Total Enterprise Fund Bonded Debt			<u>20,597,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earned Vacation Pay			72,413	59,771	-	-
Net Pension Liability (LGERS)			78,941	307,525	-	-
<b>Total Proprietary Debt</b>			<u>\$ 20,748,583</u>	<u>\$ 367,296</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total General Long-Term and Proprietary Debt</b>			<u>\$ 609,786,037</u>	<u>\$ 195,808,355</u>	<u>\$ 62,970</u>	<u>\$ 109,088,954</u>

Due Fiscal Year 2016-2017		Amount Outstanding 6-30-17	Due Fiscal Year 2017-2018		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 32,343	\$ 1,617	\$ -	\$ -	\$ -	\$ -
138,908	49,340	2,083,630	138,909	46,257	1,944,721
532,237	200,866	8,515,796	532,237	189,050	7,983,559
705,000	219,867	8,125,000	725,000	202,313	7,400,000
100,275	-	364,040	31,887	-	332,153
<u>1,508,763</u>	<u>471,690</u>	<u>19,088,466</u>	<u>1,428,033</u>	<u>437,620</u>	<u>17,660,433</u>
65,430	-	66,754	65,351	-	1,403
-	-	386,466	-	-	386,466
<u>\$ 1,574,193</u>	<u>\$ 471,690</u>	<u>\$ 19,541,686</u>	<u>\$ 1,493,384</u>	<u>\$ 437,620</u>	<u>\$ 18,048,302</u>
<u>\$ 50,714,934</u>	<u>\$ 19,086,057</u>	<u>\$ 645,727,534</u>	<u>\$ 48,145,962</u>	<u>\$ 19,463,135</u>	<u>\$ 597,581,572</u>

## DURHAM COUNTY, NORTH CAROLINA

### Analysis of Current Tax Levy Year Ended June 30, 2017

---

<b>Property Valuations</b>	
Real property	\$ 28,894,972,479
Personal property	3,483,300,069
Public service	565,369,921
DMV-registered vehicles	<u>2,286,702,778</u>
Total subject to tax	<u>\$ 35,230,345,247</u>
Real property/personal property/corporate excess levy	\$ 394,698,782
DMV -registered vehicles levy	<u>28,183,649</u>
<b>Gross Levy</b>	\$ 422,882,431
Abatements/discoveries	<u>133,369</u>
<b>Net Levy</b>	423,015,800
Uncollected at June 30, 2017	<u>872,188</u>
Current year taxes collected	<u>\$ 422,143,612</u>
Percent of current taxes collected	<u>99.79%</u>

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



**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Ad Valorem Taxes Receivable By Fund  
Year Ended June 30, 2017**

<b>Year of Levy</b>	<b>Uncollected Balance July 1, 2016</b>	<b>Current Year Gross Levy</b>	<b>Collections</b>	<b>Abatements/ Discoveries</b>	<b>Uncollected Balance June 30, 2017</b>
2016	\$ -	\$ 422,882,431	\$ 422,143,612	\$ 133,369	\$ 872,188
2015	1,230,790	-	854,574	(29,589)	346,627
2014	311,772	-	136,920	(8,353)	166,499
2013	396,117	-	82,157	(4,004)	309,956
2012	317,770	-	44,708	(93,839)	179,223
2011	126,242	-	24,033	(31,069)	71,140
2010 and prior	889,641	-	22,149	(156,116)	711,376
	<u>\$ 3,272,332</u>	<u>\$ 422,882,431</u>	<u>\$ 423,308,153</u>	<u>\$ (189,601)</u>	<u>2,657,009</u>

Less allowance for uncollectible ad valorem taxes receivable (7,872)

Ad valorem taxes receivable (net) \$ 2,649,137

Receivable by fund, net:

General Fund	\$ 1,483,973	
Capital financing	<u>157,873</u>	
General Fund		1,641,846
City of Durham	1,004,533	
City of Chapel Hill	1,662	
City of Raleigh	1,087	
Town of Morrisville	<u>9</u>	
Agency funds		<u>1,007,291</u>
		<u>\$ 2,649,137</u>

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

DURHAM COUNTY, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable by Levy Year  
Year Ended June 30, 2017

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 422,882,431	\$ 422,143,612	\$ 133,369	\$ 872,188
2015-2016	1,230,790	-	854,574	(29,589)	346,627
2014-2015	311,772	-	136,920	(8,353)	166,499
2013-2014	396,117	-	82,157	(4,004)	309,956
2012-2013	317,770	-	44,708	(93,839)	179,223
2011-2012	126,242	-	24,033	(31,069)	71,140
2010 and prior	889,641	-	22,149	(156,116)	711,376
	\$ 3,272,332	\$ 422,882,431	\$ 423,308,153	\$ (189,601)	2,657,009
Less allowance for uncollectible ad valorem taxes receivable					(7,872)
Ad valorem taxes receivable (net)					\$ 2,649,137
Reconciliation with revenues:					
Taxes - ad valorem - governmental funds					\$ 262,630,394
Taxes - ad valorem - agency funds					160,677,759
Total collections and credits					\$ 423,308,153

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

**STATISTICAL SECTION (TAB)**

## **FINANCIAL TRENDS INFORMATON**

### **Schedule of Net Position by Component**

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

### **Schedule of Changes in Net Position**

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

### **Schedule of Fund Balances, Governmental Funds**

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

### **Schedule of Changes in Fund Balances of Governmental Funds**

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

### **Government-wide Expenses by Function**

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

### **Government-wide Revenues**

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

### **General Government Expenditures by Function**

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

### **General Government Revenues by Source**

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

**THIS PAGE LEFT INTENTIONALLY BLANK**

**DURHAM COUNTY, NORTH CAROLINA**

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Net investment in capital assets	\$ 126,736,015	\$ 50,531,593	\$ 34,361,023	\$ 70,418,094	\$ 20,244,058	\$ 7,789,264	\$ 20,701,314	\$ 34,987,961	\$ 120,531,058	\$ 171,070,634
Restricted	148,287,555	268,604,489	176,971,865	122,052,513	95,772,487	81,325,452	52,415,572	57,772,872	56,579,115	52,646,580
Unrestricted	(134,159,338)	(197,614,990)	(141,958,766)	(159,248,940)	(109,675,884)	(94,227,528)	(69,263,012)	(44,425,284)	(89,071,940)	(112,774,836)
Total governmental activities net position	<u>\$ 140,864,232</u>	<u>\$ 121,521,092</u>	<u>\$ 69,374,122</u>	<u>\$ 33,221,667</u>	<u>\$ 6,340,661</u>	<u>\$ (5,112,812)</u>	<u>\$ 3,853,874</u>	<u>\$ 48,335,549</u>	<u>\$ 88,038,233</u>	<u>\$ 110,942,378</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 28,475,844	\$ 31,884,317	\$ 34,304,997	\$ 37,969,224	\$ 46,827,067	\$ 44,714,405	\$ 47,154,452	\$ 49,473,281	\$ 53,957,575	\$ 53,217,258
Restricted	6,217,552	6,263,697	6,303,037	7,635,822	8,650,213	6,232,518	7,854,486	5,781,893	952,588	1,332,847
Unrestricted	8,481,270	8,850,009	10,980,746	13,012,822	15,010,061	19,318,687	21,724,599	25,993,181	28,459,495	33,334,232
Total business-type activities net position	<u>\$ 43,174,666</u>	<u>\$ 46,998,023</u>	<u>\$ 51,588,780</u>	<u>\$ 58,617,868</u>	<u>\$ 70,487,341</u>	<u>\$ 70,265,610</u>	<u>\$ 76,733,537</u>	<u>\$ 81,248,355</u>	<u>\$ 83,369,658</u>	<u>\$ 87,884,337</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 155,211,859	\$ 82,415,910	\$ 68,666,020	\$ 108,387,318	\$ 67,071,125	\$ 52,503,669	\$ 67,855,766	\$ 84,461,242	\$ 174,488,633	\$ 224,287,892
Restricted	154,505,107	274,868,186	183,274,902	129,688,335	104,422,700	87,557,970	60,270,058	63,554,765	57,531,703	53,979,427
Unrestricted	(125,678,068)	(188,764,981)	(130,978,020)	(146,236,118)	(94,665,823)	(74,908,841)	(47,538,413)	(18,432,103)	(60,612,445)	(79,440,604)
Total primary government net position	<u>\$ 184,038,898</u>	<u>\$ 168,519,115</u>	<u>\$ 120,962,902</u>	<u>\$ 91,839,535</u>	<u>\$ 76,828,002</u>	<u>\$ 65,152,798</u>	<u>\$ 80,587,411</u>	<u>\$ 129,583,904</u>	<u>\$ 171,407,891</u>	<u>\$ 198,826,715</u>

**DURHAM COUNTY, NORTH CAROLINA**

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 53,369,519	\$ 47,393,464	\$ 12,365,748	\$ 45,989,651	\$ 50,482,000	\$ 57,034,487	\$ 55,772,804	\$ 57,622,575	\$ 60,091,561	\$ 64,194,870
Public safety	51,025,747	52,889,080	55,255,454	53,964,797	54,806,448	57,767,228	61,569,018	63,834,548	69,100,186	75,533,420
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	309,017	205,873	353,001
Economic and physical development	4,483,362	6,746,267	28,751,080	5,272,311	4,616,413	4,916,125	5,490,387	4,773,955	7,343,752	7,368,799
Environmental protection	3,261,121	3,800,698	2,456,029	3,542,985	3,694,850	3,632,359	3,657,826	3,860,175	4,303,325	5,966,371
Human services	405,376,336	437,677,600	108,607,392	109,093,936	115,743,251	88,141,193	85,440,041	87,852,834	92,160,946	93,649,136
Education	117,349,760	143,520,618	176,005,516	185,533,592	159,834,958	151,919,349	148,666,331	137,832,688	144,524,127	149,192,760
Cultural and recreational	10,909,020	11,998,176	25,220,574	12,510,214	12,075,639	11,688,669	12,671,110	12,240,868	12,762,810	14,802,765
Interest and fiscal charges	14,218,611	14,785,542	11,499,010	17,368,443	17,226,788	19,814,600	22,953,477	20,880,870	19,749,259	12,999,003
Total governmental activities	660,005,976	718,823,945	420,173,303	433,288,429	418,492,847	394,926,510	396,233,494	389,207,530	410,241,839	424,060,125
Business-type activities:										
Sewer utility	5,870,964	5,277,448	5,061,620	5,356,000	5,563,907	5,761,082	6,387,907	7,187,975	7,447,186	7,970,882
Total primary government expenses	665,876,940	724,101,393	425,234,923	438,644,429	424,056,754	400,687,592	402,621,401	396,395,505	417,689,025	432,031,007
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	9,670,581	8,052,809	8,835,568	8,399,578	9,276,517	9,250,904	9,710,327	13,672,364	13,473,564	13,196,914
Public safety	9,205,688	(272,050)	7,062,164	6,608,128	7,873,528	8,376,150	8,861,551	11,029,058	11,700,522	12,301,993
Economic and physical development	15,523	25,867	47,284	21,352	13,564	24,524	18,654	68,673	67,361	52,116
Environmental protection	2,652,468	2,279,440	2,464,213	2,228,883	2,095,494	2,441,809	2,898,313	2,862,153	3,217,315	3,298,084
Human services	6,478,384	4,895,166	4,804,562	4,890,085	4,580,101	4,750,608	4,354,144	5,359,752	5,306,527	5,096,785
Cultural and recreational	233,515	236,530	234,076	270,157	284,754	298,180	299,711	473,764	456,385	386,919
Operating grants and contributions:										
General government	2,240,883	1,795,706	3,160,839	3,524,446	3,349,194	2,807,583	4,464,142	4,683,445	3,499,215	5,686,528
Public safety	2,604,222	4,970,328	5,445,725	4,522,824	4,544,100	4,483,911	4,549,651	4,789,575	5,270,013	4,840,111
Economic and physical development	711,079	1,685,798	1,453,149	1,086,038	857,200	732,984	588,110	618,300	542,097	334,540
Environmental protection	10,476	45,221	45,083	41,268	103,703	62,078	52,678	193,511	169,636	74,244
Human services	352,332,661	390,413,674	69,803,505	66,461,771	70,908,533	44,706,570	40,084,357	46,346,963	47,419,147	48,568,587
Cultural and recreational	263,204	362,201	322,150	268,013	246,509	223,253	266,690	240,335	355,168	287,840
Capital grants and contributions:										
General government	113,804	5,319,847	1,000,000	6,079,370	1,213,509	1,044,849	1,123,462	1,639,435	2,361,838	1,260,807
Public safety	-	-	-	-	-	257,499	1,341,125	655,147	-	-
Environmental protection	500,000	501,087	250,691	1,390,353	3,191,675	-	-	233,750	24,007	2,004,287
Education	26,352,299	13,481,375	1,063,268	1,086,766	172,946	102,473	1,469,322	907,707	1,978,837	1,821,738
Cultural and recreational	-	-	-	-	-	96,181	-	-	-	-
Total governmental activities program revenues	413,384,787	433,792,999	105,992,277	106,879,032	108,711,327	79,659,556	80,082,237	93,773,932	95,841,632	99,211,493
Business-type activities:										
Charges for services: sewer utility	8,333,612	8,595,153	9,563,353	10,594,336	11,181,310	11,748,514	12,007,107	11,243,175	9,200,098	12,331,995
Capital grants and contributions: sewer utility	126,416	164,857	32,330	1,784,691	6,260,051	471,600	780,802	600,000	284,195	42,925
Total business-type activities program revenues	8,460,028	8,760,010	9,595,683	12,379,027	17,441,361	12,220,114	12,787,909	11,843,175	9,484,293	12,374,920
Total primary government program revenues	421,844,815	442,553,009	115,587,960	119,258,059	126,152,688	91,879,670	92,870,146	105,617,107	105,325,925	111,586,413

**DURHAM COUNTY, NORTH CAROLINA**

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (246,621,189)	\$ (285,030,946)	\$ (314,181,026)	\$ (326,409,397)	\$ (309,781,520)	\$ (315,266,954)	\$ (316,151,257)	\$ (295,433,598)	\$ (314,400,207)	\$ (324,848,632)
Business-type activities	2,589,064	3,482,562	4,534,063	7,023,027	11,877,454	6,459,032	6,400,002	4,655,200	2,037,107	4,404,038
Total primary government net expense	<u>(244,032,125)</u>	<u>(281,548,384)</u>	<u>(309,646,963)</u>	<u>(319,386,370)</u>	<u>(297,904,066)</u>	<u>(308,807,922)</u>	<u>(309,751,255)</u>	<u>(290,778,398)</u>	<u>(312,363,100)</u>	<u>(320,444,594)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	197,270,197	204,580,914	208,903,551	222,573,221	224,187,284	229,853,877	244,922,483	252,758,385	259,451,036	262,886,545
Property taxes, levied for fire districts	4,857,931	5,461,784	5,664,512	5,669,812	5,803,682	6,064,378	6,661,282	7,482,408	7,826,322	7,870,019
Property taxes, levied for other districts purposes	671,192	656,807	714,072	723,815	713,502	739,049	736,793	754,365	959,142	1,219,855
Local option sales tax	56,069,488	47,108,208	41,675,831	44,546,245	51,371,060	59,047,561	61,414,402	70,484,647	74,471,794	76,855,214
Occupancy tax	2,640,307	2,211,214	1,932,872	2,116,103	2,246,761	2,436,586	2,592,696	3,014,169	3,509,649	3,961,343
Animal tax	405,546	938,241	907,395	1,184,766	915,504	540,618	(1,277,314)	-	-	-
Gross receipts tax	220,678	230,687	329,430	333,207	345,126	347,226	406,605	410,964	429,419	479,899
Vehicle registration tax	-	-	-	-	-	-	-	296,517	193,373	340,501
Investment and interest income	7,650,534	3,123,327	3,216,562	7,335,369	9,886,557	1,977,962	5,086,255	13,472,042	4,684,275	(1,149,566)
Other revenues	813,880	1,096,491	1,047,400	5,774,404	8,604,913	4,709,427	4,574,741	1,300,117	953,890	1,090,502
Amortization of bond premium	251,141	280,133	-	-	-	-	-	-	-	-
Total governmental activities	<u>270,850,894</u>	<u>265,687,806</u>	<u>264,391,625</u>	<u>290,256,942</u>	<u>304,074,389</u>	<u>305,716,684</u>	<u>325,117,943</u>	<u>349,973,614</u>	<u>352,478,900</u>	<u>353,554,312</u>
Business-type activities:										
Investment and interest income	847,304	306,961	52,902	5,121	(7,981)	29,074	42,036	16,054	71,355	110,656
Other revenues	62,716	-	3,792	940	-	493	25,889	-	12,841	-
Amortization of bond premium	33,834	33,834	-	-	-	-	-	-	-	-
Total business-type activities	<u>943,854</u>	<u>340,795</u>	<u>56,694</u>	<u>6,061</u>	<u>(7,981)</u>	<u>29,567</u>	<u>67,925</u>	<u>16,054</u>	<u>84,196</u>	<u>110,656</u>
Total primary government	<u>271,794,748</u>	<u>266,028,601</u>	<u>264,448,319</u>	<u>290,263,003</u>	<u>304,066,408</u>	<u>305,746,251</u>	<u>325,185,868</u>	<u>349,989,668</u>	<u>352,563,096</u>	<u>353,664,968</u>
<b>Change in Net Position</b>										
Government activities	24,229,705	(19,343,140)	(49,789,401)	(36,152,455)	(5,707,131)	(9,550,270)	8,966,686	54,540,016	38,078,693	28,705,680
Business-type activities	3,532,918	3,823,357	4,590,757	7,029,088	11,869,473	6,488,599	6,467,927	4,671,254	2,121,303	4,514,694
Total primary government	<u>\$ 27,762,623</u>	<u>\$ (15,519,783)</u>	<u>\$ (45,198,644)</u>	<u>\$ (29,123,367)</u>	<u>\$ 6,162,342</u>	<u>\$ (3,061,671)</u>	<u>\$ 15,434,613</u>	<u>\$ 59,211,270</u>	<u>\$ 40,199,996</u>	<u>\$ 33,220,374</u>

Notes:

- (1) As of Fiscal Year 2010, the amortization of the bond premium is no longer reported under "General Revenues and Other Changes in Net Position" but rather as a component of interest and fiscal charges expense.
- (2) As of Fiscal Year 2015, the County no longer reports animal tax revenues in a separate line item. Effective Fiscal Year 2014, the County no longer assesses an animal tax. As such, the revenues collected are the decrease in the accounts receivable. These revenues are now reported in the function they pertain to, public safety.



**DURHAM COUNTY, NORTH CAROLINA**

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

June 30	General Fund						All Other Governmental Funds						All Governmental Funds
	Nondspendable	Restricted	Committed	Assigned	Unassigned	Total	Nondspendable	Restricted	Committed	Assigned	Unassigned	Total	Total
2017	\$ 1,010,444	\$ 37,293,252	\$ 80,631,128	\$ 14,421,763	\$ 61,442,303	\$ 194,798,890	\$ -	\$ 5,353,342	\$ -	\$ 38,432,063	\$ -	\$ 43,785,405	\$ 238,584,295
2016	972,635	38,115,182	67,133,359	13,289,584	63,235,816	182,746,576	-	6,079,462	-	38,122,417	-	44,201,879	226,948,455
2015	995,989	34,787,668	66,909,089	11,521,144	57,461,506	171,675,396	-	7,438,733	-	36,197,068	-	43,635,801	215,311,197
2014	1,015,631	30,579,201	59,573,800	13,961,475	42,228,729	147,358,836	5,000	3,720,664	-	45,814,049	-	49,539,713	196,898,549
2013	1,002,364	30,539,412	51,109,294	16,348,230	35,630,010	134,629,310	-	10,529,068	-	56,003,778	(232,519)	66,300,327	200,929,637
2012	1,055,346	30,431,788	47,694,892	11,612,648	45,477,059	136,271,733	-	21,048,123	-	46,976,875	-	68,024,998	204,296,731
2011	869,092	25,392,181	33,904,565	8,148,653	49,205,996	117,520,487	-	33,189,054	-	51,139,509	-	84,328,563	201,849,050
2010	810,373	27,702,979	26,675,483	6,203,505	40,241,722	101,634,062	-	41,636,490	-	76,976,301	-	118,612,791	220,246,853
2009	790,316	27,353,153	18,151,896	7,592,000	38,300,379	92,187,744	33,922	82,039,274	-	93,713,294	-	175,786,490	267,974,234
2008	802,015	32,479,932	12,053,302	17,548,466	32,229,265	95,112,980	-	20,341,463	-	98,329,236	-	118,670,699	213,783,679

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

**DURHAM COUNTY, NORTH CAROLINA**

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 262,694,951	\$ 259,542,906	\$ 260,158,664	\$ 277,130,082	\$ 285,218,594	\$ 299,126,290	\$ 317,692,860	\$ 336,011,104	\$ 347,348,935	\$ 353,995,914
Licenses and permits	1,049,599	744,881	688,093	703,439	794,976	826,580	1,357,467	1,119,886	1,535,091	1,393,097
Intergovernmental	132,739,075	129,353,073	82,439,834	84,463,129	84,587,369	54,163,701	54,190,412	61,652,361	61,619,958	64,878,682
Investments	7,764,319	3,039,158	5,021,717	3,617,037	2,543,564	4,637,119	4,600,076	4,233,162	4,181,190	3,985,884
Rent	2,088,862	607,818	507,071	555,648	591,285	824,104	1,077,167	1,058,153	988,807	972,562
Charges for services	23,815,640	20,891,632	22,062,286	21,226,569	22,667,005	23,350,074	23,450,422	31,092,863	31,035,290	31,855,249
Other revenues	659,642	943,020	753,316	5,519,764	8,282,993	4,372,836	4,563,275	1,300,117	953,890	1,090,502
Total revenues	430,812,088	415,122,488	371,630,981	393,215,668	404,685,786	387,300,704	406,931,679	436,467,646	447,663,161	458,171,890
<b>Expenditures</b>										
General government	40,055,970	43,642,897	47,288,312	85,546,409	74,378,948	69,537,969	51,067,380	54,099,981	57,491,702	60,722,635
Public safety	49,037,837	51,260,744	51,139,790	52,050,280	53,832,256	56,386,531	60,700,087	64,652,305	67,063,053	70,917,455
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	309,017	205,873	353,001
Economic and physical development	4,468,630	6,726,068	5,378,982	5,158,399	4,606,868	4,914,778	5,479,543	4,841,896	7,364,572	7,350,476
Environmental protection	10,742,700	8,853,660	30,505,276	26,494,114	20,700,688	20,301,762	13,469,306	5,771,300	7,207,867	23,860,525
Human services	172,690,598	162,360,553	107,552,239	108,524,800	109,066,287	91,592,879	85,339,186	89,516,898	93,140,635	92,909,696
Education	135,475,191	154,707,374	143,481,659	185,338,838	159,632,934	151,717,325	148,464,307	137,630,665	144,322,104	151,366,905
Cultural and recreational	11,508,607	14,618,455	20,714,654	13,687,066	12,032,600	11,454,684	12,348,532	12,197,724	13,202,921	15,509,314
Debt service:										
Principal retirement	25,249,056	27,266,955	25,431,125	53,158,145	109,738,119	34,520,922	34,261,816	36,159,495	35,596,413	37,427,611
Interest and fiscal charges	13,257,396	14,376,279	16,568,325	16,477,835	17,434,904	19,468,651	23,354,161	22,573,434	20,599,097	18,653,456
Debt issuance costs	83,939	1,546,769	994,584	1,060,066	1,115,755	818,130	644,769	23,000	741,165	1,002,975
Amortization of lease discount	1,150,000	-	-	-	-	-	-	-	-	-
Total expenditures	463,732,424	485,372,254	449,067,446	547,508,452	562,551,859	460,726,131	435,141,587	427,775,715	446,935,402	480,074,049
<b>Excess of revenues over (under) expenditures</b>	<b>(32,920,336)</b>	<b>(70,249,766)</b>	<b>(77,436,465)</b>	<b>(154,292,784)</b>	<b>(157,866,073)</b>	<b>(73,425,427)</b>	<b>(28,209,908)</b>	<b>8,691,931</b>	<b>727,759</b>	<b>(21,902,159)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in	54,831,910	50,509,388	52,852,625	52,214,136	114,501,549	61,645,051	73,181,182	76,982,606	77,667,072	83,641,265
Transfers out	(54,677,672)	(50,349,388)	(52,558,541)	(51,959,497)	(114,179,629)	(61,308,460)	(73,169,716)	(76,982,606)	(77,667,072)	(83,641,250)
Premium on issuance of debt	404,574	1,207,038	-	3,738,451	7,299,951	-	-	-	-	-
Issuance of bonds	46,190,000	-	-	60,000,000	49,105,000	-	-	-	-	3,800,000
Premium on issuance of refinancing	-	-	-	-	-	-	7,025,669	-	13,031,538	17,940,846
Issuance of refunding bonds	-	-	49,171,920	71,955,824	73,276,601	125,002,399	44,635,000	-	63,930,000	96,460,000
Payment to refunded debt escrow agent	-	-	(48,776,331)	(71,425,002)	(72,630,409)	(124,462,399)	(51,200,000)	-	(77,226,102)	(115,022,770)
Issuance of installment purchases	1,700,000	123,073,283	29,019,411	71,371,069	102,940,691	66,114,555	23,706,685	9,720,717	9,550,072	30,359,908
Total other financing sources (uses)	48,448,812	124,440,321	29,709,084	135,894,981	160,313,754	66,991,146	24,178,820	9,720,717	9,285,508	33,537,999
<b>Net change in fund balances</b>	<b>\$ 15,528,476</b>	<b>\$ 54,190,555</b>	<b>\$ (47,727,381)</b>	<b>\$ (18,397,803)</b>	<b>\$ 2,447,681</b>	<b>\$ (6,434,281)</b>	<b>\$ (4,031,088)</b>	<b>\$ 18,412,648</b>	<b>\$ 10,013,267</b>	<b>\$ 11,635,840</b>

Debt service as a percentage of noncapital expenditures	9.39%	9.45%	9.72%	14.78%	24.70%	12.88%	13.86%	14.10%	12.95%	12.49%
---	-------	-------	-------	--------	--------	--------	--------	--------	--------	--------

Notes:

- (1) As of Fiscal Year 2008, the County no longer reports "Capital projects" expenditures separately in one line item. These expenditures are now reported in the functional areas they pertain to.
- (2) As of Fiscal Year 2014, the County reports the premium on the issuance of refunding bonds in a separate line item. Prior to fiscal year 2014 they were included in the "issuance of refunding bonds" with the new refunding debt issued.

## DURHAM COUNTY, NORTH CAROLINA

### Government-wide Expenses by Function Last Ten Fiscal Years

<b>Fiscal Year Ended</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Transportation</b>	<b>Economic and Physical Development</b>	<b>Environmental Protection</b>
2008	\$ 53,369,519	\$ 51,025,747	\$ 12,500	\$ 4,483,362	\$ 3,261,121
2009	47,393,464	52,889,080	12,500	6,746,267	3,800,698
2010	12,365,748	55,255,454	12,500	28,751,080	2,456,029
2011	45,989,651	53,964,797	12,500	5,272,311	3,542,985
2012	50,482,000	54,806,448	12,500	4,616,413	3,694,850
2013	57,034,487	57,767,228	12,500	4,916,125	3,632,359
2014	55,772,804	61,569,018	12,500	5,490,387	3,657,826
2015	57,622,575	63,834,548	309,017	4,773,955	3,860,175
2016	60,091,561	69,100,186	205,873	7,343,752	4,303,325
2017	64,194,870	75,533,420	353,001	7,368,799	5,966,371

Notes:

- (1) As of Fiscal Year 2010, the County no longer reports direct costs in the statement of activities' expenses with full note disclosure. The direct costs are now only disclosed in the notes to the financial statements.

---

<b>Human Services</b>	<b>Education</b>	<b>Cultural and Recreational</b>	<b>Interest and Fiscal Charges</b>	<b>Sewer Utility</b>	<b>Total</b>
\$ 405,376,336	\$ 117,349,760	\$ 10,909,020	\$ 14,218,611	\$ 5,870,964	\$ 665,876,940
437,677,600	143,520,618	11,998,176	14,785,542	5,277,448	724,101,393
108,607,392	176,005,516	25,220,574	11,499,010	5,061,620	425,234,923
109,093,936	185,533,592	12,510,214	17,368,443	5,356,000	438,644,429
115,743,251	159,834,958	12,075,639	17,226,788	5,563,907	424,056,754
88,141,193	151,919,349	11,688,669	19,814,600	5,761,082	400,687,592
85,440,041	148,666,331	12,671,110	22,953,477	6,387,907	402,621,401
87,852,834	137,832,688	12,240,868	20,880,870	7,187,975	396,395,505
92,160,946	144,524,127	12,762,810	19,749,259	7,447,186	417,689,025
93,649,136	149,192,760	14,802,765	12,999,003	7,970,882	432,031,007

## DURHAM COUNTY, NORTH CAROLINA

### Government-wide Revenues Last Ten Fiscal Years

Fiscal Year Ended	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment and Interest Income
2008	\$ 36,589,771	\$ 358,162,525	\$ 27,092,519	\$ 262,135,339	\$ 8,497,838
2009	23,812,915	399,272,928	19,467,166	261,187,855	3,430,288
2010	33,011,220	80,230,451	2,346,289	260,127,663	3,269,464
2011	33,012,519	75,904,360	10,341,180	277,147,169	7,340,490
2012	35,305,268	80,009,239	10,838,181	285,582,919	9,878,576
2013	36,890,689	53,016,379	1,972,602	299,029,295	2,007,036
2014	38,149,807	50,005,628	4,714,711	315,456,947	5,128,291
2015	44,708,939	56,872,129	4,036,039	335,201,455	13,488,096
2016	43,421,772	57,255,276	4,648,877	346,840,735	4,755,630
2017	46,664,806	59,791,850	5,129,757	353,613,376	(1,038,910)

Notes:

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

---

<b>Other Revenues</b>	<b>Amortization of Bond Premium</b>	<b>Total</b>
\$ 876,596	\$ 284,975	\$ 693,639,563
1,096,491	313,967	708,581,610
1,051,192	-	380,036,279
5,775,344	-	409,521,062
8,604,913	-	430,219,096
4,709,920	-	397,625,921
4,600,630	-	418,056,014
1,300,117	-	455,606,775
966,731	-	457,889,021
1,090,502	-	465,251,381

## DURHAM COUNTY, NORTH CAROLINA

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

<b>Fiscal Year Ended June 30,</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Transportation</b>	<b>Environmental Protection</b>	<b>Education</b>
2008	\$ 40,055,970	\$ 49,037,837	\$ 12,500	\$ 10,742,700	\$ 135,475,191
2009	43,642,897	51,260,744	12,500	8,853,660	154,707,374
2010	47,288,312	51,139,790	12,500	30,505,276	143,481,659
2011	85,546,409	52,050,280	12,500	26,494,114	185,338,838
2012	74,378,948	53,832,256	12,500	20,700,688	159,632,934
2013	69,537,969	56,386,531	12,500	20,301,762	151,717,325
2014	51,067,380	60,700,087	12,500	13,469,306	148,464,307
2015	54,099,981	64,652,305	309,017	5,771,300	137,630,665
2016	57,491,702	67,063,053	205,873	7,207,867	144,322,104
2017	60,722,635	70,917,455	353,001	23,860,525	151,366,905

Notes:

- (1) General government expenditures include all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.
- (2) As of Fiscal Year 2010, the County no longer reports direct costs in the basic financial statements with full note disclosure. The direct costs are now only disclosed in the notes to the financial statements.

---

<b>Human Services</b>	<b>Economic and Physical Development</b>	<b>Cultural and Recreational</b>	<b>General Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
\$ 172,690,598	\$ 4,468,630	\$ 11,508,607	\$ 39,740,391	\$ -	\$ 463,732,424
162,360,553	6,726,068	14,618,455	43,190,003	-	485,372,254
107,552,239	5,378,982	20,714,654	42,994,034	-	449,067,446
108,524,800	5,158,399	13,687,066	70,696,046	-	547,508,452
109,066,287	4,606,868	12,032,600	128,288,778	-	562,551,859
91,592,879	4,914,778	11,454,684	54,807,703	-	460,726,131
85,339,186	5,479,543	12,348,532	58,260,746	-	435,141,587
89,516,898	4,841,896	12,197,724	58,755,929	-	427,775,715
93,140,635	7,364,572	13,202,921	56,936,675	-	446,935,402
92,909,696	7,350,476	15,509,314	57,084,042	-	480,074,049



## DURHAM COUNTY, NORTH CAROLINA

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

<b>Fiscal Year Ended June 30,</b>	<b>General Property Taxes</b>	<b>Other Local Taxes</b>	<b>Licenses and Permits</b>	<b>Intergovernmental Revenues</b>
2008	\$ 197,270,197	\$ 65,424,754	\$ 1,049,599	\$ 132,739,075
2009	203,361,955	56,180,951	744,881	129,353,073
2010	209,175,709	50,982,955	688,093	82,439,834
2011	223,069,172	54,060,910	703,439	84,463,129
2012	223,996,640	61,221,954	794,976	84,587,369
2013	236,671,981	62,454,309	826,580	54,163,701
2014	253,158,020	64,534,840	1,357,467	54,190,412
2015	261,746,652	74,264,452	1,119,886	61,652,361
2016	268,685,962	78,662,973	1,535,091	61,619,958
2017	272,300,032	81,695,882	1,393,097	64,878,682

Notes:

- (1) General government revenues include all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.
- (2) As of Fiscal Year 2010, the County no longer reports revenues from direct costs in the basic financial statements with full note disclosure. These revenues are now only disclosed in the notes to the financial statements.

---

<b>Rental Income</b>	<b>Investment Income</b>	<b>Charges for Services</b>	<b>Other Revenues</b>	<b>Total</b>
\$ 2,088,862	\$ 7,764,319	\$ 23,815,640	\$ 659,642	\$ 430,812,088
607,818	3,039,158	20,891,632	943,020	415,122,488
507,071	5,021,717	22,062,286	753,316	371,630,981
555,648	3,617,037	21,226,569	5,519,764	393,215,668
591,285	2,543,564	22,667,005	8,282,993	404,685,786
824,104	4,637,119	23,350,074	4,372,836	387,300,704
1,077,167	4,600,076	23,450,422	4,563,275	406,931,679
1,058,153	4,233,162	31,092,863	1,300,117	436,467,646
988,807	4,181,190	31,035,290	953,890	447,663,161
972,562	3,985,884	31,855,249	1,090,502	458,171,890

**THIS PAGE LEFT INTENTIONALLY BLANK**

## **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.

**THIS PAGE LEFT INTENTIONALLY BLANK**

**DURHAM COUNTY, NORTH CAROLINA**

**Principal Property Taxpayers**

**June 30, 2017**

**Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>Fiscal Year 2017</u>			<u>Fiscal Year 2008</u>		
	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>
AW North Carolina Inc.	\$352,871,069	1	1.00%	\$417,009,968	3	1.80%
Cree, Inc.	332,315,439	2	0.94%	298,061,165	4	1.29%
IBM Corporation	244,602,267	3	0.69%			
Duke Energy Carolinas LLC	233,204,049	4	0.66%	185,352,477	6	0.80%
GlaxoSmithKline	227,620,905	5	0.65%	615,154,444	1	2.66%
EMC Corporation	199,915,730	6	0.57%			
Southpoint Mall LLC	182,722,689	7	0.52%	82,926,624	10	0.36%
International Business Machine	178,750,658	8	0.51%	521,179,732	2	2.25%
Merck Sharp & Dohme Corp	175,409,691	9	0.50%	105,834,555	7	0.46%
Biomerieux Inc	138,594,306	10	0.39%			
Verizon South Inc.	-		-	202,923,286	5	0.88%
Highwoods/Forsyth Limited Part	-		-	86,664,715	8	0.37%
State Street Bank & Trust	-		-	<u>83,584,161</u>	9	<u>0.36%</u>
	<u>\$2,266,006,803</u>		<u>6.43%</u>	<u>\$2,598,691,127</u>		<u>11.23%</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Assessed Value and Actual Value of Taxable Property<sup>1</sup>  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Companies</b>	<b>Registered Vehicles</b>	<b>Total</b>	<b>County Direct Tax Rate<sup>3</sup></b>	<b>Special Tax Districts Tax Rate<sup>3</sup></b>	<b>Average County Tax Rate<sup>3</sup></b>
2008	\$ 18,068,249,108	\$ 2,837,548,386	\$ 514,897,106	\$ 1,715,889,532	\$ 23,136,584,132	0.8340	0.0570-0.2500	0.9190
2009	23,508,752,957	2,824,338,529	517,202,960	1,690,561,506	28,540,855,952	0.7081	0.0570-0.2500	0.7981
2010	23,976,021,000	2,905,267,206	524,524,630	1,627,078,510	29,032,891,346	0.7081	0.0570-0.2500	0.8359
2011	24,353,954,146	3,074,419,178	501,907,483	1,530,317,547	29,460,598,354	0.7459	0.0599-0.2500	0.7981
2012	24,580,465,174	3,166,306,877	471,720,126	1,623,871,164	29,842,363,341	0.7459	0.0599-0.2500	0.7745
2013	24,909,554,030	3,304,053,564	494,110,311	1,739,032,299	30,446,750,204	0.7444	0.0599-0.1524	0.7734
2014	25,254,108,336	3,300,458,222	489,915,862	2,980,521,352	32,025,003,772	0.7744	0.0600-0.1518	0.8047
2015	25,730,862,172	2,462,350,676	510,732,429	2,032,233,042	30,736,178,319	0.7931	0.0799-0.1514	0.8073
2016	26,213,161,494	3,524,686,233	553,248,101	2,163,704,337	32,454,800,165	0.7931	0.0799-0.1779	0.8276
2017	28,894,972,479	3,483,300,069	565,369,921	2,286,702,778	35,230,345,247	0.7404	0.0778-0.1880	0.7727

Notes:

- (1) All taxable property is subject to the County direct rate. Most property in unincorporated areas is subject to one of the seven fire district taxes. The County's property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the County except for certain registered motor vehicles which are assessed and collected throughout the year. Assessed valuations are established by the Board of County Commissioners at 100% of estimated market value for real property and 100% of estimated actual value for personal property. Public service company property is certified by the State of North Carolina at 100% of actual value, with no distinction between real and personal property values.
- (2) A revaluation of real property is required by N.C. General Statutes at least every eight years. The last revaluation was occurred on January 1, 2016.
- (3) Per \$100 of assessed value.

**DURHAM COUNTY, NORTH CAROLINA**

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

Fiscal Year	Taxes Levied for the Fiscal Year			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments	Total Adjusted Levy	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2008	\$ 300,961,051	\$ 16,452,438	\$ 317,413,489	\$ 313,396,710	98.73%	\$ 2,984,489	\$ 316,381,199	99.67%
2009	331,748,220	5,476,495	337,224,715	331,357,242	98.26%	4,796,649	336,153,891	99.68%
2010	329,213,965	13,906,211	343,120,176	338,558,945	98.67%	3,839,537	342,398,482	99.79%
2011	358,766,287	4,398,601	363,164,888	358,623,043	98.75%	2,953,608	361,576,651	99.56%
2012	353,038,243	3,837,833	356,876,076	352,704,112	98.83%	3,051,031	355,755,143	99.69%
2013	360,277,056	7,885,151	368,162,207	364,152,559	98.91%	2,669,340	366,821,899	99.64%
2014	387,365,732	267,700	387,633,332	385,068,858	99.34%	1,273,755	386,342,613	99.67%
2015	402,438,892	373,436	402,812,328	401,244,673	99.61%	1,181,131	402,425,804	99.90%
2016	411,676,610	1,001,471	412,678,081	411,447,291	99.70%	854,674	412,301,965	99.91%
2017	422,882,431	133,369	423,015,800	422,143,612	99.79%	-	422,143,612	99.79%

Notes:

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



**DURHAM COUNTY, NORTH CAROLINA**

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

Fiscal Year Ended June 30,	Durham County	Fire Tax Districts						
		Bethesda	Lebanon	Parkwood	Redwood	Eno	New Hope	Bahama
2008	\$198,126,081	\$1,412,365	\$ 945,480	\$ 1,126,263	\$ 672,045	\$ 17,304	\$ 43,986	\$ 696,347
2009	205,500,231	1,563,641	1,078,805	1,399,989	744,154	23,125	52,735	662,490
2010	209,323,910	1,602,205	1,071,167	1,472,700	738,849	23,983	44,825	714,101
2011	223,648,890	1,502,509	1,070,918	1,550,213	728,283	24,035	57,296	749,909
2012	224,310,246	1,603,344	1,073,640	1,461,650	766,788	24,336	74,677	806,759
2013	229,802,881	1,760,488	1,075,946	1,522,095	764,284	24,325	76,341	854,020
2014	234,323,543	2,220,189	1,033,842	1,546,613	733,673	30,882	82,004	802,114
2015	236,807,235	4,945	1,034,889	1,544,137	864,854	85,484	29,930	1,341,389
2016	241,808,196	-	1,037,940	-	883,358	30,246	87,109	1,414,475
2017	245,385,571	-	1,086,554	-	905,668	33,582	95,610	1,490,454

Notes

Effective July 1, 1988, the County collects all the County, City of Durham, and Fire Districts taxes levied within Durham County. Effective July 1, 1995, the County collects Town of Chapel Hill taxes levied within Durham County. Effective July 1, 2002, the County collects City of Raleigh taxes levied within Durham County. Effective July 1, 2011, the County collects Town of Morrisville taxes levied within Durham County. Effective July 1, 2015, Durham County Fire & Rescue replaced both the Bethesda Service and Parkwood Tax Districts.

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

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

---

<b>RTP Special District</b>	<b>Butner Safety District</b>	<b>Durham County Fire &amp; Rescue</b>	<b>City of Durham</b>	<b>City of Raleigh</b>	<b>Town of Chapel Hill</b>	<b>Town of Morrisville</b>	<b>Total Tax Levies</b>
\$ 657,705	\$ 16,203	\$ -	\$ 110,402,329	\$ 351,249	\$ 2,946,132	\$ -	\$ 317,413,489
666,263	20,319	-	122,039,098	419,553	3,054,312	-	337,224,715
722,154	17,585	-	124,304,979	452,134	2,631,582	-	343,120,175
709,205	17,631	-	12,983,774	485,766	2,636,459	-	246,164,888
696,499	17,059	-	129,390,469	550,646	2,614,275	10,440	363,400,828
746,927	315	-	135,132,373	595,878	2,619,338	11,738	374,986,949
735,854	3	-	132,998,548	623,283	2,689,258	16,747	377,836,553
760,735	-	-	136,753,317	679,966	2,675,644	46,487	382,629,012
970,743	-	3,932,013	139,621,148	724,895	2,686,409	25,475	393,222,007
1,218,468	-	3,855,057	146,313,199	777,666	2,543,760	29,329	403,734,919

**DURHAM COUNTY, NORTH CAROLINA**

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

(rate per \$100 of assessed value)

	2008 <sup>2</sup>	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>County direct rate</b>										
Operating rate	\$ 0.7801	\$ 0.6594	\$ 0.6604	\$ 0.6911	\$ 0.6865	\$ 0.6850	\$ 0.6850	\$ 0.6951	\$ 0.7078	\$ 0.6608
Capital rate	0.0539	0.0487	0.0477	0.0548	0.0594	0.0594	0.0894	0.0980	0.0853	0.0796
Total general fund direct rate	0.8340	0.7081	0.7081	0.7459	0.7459	0.7444	0.7744	0.7931	0.7931	0.7404
<b>Fire district rates</b>	0.0570-0.1100	0.0570-0.1150	0.0570-0.1100	0.0599-0.1100	0.0599-0.1125	0.0599-0.1150	0.0600-0.1300	0.0799-0.1386	0.0799-0.1386	0.0778-0.1344
<b>Other special district rates</b>	0.1474-0.2500	0.1461-0.2500	0.1461-0.2500	0.1460-0.2500	0.1474-0.2500	0.1374-0.1524	0.1518-0.1668	0.1514-0.1729	0.0000-0.1779	0.0000-0.1880
<b>Municipality Rates</b>										
City of Durham	0.6180	0.5400	0.5400	0.5519	0.5575	0.5675	0.5675	0.5912	0.5912	0.5607
City of Durham BID	-	-	-	-	-	0.6375	0.6375	0.6612	0.6612	0.6307
Town of Chapel Hill	0.5220	0.5810	0.4940	0.4940	0.4940	0.4940	0.5140	0.5240	0.5240	0.5240
City of Raleigh	0.4350	0.3735	0.3735	0.3735	0.3735	0.3826	0.3826	0.4038	0.4210	0.4183
Town of Morrisville	-	-	-	-	0.3665	0.3665	0.3900	0.3900	0.4100	0.3900

Notes:

- (1) All taxable property is subject to the County direct rate. Most property in unincorporated areas is also subject to one of the seven fire district taxes.
- (2) A revaluation of real property is required by N. C. General Statutes at least every eight years. Revaluation of taxable property occurred on January 1, 2016.

## **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**

<b>Fiscal Year Ended June 30,</b>	<b>Population Estimate (1)</b>	<b>Taxable Property Assessed Value</b>	<b>Debt Limit</b>	<b>Gross Bonded Debt</b>
2008	261,206 (1)	\$ 23,136,584,132	\$ 1,850,926,731	\$ 275,570,001
2009	265,670 (1)	28,540,855,952	2,283,268,476	255,335,000
2010	267,849 (1)	29,032,891,346	2,322,631,308	233,930,000
2011	272,156 (1)	29,460,598,354	2,356,847,868	272,680,000
2012	275,960 (1)	29,842,363,341	2,387,389,067	298,585,000
2013	277,588 (1)	30,446,750,204	2,435,740,016	273,900,000
2014	284,437 (1)	32,025,003,772	2,562,000,302	295,905,000
2015	290,874 (1)	31,736,178,319	2,538,894,266	270,905,000
2016	293,647 (1)	32,454,800,165	2,596,384,013	243,775,000
2017	301,243 (1)	35,230,345,247	2,818,246,797	288,086,321

NOTE:

(1) Estimate from Durham City/County Planning Department

---

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Taxable Property Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ 275,570,001	1.2	1,037
255,335,000	0.89	961
233,930,000	0.81	873
272,680,000	0.93	1,002
298,585,000	1.00	1,082
273,900,000	0.90	987
295,905,000	0.92	1,040
270,905,000	0.85	931
243,775,000	0.75	830
288,086,321	0.82	956

**DURHAM COUNTY, NORTH CAROLINA**

**Legal Debt Margin Information  
Last Ten Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed Value of Property	\$ 23,136,584,132	\$ 28,540,855,952	\$ 29,032,891,346	\$ 29,460,598,354	\$ 29,842,363,341
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,850,926,731	2,283,268,476	2,322,631,308	2,356,847,868	2,387,389,067
Amount of Debt Applicable to Limit General Obligation Bonds	<u>275,570,002</u>	<u>255,335,002</u>	<u>233,930,000</u>	<u>272,680,000</u>	<u>298,585,000</u>
Total net debt applicable to limit	<u>275,570,002</u>	<u>255,335,002</u>	<u>233,930,000</u>	<u>272,680,000</u>	<u>298,585,000</u>
Legal Debt Margin	<u>\$ 1,575,356,729</u>	<u>\$ 2,027,933,474</u>	<u>\$ 2,088,701,308</u>	<u>\$ 2,084,167,868</u>	<u>\$ 2,088,804,067</u>
Total net debt applicable to limit as a percentage of debt limit	<u>14.89%</u>	<u>11.18%</u>	<u>10.07%</u>	<u>11.57%</u>	<u>12.51%</u>

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 30,446,750,204	\$ 32,025,003,772	\$ 31,736,178,319	\$ 32,454,800,165	\$ 35,230,345,247
2,435,740,016	2,562,000,302	2,538,894,266	2,596,384,013	2,818,427,620
<u>273,900,000</u>	<u>295,905,000</u>	<u>270,905,000</u>	<u>243,775,000</u>	<u>252,270,000</u>
<u>273,900,000</u>	<u>295,905,000</u>	<u>270,905,000</u>	<u>243,775,000</u>	<u>252,270,000</u>
<u>\$ 2,161,840,016</u>	<u>\$ 2,266,095,302</u>	<u>\$ 2,267,989,266</u>	<u>\$ 2,352,609,013</u>	<u>\$ 2,566,157,620</u>
<u>11.25%</u>	<u>11.55%</u>	<u>10.67%</u>	<u>9.39%</u>	<u>8.95%</u>



## DURHAM COUNTY, NORTH CAROLINA

### Direct and Overlapping Governmental Activities Debt As of June 30, 2017

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Municipality:</b>			
City of Durham	\$ 193,053,372	100%	\$ 193,053,372
Town of Chapel Hill	31,741,000	0%	-
City of Raleigh	1,026,662,047	0%	-
<b>Overlapping debt</b>	<u>1,251,456,419</u>		<u>193,053,372</u>
<b>Direct debt</b>	517,141,513		517,141,513
<b>Total direct and overlapping debt</b>	<u><u>\$ 1,768,597,932</u></u>		<u><u>\$ 710,194,885</u></u>

**Source:** Overlapping debt provided by each municipality.

**Note:** Percentage of overlap based on assessed property values.

**DURHAM COUNTY, NORTH CAROLINA**

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

Fiscal Year Ended June 30,	Debt Service Expenditures				Total Debt Service Expenditures	Total Governmental Expenditures	Ratio of Total Debt Service to Total Governmental Expenditures
	Principal	Interest and Fiscal Charges	Other Expenditures				
2008	\$ 25,249,056	\$ 13,257,396	\$ 1,233,939	\$ 39,740,391	\$ 463,732,424	8.57%	
2009	27,266,955	14,376,279	1,546,769	43,190,003	485,372,254	8.90%	
2010	25,431,125	16,568,325	994,584	42,994,034	449,067,446	9.57%	
2011	53,158,145	16,477,835	1,060,066	70,696,046	547,508,452	12.91%	
2012	109,738,119	17,434,904	1,115,755	128,288,778	562,551,859	22.80%	
2013	34,520,922	19,468,651	818,130	54,807,703	460,726,131	11.90%	
2014	34,261,816	23,354,161	644,769	58,260,746	435,141,587	13.39%	
2015	36,159,495	22,573,434	7,003	58,739,932	427,775,715	13.73%	
2016	35,596,413	20,599,097	741,165	56,936,675	446,935,402	12.74%	
2017	37,427,611	18,653,456	617,443	56,698,510	480,074,049	11.81%	

## DURHAM COUNTY, NORTH CAROLINA

### Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

---

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property<sup>1</sup></b>	<b>Per Capita<sup>2</sup></b>
2008	\$ 275,570,002	1.19%	1,054.99
2009	255,335,002	0.89%	961.10
2010	233,930,000	0.82%	873.37
2011	272,680,000	0.93%	1,001.93
2012	298,585,000	1.00%	1,081.99
2013	273,900,000	0.90%	986.71
2014	295,905,000	0.96%	1,040.32
2015	270,905,000	0.85%	931.35
2016	243,775,000	0.75%	830.16
2017	288,086,321	0.82%	956.33

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.

**THIS PAGE LEFT INTENTIONALLY BLANK**

**DURHAM COUNTY, NORTH CAROLINA**

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

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Certificates of Participation	Limited Obligation Bonds	Installment Purchases	Total Governmental Activities
2008	\$ 270,784,681	\$ 17,525,000	\$ -	\$ 23,506,871	\$ 311,816,552
2009	251,040,046	132,775,000	-	23,806,105	407,621,151
2010	228,692,055	132,724,828	-	46,985,373	408,402,256
2011	274,834,584	175,502,889	-	41,513,714	491,851,187
2012	309,594,156	146,886,804	67,752,814	17,613,939	541,847,713
2013	293,099,857	55,660,000	189,366,572	43,123,317	581,249,746
2014	321,259,230	52,565,000	182,118,853	13,321,654	569,264,737
2015	295,033,765	49,470,000	174,556,822	21,213,474	540,274,061
2016	271,397,457	9,280,000	208,754,927	29,409,748	518,842,132
2017	288,086,321	6,185,000	200,709,554	22,160,638	517,141,513

**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.

<b>Business-Type Activities</b>						
<b>General Obligation Bonds</b>	<b>Refunding Revenue Bonds</b>	<b>State Revolving Loans</b>	<b>Total Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income<sup>1</sup></b>	<b>Per Capita<sup>1</sup></b>
\$ 4,785,321	\$ 19,155,000	\$ -	\$ 23,940,321	\$ 335,756,873	3.82%	1,285.41
4,294,956	17,660,000	-	21,954,956	429,576,107	4.51%	1,616.95
4,010,321	16,641,908	-	20,652,229	429,054,485	4.20%	1,601.85
3,671,868	14,926,976	-	18,598,844	510,450,031	4.89%	1,875.58
2,911,318	14,315,087	-	17,226,405	559,074,118	5.49%	2,025.92
2,357,603	11,268,200	13,408,267	27,034,070	608,283,816	5.76%	2,191.32
1,304,131	10,854,865	12,612,864	24,771,860	594,036,597	5.19%	2,088.46
604,728	10,084,590	11,941,717	22,631,035	562,905,096	4.72%	1,935.22
32,343	9,294,315	11,270,571	20,597,229	539,439,361	4.28%	1,837.03
-	8,489,040	10,599,426	19,088,466	536,229,979	4.00%	1,780.06

**THIS PAGE LEFT INTENTIONALLY BLANK**

## **OPERATING INFORMATION**

### **Full-time Equivalent County Government Employees by Function**

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

### **Operating Indicators by Function**

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

### **Capital Asset Statistics by Function**

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



## DURHAM COUNTY, NORTH CAROLINA

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

---

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government	252	248	245	247
Public safety	600	624	599	610
Economic and physical development	33	31	32	30
Environmental protection	13	14	18	18
Human services	677	692	700	681
Cultural and recreational	99	98	105	101
Utilities	6	21	18	20
Total	<u>1,680</u>	<u>1,728</u>	<u>1,717</u>	<u>1,707</u>

Source: Durham County Human Resources Department

---

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
253	264	258	263	267	287
616	644	673	696	687	717
30	30	29	32	29	34
16	16	19	20	21	15
700	610	624	628	639	672
105	105	104	106	100	106
21	21	20	20	20	21
<b>1,741</b>	<b>1,690</b>	<b>1,727</b>	<b>1,765</b>	<b>1,763</b>	<b>1,852</b>

# DURHAM COUNTY, NORTH CAROLINA

## Operating Indicators By Function Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Administration</b>										
Registered voters (6)	217,328	233,602	210,644	201,880	199,756	195,050	182,192	180,403	181,012	156,879
Taxable real estate parcels (7)	108,026	105,588	103,976	104,350	103,757	102,556	86,008	87,245	105,618	104,548
Tax bills (7)**	146,332	144,540	146,193	143,659	377,327	317,556	240,597	237,229	271,331	300,886
<b>Human Services</b>										
Adult care home residents served through on-site inspections (8)	997	982	994	941	885	875	845	853	826	811
Persons testing for HIV/STD (9)	22,412	15,577	37,280	38,482	52,251	43,265	53,584	66,169	65,924	67,765
Food assistance individuals (8)	30,853	40,358	43,745	43,289	49,281	44,238	42,034	34,178	29,727	23,730
<b>Education</b>										
Students attending public school (1)	33,151	33,501	33,626	33,295	32,484	32,671	32,566	32,551	31,938	31,732
Public school teachers (2)	2,267	2,358	2,329	2,318	2,247	2,300	2,245	2,671	2,326	2,368
Community college students-average semester (3)	10,819	19,027	22,341	20,470	22,974	24,416	24,769	25,561	25,810	25,509
Community college faculty (3)	355	355	333	328	322	337	162	161	150	154
<b>Community Development and Cultural (5)</b>										
Residential permits issued ***	1,726	1,927	1,426	1,270	1,141	856	997	993	883	1,713
Commercial permits issued ***	155	158	132	135	83	109	93	73	81	209
Building permits - additional, alterations ***	2,666	2,592	2,451	2,320	2,362	2,533	2,368	2,212	2,230	1,694
Inspections performed	43,031	38,946	38,481	38,801	31,589	27,635	26,086	26,295	25,183	*
<b>Environmental Services</b>										
Animal control service calls (10)	12,191	12,889	12,568	11,859	11,111	15,682	13,911	15,628	18,152	16,213
Animals impounded (10)	2,516	2,869	2,166	3,025	3,361	6,315	6,397	6,921	7,148	6,755
Sanitation inspections (9)	3,149	3,327	6,146	7,243	5,841	7,040	6,876	7,462	6,860	7,606
<b>Public Safety</b>										
Detention intake (11)	7,558	11,013	11,838	11,967	12,350	12,457	12,267	11,926	12,219	12,395
Civil processes served (11)	20,505	33,147	26,407	28,482	35,842	33,181	32,472	35,210	33,727	33,643
Pistol permits processed (11)	2,108	3,266	2,486	1,446	1,715	1,938	1,923	1,726	1,774	1,687
Average daily jail population (11)	472	481	520	521	560	551	554	582	598	629
Fire/medical incidents responded to by contracting fire departments (6)	2,025	2,587	4,544	9,152	11,096	11,870	12,402	11,733	12,344	11,925
Durham EMS incidents (4)	46,934	44,222	44,388	32,882	28,337	27,742	26,696	27,405	26,260	25,111

\* Information not available.

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

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

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

(2) Durham County Public Schools.

(3) Durham Technical Community College.

(4) Durham County Emergency Management Department.

(5) Durham City/County Planning Department.

(6) Durham County Board of Elections. Durham County took over the EMS program from Parkwood, fiscal year 2015, this would reduce Parkwood's medical incident responses.

Durham County EMS implemented a new response continuum that cut Fire Department first responder units from "Alpha" and "Bravo" calls - calls triaged as minor and not needing fire responses. As of fiscal year 2016, there are three contracting fire departments; two of the original five departments are now Durham County Fire & Rescue.

(7) Durham County Tax Department.

(8) Durham County Department of Social Services.

(9) Durham County Public Health Department.

(10) Durham County Animal Control.

(11) Durham County Sheriff Department.

## DURHAM COUNTY, NORTH CAROLINA

### Capital Asset Statistics by Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Government (1)</b>										
Rentable square footage	762,932	762,932	767,652	767,652	767,652	766,682	733,361	733,361	744,461	726,461
<b>Human Services (2)</b>										
Number of centers	2	2	2	2	4	4	4	4	4	6
<b>Education (3)</b>										
Number of schools	54	54	54	56	56	56	55	53	53	46
Number of higher education institutions	4	4	4	4	4	4	4	4	4	4
<b>Community Development and Cultural (4)</b>										
Libraries - branches	7	7	7	7	8	8	8	8	8	8
Volume of library books	670,695	692,526	694,145	704,947	698,715	704,093	661,687	603,930	565,245	609,544
Number of County parks	2	2	2	2	2	2	2	2	2	2
<b>Public Safety</b>										
Sheriff - Stations (5)	5	5	5	5	5	5	5	5	5	5
Detention capacity (5)	736	736	736	736	736	736	736	736	736	736
Fire protection - City Stations (6)	16	16	16	16	16	16	15	15	15	15
Fire protection - Volunteer Stations (6)	12	12	12	12	12	12	11	11	11	11
EMS - Stations (7)	9	9	12	11	9	6	6	6	6	6

(1) Durham County Open Space Department

(2) Durham County Public Health and Social Services Departments

(3) Durham Public Schools

(4) Durham County Public Library

(5) Durham County Sheriff's Department

(6) Durham County Fire Department

(7) Durham County Emergency Medical Services

**THIS PAGE LEFT INTENTIONALLY BLANK**

## **DEMOGRAPHIC & ECONOMIC INFORMATION**

### **Property Value and Construction**

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

### **Demographic and Economic Statistics**

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

### **Principal Employers**

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

**THIS PAGE LEFT INTENTIONALLY BLANK**

## DURHAM COUNTY, NORTH CAROLINA

### Property Value and Construction Last Ten Fiscal Years

---

<b>Fiscal Year Ended June 30,</b>	<b>Building Value of Permits Issued (1)</b>	<b>Assessed Valuation (2)</b>
2008	\$ 937,163,464	\$ 23,136,584,132
2009	832,707,556	28,540,855,952
2010	854,185,593	29,032,891,346
2011	918,447,009	29,460,598,354
2012	782,358,521	29,842,363,341
2013	912,531,665	30,444,978,195
2014	1,107,015,215	30,796,658,950
2015	1,117,161,089	31,736,178,319
2016	1,194,358,281	32,454,800,165
2017	1,501,331,982	35,230,345,247

NOTES:

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

(2) Last revaluation of taxable property occurred on January 1, 2016



## DURHAM COUNTY, NORTH CAROLINA

### Demographic and Economic Statistics Last Ten Years

Year	Population Estimates <sup>1</sup>	Personal Income <sup>2</sup> (thousands of dollars)	Per Capita Personal Income <sup>3</sup>	School Enrollment <sup>4</sup>	Unemployment Rate <sup>5</sup>
2008	261,206	\$ 10,204,867	\$ 38,923	32,749	5.5%
2009	265,670	10,435,368	39,383	32,854	8.0%
2010	267,849	10,190,008	38,795	32,551	7.8%
2011	271,238	10,567,605	38,654	32,566	8.4%
2012	275,960	11,454,941	40,963	32,671	8.2%
2013	277,588	11,921,155	41,376	32,484	7.6%
2014	284,437	12,611,613	42,830	33,296	5.3%
2015	290,874	13,394,612	44,507	33,626	5.4%
2016	293,647	*	*	33,144	4.7%
2017	301,243	*	*	32,907	3.8%

\* Information not yet available

- (1) The 2009-2017 estimates are from the Durham City/County Planning Department. 2005-2008 estimates are provided by the North Carolina Department of Administration, Division of Management and Budget, Research and Planning Service.
- (2) All personal income data is estimates for the calendar year ended in each fiscal year are provided by Bureau of Analysis.
- (3) All per capita income data is for the calendar year ended in each fiscal year. 2008-2015 is actual per capita income provided by Bureau of Economic Analysis, last update November 17, 2016.
- (4) Durham County Public Schools, 2008-2017 Final Average Daily Membership.
- (5) North Carolina Employment Security Commission.

## DURHAM COUNTY, NORTH CAROLINA

### Principal Employers Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Duke University & Health System	35,998	1	18.24%	26,324	1	19.38%
International Business Machines (IBM)	7,000	2	3.55%	11,527	2	8.48%
Durham Public Schools	4,600	3	2.33%	5,076	4	3.74%
GlaxoSmithKline	2,400	9	1.22%	5,179	3	3.81%
Blue Cross Blue Shield of North Carolina	4,000	4	2.03%			
Durham City Government	2,466	8	1.25%	2,202	7	1.62%
Cree, Inc.	2,600	7	1.32%			
Fidelity Investments	3,700	5	1.88%			
Quintiles Transnational Corp.	3,000	6	1.52%			
Lenovo Group, Ltd.				2,300	6	1.69%
Veterans Affairs (VA) Medical Center				2,086	8	1.54%
NORTEL Networks				2,600	5	1.91%
Research Triangle Institute(RTI)	2,200	10	1.11%	2,003	9	1.47%
Durham County Government				1,774	10	1.31%
	<u>67,964</u>		<u>34.45%</u>	<u>61,071</u>		<u>44.96%</u>

Source: Durham Chamber of Commerce and Bureau of Labor Statistics

**THIS PAGE LEFT INTENTIONALLY BLANK**

**COMPLIANCE SECTION  
(DIVIDER)**

## **Report of Independent Auditor on the Revenue Bond Covenant Compliance**

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

### **Report on the Schedule**

We have audited the accompanying schedule of debt covenant compliance (the “schedule”) of Durham County, North Carolina (the “County”), as of and for the year ended June 30, 2017; as defined in the official statement for the Trust Agreement dated December 1, 2002 with First-Citizens Bank & Trust Company.

### **Management’s Responsibility for the Schedule**

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

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the schedule referred to above is presented fairly, in all material respects as, described in the Trust Agreement referred to in the first paragraph, of the County as of and for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

**Restricted Use**

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

A handwritten signature in black ink, appearing to read "Cherry Bokant" followed by a stylized flourish.

Raleigh, North Carolina  
October 31, 2017

**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Debt Covenant Compliance  
Year Ended June 30, 2017**

	<b>Enterprise Fund Sewer Utility Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 9,698,870
Total operating revenues	<u>9,698,870</u>
<b>Operating expenses</b>	
Personnel services	1,738,514
Utilities	533,302
Maintenance and other	2,178,932
Depreciation	3,032,750
Total operating expenses	<u>7,483,498</u>
<b>Operating income (loss)</b>	<u>2,215,372</u>
<b>Add:</b>	
Depreciation expense	<u>3,032,750</u>
<b>Income available for debt service</b>	<u>\$ 5,248,122</u>
<b>Fiscal year revenue bond debt payments</b>	\$ 924,867
<b>Fiscal year total debt payments</b>	\$ 1,880,180
<b>Senior lien debt service coverage</b>	5.67
<b>Total debt service coverage</b>	2.79
<b>Series 2003 Revenue Bond Covenant Requirement</b>	
Senior lien debt service coverage	1.20
Total debt service coverage	1.00







## **Acknowledgments**

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

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

**Jessica Brown-Linton, Assistant Chief Financial Officer**

**Zac Anderson, Assistant Chief Financial Officer**

**Crystally Wright, Compliance Manager**

**Chris Lindsay, Executive Accountant**

**Tiffany Long, Senior Accountant**

**Kimberly Thompson, Senior Accountant**

**Sarah Hill, Payroll Manager**

**Chrystal Thomas, Accountant**

**Joanna Jones, Accountant**

**Sonya Long, Accountant**

