

County of Durham, North Carolina



A Comprehensive Annual Financial Report

For Year Ended June 30, 2012



County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012

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Prepared by the Durham County Finance Department

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INTRODUCTORY SECTION



Letter of Transmittal

October 26, 2012

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, 2012.

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

The County of Durham's financial statements have been audited by Cherry, Bekaert & Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County of Durham for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor

concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the County of Durham's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

Durham County, incorporated in 1881, is located in the piedmont part of the state, which is considered to be the top growth area in the State, and one of the top growth areas in the country. Durham County currently occupies a land area of 299 square miles and serves a population of 275,960. Durham County is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

Durham County provides a full range of services, including sheriff and fire protection, emergency medical, human services (public health, mental health and social services), elections, register of deeds, animal control, youth home, criminal justice and cultural and recreational. Funding is provided for educational services of the Durham Public Schools and Durham Technical Community College. Funding is provided for cultural and recreational services of the North Carolina Museum of Life and Science. Also, the County funds services provided in conjunction with the City of Durham through interlocal agreements including economic and physical development, emergency communications, environmental engineering and inspections. Solid waste services are provided through contracting with a private company. Effective for the fiscal year 2013,

the County will no longer be providing mental health services but rather contracting with Alliance Behavioral Healthcare to provide these services. This is because of the implementation of the Medicaid Waiver 1915 (b)/(c) initiated by the North Carolina Department of Health and Human Services (DHHS), whereby Local Management Entities (LMEs) will operate as risk-based Managed Care Organizations (MCOs) to manage local mental health, substance abuse and developmental disability services effective for fiscal year 2013. To implement, Durham County and Wake County entered into an agreement pursuant to N.C.G.S. Chapter 122C-115.1 and N.C.G.S. 160A-461 merging the Durham County Area Authority and the Wake County Local Management Entity, both single-county LMEs, establishing a new multi county Area Authority (Alliance Behavioral Healthcare), operating as a political subdivision of the State of North Carolina and organized under North Carolina General Statute Chapter 122C-115, to administer mental health, substance abuse and development disability services for Durham and Wake Counties. A more detailed explanation of this agreement and implementation is presented on page 98 in the notes to the financial statements.

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

The annual budget serves as the foundation for Durham County's financial planning and control. All agencies of Durham County are required to submit requests for appropriation to the county manager on or before March 15th of each year. The county manager uses these requests as the starting point for developing a proposed budget. The county manager then presents this proposed budget to the commissioners for review prior to May 31st of each year. The board is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of Durham County's fiscal year. The adopted budget is prepared by fund, function (e.g., public safety), and department (e.g., sheriff). However, the appropriations are formally budgeted and approved on a functional basis. Budget-to-actual comparisons are provided for each

individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 33-35 as part of the basic financial statements for the governmental funds. For nonmajor governmental funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 117.

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 June, 2012, Durham was ranked eighth on the Atlantic Monthly list of "America's Leading High-Tech Metro", and *Forbes* ranked Durham fourteenth amongst the "Best Place for Business and Careers".

Construction of new facilities and expansion of others is testimony to the fact that Durham is a nurturing environment for start-up companies and for more established companies. Many companies from various regions of the US as well as other countries have moved their headquarters here to take advantage of the County's diverse resources in an environment that fosters business development. Business expansions announced in calendar year 2011 totaled over \$474 million, with plans to create over 2,366 new jobs in the County. In addition, business expansions announced through the second quarter of calendar year 2012 totaled over \$318 million with plans to create another 2,136 new jobs.

The diversity of industries represented in the County and its strong emphasis on business development through research and development has brought national recognition to the area. The County continues to receive recognitions nationally for its improvement economically. In September, 2012, *American City Business Journals*, ranked Durham as the 12th "Strongest Economy in America", and in May 2012 Durham was ranked 5th for "Best place for New College Grads" by *The Atlantic*.

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-second 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. The more than 170 tenant companies and organizations located in the Park represent some of the world's largest and most prestigious corporate and government organizations in scientific and technological research. Businesses in the Park employ approximately 42,500 full-time employees and an estimated 10,000 contract employees.

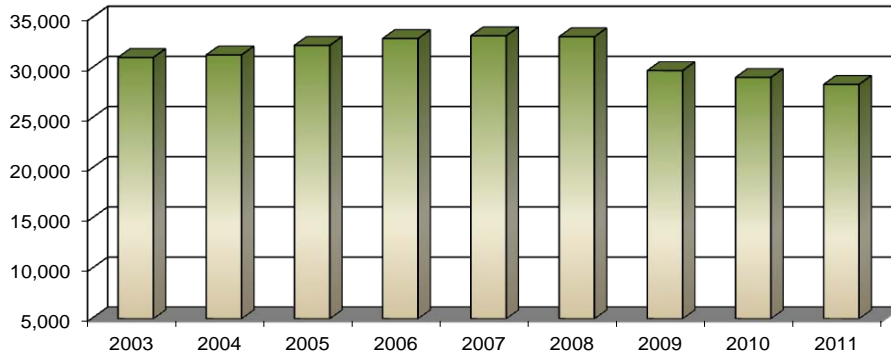
The number of research and development companies in the Park continues to grow. In calendar year 2011, Vacon, a global manufacturer of frequency converters for electric motors, announced a new \$1.3 million facility with the creation of 60 jobs, and Sensus, a utility management company, will invest over \$1.8 million in a new facility creating 240 jobs. In addition to new businesses, current businesses also announced expansions in the Park. Businesses such as United Therapeutics, IBM, Mustard Tree, Cree, Bayer Crop Science, and Memscap, announced expansions in calendar year 2011 with an estimated investment of over \$311 million and over 300 new jobs. Other existing companies, BASF, Crossview, Bayer Crop Science, FIT, Compass Data Center, DuPont, and GlaxoSmithKline announced planned expansions through the second quarter of calendar year 2012 with an estimated investment of over \$97 million and the creation of over 380 jobs. In June 2012, the *Triangle Business Journal* ranked Durham's manufacturing sector #1 amongst "Major Metros and 11th nationally".

Research conducted in Durham County continues to cover a broad range of high tech fields such as biotechnology, medical instrumentation, metallurgy, electronic hardware and software development, health care products, digital switching and transmission systems, telecommunication and microelectronics. There also continues to be an abundance of highly skilled graduates from the region's research universities and prestigious law, business and medical schools. Perhaps the most striking indication of talent in the area is the large number of patents for inventions developed or discovered by the residents and/or companies of the County.

Health care

The City of Durham is called the City of Medicine because of its vibrant healthcare industry, which includes more than 300 medical- and health-related companies that are located in Durham County. There is a wide spectrum of major medical centers, including Duke University Medical Center, which was ranked eighth Best Hospital in the US and the #1 Hospital in the State by *US News & World Report*, July 2012; a world class academic and health care system; transforming medicine locally and globally through innovative medical research; and educating future clinical and scientific leaders. The result is that Durham County has one of the nation's top five concentrations of physicians per capita and nearly one third of all workers in the labor force works in a health or medical related industry.

Manufacturing



Source: Employment Security Commission (ESC)

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

Durham County is not only a center for technology development; the County is also a strong manufacturing center. The manufacturing sector experienced a decrease in employment from 29,061 in 2010 to 28,365 in 2011. Although the economy has made several gains, nationally and locally, with the decrease in the unemployment rate, the County experienced a 2.39 percent loss of manufacturing jobs for calendar year 2011.

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 will continue 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 in many ways comparable to a much larger city, but with a down-home charm. AARP named Durham a "Great U.S. Destination for 2012" in January 2012. In February 2012, *RealAge* ranked Durham #6 on its list of Best Cities for Staying Young. In addition, Durham boasts nationally acclaimed restaurants and performance facilities that host Broadway shows and other professional performances. Durham County has a distinctive history and culture. Its advantageous location, climate and lifestyle draw people from around the world to a place that has a dynamic business environment and a beautiful setting in the Piedmont region of North Carolina.

Major Employers

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

Company or Institution

Duke University & Medical Center
International Business Machines (IBM)
Durham Public Schools
Glaxo SmithKline
Blue Cross Blue Shield of North Carolina
Durham City Government
Cree, Inc.
Research Triangle Institute
Fidelity Investments
Veterans Administration Medical Center
Durham County Government
Quintiles Transnational
North Carolina Central University
National Institute of Environmental Health Sciences
US Environmental Protection Agency
AW North Carolina, Inc.
BioMerieux
Measurement Incorporated
Frontier Communications-(Formally Verizon)

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 2011 were \$474,559,444. Economic development announcements occurring through the second quarter of 2012 amounted to over \$300 million.

Economic Development Statistics

Per Capita Income

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

	2003	2004	2005	2006	2007	2008	2009	2010
Triangle MSA	\$ 34,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Durham MSA	-	32,482	33,505	37,262	38,923	39,383	40,116	40,597
Raleigh/Cary MSA	-	36,309	37,270	37,107	38,648	39,580	37,849	39,479
North Carolina	29,219	29,541	30,429	32,338	33,636	34,483	34,719	36,028
United States	32,209	33,127	34,212	36,629	38,564	40,189	39,626	41,560

Source: Bureau of Economic Analysis

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

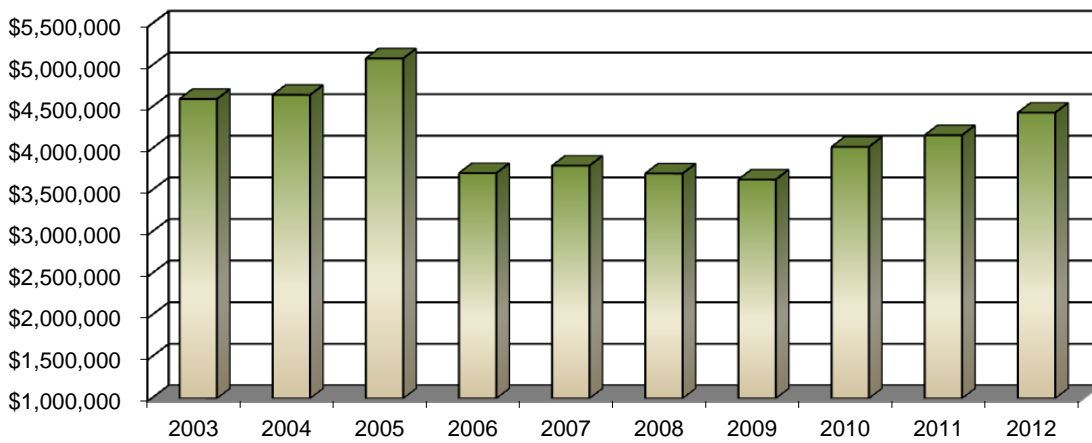
Note: The Bureau of Economic Analysis announced that they will no longer release advance estimates of personal income for metropolitan areas (formerly released in August of each year) and that these estimates for all local areas will be released eleven months after the end of the reference (calendar) year. As such, the per capita income for calendar year 2011 was not available for this report.

Retail Sales

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

Year Ended June 30,	Total Retail Sales (000's)	Total Taxable Sales (000's)	Percent Growth Over Previous Year
2003	\$ 4,597,853		13.3%
2004	4,646,891		1.1%
2005	5,085,956		9.50%
2006	n/a	\$ 3,707,314	*
2007	n/a	3,796,971	2.36%
2008	n/a	3,703,207	-2.50%
2009	n/a	3,630,249	-1.97%
2010	n/a	4,022,518	10.81%
2011	n/a	4,163,246	3.50%
2012	n/a	4,434,078	6.51%

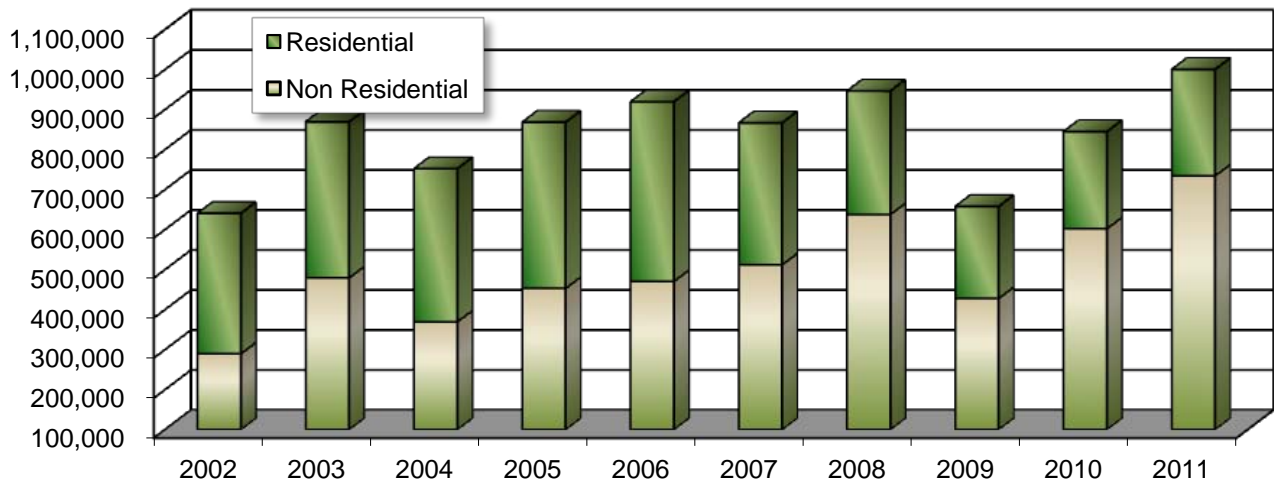
Note: The NC Department of Revenue made an administrative rule change to report Retail sales, beginning in Fiscal Year 2006, based on total taxable sales reported on sales and use tax returns by July of the Fiscal Year in question, rather than gross retail sales. Therefore, 2006 Retail sales total is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



For fiscal years 2004, 2005, and 2006, Durham exceeded \$5.08 billion in gross retail sales activity. In fiscal year 2006, the NC Department of Revenue made a rule change to report total taxable sales reported on sales and use tax returns and no longer total gross retail sales. Therefore, in fiscal year 2006 the total taxable sales reported shows a decline, but it is due to the difference in reporting methods. In fiscal year 2012, the total taxable sales reported were over \$4.4 billion, an increase of over \$270 million (6.51%), reflecting a positive turnaround to the national 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.



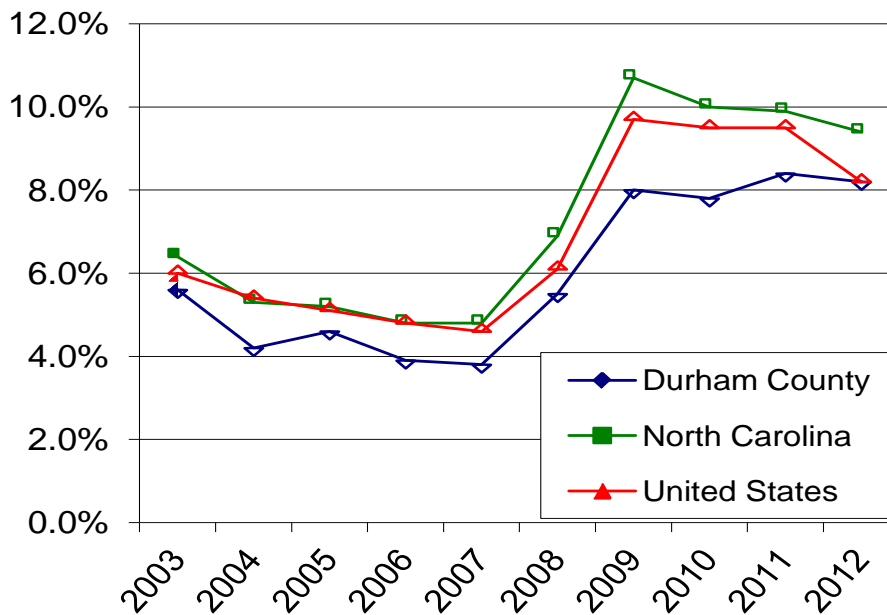
As of June 30, 2012, the total number of occupied dwelling units in Durham County was 109,004. Also, for the first six months of 2012, 1,903 residential permits have been issued for new residences and for improvements, repairs and expansions of existing

residences. From 2010 to 2011, 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.

Unemployment

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

	Durham County	North Carolina	United States
2003	5.6%	6.4%	6.0%
2004	4.2%	5.3%	5.4%
2005	4.6%	5.2%	5.1%
2006	3.9%	4.8%	4.8%
2007	3.8%	4.8%	4.6%
2008	5.5%	6.9%	6.1%
2009	8.0%	10.7%	9.7%
2010	7.8%	10.0%	9.5%
2011	8.4%	9.9%	9.5%
2012	8.2%	9.4%	8.2%



As of June 2012, the County’s unemployment rate was 8.2%, a decrease of 0.2% from June 2011. However, the County’s unemployment rate compares favorably to the State’s and Nation’s average unemployment rate as of June 2012 of 9.4% and 8.2%, respectively. The County’s primary commitment remains job creation and maintaining a strong economy.

Long-term Financial Planning

The Board of County Commissioners continues to reaffirm the County’s financial stability as one of its highest priorities. The Board recognizes that it is difficult to

execute short- and long-term plans if the focus is on day-to-day viability. Consequently, the County's annual budget and financial decisions made throughout the fiscal year support an underlying philosophy to maintain a strong fund balance and the planned expansion of programs and services. Listed below are several of the County's major accomplishments for the year.

Facility Master Plan

The Facility Master Plan that was approved in fiscal year 2000 laid the groundwork for the future building needs of the County and was centered on sound planning and solid financial research. The Master Plan was amended in fiscal year 2003 to reflect the changes in facility needs for the Human Services Agencies, particularly Mental Health, and to analyze several potential options for meeting the facility needs of Social Services, Public Health and Mental Health. The Facility Master Plan as currently amended serves as the basis for the facility projects included in the Capital Improvement Plan.

Capital Improvement Plan

The County maintains a 10-year Capital Improvement Plan (CIP), which is fully updated every two years. During 2010-2011 fiscal year, the Board of County Commissioners (BOCC) adopted the 2012-2021 Capital Improvement Plan (CIP). The plan itself provides a blueprint which the County uses to meet the growing facility needs of the schools, libraries, museum, court system, public safety, human service agencies, general government needs and open space. The CIP also provides a financial overview of the financing options for the existing capital projects as well as those capital projects not yet implemented projected in the 10-year plan. Annually, the financing options are reviewed, as well as the projects and their estimated costs.

Accomplishments during the past fiscal year include the completion of the Administrative Building Fifth Floor Renovation, Durham County Electric Vehicle Supply Equipment (ESVE) Project, Detention Facility Renovations (Main Lobby Improvements) and the Lincoln Community Health Center Phase I Renovation. Major projects under construction include Phase II of the Human Services Facility, the New Durham County Courthouse and Parking Structure and the Fiber Optic Connectivity Project; all of which are expected to be completed in fiscal year 2013. Other projects in various stages of design include the Emergency Medical Services Station #1, Demolition of the Department of Social Services Building (East Main St.), the East Main Street Parking Lot Improvements, Southwest Library Parking Lot Expansion and the Durham County Central Storage Facility. The Request for Qualifications for architectural design services is being prepared in order to advertise the Judicial Building Renovation for architectural selection.

In 2008, the County adopted a High Performance Building Policy incorporating sustainable design into County building projects. The Policy requires that new construction over 10,000 square feet shall achieve a minimum rating of LEED (Leadership in Energy and Environmental Design) "Gold", and that renovation projects obtain a "Certified" rating. Both the new County Courthouse and the Human Services Complex building projects currently under construction are pursuing the LEED "Gold" certification. Currently, the County has seven 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” and the Criminal Justice Center Third Floor Renovation – “Silver”. Additional projects utilizing sustainable design guidelines are currently under design and construction.

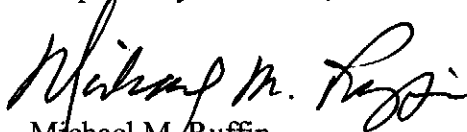
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to Durham County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the twelfth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,



Michael M. Ruffin
County Manager



George K. Quick
Chief Financial Officer

Durham County Board of County Commissioners



Michael D. Page
Chairman



Ellen W. Reckhow
Vice Chairman



Pam H. Karriker



Philip R. Cousin



Brenda A. Howerton

Durham County Administration

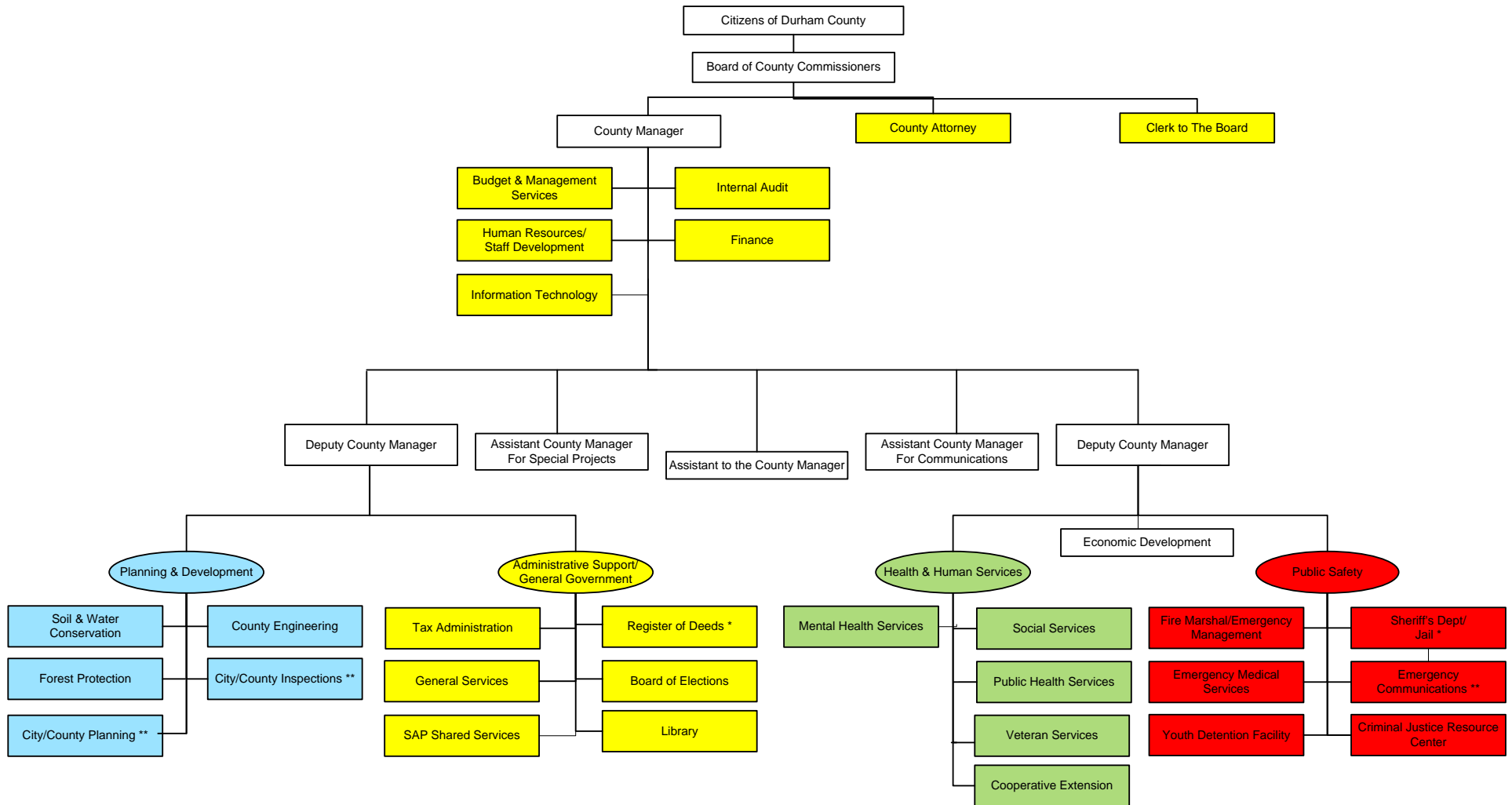


Mike Ruffin
County Manager



George K. Quick
Chief Financial Officer

Durham County, North Carolina General Administration Organizational Chart



* Elected Officials

** Joint City/County Departments

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Durham
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Danison

President

Jeffrey R. Enos

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Durham County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durham County, North Carolina (the "County"), as of and for the year then ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Durham County ABC Board (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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2012, and the respective changes in financial position and the cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund, community health trust fund and debt service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

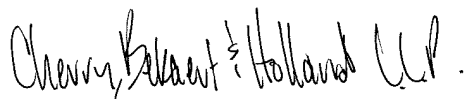
In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in the notes to the financial statements, management discovered expenses in the beginning balance of construction in progress in the current year that were related to expenses incurred on school projects that should have been transferred out in fiscal year 2010 when an interlocal agreement with Durham Public Schools was dissolved. Accordingly, beginning net assets have been restated to properly reflect the decrease in net assets.

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.

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 other supplementary information as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 information and the statistical tables 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.

A handwritten signature in black ink that reads "Cheryl B. Kent, CPA". The signature is written in a cursive style.

Raleigh, North Carolina
October 26, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-xviii.

Financial Highlights

- The assets of Durham County exceeded its liabilities at the close of the most recent fiscal year by \$76,828,002 (*net assets*). However, of this amount, unrestricted net assets has a deficit balance of (\$94,665,823) (*unrestricted net assets*) which is primarily because of the general obligation and installment purchases debt the County has issued on behalf of the school system, Durham Technical Community College and the Museum of Life and Science to fund capital outlay as required by State law coupled with the recording of pension liabilities for other postemployment benefits (OPEB) according to GASB Statements No. 43 and No. 45 and the recording of Stabilization by State Statute as restricted net assets according to GASB Statement No. 54 which was implemented as of fiscal year 2011. The assets funded by the County are owned by the School System, Durham Technical Community College and the Museum of Life and Science and are capitalized in their financial statements. Therefore, the County, as the issuing government, has incurred a liability without a corresponding increase in assets.
- The government's total net assets increased by \$6,162,342, an increase of 8.72 percent, due to decreases in the governmental activities' net assets of over \$5.7 million coupled with increases in the business-type activities' net assets of over \$11.8 million.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$204,296,731, an increase of \$2,447,681 in comparison with the prior year. Approximately 25.71 percent of this total amount, or \$52,535,257, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$106,747,586 or 28.24 percent of total general fund expenditures, compared to fiscal year 2011 which was \$93,335,936 or 25.73 percent of total general fund expenditures. The net change in fund balance for fiscal year 2012 was an increase of over \$18.7 million with an increase in the fund balance available as a percentage of expenditures as well. The primary reasons for the increases are the revenue collections were 102.9 percent of budget while expenditures were only 92.52 percent of budget. In addition, non-spendable and Stabilization by State Statute fund balance increased by over \$5.3 million while fund balance available for appropriation increased by over \$13.4 million. The net change in fund balance increased by over \$2.8 million in fiscal year 2012 from fiscal year 2011. The primary reasons for the increase in the net change in fund balance are the increase in excess of revenues over expenditures of over \$10 million, the increase in transfers out of over \$9.1 million, the increase in transfers in of almost \$1.1 million and the increase in the issuance of installment purchases of over \$800 thousand.
- The County's total debt increased by \$54,139,654 (9.89 percent) during the current fiscal year. The key factors in this increase were the annual retirement of governmental and business-type activities debt, the payment of two three year Bond Anticipation Notes of \$78,480,874, the

issuance of \$49,105,000 of general obligation bonds, the premium of \$7,299,951 on the issuance of these bonds, the issuance of \$30,463,915 in certificates of participation, the issuance of \$61,198,176 in general obligation bond anticipation notes, the issuance of \$11,278,600 of limited obligation bonds and an increase in the County's net OPEB obligation of \$5,290,784.

- Durham County continues to maintain its AAA bond rating.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other

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

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

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

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

The County adopts an annual appropriated budget for its general fund, community health trust fund and debt service fund, as required by General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. A budgetary comparison statement elsewhere in this report has been provided for the general fund, the community health trust fund and the debt service fund to demonstrate compliance with this budget and whether or not the County succeeded in providing the services as planned when the budget was adopted.

The basic governmental fund financial statements can be found on pages 29-37 of this report.

Proprietary funds. The County maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sewer utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer utility which is considered to be a major fund of the County.

The basic proprietary fund financial statements can be found on pages 38-40 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 41-42 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-99 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 101-106 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information on pensions and postemployment benefits. Combining and individual fund statements and schedules can be found on pages 111-143 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the County, assets exceeded liabilities by \$76,828,002 as of June 30, 2012. Net assets are reported in three categories: capital assets, net of related debt, restricted net assets and unrestricted net assets.

A major portion of the County's net assets in the amount of \$67,071,125 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt issued to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

DURHAM COUNTY'S NET ASSETS

	Governmental		Business - type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 259,952,494	\$ 246,673,959	\$ 25,436,658	\$ 22,199,525	\$ 285,389,152	\$ 268,873,484
Capital assets	361,616,287	344,186,546	63,426,391	55,888,378	425,042,678	400,074,924
Total assets	621,568,781	590,860,505	88,863,049	78,087,903	710,431,830	668,948,408
Long-term liabilities outstanding	584,215,669	528,720,177	17,320,176	18,676,014	601,535,845	547,396,191
Other liabilities	31,012,451	28,918,661	1,055,532	794,021	32,067,983	29,712,682
Total liabilities	615,228,120	557,638,838	18,375,708	19,470,035	633,603,828	577,108,873
Net assets:						
Invested in capital assets, net						
of related debt	20,244,058	70,418,094	46,827,067	37,969,224	67,071,125	108,387,318
Restricted	95,772,487	122,052,513	8,650,213	7,635,822	104,422,700	129,688,335
Unrestricted	(109,675,884)	(159,248,940)	15,010,061	13,012,822	(94,665,823)	(146,236,118)
Total net assets	\$ 6,340,661	\$ 33,221,667	\$ 70,487,341	\$ 58,617,868	\$ 76,828,002	\$ 91,839,535

The second portion of the County's net assets in the amount of \$104,422,700 represents resources that are subject to external legal restrictions that limit the County's ability to access and use these funds beyond the purpose for which they were provided. Unexpended bond proceeds and statutorily restricted revenues are included in this category.

The remaining portion of net assets is unrestricted net assets. This balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2012, the unrestricted net assets are a deficit in the amount of (\$94,665,823). The unrestricted deficit is attributable primarily to the general obligation bonds, certificates of participation, limited obligation bonds and general obligation bond anticipation notes issued by the County for the public schools, Durham Technical Community College and the Museum for Life and Science. Even though the debt has been issued to finance the acquisition, construction and renovation for the public schools, Durham Technical Community College and the Museum of Life and Science, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it is not financing assets owned by the County. Therefore, this debt is reflected within the unrestricted portion of net assets rather than capital assets, net of related debt. In addition, as of fiscal year 2008, the unrestricted net assets deficit includes pension liabilities for other postemployment benefits per GASB Statements No. 43 and No. 45. Also, as of fiscal year 2011, the restricted net assets now include Stabilization by State Statute per GASB Statement No. 54 which further increases the unrestricted net assets deficit.

At the end of the current fiscal year, the County is not able to report positive balances in all three categories of net assets for the government as a whole. However, the same did not hold true for the separate governmental and business-type activities. The unrestricted net assets for the governmental activities had a deficit balance of (\$109,675,884) while the other two categories of net assets, capital assets net of related debt and restricted net assets, and all three categories of net assets of the business-type activities were positive. The unrestricted net assets for the business-type activities had a positive balance of \$15,010,061.

The government's net assets increased by \$6,162,342 during the current fiscal year. This amount is an increase of 8.72 percent. For the first time in four years, the County has experienced an increase in net assets. The County had growth and financial stability despite the continued poor economy. In fiscal year 2012, local option sales tax increased for the second year by over \$6.8 million. This was because of increased collections coupled with the implementation of an additional ¼ cent sales tax (Article 46) which the Board committed to education. The additional sales tax was implemented at the beginning of the 4th quarter of fiscal year 2012. Operating grants and contributions increased by over \$4.1 million primarily because of an increase in human services of over \$4.4 million. Charges for services increased by over \$2.2 million primarily because of increases in public safety and general government of over \$1.2 million and \$800 thousand, respectively, combined with an increase in sewer utility of over \$500 thousand. Capital grants and contributions remained virtually the same with governmental activities decreasing by over \$3.9 million offset by an increase in business-type activities of over \$4.4 million. The decrease in governmental activities is primarily because of decreased collections in general government of over \$4.8 million netted with an increase in environmental protection of over \$1.8 million. The increase in sewer utility is for the most part because of increased intergovernmental revenues for capital projects. Investment and interest income increased by over \$2.5 million mainly because of the increase in the value of the derivative financial instrument for the County's SWAP Agreement per GASB Statement No. 53 which increased by over \$3.6 million combined with a decrease in investment earnings of over \$1 million. Other revenues increased by over \$2.8 million which is mainly because of the sale of the Carmichael Building. Property taxes levied for general purposes increased by over \$1.6 million. Also, in fiscal year 2012, there were slight increases in property taxes levied for fire districts, occupancy tax, and gross receipts tax and insignificant decreases in animal tax and property taxes levied for other district purposes. In addition to the net growth of revenues for all areas, expenses decreased by over \$14.5 million. There was a significant decrease in education of over \$25.6 million coupled with significant increases in human services and general government of over \$6.6 million and \$4.4 million, respectively. The decrease in education was because of decreased constructions costs of over \$27.4 million combined with a slight increase in operating expenses for Durham Public Schools of over \$1.7 million. The increase in human services was primarily because of the increase in the disposal of capital assets. In fiscal year 2012, the County sold the Carmichael Building which housed a part of social services and demolished the building that previously housed public health services. In addition, the increase in general government is primarily because of a net increase in capital asset disposals over additions and increased operating costs combined with a decrease in construction costs and a decrease in capitalization of construction activity. Also, in fiscal year 2012, there were slight increases in public safety, environmental protection and sewer utility with minor decreases in economic and physical development, cultural and recreational and interest and fiscal charges. Despite the struggling economy, the County's finances are strong, sound and stable because of solid, dedicated and committed financial management.

DURHAM COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business - type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 24,123,958	\$ 22,418,183	\$ 11,181,310	\$ 10,594,336	\$ 35,305,268	\$ 33,012,519
Operating grants and contributions	80,009,239	75,904,360	-	-	80,009,239	75,904,360
Capital grants and contributions	4,578,130	8,556,489	6,260,051	1,784,691	10,838,181	10,341,180
General revenues:						
Taxes	285,582,919	277,147,169	-	-	285,582,919	277,147,169
Investment and interest income	9,886,557	7,335,369	(7,981)	5,121	9,878,576	7,340,490
Other revenues	8,604,913	5,774,404	-	940	8,604,913	5,775,344
Total revenues	412,785,716	397,135,974	17,433,380	12,385,088	430,219,096	409,521,062
Expenses:						
General government	50,482,000	45,989,651	-	-	50,482,000	45,989,651
Public safety	54,806,448	53,964,797	-	-	54,806,448	53,964,797
Transportation	12,500	12,500	-	-	12,500	12,500
Economic and physical development	4,616,413	5,272,311	-	-	4,616,413	5,272,311
Environmental Protection	3,694,850	3,542,985	-	-	3,694,850	3,542,985
Human services	115,743,251	109,093,936	-	-	115,743,251	109,093,936
Education	159,834,958	185,533,592	-	-	159,834,958	185,533,592
Cultural and recreational	12,075,639	12,510,214	-	-	12,075,639	12,510,214
Interest and fiscal charges	17,226,788	17,368,443	-	-	17,226,788	17,368,443
Sewer utility	-	-	5,563,907	5,356,000	5,563,907	5,356,000
Total expenses	418,492,847	433,288,429	5,563,907	5,356,000	424,056,754	438,644,429
Increase (decrease) in net assets	(5,707,131)	(36,152,455)	11,869,473	7,029,088	6,162,342	(29,123,367)
Net assets –6/30/2011	33,221,667	69,374,122	58,617,868	51,588,780	91,839,535	120,962,902
Prior period adjustment (Note O)	(21,173,875)	-	-	-	(21,173,875)	-
Adjusted net assets - 6/30/2011	12,047,792	69,374,122	58,617,868	51,588,780	70,665,660	120,962,902
Net assets – 6/30/2012	\$ 6,340,661	\$ 33,221,667	\$ 70,487,341	\$ 58,617,868	\$ 76,828,002	\$ 91,839,535

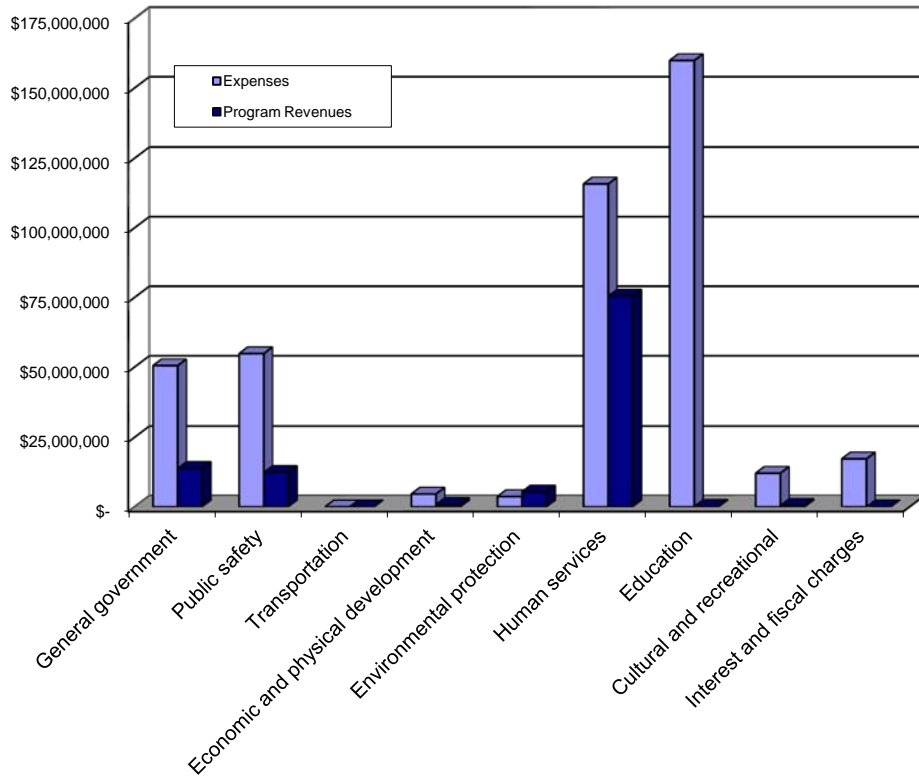
- Property taxes levied for general purposes increased by \$1,614,063 (0.73 percent) during the year. This increase is primarily because of the Tax Department's continued collection efforts including participating in the North Carolina Local Government Debt Setoff Clearinghouse Program.
- Local option sales tax increased by \$6,824,815 (15.32 percent) during the year. An increase was expected primarily because the County implemented an additional ¼ cent sales tax (Article 46) which the Board of County Commissioners has committed to education. Slightly over \$3 million of the increase was due to the new sales tax implementation which was at the beginning of the 4th quarter of fiscal year 2012. Over \$3.8 million was due to increased spending. In spite of the continued mortgage crisis, unemployment, poor investment market, etc., people have continued to go out more and spend money for a second consecutive year. This is excellent given that the nation continues to suffer from a poor economy.
- Intergovernmental revenues and contributions increased by \$4,601,880 (5.34 percent). This is a net increase of operating grants and contributions and capital grants and contributions. Operating grants and contributions increased over \$4.1 million primarily because of an increase in human services of over \$4.4 million. Capital grants and contributions remained virtually the

same with governmental activities decreasing by over \$3.9 million offset by an increase in business-type activities of over \$4.4 million. The decrease in governmental activities is primarily because of decreased funding in general government of over \$4.8 million netted with an increase in environmental protection of over \$1.8 million. The primary reason for the decrease in general government was decreased lottery fund revenues for debt service on capital projects and the increase in environmental protection was because of increased clean water management grant revenues. The increase in sewer utility was because of increased revenues for the funding of sewer utility capital projects and contributed capital of donated sewer lines in the amount of \$8 thousand.

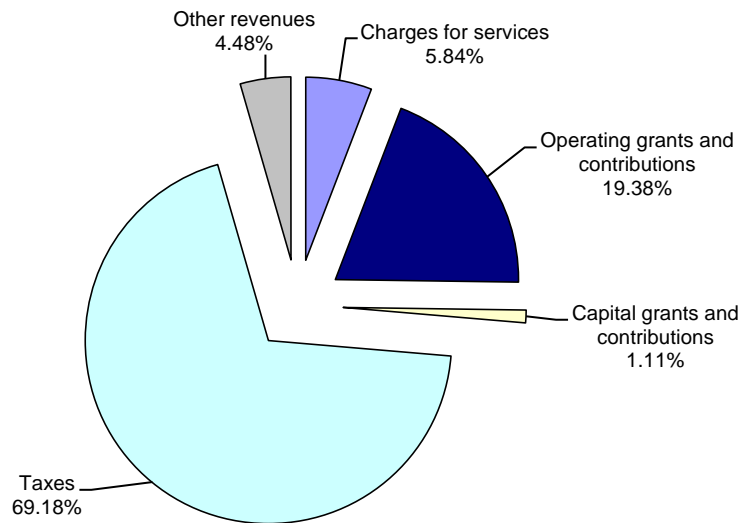
- Charges for services increased by \$2,292,749 (6.95 percent) primarily because of increases in public safety and general government of over \$1.2 million and \$800 thousand, respectively, combined with an increase in sewer utility of over \$500 thousand. The increase in public safety, general government and sewer utility was mainly because of increased rates.
- Investment and interest income increased by \$2,538,086 (34.58 percent) during the year. This increase is essentially because of the increase in the value of the derivative financial instrument for the County's SWAP Agreement per GASB Statement No. 53 which increased by over \$3.6 million combined with a decrease in investment earnings of over \$1 million.
- Other revenues increased by \$2,829,569 (48.99 percent). This increase is mostly because of an increase in the amount of the sale of County property. In fiscal year 2012, the County sold the Carmichael Building for \$6.8 million.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The overall expenses for the County decreased by \$14,587,675 (3.53 percent) due to decreases in governmental activities of \$14,795,582 and increases in business-type activities of \$207,907. There was a significant decrease in education of over \$25.6 million coupled with significant increases in human services and general government of over \$6.6 million and \$4.4 million, respectively. The decrease in education was because of decreased construction costs of over \$27.4 million combined with a slight increase in funding for operating expenses for Durham Public Schools of over \$1.7 million. The increase in human services was primarily because of the increase in the disposal of capital assets. In fiscal year 2012, the County sold the Carmichael Building which housed a part of social services and demolished the building that previously housed public health services. In addition, the increase for general government is primarily because of a net increase in capital asset disposals over additions and increased operating costs combined with a decrease in construction costs and a decrease in the capitalization of construction activity. Also, in fiscal year 2012, there were slight increases in public safety (\$841,651) and environmental protection (\$151,865) with minor decreases in economic and physical development (\$655,898), cultural and recreational (\$434,575) and interest and fiscal charges (\$141,655). Sewer utility expenses increased \$207,907 (3.88 percent) because of increases in operating expenses and transfers out netted with decreases in interest and fiscal charges.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

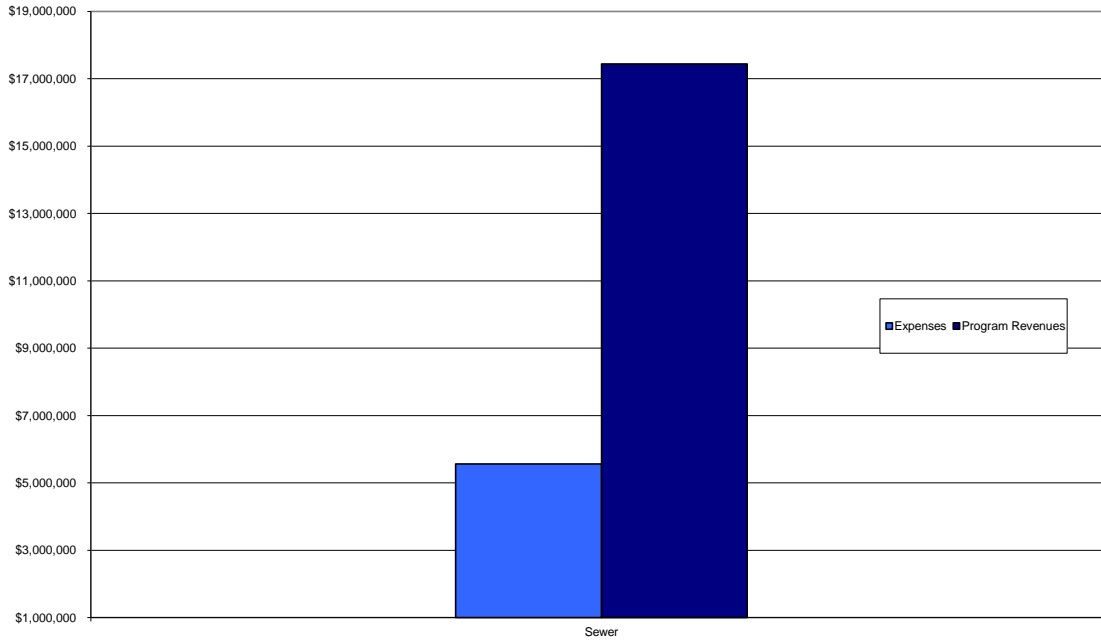


Business-type activities. Business-type activities increased the County's net assets by \$11,869,473 offsetting the decrease in governmental activities' net assets by 207.98 percent. Key elements of this are as follows:

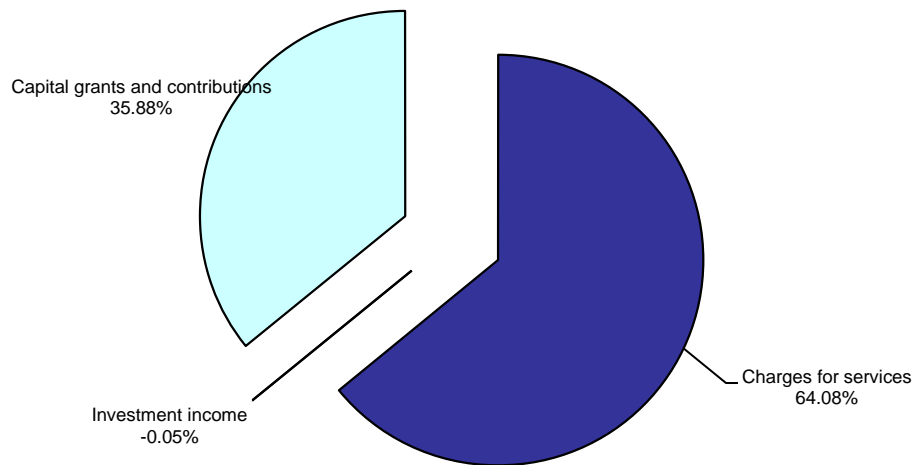
- Expenses increased \$207,907 because of increases in operating expenses and transfers out netted with decreases in interest and fiscal charges. All categories of the operating expenses increased in fiscal year 2012 with the exception of depreciation and amortization. The overall increase is mostly because of increased services.
- Charges for services increased by \$586,974 (5.54 percent). There was a rate increase of 4 percent for all customers, both residential and industrial, effective July 1, 2011 in fiscal year 2012 with no increase in the capital recovery charges. The capital recovery charges are part of connection fees for new customers and are used as a source of funding for capital acquisitions, construction and improvements. There was a decrease in the sewer service charge rate which is used to compensate the City of Durham for the billing and collection of the County's utility services, and the wastewater monitoring charge rates were revised to correspond with the laboratory's current monitoring charge rates.
- Investment and interest income decreased by \$13,102 (255.85 percent) because of the effect the recession and the decline in the economy has continued to have on the market.
- There was capital contributions (sewer lines) from private developers in fiscal year 2012 of \$8,000 compared to \$1,400,000 in fiscal year 2011.
- There were intergovernmental revenues of \$6,252,051 received for the water reuse project and for phase III of the wastewater treatment project in fiscal year 2012.

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Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the 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 \$204,296,731, an increase of \$2,447,681 in comparison with the prior year. Approximately 74.29 percent of this total amount (\$151,761,474) 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 (\$1,055,346), 2) restricted by revenue source for specific purposes, programs and services (\$1,963,726), or 3) because it is restricted by State Statute (\$49,516,185).

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 \$106,747,586, while total fund balance grew and reached \$136,271,733. The Board of County Commissioners of Durham County has determined that the County should maintain an available fund balance of 25 percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the County. As of June 30, 2012, the County has an available fund balance of 28.24 percent of general fund expenditures, while total fund balance represents 36.05 percent of that same amount. The percentage of available fund balance to total general fund expenditures increased from 25.73 percent for fiscal year 2011 to 28.24 percent for fiscal year 2012 an increase of 2.51 percent. The net change in fund balance for fiscal 2012 was an increase of over \$18.7 million. The primary reasons for the increases are revenue collections which were 102.9 percent of budget while expenditures were only 92.52 percent of budget. Restricted fund balance increased by over \$5.2 million with unrestricted fund balance increasing over \$13.5 million. The net change in fund balance increased by over \$2.8 million in fiscal year 2012 from fiscal year 2011. The primary reasons for the increase are the increase in excess of revenues over expenditures of over \$10 million, the increase in transfers out of over \$9.1 million, increase in transfers in of almost \$1.1 million and the increase in the issuance of installment purchases of over \$800 thousand.

The fund balance of the County's general fund increased by \$18,751,246 during the current fiscal year. Key factors in the changes are as follows:

- Intergovernmental revenues of the general fund increased by 5.06 percent or \$3,828,813. The increase is primarily because of a significant increase in mental health of over \$5.2 million combined with decreases in social services and other intergovernmental revenues of \$787 thousand and \$778 thousand, respectively. The major increase in mental health was due to \$4 million received from Wake County per the interlocal agreement for the merger of the Durham County Area Authority and the Wake County Local Management Entity, both single-county

Local Management Entities (LMEs), creating a new multi-county Area Authority pursuant to N.C.G.S. Chapter 122C-115.1 and N.C.G.S. 160A-461. This merger occurred as a result of the implementation of Medicaid Waiver 1915 (b)/(c), whereby LMEs will operate as risk-based Managed Care Organizations (MCOs) to manage local mental health, substance abuse and developmental disability services effective for fiscal year 2013. This process was initiated by the North Carolina Department of Health and Human Services (DHHS). See Note P for a more detailed explanation of the agreement between Durham County and Wake County. The remaining \$1.2 million increase was primarily because of increases in Medicaid funding and grant revenues of over \$1 million and \$500 thousand, respectively, combined with decreases in adult and child services funding of over \$300 thousand. The reductions in social services and other intergovernmental revenues was the result of decreased funding received for the fiscal year.

- The general fund taxes increased by 2.95 percent or \$7,981,266. This increase is for the most part the result of increases in the amount of the local option sales tax and the current year levy collections. Local option sales tax increased by \$6,824,815 (15.32 percent). Slightly over \$3 million of the increase was due to the County implementation of an additional ¼ cent sales tax (Article 46) at the beginning of the 4th quarter of fiscal year 2012 which the Board of County Commissioners has committed to education. Over \$3.8 million was due to increased spending. This is the second consecutive year of increased collections which is excellent given that the nation continues to suffer from a poor economy. In addition, current year levy collections increased by \$1,364,295 (0.62 percent) because continued collection efforts including participating in the North Carolina Local Government Debt Setoff Clearinghouse Program. Prior year levy collections decreased slightly. Because of the Tax Department's efforts to continue to improve the County's current year levy collections, which have been successful, prior year collections will decrease as in fiscal year 2012 because the available amount to collect has been reduced by collecting more in the current year.
- Charges for services increased \$1,647,673 (9.69 percent) mainly because of increases in public protection, collection fees, emergency medical services and register of deeds by \$667,465 (42.89 percent), \$513,651 (38.05 percent), \$465,929 (9.08 percent) and \$439,202 (17.32 percent), respectively, coupled with slight decreases in general government charges and environmental protection in the amounts of \$266,547 (8.83 percent) and \$201,857 (35.99 percent), respectively. The increase in public protection, emergency medical services and register of deeds was because of increased fees for services. The increase in collection fees is because of collection fees on the late list collections on behalf of Durham Public Schools. The collection fees are not collected until distribution to Durham Public Schools. In fiscal year 2012, distribution was made to Durham Public Schools for collections of these late list fees since fiscal year 2006. These increases were offset by slight decreases in general government charges and environmental protection due to minor decrease in services.
- Investments decreased by \$160,221 or 6.81 percent due to the market performance.
- Licenses and permits increased by \$91,537 (13.01 percent) because of increases in construction permits and cablevision and franchise fees in the amounts of \$45,744 (15.96 percent) and \$45,674 (11.71 percent), respectively.
- Rent increased by \$42,316 (8.03 percent) mainly because of an increase in rent of County recreational facilities of over \$36 thousand combined with minor increases in rent of other County facilities including the American Tobacco Parking Garage, the Criminal Justice Resource Center and the canteen.

- Other revenues increased by \$2,763,078 (50.06 percent) primarily because of an increase in the amount of the sale of County property. In fiscal year 2012, the County sold the Carmichael Building for \$6.8 million.
- General government expenditures increased \$2,998,101 (8.60 percent). This is due mainly because of increases in general services of \$1,220,615 (16.05 percent), other general government of \$807,569 (130.74 percent), elections of \$314,280 (33.62 percent), county manager of \$258,667 (16.43 percent), finance of \$255,302 (10.03 percent), human resources of \$167,475 (4.44 percent) and legal of \$144,247 (9.39 percent). General services increased for the most part because of increases in the maintenance and repairs of buildings and grounds and contracted services combined with increases in salaries and benefits. The increases in other general government were primarily because of increased purchases of capital with some minor increases in salaries and benefits. Increases in elections, county manager, finance, human resources and legal were primarily because of increases in contracted services and salaries and benefits. There were insignificant decreases that occurred in risk management and insurance, tax, geographic information systems, board of county commissioners, information systems, court facilities and register of deeds.
- Economic and physical development decreased by \$625,446 (14.05 percent) primarily because of decreased services in cooperative extension and planning coupled with decreased disbursements per the IEP Agreements with less incentives being met.
- Human services' expenditures remained virtually the same increasing by only \$541,487 (4.99 percent). However, mental health increased by over \$4.3 million while social services and public health decreased by over \$2.4 million and \$1.1 million, respectively. Over \$2.5 million of the increase in mental health was as a result of implementing the Medicaid Waiver 1915 (b)/(c), a process initiated by DHHS whereby LMEs will operate a risk-based Managed Care Organizations to manage local mental health, substance abuse and developmental disability services effective for fiscal year 2013. As a result of the implementation, Durham County and Wake County merged the Durham County Area Authority and the Wake County Local Management Entity, both single-county LMEs, creating a new multi-county Area Authority pursuant to N.C.G.S. Chapter 122C-115.1 and N.C.G.S. 160A-461. See Note P for a more detailed explanation of the agreement between Durham County and Wake County. This remaining increase of over \$1.8 million was a result of increased services. Mental health's significant increase was offset by the decreases in social services and public health. The decrease in both areas was a result of decreased services.
- Education increased by \$1,714,863 (1.52 percent) from the prior fiscal year. Of this increase, Durham Public Schools received increased funding of \$1,704,763 for operating expenditures and other education received a minor increase in funding of \$10,100.
- Public safety increased by \$1,579,788 (3.30 percent). This is due mainly because of increases in the county sheriff of \$406,834 (2.58 percent), county fire protection of \$370,046 (1.26 percent), county jail of \$281,783 (2.01 percent), criminal justice partnership of \$272,140 (11.65 percent) and emergency medical services of \$244,071 (3.21 percent). The primary reason for increases in all of these public safety areas was increased services.
- The County fared well again in fiscal year 2012 despite the fact that the nation continues to suffer from a poor economy. As a result, County's management did not recommend continuation of restrictions from fiscal year 2012. However, the County has permanently suspended the longevity program.

The Community Health Trust Fund has a total fund balance of \$13,746,526, 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 \$1,923,061. The decrease in fiscal year 2012 was due primarily to decreased investment earnings of over \$765 thousand, decreased charges for services of over \$2 thousand and increased operating transfers out by over \$1.6 million. The increase in the transfer out is primarily because there was a transfer to debt service in fiscal year 2012 per the Capital Improvement Plan to assist in funding health related debt for the human services complex capital project and there was no such transfer for fiscal year 2011 coupled with an increase in the transfer to the general fund to assist in funding health related costs and renovations of the Emergency Medical Services (EMS) Station No. 1. The decrease in investment earnings is a result of the market as these funds are managed by investment managers in the market as approved by special legislation.

In fiscal year 2012, the primary revenue activity was the recognition of the annual amount from the lease (\$3,950,000). In addition, there was the recognition of the investment earnings (\$272,297) and other charges for services (\$54,000). An operating financing use, operating transfer out (\$6,199,358) occurred. Of that transfer amount, \$4,025,859 was to assist in the funding of health related expenditures in the general fund, \$1,173,499 was for funding of renovations to the EMS Station No.1 and \$1,000,000 was to assist in the funding of health related debt in the debt service fund for the human services complex capital project. The policy on managing the funds of the community health trust is that the Board of County Commissioners allocates a percentage of the earnings from the previous calendar year to health related expenditures and reinvests the balance which allows the fund to grow. However, in fiscal year 2012, 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 2012. 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 \$44,965,487, all of which is financing resources to be used for the acquisition, construction or improvement of major capital facilities other than those financed by proprietary funds. The net decrease in fund balance during the current year in the capital projects' fund was \$15,580,141 due primarily to the acquisition, construction or improvement of major capital facilities for the County, School System, Durham Technical Community College and Museum of Life and Science using the funding sources combined with the issuance of installment purchases and bonds. 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 (\$102,123,491), the issuance of bonds (\$49,105,000), the premium on the issuance of bonds (\$7,299,951) and transfers (\$1,998,100). The fund also recognized intergovernmental revenues (\$4,578,130) and investments (\$63,770). In the expenditures, there was construction activity in the amount of \$100,010,333, the payment of a three year note (BAN) (\$22,480,874), debt issuance costs (\$510,638), arbitrage, credit rating and banking services (\$16,662), and there were other financing uses in the transfer of \$57,730,076 to the debt service

fund. Of this transfer amount, \$56,000,000 was for the payment of a three year BAN. The construction activity was primarily for education and general government in the amounts of \$44,892,778 and \$36,509,845, respectively. The other construction activity occurred in environmental protection (\$17,018,502), cultural and recreational (\$1,206,687) and public safety (\$382,521).

The Debt Service Fund has a total fund balance of \$8,327,612, 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 \$1,171,255 due primarily because of excess revenues and transfers over the annual retirement of the principal and interest on the County's general long-term debt.

The primary revenue activity was the recognition of other financing sources, transfers (\$105,244,300) and the issuance of refunding bonds (\$73,276,601). The fund also recognized intergovernmental revenues (\$538,221), rent (\$22,264), investments (\$12,464), charges for services (\$4,929) and other revenues (\$151) as funding sources to service the County's general long-term debt. In the expenditures, there was principal and interest for the retirement of general long-term debt in the amounts of \$87,257,245 and \$17,434,904, respectively. In addition, there were debt issuance costs for the refunding bonds of \$605,117. The payment to the debt escrow agent to refund the debt was \$72,630,409. The principal amount for the retirement of debt was larger than normal because of the payment of a three year BAN in the amount of \$56,000,000.

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

Unrestricted net assets of the sewer utility fund at the end of the year amounted to \$15,010,061. There was an increase in total net assets of \$11,869,473. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

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

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services or initiate new programs where timing is critical. Amendments to the General Fund budget totaled \$21,850,153 and can be summarized briefly as follows:

- \$4,623,080 in increases allocated to general administration were largely to honor commitments from fiscal year 2011 coupled with increases primarily for taxes. The increases for taxes were for appropriation for increased contracted services for business personal property audit firms.

There was also an increase for repairs to a County building and a minor increase in Finance for contracted services.

- \$1,950,027 in increases allocated to public safety were primarily to honor commitments from fiscal year 2011, to appropriate unspent restricted funds in fiscal year 2012 and the creation of eleven new law enforcement officer positions for the new County Courthouse staffing. In addition, there were increases recognizing various grant funding including a Buffer Zone Protection Program Grant for emergency management, Criminal Justice Resource Center (CJRC) Grants and a Justice Assistance Grant (JAG) for the sheriff's office. There was also an appropriation to recognize a reimbursement from the federal government for detention officer salaries.
- \$135,463 in increases allocated to economic and physical development were primarily for cooperative extension due to the receipt of additional grant funding and to honor commitments from fiscal year 2011 and to appropriate unspent restricted funds in fiscal year 2012.
- \$180,798 in increases allocated to environmental protection were primarily to honor commitments from fiscal year 2011 and for recognition of a grant for the County's Sustainability Program for electric car charging stations.
- \$14,835,904 in increases allocated to human services were primarily because of increases in social services, mental health and public health. The increases in social services, mental health and public health were to honor commitments from fiscal year 2011, to appropriate unspent restricted funds in fiscal year 2012 and to provide increased services. The services are funded for the most part through the recognition of new grants and additional federal and state awards. In addition, there was a one-time appropriation of \$8 million to mental health for the implementation of Medicaid Waiver 1915 (b)/(c) whereby LMEs will operate as risk-based MCOs to manage mental health, substance abuse and developmental disability services effective for fiscal year 2013. The Medicaid Waiver 1915 (b)/(c) was initiated by DHHS. The \$8 million was start up funding for the implementation costs. See Note P for a more detailed explanation of implementation.
- \$124,881 in increases allocated to cultural and recreational were primarily to honor commitments from fiscal year 2011, to appropriate unspent restricted funds in fiscal year 2012, a Reading is Fundamental (RIF) Grant and other grant funds for the library.

Of this net increase, \$575,000 was to be funded from additional taxes, intergovernmental revenues funding increased \$10,311,027, charges for services increased \$218,149, other revenues funding increased \$31,965 and operating transfers in funding increased \$91,703. The remaining \$10,622,309 was to be budgeted from available fund balance. However, during the year, while revenues exceeded budgetary estimates by \$10,957,189, expenditures were far less than budgetary estimates with a positive variance of \$26,654,453, thus eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$425,042,678 (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements, office furniture and equipment, machinery and equipment, computer hardware, computer software, vehicles and

construction in progress. The total increase in the County's investment in capital assets for the current fiscal year was 6.24 percent (a 4.36 percent increase for governmental activities and a 1.88 percent increase for business-type activities).

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

- Construction continued on the additional wastewater treatment facilities, the collection systems rehabilitation, reused wastewater facilities and the reused water facilities project which had construction costs for the year of \$390,158, \$957,607, \$118,658 and \$3,131,667, respectively. Construction began on the phase III wastewater treatment facilities plant project which had costs for the year of \$3,433,848.
- Construction for the Durham Public School Projects continued in fiscal year 2012 in the amount of \$42,882,220.
- Construction for the Durham Technical Community College Projects continued in fiscal year 2012 in the amount of \$2,010,558.
- Construction for NCML & Bioquest Project for the Museum of Life and Science continued in fiscal year 2012 in the amount of \$1,028,825.
- Other construction activity for cultural and recreational expenses other than for the Museum occurred in the amount of \$177,862 for the Southwest Branch Library and South Regional Library.
- Construction activity for environmental protection occurred in the amount of \$17,018,502 in environmental engineering primarily for the human services complex (\$14,149,218), Lincoln Community Health Center phase I renovations (\$1,046,300), administrative building renovations (\$933,203), open space and farmland preservation (\$772,042). Other activity occurred on the criminal justice resource center and two projects that were closed in fiscal year 2012, the judicial building renovations and a grant funded project for renovations for Lincoln Community Health Center.
- Construction activity for general government occurred in the amount of \$36,509,845. The major activity in general government was the new justice center (\$30,949,325), the civic center (\$1,350,817), FY12 HR ERP upgrade (\$1,005,861), FY10 ERP upgrade (\$818,140) and the sheriff technology upgrade (\$494,429). Other activity occurred in the County storage facility, County stadium renovations, register of deeds preservation, telecommunications system upgrade, fiber optic network, facility light replacement, County IT hardware replacement, the FY12 BW upgrade, utility performance and the single-family rehabilitation project.
- There was contributed capital of donated sewer lines in the amount of \$8,000 for fiscal year 2012.

- There was a disposal of governmental activities' capital assets in the amount of \$6,375,252. Over \$6.2 million of the disposal amount was because of the sale of the Carmichael Building and the demolishing of the old Public Health Building.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental		Business - type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 8,366,984	\$ 6,843,704	\$ 185,226	\$ 185,226	\$ 8,552,210	\$ 7,028,930
Easements	1,351,764	1,351,764	-	-	1,351,764	1,351,764
Improvements- water and sewer lines	-	-	14,393,268	14,952,695	14,393,268	14,952,695
Buildings	133,045,375	143,280,331	1,578,248	1,642,772	134,623,623	144,923,103
Office furniture and equipment	996,533	1,147,017	7,164	9,074	1,003,697	1,156,091
Machinery and equipment	2,097,974	999,083	178,516	91,951	2,276,490	1,091,034
Computer hardware	3,282,330	2,696,150	16,970	6,022	3,299,300	2,702,172
Computer software	207,795	357,746	-	-	207,795	357,746
Vehicles	1,894,816	1,819,739	87,883	53,460	1,982,699	1,873,199
Construction in progress	210,372,716	185,691,012	46,979,116	38,947,178	257,351,832	224,638,190
Total	\$ 361,616,287	\$ 344,186,546	\$ 63,426,391	\$ 55,888,378	\$ 425,042,678	\$ 400,074,924

Additional information on the County's capital assets can be found in Note D on pages 69-70 of this report.

Long-term debt. At the end of the current fiscal year, Durham County had total debt outstanding of \$559,074,118. Of this amount, \$316,933,375 comprises bonded debt backed by the full faith and credit of the government. Also included is \$13,860,000 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 \$210,666,804, installment notes in the amount of \$10,922,854, general obligation bond anticipation notes of \$5,198,176 and other financing agreements in the amount of \$1,492,909. The general obligation bond anticipation notes are also backed by the full faith and credit of the government.

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

	Governmental		Business - type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 313,566,970	\$ 274,834,584	\$ 3,366,405	\$ 4,158,844	\$ 316,933,375	\$ 278,993,428
Revenue bonds	-	-	13,860,000	14,440,000	13,860,000	14,440,000
Certificates of participation	210,666,804	175,502,889	-	-	210,666,804	175,502,889
Installment notes payable	16,121,030	39,506,963	-	-	16,121,030	39,506,963
Other financing agreements	1,492,909	2,006,751	-	-	1,492,909	2,006,751
Total	\$ 541,847,713	\$ 491,851,187	\$ 17,226,405	\$ 18,598,844	\$ 559,074,118	\$ 510,450,031

The County's total debt excluding accrued compensated absences and net OPEB obligation increased by \$48,624,087 (9.53 percent) during the current fiscal year. The key changes in this increase was the issuance of \$49,105,000 of general obligation bonds, the premium of \$7,299,951 on the issuance of these bonds, the issuance of \$30,463,915 in certificates of participation, the issuance of \$61,198,176 in general obligation bond anticipation notes, the issuance of \$11,278,600 of limited obligation bonds, the payment of two three year Bond Anticipation Notes of \$78,480,874, and the reduction of debt as a result of the annual debt payments. There were two debt refundings that occurred in fiscal year 2012 through the issuance of general obligation bonds and limited obligation bonds; however, they had no significant effect on the carrying value of debt because of the premiums received on both refundings.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the County is \$2,387,389,067, leaving a legal debt margin of \$2,088,804,067. The net bonded debt per capita is \$1,082.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is 8.2 percent as of June 2012, which is a decrease from a rate of 8.4 percent as of June 2011. The County's unemployment rate remains high due to the recession and economic downturn. However, the County's unemployment rate is equivalent to the nation's average unemployment rate and compares favorably to the State's average rate of 9.4 percent as of June 2012.

- The construction activity for non-residential and residential construction was over \$1 billion for calendar year 2011 compared to over \$844 million for the calendar year 2010. The value of construction activity increased despite the nation continuing to be in an economic downturn.
- The manufacturing sector employment decreased 2.39 percent (696 positions) for calendar year 2011 (28,365) compared to calendar year 2010 (29,061).
- The North Carolina Department of Revenue made an administrative rule change in reporting retail sales. Beginning in fiscal year 2006, reported retail sales are now reported on total taxable sales based on sales and use tax returns rather than gross retail sales as has been reported in the past years. The total taxable sales for Durham County for 2012 reported were \$4,434,078 compared to \$4,163,246 reported for fiscal year 2011, an increase of \$270,832 (6.51 percent). Total taxable sales are reported in thousands of dollars. Retail sales increased despite the current economic downturn.
- Economic development announcements for 2011 were over \$474 million, and economic announcements occurring through the third quarter of 2012 amounted to over \$318 million.
- The per capita income for Durham MSA for 2010 is \$40,597, an increase of 1.20 percent over 2009. The Raleigh/Cary MSA has a per capita income of \$39,479. The per capita for the State and the nation increased from 2009 to 2010 to \$36,028 and \$41,560, an increase of 3.00 percent and 4.04 percent, respectively. The source for this information is the Bureau of Economic Analysis (BEA). The BEA has announced that they will no longer release advance estimates of personal income for metropolitan areas (formerly released in August of each year) and that estimates of personal income and employment for all local areas, including counties, metropolitan areas, micropolitan areas, and BEA economic areas, will be released eleven months after the end of the reference (calendar) year. As such, the per capita information for calendar year 2011 was not available for inclusion in the economic factors for fiscal year 2012, and the 2010 information has been restated.
- 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 2012 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$106,747,586 or 28.24 percent of total general fund expenditures, an increase of \$13,411,650 or 14.37 percent from the previous fiscal year. The County has appropriated \$11,612,648 of this amount for spending in the 2013 fiscal year budget. In addition, the tax rate was reduced for the 2013 fiscal year from \$0.7459 to \$0.7444. However, there were a significant amount of charges for general fund services that were increased for the 2013 fiscal year in the departments of general services, register of deeds and public health. Transfers from the special revenue funds are budgeted for the 2013 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2013 fiscal year as a funding source for health related spending, and a transfer from the sewer utility fund is budgeted for 2013 as a funding source for general government management and employee insurance benefits.

The sewer rates were increased for the 2013 budget year in the sewer utility fund. The sewer rates were increased by 4.68 percent for all customers, both residential and industrial, effective July 1, 2012. These rate increases were necessary to maintain operations and sufficient funds to service debt. However, there was no increase in the capital recovery charges. The capital recovery charge is a part of connection fees for new customers and is used as a source of funding for capital

acquisitions, construction and improvements. All other sewer utility charges remained the same. There was a new fee effective for fiscal year 2013, pollutant headworks analysis fee which is “at cost”. It is for technical consultant fees related to industrial pretreatment reviews for complex industrial discharges.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Assets				
Cash and cash equivalents / investments	\$ 156,835,555	\$ 15,146,043	\$ 171,981,598	\$ 2,523,404
Cash and cash equivalents / investments - restricted	46,256,302	8,650,213	54,906,515	-
Receivables:				
Accounts receivable	888,440	24,143	912,583	1,623
Accrued interest receivable	124,983	20,420	145,403	-
Net taxes receivable	4,067,148	-	4,067,148	-
Solid waste receivable	28,724	-	28,724	-
Animal taxes receivable	1,781,470	-	1,781,470	-
Net emergency medical services receivable	1,287,413	-	1,287,413	-
Inventory	926,820	-	926,820	1,939,633
Due from other governments - federal and state agencies	24,840,805	636,841	25,477,646	-
Due from other governments - local	2,498,510	619,027	3,117,537	-
Prepays	128,526	-	128,526	132,230
Bond issuance costs	5,271,568	537,442	5,809,010	-
Accumulated amortization bond issue costs	(301,178)	(197,471)	(498,649)	-
Investment in joint venture	7,628,566	-	7,628,566	-
Pension assets	26,546	-	26,546	-
Derivative financial instrument	7,662,296	-	7,662,296	-
Capital assets:				
Nondepreciable:				
Land	8,366,984	185,226	8,552,210	1,669,417
Easements	1,351,764	-	1,351,764	-
Construction in progress	210,372,716	46,979,116	257,351,832	-
Depreciable:				
Land improvements - sewer and water lines	-	25,826,944	25,826,944	-
Buildings	198,268,092	4,103,344	202,371,436	3,787,522
Office furniture and equipment	1,969,493	13,374	1,982,867	-
Machinery and equipment	4,410,545	449,584	4,860,129	1,326,967
Computer hardware	10,374,681	45,160	10,419,841	-
Computer software	12,565,882	-	12,565,882	-
Vehicles	10,898,974	232,593	11,131,567	202,654
Leasehold improvements	-	-	-	1,529,730
Accumulated depreciation	(96,962,844)	(14,408,950)	(111,371,794)	(2,365,959)
Total assets	621,568,781	88,863,049	710,431,830	10,747,221
Liabilities				
Accounts payable	15,423,167	884,886	16,308,053	1,193,082
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	2,934,224	80,998	3,015,222	-
Accrued payroll and related amounts withheld	5,801,947	76,648	5,878,595	81,981
Collections in advance	6,587,435	-	6,587,435	-
Due to other governments - federal and state agencies	21,255	-	21,255	593,419
Due to other governments - local	244,423	-	244,423	590,117
Other liabilities	-	-	-	109,349
Long-term liabilities:				
Accrued compensated absences due within one year	4,119,560	36,114	4,155,674	-
Bonds and other notes payable due within one year	40,630,943	1,381,268	42,012,211	77,820
Net OPEB obligation	35,575,947	-	35,575,947	-
Accrued compensated absences	2,672,449	57,657	2,730,106	110,846
Bonds and other notes payable	501,216,770	15,845,137	517,061,907	1,539,993
Total liabilities	615,228,120	18,375,708	633,603,828	4,296,607
Net assets				
Capital assets, net of related debt	20,244,058	46,827,067	67,071,125	4,532,518
Restricted for:				
Stabilization by State Statute	49,516,185	-	49,516,185	-
Capital projects	44,293,315	8,650,213	52,943,528	-
Grants and technology	1,962,987	-	1,962,987	-
Working capital	-	-	-	738,477
Unrestricted net assets	(109,675,884)	15,010,061	(94,665,823)	1,179,619
Total net assets	\$ 6,340,661	\$ 70,487,341	\$ 76,828,002	\$ 6,450,614

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

DURHAM COUNTY, NORTH CAROLINA

**Statement of Activities
Year Ended June 30, 2012**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Durham County ABC Board
	Expenses	Charges for Services	Operating	Capital	Primary Government		Total	
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 50,482,000	\$ 9,276,517	\$ 3,349,194	\$ 1,213,509	\$ (36,642,780)	\$ -	\$ (36,642,780)	\$ -
Public safety	54,806,448	7,873,528	4,544,100	-	(42,388,820)	-	(42,388,820)	-
Transportation	12,500	-	-	-	(12,500)	-	(12,500)	-
Economic and physical development	4,616,413	13,564	857,200	-	(3,745,649)	-	(3,745,649)	-
Environmental protection	3,694,850	2,095,494	103,703	3,191,675	1,696,022	-	1,696,022	-
Human services	115,743,251	4,580,101	70,908,533	-	(40,254,617)	-	(40,254,617)	-
Education	159,834,958	-	-	172,946	(159,662,012)	-	(159,662,012)	-
Cultural and recreational	12,075,639	284,754	246,509	-	(11,544,376)	-	(11,544,376)	-
Interest and fiscal charges	17,226,788	-	-	-	(17,226,788)	-	(17,226,788)	-
Total governmental activities	<u>418,492,847</u>	<u>24,123,958</u>	<u>80,009,239</u>	<u>4,578,130</u>	<u>(309,781,520)</u>	<u>-</u>	<u>(309,781,520)</u>	<u>-</u>
Business-type activities:								
Sewer utility	5,563,907	11,181,310	-	6,260,051	-	11,877,454	11,877,454	-
Total business-type activities	<u>5,563,907</u>	<u>11,181,310</u>	<u>-</u>	<u>6,260,051</u>	<u>-</u>	<u>11,877,454</u>	<u>11,877,454</u>	<u>-</u>
Total primary government	<u>\$ 424,056,754</u>	<u>\$ 35,305,268</u>	<u>\$ 80,009,239</u>	<u>\$ 10,838,181</u>	<u>(309,781,520)</u>	<u>11,877,454</u>	<u>(297,904,066)</u>	<u>-</u>
Component units:								
Durham County ABC Board	\$ 24,920,103	\$ 25,218,637	\$ -	\$ -	-	-	-	298,534
Total component units	<u>\$ 24,920,103</u>	<u>\$ 25,218,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,534</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					224,187,284	-	224,187,284	-
Property taxes, levied for fire districts					5,803,682	-	5,803,682	-
Property taxes, levied for other districts purposes					713,502	-	713,502	-
Local option sales tax					51,371,060	-	51,371,060	-
Occupancy tax					2,246,761	-	2,246,761	-
Animal tax					915,504	-	915,504	-
Gross receipts tax					345,126	-	345,126	-
Investment and interest income					9,886,557	(7,981)	9,878,576	1,567
Other revenues					8,604,913	-	8,604,913	11,288
Total general revenues					<u>304,074,389</u>	<u>(7,981)</u>	<u>304,066,408</u>	<u>12,855</u>
Change in net assets					(5,707,131)	11,869,473	6,162,342	311,389
Net assets - beginning					33,221,667	58,617,868	91,839,535	6,139,225
Prior period adjustment (Note O)					(21,173,875)	-	(21,173,875)	-
Adjusted net assets - beginning					<u>12,047,792</u>	<u>58,617,868</u>	<u>70,665,660</u>	<u>6,139,225</u>
Net assets - ending					<u>\$ 6,340,661</u>	<u>\$ 70,487,341</u>	<u>\$ 76,828,002</u>	<u>\$ 6,450,614</u>

DURHAM COUNTY, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2012**

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents / investments	\$ 125,322,225	\$ 13,746,526	\$ 8,239,580	\$ 8,475,688	\$ 1,051,536	\$ 156,835,555
Cash and cash equivalents / investments - restricted	1,962,987	-	44,293,315	-	-	46,256,302
Receivables:						
Accounts receivable	888,440	-	-	-	-	888,440
Net taxes receivable	3,993,643	-	-	-	73,505	4,067,148
Solid waste receivable	28,724	-	-	-	-	28,724
Animal taxes receivable	1,781,470	-	-	-	-	1,781,470
Net emergency medical services receivable	1,287,413	-	-	-	-	1,287,413
Inventory	926,820	-	-	-	-	926,820
Due from other governments - federal and state agencies	22,360,963	-	2,479,833	9	-	24,840,805
Due from other governments - local	2,498,510	-	-	-	-	2,498,510
Due from capital project fund	1,048,110	-	-	-	-	1,048,110
Prepaid expenditures	128,526	-	-	-	-	128,526
Total assets	<u>\$ 162,227,831</u>	<u>\$ 13,746,526</u>	<u>\$ 55,012,728</u>	<u>\$ 8,475,697</u>	<u>\$ 1,125,041</u>	<u>\$ 240,587,823</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 6,257,028	\$ -	\$ 8,999,131	\$ 148,085	\$ 18,923	\$ 15,423,167
Accrued payroll and related amounts withheld	5,801,947	-	-	-	-	5,801,947
Due to other governments - federal and state agencies	21,255	-	-	-	-	21,255
Due to other governments - local	244,423	-	-	-	-	244,423
Due to general fund	-	-	1,048,110	-	-	1,048,110
Deferred revenues:						
Collections in advance	6,540,195	-	-	-	47,240	6,587,435
Taxes	3,993,643	-	-	-	73,505	4,067,148
Solid waste	28,724	-	-	-	-	28,724
Animal taxes	1,781,470	-	-	-	-	1,781,470
Emergency medical services	1,287,413	-	-	-	-	1,287,413
Total liabilities	<u>25,956,098</u>	<u>-</u>	<u>10,047,241</u>	<u>148,085</u>	<u>139,668</u>	<u>36,291,092</u>
Fund balances:						
Non-spendable:						
Inventories	926,820	-	-	-	-	926,820
Prepaid expenditures	128,526	-	-	-	-	128,526
Restricted:						
Stabilization by State Statute	28,468,801	-	21,047,384	-	-	49,516,185
Museum	86,735	-	-	-	-	86,735
Tax technology	346,364	-	-	-	-	346,364
Sheriff	309,995	-	-	-	-	309,995
Fire marshal	148,771	-	-	-	-	148,771
Public health programs	25,155	-	-	-	-	25,155
Mental health programs	336,316	-	-	-	-	336,316
Social services programs	74,712	-	-	-	-	74,712
Library programs	8,858	-	-	-	-	8,858
Environmental protection programs	88,107	-	-	-	-	88,107
Register of deeds	322,363	-	-	-	-	322,363
Capital purchases	215,611	-	-	-	-	215,611
Education	-	-	739	-	-	739
Committed:						
Risk management	5,923,158	-	-	-	-	5,923,158
Mental health	887,534	-	-	-	-	887,534
Social services	184,417	-	-	-	-	184,417
Public health	390,000	-	-	-	-	390,000
Managed care organization	5,291,429	-	-	-	-	5,291,429
Debt service	4,427,504	-	-	-	-	4,427,504
Sheriff inmate	345,588	-	-	-	-	345,588
Education: Article 46	3,002,269	-	-	-	-	3,002,269
OPEB	27,242,993	-	-	-	-	27,242,993
Assigned, reported in:						
General fund	11,612,648	-	-	-	-	11,612,648
Community health trust fund	-	13,746,526	-	-	-	13,746,526
Capital projects fund	-	-	23,917,364	-	-	23,917,364
Debt service	-	-	-	8,327,612	-	8,327,612
Assigned, reported in nonmajor:						
Special revenue	-	-	-	-	985,373	985,373
Unassigned:	45,477,059	-	-	-	-	45,477,059
Total fund balances	<u>136,271,733</u>	<u>13,746,526</u>	<u>44,965,487</u>	<u>8,327,612</u>	<u>985,373</u>	<u>204,296,731</u>
Total liabilities and fund balances	<u>\$ 162,227,831</u>	<u>\$ 13,746,526</u>	<u>\$ 55,012,728</u>	<u>\$ 8,475,697</u>	<u>\$ 1,125,041</u>	<u>\$ 240,587,823</u>

DURHAM COUNTY, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2012**

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

Ending fund balance - governmental funds	\$ 204,296,731
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	369,244,853
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	14,853,597
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(582,054,520)
Net assets of governmental activities	<u>\$ 6,340,661</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, 2012

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 278,708,874	\$ -	\$ -	\$ -	\$ 6,509,720	\$ 285,218,594
Licenses and permits	794,976	-	-	-	-	794,976
Intergovernmental revenues	79,471,018	-	4,578,130	538,221	-	84,587,369
Investments	2,192,315	272,297	63,770	12,464	2,718	2,543,564
Rent	569,021	-	-	22,264	-	591,285
Charges for services	18,658,076	4,004,000	-	4,929	-	22,667,005
Other revenues	8,282,842	-	-	151	-	8,282,993
Total revenues	388,677,122	4,276,297	4,641,900	578,029	6,512,438	404,685,786
Expenditures						
Current:						
General government	37,852,441	-	36,526,507	-	-	74,378,948
Public safety	49,485,626	-	382,521	-	3,964,109	53,832,256
Transportation	12,500	-	-	-	-	12,500
Economic and physical development	3,824,792	-	-	-	782,076	4,606,868
Environmental protection	3,682,186	-	17,018,502	-	-	20,700,688
Human services	109,066,287	-	-	-	-	109,066,287
Education	114,740,156	-	44,892,778	-	-	159,632,934
Cultural and recreational	10,825,913	-	1,206,687	-	-	12,032,600
Debt service:						
Principal retirement	-	-	22,480,874	87,257,245	-	109,738,119
Interest and fiscal charges	-	-	-	17,434,904	-	17,434,904
Debt issuance costs	-	-	510,638	605,117	-	1,115,755
Total expenditures	329,489,901	-	123,018,507	105,297,266	4,746,185	562,551,859
Excess (deficiency) of revenues over (under) expenditures	59,187,221	4,276,297	(118,376,607)	(104,719,237)	1,766,253	(157,866,073)
Other financing sources (uses)						
Transfers in	7,259,149	-	1,998,100	105,244,300	-	114,501,549
Transfers out	(48,512,324)	(6,199,358)	(57,730,076)	-	(1,737,871)	(114,179,629)
Premium on issuance of debt	-	-	7,299,951	-	-	7,299,951
Issuance of bonds	-	-	49,105,000	-	-	49,105,000
Issuance of installment purchases	817,200	-	102,123,491	-	-	102,940,691
Issuance of refunding bonds	-	-	-	73,276,601	-	73,276,601
Payment to refunded debt escrow agent	-	-	-	(72,630,409)	-	(72,630,409)
Total other financing sources (uses)	(40,435,975)	(6,199,358)	102,796,466	105,890,492	(1,737,871)	160,313,754
Net change in fund balances	18,751,246	(1,923,061)	(15,580,141)	1,171,255	28,382	2,447,681
Fund balance - beginning	117,520,487	15,669,587	60,545,628	7,156,357	956,991	201,849,050
Fund balance - ending	\$ 136,271,733	\$ 13,746,526	\$ 44,965,487	\$ 8,327,612	\$ 985,373	\$ 204,296,731

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, 2012

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

Net change in fund balances - total governmental funds	\$ 2,447,681
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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.	38,496,505
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	8,044,467
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	(54,695,784)
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Change in net assets of governmental activities	<u>\$ (5,707,131)</u>
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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, 2012**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Taxes				
Current levy	\$ 217,622,535	\$ 217,622,535	\$ 221,762,722	\$ 4,140,187
Prior year's levy	2,200,000	2,775,000	1,675,738	(1,099,262)
Tax penalties and interest	465,000	465,000	558,180	93,180
Advertising and selling	15,000	15,000	28,313	13,313
Payments in lieu of taxes	45,000	45,000	47,917	2,917
Local option sales tax	44,291,087	44,291,087	51,371,060	7,079,973
Animal tax	530,000	530,000	644,995	114,995
Occupancy tax	1,989,000	1,989,000	2,246,761	257,761
Gross receipts tax	300,000	300,000	345,126	45,126
Solid waste tax	15,000	15,000	28,062	13,062
Total taxes	<u>267,472,622</u>	<u>268,047,622</u>	<u>278,708,874</u>	<u>10,661,252</u>
Intergovernmental revenues				
Beer and wine tax	130,000	130,000	154,098	24,098
Social services	33,332,681	38,193,768	36,659,190	(1,534,578)
Mental health	25,622,864	29,622,864	28,110,277	(1,512,587)
Public health	5,143,177	5,528,948	5,315,675	(213,273)
Library	416,344	431,643	246,509	(185,134)
ABC Board	646,000	646,000	1,015,000	369,000
Other	6,728,568	7,777,438	7,970,269	192,831
Total intergovernmental revenues	<u>72,019,634</u>	<u>82,330,661</u>	<u>79,471,018</u>	<u>(2,859,643)</u>
Charges for services				
Elections registration lists	203,688	203,688	174,392	(29,296)
Register of deeds	2,850,000	2,850,000	2,975,249	125,249
General government charges	3,345,857	3,352,272	2,752,874	(599,398)
Collection fees	1,253,500	1,253,500	1,863,754	610,254
Public protection	1,677,895	1,889,629	2,223,824	334,195
Environmental protection	610,000	610,000	359,049	(250,951)
Solid waste fees	1,365,989	1,365,989	1,370,764	4,775
Facilities fees	500,000	500,000	411,028	(88,972)
Library fees and charges	201,500	201,500	284,754	83,254
Mental health	50,000	50,000	80,849	30,849
Public health	433,290	433,290	370,938	(62,352)
Social services	207,096	207,096	178,313	(28,783)
Emergency medical services charges	4,797,033	4,797,033	5,598,724	801,691
Other charges	24,700	24,700	13,564	(11,136)
Total charges for services	<u>17,520,548</u>	<u>17,738,697</u>	<u>18,658,076</u>	<u>919,379</u>
Investment and rental income				
Investment earnings	1,257,874	1,257,874	2,192,315	934,441
Rent	520,750	520,750	569,021	48,271
Total investment and rental income	<u>1,778,624</u>	<u>1,778,624</u>	<u>2,761,336</u>	<u>982,712</u>
Licenses and permits				
Construction permits	270,200	270,200	332,435	62,235
Cablevision and franchise fees	400,000	400,000	435,755	35,755
Wine and beer licenses	20,000	20,000	20,251	251
Other licenses and permits	5,000	5,000	6,535	1,535
Total licenses and permits	<u>695,200</u>	<u>695,200</u>	<u>794,976</u>	<u>99,776</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, 2012**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues (continued)				
Other revenues				
Benefits plan	\$ -	\$ -	\$ 421,104	\$ 421,104
Miscellaneous	296,864	218,358	842,212	623,854
Confiscated property				
federal investigation	-	-	21,465	21,465
Inmate welfare	-	84,000	97,796	13,796
Sale of surplus property and materials	-	-	38,640	38,640
Sale of real property	6,800,000	6,800,000	6,800,000	-
Other	300	26,771	61,625	34,854
Total other revenues	7,097,164	7,129,129	8,282,842	1,153,713
Total revenues	366,583,792	377,719,933	388,677,122	10,957,189
Expenditures				
General administration				
Board of county commissioners	518,396	547,873	517,452	30,421
County manager	1,855,821	2,051,846	1,832,635	219,211
Finance	2,952,531	5,018,650	2,801,618	2,217,032
Tax	5,491,309	6,718,366	6,352,987	365,379
Legal	1,706,033	1,853,424	1,680,698	172,726
Court facilities	375,121	397,332	321,548	75,784
Human resources	3,471,645	3,548,110	3,938,070	(389,960)
Elections	1,617,941	1,617,941	1,248,981	368,960
Risk management and insurance	2,481,833	2,648,756	1,597,286	1,051,470
General services	9,369,192	9,729,595	8,826,228	903,367
Geographic information systems	437,613	437,613	385,106	52,507
Information systems	5,712,885	5,760,084	5,282,377	477,707
Register of deeds	1,768,445	1,817,481	1,642,178	175,303
Other	1,671,970	1,906,744	1,425,277	481,467
Total general administration	39,430,735	44,053,815	37,852,441	6,201,374
Economic and physical development				
Planning	1,097,856	1,097,856	775,118	322,738
Cooperative extension	1,240,130	1,287,475	1,187,377	100,098
Soil and water conservation	319,542	319,542	339,377	(19,835)
Open space management	-	88,118	68,118	20,000
Industrial extension	2,247,721	2,012,971	989,818	1,023,153
Other	380,234	614,984	464,984	150,000
Total economic and physical development	5,285,483	5,420,946	3,824,792	1,596,154
Human services				
Public health	20,991,215	21,572,592	19,077,058	2,495,534
Mental health	32,365,306	41,072,104	34,197,970	6,874,134
Social services	55,384,484	60,679,810	54,359,342	6,320,468
Other	1,456,705	1,709,108	1,431,917	277,191
Total human services	110,197,710	125,033,614	109,066,287	15,967,327
Education				
Durham public schools				
Current	108,736,952	108,736,952	108,736,952	-
Capital	1,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	4,103,747	4,103,747	4,103,747	-
Capital	426,171	426,171	426,171	-
Other education	103,286	103,286	103,286	-
Total education	114,740,156	114,740,156	114,740,156	-

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, 2012**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Expenditures (continued)				
Public safety				
Criminal justice partnership	\$ 2,840,555	\$ 2,916,596	\$ 2,609,059	\$ 307,537
County sheriff	16,142,002	16,907,441	16,147,236	760,205
County jail	14,181,237	14,475,110	14,296,733	178,377
Youth home	1,150,410	1,150,410	1,027,334	123,076
Animal control	1,606,376	1,604,673	1,595,594	9,079
Emergency communications center	982,840	982,840	977,105	5,735
Emergency medical services	7,687,958	7,747,958	7,845,293	(97,335)
County fire protection	3,053,079	3,790,178	3,298,070	492,108
Medical examiner	100,000	100,000	92,800	7,200
Other public safety	1,622,127	1,641,405	1,596,402	45,003
Total public safety	<u>49,366,584</u>	<u>51,316,611</u>	<u>49,485,626</u>	<u>1,830,985</u>
Transportation				
Airport authority	12,500	12,500	12,500	-
Total transportation	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Environmental protection				
Solid waste	2,130,290	2,134,321	1,988,091	146,230
Environmental engineering	1,681,348	1,835,293	1,663,777	171,516
Other	63,210	86,032	30,318	55,714
Total environmental protection	<u>3,874,848</u>	<u>4,055,646</u>	<u>3,682,186</u>	<u>373,460</u>
Cultural and recreational				
Library	9,680,569	9,805,450	9,174,209	631,241
Other	1,705,616	1,705,616	1,651,704	53,912
Total cultural and recreational	<u>11,386,185</u>	<u>11,511,066</u>	<u>10,825,913</u>	<u>685,153</u>
Total expenditures	<u>334,294,201</u>	<u>356,144,354</u>	<u>329,489,901</u>	<u>26,654,453</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>32,289,591</u>	<u>21,575,579</u>	<u>59,187,221</u>	<u>37,611,642</u>
Other financing sources (uses)				
Transfers in	7,256,905	7,348,608	7,259,149	(89,459)
Appropriated fund balance	8,148,653	18,770,962	-	(18,770,962)
Transfers out	(48,512,324)	(48,512,324)	(48,512,324)	-
Issuance of installment purchases	817,175	817,175	817,200	25
Total other financing uses	<u>(32,289,591)</u>	<u>(21,575,579)</u>	<u>(40,435,975)</u>	<u>(18,860,396)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>18,751,246</u>	<u>\$ 18,751,246</u>
FUND BALANCE - BEGINNING OF YEAR			<u>117,520,487</u>	
FUND BALANCE - END OF YEAR			<u>\$ 136,271,733</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, 2012**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 272,297	\$ 272,297
Charges for services	3,950,000	3,950,000	4,004,000	54,000
Total revenues	<u>3,950,000</u>	<u>3,950,000</u>	<u>4,276,297</u>	<u>326,297</u>
Other financing sources (uses)				
Transfers out	(6,123,499)	(6,199,358)	(6,199,358)	-
Appropriated fund balance	2,173,499	2,249,358	-	(2,249,358)
Total other financing uses	<u>(3,950,000)</u>	<u>(3,950,000)</u>	<u>(6,199,358)</u>	<u>(2,249,358)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	(1,923,061)	<u>\$ (1,923,061)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>15,669,587</u>	
FUND BALANCE - END OF YEAR			<u>\$ 13,746,526</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Debt Service Fund
 Year Ended June 30, 2012

	Budget		Actual	Positive (Negative)
	Original	Final		Variance
Revenues				
Investments	\$ 10,000	\$ 10,000	\$ 12,464	\$ 2,464
Intergovernmental revenues	518,221	518,221	538,221	20,000
Rent	-	-	22,264	22,264
Charges for services	-	-	4,929	4,929
Other revenues	-	-	151	151
Total revenues	<u>528,221</u>	<u>528,221</u>	<u>578,029</u>	<u>49,808</u>
Expenditures				
Debt service:				
Principal retirement	32,044,985	88,044,985	87,257,245	787,740
Interest and fiscal charges	18,435,628	18,687,853	17,434,904	1,252,949
Debt issuance costs	-	646,192	605,117	41,075
Total expenditures	<u>50,480,613</u>	<u>107,379,030</u>	<u>105,297,266</u>	<u>2,081,764</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,952,392)</u>	<u>(106,850,809)</u>	<u>(104,719,237)</u>	<u>2,131,572</u>
Other financing sources (uses)				
Transfers in	48,646,724	105,296,377	105,244,300	(52,077)
Issuance of refunding bonds	-	74,133,625	73,276,601	(857,024)
Payment to refunded debt escrow agent	-	(73,487,433)	(72,630,409)	857,024
Appropriated fund balance	1,305,668	908,240	-	(908,240)
Total other financing sources (uses)	<u>49,952,392</u>	<u>106,850,809</u>	<u>105,890,492</u>	<u>(960,317)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,171,255</u>	<u>\$ 1,171,255</u>
Fund balance - beginning			<u>7,156,357</u>	
Fund balance - ending			<u>\$ 8,327,612</u>	

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Assets

Proprietary Fund

June 30, 2012

	<u>Enterprise Fund</u>
	<u>Sewer</u>
	<u>Utility</u>
	<u>Fund</u>
Assets	
Current assets	
Cash and cash equivalents / investments	\$ 15,146,043
Cash and cash equivalents / investments - restricted	8,650,213
Receivables:	
Accounts receivable	24,143
Accrued interest receivable	20,420
Total receivables	<u>44,563</u>
Due from other governments - federal and state agencies	636,841
Due from other governments - local	619,027
Total current assets	<u>25,096,687</u>
Noncurrent assets	
Bond issuance costs	537,442
Accumulated amortization - bond issuance costs	(197,471)
Capital assets:	
Land	185,226
Land improvements - sewer and water lines	25,826,944
Building treatment plant	4,103,344
Office furniture and equipment	13,374
Machinery and equipment	449,584
Vehicles	232,593
Computer hardware	45,160
Construction in progress	46,979,116
Total capital assets	<u>77,835,341</u>
Less accumulated depreciation and amortization	<u>(14,408,950)</u>
Net capital assets	<u>63,426,391</u>
Total noncurrent assets	<u>63,766,362</u>
Total assets	<u>88,863,049</u>
Liabilities	
Current liabilities	
Current portion of accrued compensated absences	36,114
Current portion of long-term debt	1,381,268
Accounts payable	884,886
Arbitrage rebate payable	13,000
Accrued interest payable	80,998
Accrued payroll and related amounts withheld	76,648
Total current liabilities	<u>2,472,914</u>
Noncurrent liabilities	
Accrued compensated absences	57,657
Long-term debt	15,845,137
Total noncurrent liabilities	<u>15,902,794</u>
Total liabilities	<u>18,375,708</u>
Net assets	
Net assets - capital net of debt	46,827,067
Net assets - restricted for capital projects	8,650,213
Net assets - unrestricted	15,010,061
Total net assets	<u>\$ 70,487,341</u>

DURHAM COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2012**

	Enterprise Fund Sewer Utility Fund
Operating revenues	
Charges for services	\$ 10,685,894
Total operating revenues	<u>10,685,894</u>
Operating expenses	
Personnel services	1,448,763
Utilities	467,617
Maintenance and other	1,841,580
Depreciation and amortization	694,299
Total operating expenses	<u>4,452,259</u>
Operating income (loss)	<u>6,233,635</u>
Nonoperating revenue (expense)	
Investment and interest income	(7,981)
Sewer connection fees	495,416
Interest and fiscal charges	(789,728)
Total nonoperating revenue (expense)	<u>(302,293)</u>
Income (loss) before transfers and contributions	5,931,342
Transfers out	(321,920)
Capital contributions	<u>6,260,051</u>
Change in net assets	11,869,473
Total net assets - beginning	<u>58,617,868</u>
Total net assets - ending	<u><u>\$ 70,487,341</u></u>

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

DURHAM COUNTY, NORTH CAROLINA

**Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2012**

	<u>Enterprise Fund</u>
	<u>Sewer Utility Fund</u>
Operating activities	
Cash received from sales	\$ 10,779,273
Cash paid to employees	(1,425,388)
Cash paid for operating plant	(2,047,279)
Net cash provided (used) by operating activities	<u>7,306,606</u>
Noncapital financing activities	
Sewer connection fees received	495,416
Transfers out	(321,920)
Net cash provided (used) by noncapital financing activities	<u>173,496</u>
Capital and related financing activities	
Principal payments on long-term debt	(1,319,830)
Interest paid	(826,496)
Intergovernmental revenues	6,252,051
Acquisition and construction costs of capital assets	(8,224,313)
Net cash provided (used) by capital and related financing activities	<u>(4,118,588)</u>
Investing activities	
Investment income and dividends	32,410
Net cash provided (used) by investing activities	<u>32,410</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>3,393,924</u>
Cash and cash equivalents/investments	
Beginning of year	<u>20,402,332</u>
End of year	<u>\$ 23,796,256</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 6,233,635
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	694,299
Change in assets and liabilities	
Accounts receivable	(15,449)
Due from other governments - federal and state agencies	(263,147)
Due from other governments - local	371,975
Accounts payable and accrued expenses	261,918
Other liabilities	23,375
Total adjustments	<u>1,072,971</u>
Net cash provided (used) by operating activities	<u>\$ 7,306,606</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:	
Capital contributions	<u>\$ 8,000</u>

DURHAM COUNTY, NORTH CAROLINA

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012**

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ -	\$ 24,168	\$ 1,499,658
Accounts receivable	-	-	903,000
U.S. government securities	1,379,406	-	-
Net taxes receivable	-	-	2,544,897
Total assets	1,379,406	24,168	\$ 4,947,555
Liabilities			
Accrued payroll and amounts withheld	15,040	-	-
Funds held for others	-	-	614,286
Due to governmental agencies	-	-	4,333,269
Total liabilities	15,040	-	\$ 4,947,555
Net assets			
Held in trust for:			
Employee pension benefits	1,364,366	-	
Individuals, organizations, and other governments	-	24,168	
Total net assets	\$ 1,364,366	\$ 24,168	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2012

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds
Additions		
Employer contributions	\$ 284,209	\$ -
Employee contributions	-	1,670
Investment income	1,961	15
Total additions	<u>286,170</u>	<u>1,685</u>
Deductions		
Benefits	245,136	600
Total deductions	<u>245,136</u>	<u>600</u>
Change in net assets	41,034	1,085
Total net assets - beginning	<u>1,323,332</u>	<u>23,083</u>
Total net assets - ending	<u><u>\$ 1,364,366</u></u>	<u><u>\$ 24,168</u></u>

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

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

Discretely Presented Component Unit

Durham County ABC Board

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

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

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

Durham County Industrial Facility and Pollution Control Financing Authority

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Presentation

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

Sewer Utility Fund. This fund accounts for the revenues and expenses related to the provision of sewer service.

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

The County reports the following fiduciary fund types:

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

State Treasurer Department of Motor Vehicles Fund. The State Treasurer Department of Motor Vehicles Fund is used to account for and report the interest collected on delinquent motor vehicle taxes and the disposition of the interest pursuant to the implementation of House Bill 1779 for the purpose of developing and implementing an integrated computer system within the Division of Motor Vehicles that will allow for the combined assessment, billing and collection of property taxes on motor vehicles and the issuance of registration plates.

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

3. Measurement Focus and Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements, except for agency funds, are reported using the economic resources measurement focus and the accrual basis of accounting. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes and sales tax distributions. Property taxes, franchise taxes and interest are not accrued as revenue because the amount is not susceptible to accrual at June 30, since taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Sales tax distributions collected and held by the State at year-end on behalf of the County are recognized as revenue within 90 days of year-end.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as restricted fund balance.

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

4. Budgetary Control

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

The appropriations in the various funds are formally budgeted on a functional basis. Any revisions that alter the total expenditures of any functional category which exceed \$20,000 whether by transfer or additional appropriated fund balance within a fund, all transfers between funds, and all transfers from the contingency account must be approved by the BOCC. The annual budget, which is prepared on the modified accrual basis of accounting as required by North Carolina law, is amended from time to time by the Commissioners. The original budget and the amended final budget are displayed in the basic financial statements for the major funds with the exception of the capital projects fund. The schedule of expenditures compared with project authorizations for the capital projects fund, the original budget and the amended final budget for nonmajor funds and the amended final budget, Non-GAAP Basis, for the major proprietary fund are reported in the Combining and Individual Fund Statements and Schedules elsewhere in this report. During the year, several supplementary appropriations were necessary.

The following summarizes the supplementary appropriations made for the major governmental funds other than the capital projects fund during fiscal year 2012:

	<u>Original Budget</u>	<u>Total Amendments</u>	<u>Revised Budget</u>
General	\$ 382,806,525	\$ 21,850,153	<u>\$ 404,656,678</u>
Community Health Trust	\$ 6,123,499	\$ 75,859	<u>\$ 6,199,358</u>
Debt Service	\$ 50,480,613	\$130,385,850	<u>\$ 180,866,463</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Equity in Pooled Cash and Cash Equivalent/Investments

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

Cash and Cash Equivalents

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

Deposits and Investments

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2012, the County's deposits had a carrying amount of \$71,984,561 and a bank balance of \$74,104,754. Of the bank balance, \$802,665 was covered by federal depository insurance, and \$73,302,089 was covered by collateral held under the Pooling Method.

At June 30, 2012, the ABC Board's deposits had a carrying amount of \$2,514,744 and a bank balance of \$2,318,055. Of the bank balance, \$676,042 was covered by federal depository insurance and \$1,642,015 was covered by collateral held under the Pooling Method.

North Carolina General Statute 159-30 authorizes the County and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States of America; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, a SEC-registered mutual fund. It is the County's policy to hold investments to maturity in order to realize full book value and interest earnings.

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

As of June 30, 2012 the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6</u>			
		<u>Months</u>	<u>6-12 Months</u>	<u>1 - 5 Years</u>	<u>5 -15 Years</u>
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -	\$ -
US Government Treasuries	-	-	-	-	-
US Government Agencies	69,031,521	23,997,301	37,005,780	8,028,440	-
Commercial Paper	1,994,425	1,994,425	-	-	-
NC Capital Management Trust-Cash Portfolio	68,645,451	68,645,451	-	-	-
NC Capital Management Trust-Term Portfolio *	5,001,501	-	5,001,501	-	-
Community Health Trust	9,356,800	5,248,830	584,374	1,879,141	1,644,455
Certificate of Deposit	2,500,000	-	2,500,000	-	-
Total:	\$ 156,529,698	\$ 99,886,007	\$ 45,091,655	\$ 9,907,581	\$ 1,644,455

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2012, the County's investments in commercial paper were rated A1 by Standard & Poor's, F1 by Fitch Ratings, and P1 by Moody's Investors Service. In addition, all of the County's commercial paper carries a long-term debt rating of A or better. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2012. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government, and agencies obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk:

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

Concentration of Credit Risk:

The County places no limit on the amount that the County may invest in any one issuer. More than 76 percent of the County's investments are in the Federal Home Loan Bank and Federal Farm Credit Bank. These investments are 45% and 31% respectively, of the County's total investments. All securities owned by the County at June 30, 2012 were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest rate swap

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

Fair value:

As of June 30, 2012, the swap had a positive fair value totaling \$7,662,296, 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, in the Statement of Net Assets. The fair value increased by \$7,609,967 in fiscal year 2012 resulting in a positive fair value as of fiscal year end. The changes in fair value are reported in investment income in the Statement of Activities.

<u>Associated Bond Issues</u>	(In Thousands)						
	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Variable Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008 A&B 2009 A Certificates of Participation General Obligation Bonds and Certificates of Participation	\$216,051	7/1/11	3/1/31	3.733% + BMA/ * Divisor	4.685% + 6-month LIBOR	\$7,662,296	Aaa/AA

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks:

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

Credit risk:

As of June 30, 2012, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding swap in the amount of \$7,662,296 because the swap had a positive fair value. However, should the relationship between the tax-exempt and taxable interest rates change and the fair values of the swap become negative, the County would not be exposed to credit risk in the amount of the derivative's fair value. Both County and the counterparty's payment obligations under the swap are guaranteed by Aaa/AA/AA rated Bank of New York Mellon.

Basis and tax risk:

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

Termination risk:

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

The ABC Board did not have any investments as of June 30, 2012.

6. Receivables

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The receivables as of June 30, 2012 for the County's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are 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	\$ 986,417	\$ 117,263	\$ 5,786,026	\$ 28,724	\$ 26,710,712	\$ 468,009	\$ 24,859,473	\$ 58,956,624
Capital projects	-	7,720	-	-	-	-	2,479,833	2,487,553
Debt service	-	-	-	-	-	-	9	9
Other governmental	-	-	73,697	-	-	-	-	73,697
Total receivables	986,417	124,983	5,859,723	28,724	26,710,712	468,009	27,339,315	61,517,883
Allowance for doubtful accounts	(97,977)	-	(11,105)	-	(25,423,299)	(468,009)	-	(26,000,390)
Total governmental activities	<u>\$ 888,440</u>	<u>\$ 124,983</u>	<u>\$ 5,848,618</u>	<u>\$ 28,724</u>	<u>\$ 1,287,413</u>	<u>\$ -</u>	<u>\$ 27,339,315</u>	<u>\$ 35,517,493</u>
Business-type activities:								
Sewer utility	\$ 24,143	\$ 20,420	\$ -	\$ -	\$ -	\$ -	\$ 1,255,868	\$ 1,300,431
Total receivables	24,143	20,420	-	-	-	-	1,255,868	1,300,431
Allowance for doubtful accounts	-	-	-	-	-	-	-	-
Total business-type activities	<u>\$ 24,143</u>	<u>\$ 20,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,255,868</u>	<u>\$ 1,300,431</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, 2012 of \$468,009 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	Deferred	Unearned
Net property taxes receivable (general fund)	\$ 3,993,643	\$ -
Net property taxes receivable (special revenue)	73,505	-
Collections in advance (general fund)	-	6,540,195
Collections in advance (special revenue)	-	47,240
Emergency medical services receivable (general fund)	1,287,413	-
Solid waste fees receivable (general fund)	28,724	-
Animal taxes receivable (general fund)	1,781,470	-
Total deferred/unearned revenue for governmental funds	\$ 7,164,755	\$ 6,587,435

7. Inventories

Inventories of the County are valued at cost using the first-in, first-out (FIFO) method. Inventories of the ABC Board are valued at the lower of cost (FIFO) or market. The County's General Fund inventory consists of expendable supplies held for consumption that are recorded as expenditures when consumed rather than when purchased. The General Fund inventories reported on the Balance Sheet are offset by a 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.

8. Capital Assets

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

9. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Compensated Absences

Permanent employees of the County can earn vacation leave at the rate of 11 days per year for the first two years up to a maximum of 25 days per year after twenty-five years. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is 30 days. At the end of each calendar year, the accumulated vacation leave in excess of 225 hours for employees who work a 37.5 hour workweek, 240 hours for employees who work a 40 hour work week and 252 hours for employees who work a 42 hour workweek as of the first full pay period in January is converted to sick leave. The maximum amount of vacation leave that can be carried forward to January 1 is 225, 240 and 252 hours, respectively. At termination, employees are paid for any accumulated vacation leave up to the maximum amount. Accumulated vacation leave and salary related payments at June 30, 2012 amounted to \$6,885,781. Of this amount, \$6,792,009 is recorded as a liability in the government-wide financial statements for governmental activities, and \$93,772 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, 2012 amounted to \$110,846. 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, 2012 amounted to \$21,760,038 in total. Upon separation from the County or the ABC Board, there is no compensation for earned sick leave. Therefore, sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Accumulated sick leave with the County used as retirement credit is limited to one month for each two years of service. Since the County and the ABC Board have no obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

11. Encumbrances

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

- Restricted for Stabilization of State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. This statute restricts appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year. This restriction is only applied to annually budgeted governmental funds.
- Restricted for museum – portion of fund balance that is restricted by revenue source for North Carolina Museum of Life and Science purposes.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of the Durham County’s Board of County Commissioners. Any changes or removal of specific purposes requires majority action by the Board.

- Committed for risk management – portion of fund balance that can only be used for catastrophic occurrences.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Committed for mental health – portion of fund balance that can only be used for mental health purposes.
- Committed for social services – portion of fund balance that can only be used for social services purposes.
- Committed for public health – portion of fund balance that can only be used for public health purposes.
- Committed for managed care organization – portion of fund balance that can only be used for funding of the managed care organization (Medicaid Waiver 1915 (b)/(c)).
- 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 funding for education purposes.
- Committed for OPEB – the portion of fund balance that can only be used for Other Post-Employment Benefits (OPEB).

Assigned Fund Balance – portion of fund balance that has been assigned for specific purposes:

- 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.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following schedule presents the assigned fund balances at June 30, 2012:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Funds Special Revenue Funds
Assigned Fund Balance:					
Assigned for subsequent year	\$ 11,612,648	\$ 121,851	\$ 403,163	\$ 3,500,000	\$ 315,906
Assigned for health related purposes	-	13,624,675	-	-	-
Assigned for capital projects	-	-	23,514,201	-	-
Assigned for fire districts	-	-	-	-	655,258
Assigned for public safety purposes	-	-	-	-	8,235
Assigned for economic development purposes	-	-	-	-	5,974
Assigned for debt service	-	-	-	4,827,612	-
	<u>\$ 11,612,648</u>	<u>\$ 13,746,526</u>	<u>\$ 23,917,364</u>	<u>\$ 8,327,612</u>	<u>\$ 985,373</u>

Durham County has guidelines established whereby the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local funds, and County funds. 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 Finance Officer has the authority to deviate from this course of action if it is in the best interest of the County.

Durham County has an adopted fund balance policy. Per the policy, the goal for the unassigned fund balance of the General Fund is 9% of total actual expenditures. In addition, per the policy, the goal of total fund balance available as a percentage of expenditures is 25%. Once the 25% level has been achieved, the amount over 25% shall be used to fund the annual OPEB contribution to meet the OPEB obligation, pay-as-you-go capital projects or other non-reoccurring expenditures. Management has been instructed to conduct business in such a manor to achieve these goals. As of June 30, 2012, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 12.03% and 28.24%, respectively.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Comparative Total Data/Reclassifications

Certain reclassifications have been made in the prior year's financial data in order to be consistent and conform to the presentation of the financial statements for the year ended June 30, 2012.

14. Use of Estimates

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

15. Interest rate swap

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Capital assets (net of depreciation)	\$361,616,287
Investment in joint venture	<u>7,628,566</u>

Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities	<u><u>\$369,244,853</u></u>
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2. “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.”

Property taxes receivable (net)	\$ 4,067,148
Solid waste receivable	28,724
Animal taxes receivable	1,781,470
Emergency medical services receivable (net)	1,287,413
Derivative financial instrument	7,662,296
Pension assets	<u>26,546</u>

Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities	<u><u>\$ 14,853,597</u></u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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

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

Bonds and other notes payable due within one year	\$ (40,630,943)
Bonds and other notes payable	(501,216,770)
Net OPEB obligation	(35,575,947)
Accrued compensated absences	(6,792,009)
Accrued interest payable	<u>(2,934,224)</u>
 Subtotal	 (587,149,893)
 Less: accrued interest receivable	 124,983
Less: bond issuance costs net of accumulated amortization	 <u>4,970,390</u>
 Net adjustment to decrease total fund balances – total governmental funds to arrive at net assets of governmental activities	 <u><u>\$(582,054,520)</u></u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

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

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

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

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

Capital outlay	\$ 47,688,960
Less: depreciation expense	(9,085,344)
Plus: decrease in investment in joint venture	<u>(107,111)</u>
 Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 <u>\$ 38,496,505</u>

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

Increase in deferred revenue of taxes (net)	\$ 121,878
Increase in deferred revenue of emergency medical services receivable (net)	37,445
Increase in deferred revenue of animal tax receivable (net)	270,509
Increase in deferred revenue of solid waste receivable (net)	5,185
Increase in derivative financial instrument	7,609,967
Decrease in pension asset	<u>(517)</u>
 Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 <u>\$ 8,044,467</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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

3. “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.”

Principal repayments	\$ 109,738,119
Amortization of issuance costs	(104,740)
Unamortized bond issuance costs on refunded debt	(61,368)
Increase in issuance cost	1,115,755
Increase in debt (net)	(147,647,090)
Increase in pension liability	(5,290,784)
Decrease in accrued interest payable	117,035
Increase in accrued compensated absences	(208,182)
Decrease in accrued interest receivable	(266,974)
Increase in bond premium	(12,510,151)
Amortization of loss on refunding of debt	(843,277)
Amortization of bond premium	<u>1,265,873</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (54,695,784)</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

C. PROPERTY TAXES

Property Taxes Receivable

The County's property tax (excluding registered motor vehicles) is levied each July 1 on the assessed value listed as of the prior January 1 for all real and tangible personal property located in the County. The taxes are due September 1; however, penalties do not accrue until the following January 6. The lien date is January 6 of each year. Assessed values are established at market value. A revaluation of all real property is required to be performed no less than every eight years. The last revaluation affecting these financial statements was completed for the list of January 1, 2008.

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

As of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the County's vehicle taxes for vehicles registered in Durham County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2012 - 2013 fiscal year and are not shown as receivables at June 30, 2012.

Interest On Unpaid Motor Vehicle Property Taxes

During fiscal year 2007, the North Carolina General Assembly enacted House Bill 1779 which provides for the creation of a combined motor vehicle registration renewal and property tax collection system. The Bill called for an increase in the first month's interest on uncollected property taxes on registered motor vehicles. This applied to all property tax levied on registered motor vehicles. The additional interest collected on behalf of the County was required to be remitted to the Department of State Treasurer and be used by the Division of Motor Vehicles to create a combined registration and collection system. The amount collected by the County and disbursed to the Department of State Treasurer during the year ended June 30, 2012 was \$190,981. In addition to the delinquent interest collections, interest in the amount of \$50 was earned during fiscal year 2012.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 6,843,704	\$ 1,523,280	\$ -	\$ 8,366,984
Easements	1,351,764	-	-	1,351,764
Construction in progress	164,517,137	53,895,647	(8,040,068)	210,372,716
Total nondepreciable capital assets	<u>172,712,605</u>	<u>55,418,927</u>	<u>(8,040,068)</u>	<u>220,091,464</u>
Depreciable capital assets:				
Buildings	209,107,417	1,178,844	(12,018,169)	198,268,092
Office furniture and Equipment	1,896,130	96,852	(23,489)	1,969,493
Machinery and Equipment	2,992,985	1,527,531	(109,971)	4,410,545
Computer Hardware	7,678,656	2,812,377	(116,352)	10,374,681
Computer Software	13,863,171	50,423	(1,347,712)	12,565,882
Vehicles	10,599,625	1,019,326	(719,977)	10,898,974
Total depreciable capital assets	<u>246,137,984</u>	<u>6,685,353</u>	<u>(14,335,670)</u>	<u>238,487,667</u>
Less accumulated depreciation for:				
Buildings	65,827,086	5,102,158	(5,706,527)	65,222,717
Office furniture and Equipment	749,113	234,399	(10,552)	972,960
Machinery and Equipment	1,993,902	414,114	(95,445)	2,312,571
Computer Hardware	4,982,506	2,226,197	(116,352)	7,092,351
Computer Software	13,505,425	200,374	(1,347,712)	12,358,087
Vehicles	8,779,886	908,102	(683,830)	9,004,158
Total accumulated depreciation	<u>95,837,918</u>	<u>9,085,344</u>	<u>(7,960,418)</u>	<u>96,962,844</u>
Total depreciable capital assets, net	<u>150,300,066</u>	<u>(2,399,991)</u>	<u>(6,375,252)</u>	<u>141,524,823</u>
Governmental activities capital assets, net	<u>\$ 323,012,671</u>	<u>\$ 53,018,936</u>	<u>\$ (14,415,320)</u>	<u>\$ 361,616,287</u>

During 2012, the County incurred \$ 42,882,220 of expenditures for public school construction. The County maintains school construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to these Durham County Board of Education properties, and the construction has not been included in capital assets. Therefore, the properties are reflected as capital assets in the financial statements of the Durham County Board of Education.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

D. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 6,210,499
Public safety	1,960,095
Environmental protection	6,250
Human Services	579,482
Educational	202,024
Cultural and recreational	126,994
Total depreciation expense	<u>\$ 9,085,344</u>

Business-type Activities/Sewer Utility Fund:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 185,226	\$ -	\$ -	\$ 185,226
Construction In Progress	38,947,178	8,031,938	-	46,979,116
Total nondepreciable capital assets	<u>39,132,404</u>	<u>8,031,938</u>	<u>-</u>	<u>47,164,342</u>
Depreciable capital assets:				
Land Improvements: Water and Sewer Lines	25,818,944	8,000	-	25,826,944
Buildings	4,103,344	-	-	4,103,344
Office furniture and Equipment	13,374	-	-	13,374
Machinery and Equipment	335,293	114,453	(162)	449,584
Computer Hardware	26,133	19,027	-	45,160
Vehicles	173,537	59,056	-	232,593
Total depreciable capital assets	<u>30,470,625</u>	<u>200,536</u>	<u>(162)</u>	<u>30,670,999</u>
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	10,866,249	567,427	-	11,433,676
Buildings	2,460,572	64,524	-	2,525,096
Office furniture and Equipment	4,300	1,910	-	6,210
Machinery and Equipment	243,342	27,750	(24)	271,068
Computer Hardware	20,111	8,079	-	28,190
Vehicles	120,077	24,633	-	144,710
Total accumulated depreciation	<u>13,714,651</u>	<u>694,323</u>	<u>(24)</u>	<u>14,408,950</u>
Total depreciable capital assets, net	<u>16,755,974</u>	<u>(493,787)</u>	<u>(138)</u>	<u>16,262,049</u>
Business-type activities capital assets, net	<u>\$ 55,888,378</u>	<u>\$ 7,538,151</u>	<u>\$ (138)</u>	<u>\$ 63,426,391</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 1,669,417	\$ -	\$ -	\$ 1,669,417
Total nondepreciable capital assets	<u>1,669,417</u>	<u>-</u>	<u>-</u>	<u>1,669,417</u>
Depreciable capital assets:				
Buildings and improvements	3,106,105	681,417	-	3,787,522
Leasehold improvements	908,555	692,423	(71,248)	1,529,730
Vehicles	202,654	-	-	202,654
Machinery and equipment	1,342,304	32,627	(47,964)	1,326,967
Total depreciable capital assets	<u>5,559,618</u>	<u>1,406,467</u>	<u>(119,212)</u>	<u>6,846,873</u>
Less accumulated depreciation for:				
Buildings and improvements	776,494	78,845	-	855,339
Leasehold improvements	425,333	48,107	(23,106)	450,334
Vehicles	44,301	7,259	-	51,560
Machinery and equipment	886,254	146,797	(24,325)	1,008,726
Total accumulated depreciation	<u>2,132,382</u>	<u>281,008</u>	<u>(47,431)</u>	<u>2,365,959</u>
Total depreciable capital assets, net	<u>3,427,236</u>	<u>1,125,459</u>	<u>(71,781)</u>	<u>4,480,914</u>
Business-type activities capital assets, net	<u>\$ 5,096,653</u>	<u>\$ 1,125,459</u>	<u>\$ (71,781)</u>	<u>\$ 6,150,331</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2012:

	Beginning Balance June 30, 2011	Increases	Decreases	Ending Balance June 30, 2012	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 269,200,846	\$ 64,670,000	\$ 38,025,169	\$ 295,845,677	\$ 23,961,340
Certificates of participation	175,502,889	94,243,915	59,080,000	210,666,804	6,285,000
Installment notes payable	39,999,080	61,198,176	85,076,226	16,121,030	8,979,913
Unamortized bond premium	15,500,538	12,510,151	1,265,873	26,744,816	1,755,123
Unamortized loss on refunding	(9,866,800)	-	(843,277)	(9,023,523)	(843,277)
Net OPEB obligation	30,285,163	7,481,180	2,190,396	35,575,947	-
Accrued compensated absences	6,583,827	4,266,919	4,058,737	6,792,009	4,119,560
Other financing agreements	1,514,634	492,116	513,841	1,492,909	492,845
Total governmental activities	\$ 528,720,177	\$ 244,862,457	\$ 189,366,965	\$ 584,215,669	\$ 44,750,504
Business-type activities:					
General obligation bonds	\$ 3,479,154	\$ -	\$ 739,831	\$ 2,739,323	\$ 723,660
Revenue bonds	14,440,000	-	580,000	13,860,000	605,000
Unamortized bond premium	965,690	-	100,275	865,415	100,275
Unamortized loss on refunding	(286,000)	-	(47,667)	(238,333)	(47,667)
Accrued compensated absences	77,170	56,714	40,113	93,771	36,114
Total business-type activities	\$ 18,676,014	\$ 56,714	\$ 1,412,552	\$ 17,320,176	\$ 1,417,382

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, 2012, such statutory limit for the County was \$2,387,389,067 providing a legal debt margin of \$2,088,804,067.

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,

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

E. LONG-TERM OBLIGATIONS (continued)

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, 2012, the loss from defeasance (net of amortization) was \$3,449,282. 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, 2012, the loss from defeasance (net of amortization) was \$5,762,574. 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. At June 30, 2012, \$16,480,000 in outstanding bonds is considered defeased.

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.

General obligation bonds

Durham County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds have been issued for governmental activities, \$64,670,000 was issued in fiscal year 2012.

Interest requirements for the general obligation bonds are payable semi-annually at annual rates varying from 3.00% to 5.50%. These debt obligations are backed by the full faith, credit and taxing

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

E. LONG-TERM OBLIGATIONS (continued)

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 2012.

Certificates of participation

Durham County issues certificates of participation (COPs) for the acquisition and construction of major capital facilities. On March 31, 2010 COPs were issued for governmental activities in the amount not to exceed \$125,000,000 outstanding at any time. As of June 30, 2012, the County has borrowed \$88,131,804. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

Limited Obligation Bonds

Durham County issues limited obligation bonds (LOBs) for the acquisition and construction of major capital facilities. Limited obligation bonds are direct obligations and pledge the full faith and credit of the government. Limited obligation bonds have been issued for governmental activities, \$63,780,000 was issued in fiscal year 2012.

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 \$60,000,000 outstanding at any time. The BANs are general obligations of the County, and the County has pledged its faith and credit to the payment of principal and interest on the BANs. In addition, the County has entered into a Standby Note Purchase Agreement which expires when the BANs will mature on August 1, 2014 and is subject to prior redemption at the option of the County. The BANs will be replaced by general obligation bonds. The County had general obligation BANs of \$5,198,176 outstanding at June 30, 2012. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

E. LONG-TERM OBLIGATIONS (continued)

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2012 are as follows:

<u>Purpose:</u>	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Outstanding June 30, 2012
<u>Governmental activities:</u>					
Refunding, Series 2001	4.25% to 5.50%	2/15/2001	4/1/2013	\$ 87,490,000	\$ 2,395,000
Public improvement, Series 2004A (2/3 Bonds)	4.00% to 5.00%	5/1/2004	5/1/2023	10,600,000	1,600,000
Public improvement, Series 2004B	4.00% to 5.00%	5/1/2004	5/1/2023	46,600,000	6,400,000
Public improvement, Series 2006A (2/3 Bonds)	4.00% to 5.00%	5/1/2006	6/1/2023	11,380,000	3,600,000
Public improvement, Series 2006B	4.00% to 5.00%	5/1/2006	6/1/2023	49,225,000	15,450,000
Public improvement, Series 2008A (2/3 Bonds)	3.50% to 5.00%	5/8/2008	4/1/2027	12,100,000	10,500,000
Public improvement, Series 2008B	3.50% to 5.00%	5/9/2008	4/1/2027	34,090,000	29,890,000
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	43,272,209	43,025,677
Public improvement, Series 2010A	2.00% to 5.00%	11/10/2010	11/1/2018	25,980,000	22,545,000
Public improvement, Series 2010B	3.51% to 5.23%	11/10/2010	11/1/2030	34,020,000	34,020,000
Refunding 2011	3.00% to 5.00%	6/8/2011	11/1/2022	61,750,000	61,750,000
Public improvement, Series 2012	3.00% to 5.00%	4/25/2012	4/1/2032	64,670,000	64,670,000
Certificate of participation, Series 2009A	4.00% to 5.00%	4/15/2009	6/1/2031	61,850,000	58,755,000
Certificate of participation, Series 2010	Variable Rate	3/31/2010	3/31/2013	125,000,000	88,131,804
Limited Obligation Bonds, 2012	2.00% to 5.00%	3/29/2012	6/1/2032	63,780,000	63,780,000
Bond Anticipation Notes	Variable Rate	8/28/2008	8/1/2011	80,000,000	5,198,176
Installment purchase public facility	4.64%	5/14/1996	11/14/2014	7,300,000	-
Installment purchase garage facility	4.415%	8/20/2003	8/20/2018	14,502,000	7,457,162
Installment purchase vehicles and computer hardware	1.42%	6/29/2010	7/1/2013	8,215,000	3,465,692
Other financing agreements					
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	107,233
800 Mhz radio system upgrade	4.64%	9/27/2005	6/30/2015	5,012,454	1,385,676
Total governmental activities					<u>\$ 524,126,420</u>
<u>Business-type activities:</u>					
Revenue bonds, Series 2002 - sewer plant expansion/improvements	3.00% to 4.75%	12/1/2002	6/11/2028	24,515,000	13,860,000
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	3,822,791	2,739,323
Total business-type activities					<u>16,599,323</u>
Total bonded indebtedness					<u><u>\$ 540,725,743</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2012 to amortize outstanding debt and funds available for draw under installment purchase contracts including interest payments, exclusive of accrued compensated absences are as follows:

Governmental activities:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Installment Note Payable		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 23,961,340	\$ 12,930,987	\$ 3,190,000	\$ 2,396,875	\$ 4,274,582	\$ 352,681	\$ -	\$ -	\$ 31,425,922	\$ 15,680,543
2014	21,918,468	12,175,670	6,285,000	5,054,781	2,229,281	275,374	-	-	30,432,749	17,505,825
2015	22,070,597	11,189,369	6,285,000	4,837,531	1,557,514	225,608	-	-	29,913,111	16,252,508
2016	21,972,614	10,260,895	6,285,000	4,625,481	1,166,015	176,210	-	-	29,423,629	15,062,586
2017	21,702,658	9,211,470	6,285,000	4,363,031	1,217,618	124,607	-	-	29,205,276	13,699,108
2018-2022	106,940,000	31,350,252	31,410,000	18,030,831	1,970,753	85,088	-	-	140,320,753	49,466,171
2023-2027	54,775,000	11,996,145	28,325,000	10,253,138	-	-	-	-	83,100,000	22,249,283
2028-2032	22,505,000	2,827,287	34,470,000	5,296,838	-	-	-	-	56,975,000	8,124,125
	<u>\$ 295,845,677</u>	<u>\$ 101,942,075</u>	<u>\$ 122,535,000</u>	<u>\$ 54,858,506</u>	<u>\$ 12,415,763</u>	<u>\$ 1,239,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,796,440</u>	<u>\$ 158,040,149</u>

Business-type activities:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Installment Note Payable		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 723,660	\$ 116,513	\$ -	\$ -	\$ -	\$ -	\$ 605,000	\$ 660,658	\$ 1,328,660	\$ 777,171
2014	711,532	87,567	-	-	-	-	625,000	637,063	1,336,532	724,630
2015	699,403	59,106	-	-	-	-	650,000	612,063	1,349,403	671,169
2016	572,385	31,130	-	-	-	-	680,000	585,250	1,252,385	616,380
2017	32,343	1,617	-	-	-	-	710,000	551,250	742,343	552,867
2018-2022	-	-	-	-	-	-	4,135,000	2,186,000	4,135,000	2,186,000
2023-2027	-	-	-	-	-	-	5,250,000	1,059,738	5,250,000	1,059,738
2028-2032	-	-	-	-	-	-	1,205,000	57,238	1,205,000	57,238
	<u>\$ 2,739,323</u>	<u>\$ 295,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,860,000</u>	<u>\$ 6,349,260</u>	<u>\$ 16,599,323</u>	<u>\$ 6,645,193</u>

Revenue bonds

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

E. LONG-TERM OBLIGATIONS (continued)

In fiscal year 2003, \$24,515,000 of revenue bonds was issued to finance the construction project to expand the existing wastewater treatment facilities. The bonds are payable through 2028. The total principal and interest remaining to be paid on the bonds is \$20,209,258. Principal and interest paid for the year and total customer revenues were \$1,262,408 and \$10,685,894, respectively. Interest requirements for the revenue bonds are also payable semi-annually at annual rates varying from 3.00% to 4.75%. These debt obligations are secured by a pledge of and lien upon, and payable solely from, the net receipts of the enterprise system and, in certain circumstances, by proceeds of the revenue bonds, investment earnings and certain net insurance and other proceeds. The revenue bonds are additionally secured by and payable from money and securities of certain funds, accounts and sub-accounts held by the trustee under the trust agreement and the first supplemental trust agreement. Sewer Utility Fund revenues are used to repay sewer utility long-term obligations. There were no revenue bonds issued in fiscal year 2012.

The ABC Board's long-term debt was \$1,617,813 as of June 30, 2012.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$492,936 for the year ended June 30, 2012. The future minimum rental payments due under the leases at June 30, 2012 are as follows:

YEAR ENDING JUNE 30,	COUNTY	ABC BOARD
2013	\$ 1,046,152	\$ 65,496
2014	500,106	67,056
2015	118,924	63,516
2016	99,077	31,932
2017-2019	57,795	-
TOTAL	\$ 1,822,054	\$ 228,000

Leased Facilities

Pursuant to agreements executed between the County, Durham Regional Hospital and Duke, effective July 1, 1998, the County began leasing its Hospital facilities to Duke under the terms of an operating lease expiring on June 30, 2018. The cost of leased facilities to the County was \$63,605,860, and the accumulated depreciation and carrying value as of June 30, 2012 were \$22,255,035 and \$41,350,825, respectively. Under the terms of the original agreement, annual minimum lease payments to be remitted to the County for use of the facility were \$3,500,000. These funds are accounted for in the Community Health Trust Fund.

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

F. COMMITMENTS (continued)

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

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

Also under the terms of the revised agreement, in support of emergency medical services, an additional \$350,000 payment was paid to the County during fiscal year 2009. In fiscal year 2011 and 2012, the County received \$2,191,200 and \$2,227,136 for these services, respectively. Through the remainder of the lease terms, payments made to the County will be adjusted for inflation using the CPI Index Adjustment. Under the revised agreement, Duke paid an additional \$375,000 to Lincoln Community Health Center for fiscal year 2009. LCHC received payments of \$2,838,600 and \$2,885,153 for fiscal year 2011 and 2012, 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, 2012

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, 2012 are as follows:

<u>YEAR ENDING JUNE 30,</u>	Governmental activities	
	PRINCIPAL	INTEREST
2013	\$ 1,621,842	\$ -
2014	1,353,842	-
2015	1,185,842	-
2016	955,842	-
2017	956,764	-
2018-2020	1,174,882	-
	\$ 7,249,014	\$ -

Interest requirements related to the Industrial Extensions Policy are nominal.

3. School Facilities

In June 2011, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2012 – 2021 that included school projects totaling \$215,648,205 funded through voter approved general obligation bond referendums in November 2001, November 2003, and November 2007 totaling \$193,448,205, 2/3's general obligation bonds in the amount of \$6,650,000, certificates of participation (COPS) in the amount of \$9,550,000, and County contributions of \$6,000,000. Total construction in progress for fiscal year 2012 for these projects was \$42,882,220 while total combined construction in progress since inception was \$152,366,609.

4. Construction

The total ten-year estimated and funded project costs of the CIP until June of 2021 is \$633,387,306. 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, 2012

F. COMMITMENTS (continued)

The CIP allocated funding for fiscal year 2012 in the amount of \$126,317,771. Funds provided approximately \$46,946,333 for capital projects of general governmental activities, \$1,773,399 for public safety activities, \$14,933,717 for business-type activities, \$44,556,688 for education facilities, \$2,850,000 for environmental protection activities, and \$15,257,634 for human service activities.

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

As part of the ten year CIP for fiscal years 2012-2021, 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, \$116,000,000 of the November 2007 voter approved general obligations bonds was issued.

5. Capital commitments

The County had commitments at June 30, 2012 of approximately \$6,274 for the expansion of the wastewater treatment plant and construction of sewer distribution systems.

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

6. Other commitments

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

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, 2012:

Due to:		
General Fund from Capital Projects Fund		
Amount due per BOCC approved interfund loan	\$1,048,110	<u><u>\$1,048,110</u></u>
Due from:		
Capital Projects Fund to General Fund		
Amount due per BOCC approved interfund loan	\$1,048,110	<u><u>\$1,048,110</u></u>

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

Transfers:

The following is a summary of transfers for the year ended June 30, 2012:

	Transfers in:			Total
	General Fund	Capital Projects Fund	Debt Service Fund	
Transfers out:				
General fund	\$ -	\$ 1,998,100	\$ 46,514,224	\$ 48,512,324
Community health trust fund	5,199,358	-	1,000,000	6,199,358
Capital projects fund	-	-	57,730,076	57,730,076
Sewer utility fund	321,920	-	-	321,920
Nonmajor governmental funds	1,737,871	-	-	1,737,871
 Total transfers	 \$ 7,259,149	 \$ 1,998,100	 \$ 105,244,300	 \$ 114,501,549

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

G. INTERFUND BALANCES AND ACTIVITIES (continued)

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

Transfers from the Capital Projects Fund to the Debt Service Fund are for funding general government debt payments.

Transfers from the Community Health Trust Fund to the General Fund and the Debt Service Fund are for funding health-related expenditures and funding for health-related debt activity per Durham County's Capital Improvement plan, respectively.

Transfers from the Sewer Utility Fund to the General Fund are a funding source for general government management and insurance benefits paid by the General Fund.

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

1. North Carolina Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent (6%) of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.95% and 7.05%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 7.00% and 7.05% of annual covered payroll. The contribution requirements of members and of Durham County and the ABC Board are established, and may be amended, by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$5,671,112, \$5,305,897, and \$4,008,648, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$149,016, \$142,723, and \$112,418, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

2. Law Enforcement Officers' Special Separation Allowance

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	15
Active plan members	<u>160</u>
Total	<u><u>175</u></u>

Summary of Significant Accounting Policies:

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

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

Contributions. The County is required by Article 12D of NCGS Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$284,209 or 3.68% of annual covered payroll. There were no contributions made by employees.

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

The annual required contribution for the fiscal year ended June 30, 2012 was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of December 31, 2010 was twenty years.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

Annual required contribution	\$ 284,465
Interest on net pension asset	(1,353)
Adjustment to annual required contribution	<u>1,614</u>
Annual pension cost	284,726
Contributions made	<u>284,209</u>
Decrease in net pension asset	517
Net pension asset, beginning of year	<u>(27,063)</u>
Net pension asset, end of year	<u><u>\$ (26,546)</u></u>

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (“APC”)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
June 30, 2012	\$ 284,726	99.82%	\$ (26,546)
June 30, 2011	301,063	99.72%	(27,063)
June 30, 2010	217,187	99.59%	(27,919)

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was 37.50 percent funded. The actuarial accrued liability for benefits was \$3,579,234 and the actuarial value of assets was \$1,342,095, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,237,139. The covered payroll (annual payroll of active employees covered by the plan) was \$7,545,748 and the ratio of the UAAL to the covered payroll was 29.65%.

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

3. Supplemental Retirement Income Plan for Law Enforcement Officers

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy. Article 12 E of NCGS Chapter 143 requires the County to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2012 were \$549,465, which consisted of \$386,139 from the County and \$163,326 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, 2012 totaled \$10,883, which consisted of \$7,893 from the ABC Board and \$2,990 from the law enforcement officers employed by the ABC Board. The County's and the ABC Board's required contributions and the officers' voluntary contributions represented 5% and 2.11%, and 5% and 5%, respectively, of the covered payroll.

4. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5% of the monthly receipts collected pursuant to Article 1 of NCGS 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$23,439.

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy. The County’s contributions were calculated using a covered payroll amount of \$73,779,862. The County’s total payroll was \$83,555,602. Total contributions for the year ended June 30, 2012 were \$5,789,321, which consisted of \$3,698,463 from the County and \$2,090,858 from the non-law enforcement personnel. The County’s required contribution and the non-law enforcement personnel’s voluntary contribution represented 6.93% of the covered payroll amount.

6. Other Post-Employment Benefits

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

Membership of the HCB Plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	416	13
Active plan members	<u>1,686</u>	<u>159</u>
Total	<u>2,102</u>	<u>172</u>

Funding Policy. The County pays 95% of the cost of Basic coverage healthcare benefits to qualified retirees. The County pays 100% of the cost of the Core coverage healthcare benefit to qualified retirees who complete an annual health risk assessment. These benefits are provided under a County resolution that can be amended by the BOCC. The County’s members pay monthly for themselves with ten to twenty-four years of service and for dependent coverage at

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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 \$101 for the Premium option, \$0 for the Core option, \$0 for the Basic option; for family dependent coverage, the monthly rates are \$1,377 for the premium option, \$966 for the Core option and \$719 for the Basic option; for the spouse only coverage, the monthly rates are \$837 for the Premium option, \$536 for the Core option and \$429 for the Basic option; and for the child only coverage, the monthly rates are \$435 for the Premium option, \$360 for the Core option and \$311 for the Basic option. For retirees with ten to twenty-four years of service, the monthly rates for healthcare are: for retiree only coverage, the monthly rates are \$625 for the Premium option, \$524 for the Core option, \$487 for the Basic option; for retiree/family dependent coverage, the monthly rates are \$1,901 for the premium option, \$1,490 for the Core option and \$1,243 for the Basic option; for the retiree/spouse only coverage, the monthly rates are \$1,361 for the Premium option, \$1,060 for the Core option and \$953 for the Basic option; and for the retiree/child only coverage, the monthly rates are \$959 for the Premium option, \$884 for the Core option and \$835 for the Basic option. Retirees with ten or more years of service can participate in the County's dental plan at the County's group rates for themselves and dependents. For retiree only, the monthly rate is \$53; for retiree/family dependent coverage, the monthly rate is \$150; for retiree/spouse only coverage, the monthly rate is \$119; and for the retiree/child coverage, the monthly rate was \$109. 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; for retiree/family dependent coverage, the monthly rate is \$23; for retiree/spouse only coverage, the monthly rate is \$15; and for the retiree/child coverage, the monthly rate was \$15. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The County at this time has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 9.18% of annual covered payroll. For the current year, the County contributed \$2,190,396 or 2.69% 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 2.61% and .08% of covered payroll, respectively. For the current year, the County did not contribute to an irrevocable trust but rather set aside funding for the HCB Plan in the fund balance and net assets of the General Fund in the amount of \$5,290,784 which represents 71.14% of ARC. The total committed for OPEB as of fiscal year end for the General Fund and Sewer Utility Fund was \$27,242,993 and \$243,671, respectively. Currently, 467 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

Annual required contribution	\$ 7,436,944
Interest on net OPEB obligation	989,868
Adjustment to annual required contribution	<u>(945,632)</u>
Annual OPEB cost (expense)	\$ 7,481,180
Employer contributions made	<u>2,190,396</u>
Increase (decrease) in net OPEB obligation	\$ 5,290,784
Net OPEB obligation, beginning of year	<u>30,285,163</u>
Net OPEB obligation, end of year	<u><u>\$35,575,947</u></u>

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

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>
2012	\$ 7,481,180	29.28%	\$35,575,947
2011	7,481,180	26.00%	30,285,163
2010	7,168,139	16.24%	24,746,711

Funding Status and Funding Progress. As of December 31, 2010, 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 \$92,462,774. The covered payroll (annual payroll of active employees covered by the plan) was \$83,767,601 and the ratio of the UAAL to the covered payroll was 110.40%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past progress, presented as required supplementary information following the notes to the financial statements and presented as multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

In the December 31, 2010 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 10.50 to 5.00 percent and post-medicare 8.50 to 5.00 percent annually, ultimate trend rate year is 2018 with a 3.00% inflation rate, per capita costs adjusted to reflect expected cost changes related to age, anticipated plan participation of 100% and annual expected claim estimates for pre-65 and post-65. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010 was 30 years.

7. Other Employment Benefits

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

All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2012, the County made contributions to the State for death benefits of \$62,461. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

I. RISK MANAGEMENT

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

Benefits Plan – The County has a partially self-funded benefits plan. The County funds a core plan (health, dental, vision, life insurance and dependent coverage). The County reports claims expenditures and liabilities in the General Fund. During fiscal year 2012, a total of \$14,359,011 was incurred for benefits and administrative costs of the plan.

Workers' Compensation – The County maintains a limited risk, self-insurance program to provide workers' compensation benefits to County employees. Premiums for Workers' Compensation are paid by other funds of the County and are available to pay claims of the program. A total of \$802,784 was incurred for benefits during the fiscal year 2012.

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

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

Durham County ABC Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settlement claims have not exceeded coverage in any of the past three fiscal years. 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, 2012

J. LITIGATION

The County follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or estimable in amount. There is currently a legal action against the County which is being vigorously defended that is 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 at June 30, 2012.

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 \$59,333 to the Council during the fiscal year ended June 30, 2012. 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)

The following is a summary of certain unaudited financial information of the District for the year ended June 30, 2012:

Total assets	\$1,065,045
Total liabilities	<u>(236,163)</u>
Total equity	<u>\$ 828,882</u>
Total revenues	\$1,228,345
Total expenditures	<u>(2,072,134)</u>
Decrease in fund balance	<u>\$ (843,789)</u>

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

Raleigh-Durham Airport Authority

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

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)

Durham Technical Community College

Durham County provides funds to Durham Technical Community College, primarily for capital improvement and maintenance of facilities. In accordance with State law, the County appoints four of the thirteen Board of Trustee members. The County does not designate management or significantly influence operations, and the College is not accountable to the County for its fiscal matters beyond the County's appropriation to the College. The County's fiscal year 2012 appropriation of approximately \$4.103 million to the College represents approximately 9.00% of its total current non-operating revenues, with the majority of funding being provided by the State of North Carolina Department of Community Colleges. In addition, the County contributed \$426,171 to capital outlay bringing the County's contribution to Durham Technical Community College capital outlay to 25.00%. The County does not have an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2012. Complete financial statements for the College may be obtained at their administrative offices at 1637 Lawson Street, Durham, North Carolina 27703.

M. JOINT VENTURES WITH EQUITY INTEREST

Durham Convention and Visitors Bureau

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

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

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

At June 30, 2012, the County recorded an equity interest in the Bureau of \$809,900 which is included in the investment in joint venture in the statement of net assets. Complete financial statements may be obtained at the administrative offices at 101 East Morgan Street, Durham, North Carolina 27701.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

M. JOINT VENTURES WITH EQUITY INTEREST (continued)

Durham Civic Center Authority

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

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

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

In January 2004, the City of Durham refunded debt that included the Civic Center Authority’s long-term debt. Therefore, the Civic Center Authority’s long-term debt consists of \$1,110,123 in general obligation bonds issued by the City of Durham, maturing in varying installments from 1997 to 2008 with interest at 2.00% to 4.00%. The debt is being serviced from property tax revenues of the City and amounts for additional equity purchases made by the County. The County’s net investment in the Authority is reported in the investment in joint venture in the statement of net assets. At June 30, 2012, the County’s equity interest in the Authority was \$6,818,666.

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 2012, the amount funded by the County was approximately \$283,546. Complete financial statements for the Authority may be obtained from the City of Durham’s administrative offices at 101 City Hall Plaza, Durham, North Carolina 27701.

The total investment in joint venture for Durham County recorded in the statement of net assets for governmental activities for the above two ventures at June 30, 2012 is \$7,628,566.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

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	\$ 192,137,601	\$ 108,553,572
Food Stamp	63,717,401	-
Temporary Assistance for Needy Families	1,670,843	-
Special Assistance to Adult	-	2,071,773
Special Assistance for the Blind	-	13,802
Title IV-E Adoption Assistance	806,812	200,668
IV-B Adoption Assistance	-	710,300
Total Direct Federal and State Awards	\$ 258,332,657	\$ 111,550,115

O. PRIOR PERIOD ADJUSTMENT

Effective February 2010, the County dissolved the interlocal agreement with Durham Public Schools (DPS) whereby school properties were donated and titled to the County for construction of school projects on said properties with the County receiving reimbursement of sales tax paid on the construction of these projects. Also, effective February 2010, the County entered into a new interlocal agreement whereby DPS would retain ownership of the school properties, lease these properties to the County and act as the agent of the County for construction. Under this interlocal agreement which is still in effect as of June 30, 2012, expenditures on these school projects are treated as operating lease expenditures. The authorization at February 2010 was silent as to the treatment of the existing construction in progress (CIP) on these donated properties. During the reconciliation of construction activity in 2012, it was noted that these expenses were still being carried in the beginning balance of the CIP asset of Durham County although the County had no legal right to the underlying asset. A corresponding entry was made to beginning net assets as detailed below:

As previously reported:	\$33,221,667
Adjustment to beginning net assets:	<u>(21,173,875)</u>
Beginning net assets restated:	<u>\$12,047,792</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

P. SUBSEQUENT EVENTS

The County has evaluated subsequent events through October 26, 2012, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

The North Carolina Department of Health and Human Services (DHHS) initiated a process, Medicaid Waiver 1915 (b)/(c), whereby Local Management Entities (LMEs) will operate as risk-based Managed Care Organizations (MCOs) to manage local mental health, substance abuse and developmental disability services effective for fiscal year 2013. As such, considering geographic proximity, similar urban composition and issues, working relationships, organizational values, and cost efficiencies, the Boards of County Commissioners for Durham and Wake Counties thought it to be in both Counties' best interests to combine the Durham County Area Authority and the Wake County Local Management Entity, both single-county LMEs, and establish a new multi county Area Authority, operating as a political subdivision of the State of North Carolina and organized under North Carolina General Statute Chapter 122C-115, to administer mental health, substance abuse and development disability services for Durham and Wake Counties. On March 23, 2012, the Boards of County Commissioners of Durham and Wake Counties entered into an agreement pursuant to N.C.G.S. Chapter 122C-115.1 and N.C.G.S. 160A-461 to create the new multi county Area Authority consistent with the governance outlined in G.S. 122C-115, contingent upon satisfaction of the terms outlined in the agreement and upon the respective execution of a resolution approving the agreement. The Wake County and Durham County Boards executed resolutions approving the agreement on April 23, 2012. The effective date of this agreement was March 1, 2012 in order to give the respective agents of each County the ability to appoint a Board of Directors and to establish policy and agency operations in accordance with the terms of the merger agreement. However, the budget authority and operations for the new Area Authority, Alliance Behavioral Healthcare ("Alliance"), did not begin until the operational date of July 1, 2012. As a part of this agreement, start-up funds were provided for Alliance. A tripartite funding agreement was entered into on May 31, 2012 by and between Wake County ("Wake"), Durham County ("Durham") and Alliance. Per the funding agreement, Wake and Durham each contributed \$4,000,000 to Alliance to be used as initial start-up capital and to be repaid to each County on equal terms by Alliance. Wake's loan amount was transferred to Durham prior to fiscal year ended June 30, 2012. Durham was responsible for the start-up capital funds and remitting the balance of funds remaining at fiscal year ended June 30, 2012 to Alliance. Effective July 1, 2012, the Counties have recorded a receivable for the loan in the amount of \$4,000,000. The terms of the loan secure repayment to each County of the principal sum of \$4,000,000 with interest from July 1, 2012 at a rate of 1% per annum on the unpaid balance until paid over a five year period with the final payment as of June 30, 2017. The Counties have entered into separate contracts with Alliance for administering mental health, substance abuse and development disability services for fiscal year 2013.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

P. SUBSEQUENT EVENTS (continued)

On, August 21, 2012, the North Carolina Court of Appeals issued a decision on IBM vs. Durham County for an estimated \$536,000 tax refund. The County filed a Petition for Discretionary Review with the Supreme Court of North Carolina on September 18, 2012. The County is awaiting a decision from the Supreme Court as to whether they will hear the case.

On, August 23, 2012, the County went to market for the sale of Enterprise System Revenue Bonds, Series 2012 in the amount of \$10,985,000 for the refunding of Enterprise System Revenue Bonds, Series 2002. The County paid \$3,000,000 of the refunding amount from the Sewer Utility Fund's unrestricted net assets thereby lowering the amount of the refunding debt issued and increasing the savings to the County.

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REQUIRED SUPPLEMENTARY INFORMATION

DURHAM COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability ("AAL") Project Unit Credit (B)	Unfunded AAL ("UAAL") (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a percentage of Covered payroll [(B-A)/C]
December 31, 2002	\$ 613,960	\$1,290,640	\$ 676,680	47.57%	\$5,518,875	12.26%
December 31, 2003	678,858	1,388,785	709,927	48.88%	5,901,669	12.03%
December 31, 2004	771,369	1,619,670	848,301	47.63%	6,644,935	12.77%
December 31, 2005	917,145	1,584,272	667,127	57.89%	7,001,821	9.53%
December 31, 2006	990,493	1,780,366	789,873	55.63%	7,264,791	10.87%
December 31, 2007	947,134	2,184,572	1,237,438	43.36%	7,612,751	16.25%
December 31, 2008	1,050,679	2,504,144	1,453,465	41.96%	7,893,250	18.41%
December 31, 2009	1,114,755	3,512,206	2,397,451	31.74%	7,717,626	31.06%
December 31, 2010	1,284,867	3,439,501	2,154,634	37.36%	7,735,575	27.86%
December 31, 2011	1,342,095	3,579,234	2,237,139	37.50%	7,545,748	29.65%

DURHAM COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 119,569	104.78%
2004	128,752	109.52%
2005	138,885	114.89%
2006	162,469	106.14%
2007	143,800	0.00%
2008	162,267	102.15%
2009	198,118	104.91%
2010	217,461	99.46%
2011	300,964	99.74%
2012	284,465	99.91%

DURHAM COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance Notes to Required Schedules

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

Valuation date	December 31, 2011
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	4.25% to 7.85%
*Includes inflation at:	3.00%
Cost of living adjustments	None

DURHAM COUNTY, NORTH CAROLINA

**Other Postemployment Benefits
Schedule of Funding Progress**

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

DURHAM COUNTY, NORTH CAROLINA

Other Postemployment Benefits Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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%

DURHAM COUNTY, NORTH CAROLINA

Other Postemployment Benefits Notes to Required Schedules

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

Valuation date	December 31, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets

Actuarial assumptions:

Investment rate of return*	4.00%
Medical cost trend rate:	
Pre-medicare	10.50% to 5.00%
Post-medicare	8.50% to 5.00%
Year of ultimate trend rate	2018

*Includes inflation at: 3.00%

OTHER SUPPLEMENTARY INFORMATION

**COMBINING and INDIVIDUAL
FUND STATEMENTS and SCHEDULES**

MAJOR GOVERNMENTAL FUND

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

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DURHAM COUNTY, NORTH CAROLINA

**Schedule of Expenditures Compared with Project Authorizations
Capital Projects Fund
From Project Inception and for the Fiscal Years Ended June 30, 2012**

PROJECT	EXPENDITURES		SPENT TO DATE	REMAINING COMMITMENT
	CURRENT YEAR	PRIOR YEARS		
Durham Public School Projects	\$ 42,882,220	\$ 109,484,389	\$ 152,366,609	\$ 224,462,233
Justice Center	30,949,325	63,591,745	94,541,070	24,605,385
NCML & Bioquest	1,028,825	13,191,434	14,220,259	920,553
County Storage Facility	276,475	10,092	286,567	2,813,433
Human Services Complex	14,149,218	54,030,205	68,179,423	22,069,436
Southwest Branch Library	20,461	6,246,804	6,267,265	397,239
South Regional Library	157,401	8,794,803	8,952,204	1,425,832
Scattered Site Housing Program	-	525,234	525,234	51,707
Crim Justice Resource Center	5,750	3,614,907	3,620,657	663,517
Open Space/Farmland Preservation	772,042	5,181,778	5,953,820	3,946,935
DTCC Campus Improvements	210,558	6,139,434	6,349,992	1,850,008
DTCC Newton Building	-	-	-	4,000,000
DTCC Northern Durham	-	-	-	1,000,000
DTCC Main Campus Extension	1,800,000	-	1,800,000	200,000
Detention Center Project	217,945	451,405	669,350	36,740
Main Library Renovations	-	460,729	460,729	339,271
County Stadium Renovations	36,799	8,169,801	8,206,600	233
Civic Center	1,350,817	3,122,244	4,473,061	871,939
ROD Preservation Project	648	918,510	919,158	25,842
Telecommunications System Upgrade	56,891	400,664	457,555	17,445
Administrative Building Renovations	933,203	939,213	1,872,416	122,836
EMS Station #1 Renovations	164,577	26,204	190,781	1,872,719
LCHC Phase 1 Renovation	1,046,300	247,313	1,293,613	7,157
Fiber Optic Network	164,164	437,170	601,334	179,666
FY10 ERP Upgrade Project	818,140	861,609	1,679,749	70,251
Single Family Rehabilitation Project	193,081	12,082	205,163	34,637
Facility Light Replacement Project	27,188	-	27,188	447,413
FY12 HR ERP Upgrade	1,005,861	-	1,005,861	1,504,139
12 County IT Hardware Replacement	190,873	-	190,873	7,721,040
12 Sheriff Technology Upgrade	494,429	-	494,429	105,471
Utility Performance Contract Project	28,899	-	28,899	101,101
FY12 BW Technical Upgrade	115	-	115	239,885
	<u>\$ 98,982,205</u>	<u>\$ 286,857,769</u>	<u>\$ 385,839,974</u>	<u>\$ 302,104,063</u>

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FIDUCIARY FUNDS

Private-purpose Trust Funds

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

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

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DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Net Assets
Private-purpose Trust Funds
June 30, 2012**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Assets			
Cash and cash equivalents	\$ 5,767	\$ 18,401	\$ 24,168
Total assets	<u>5,767</u>	<u>18,401</u>	<u>24,168</u>
Net assets			
Held in trust for:			
Individuals, organizations, and other governments	5,767	18,401	24,168
Total net assets	<u>\$ 5,767</u>	<u>\$ 18,401</u>	<u>\$ 24,168</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Net Assets
Private-purpose Trust Funds
Year Ended June 30, 2012**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Additions			
Employee contributions	\$ -	\$ 1,670	\$ 1,670
Investment income	8	7	15
Total additions	<u>8</u>	<u>1,677</u>	<u>1,685</u>
Deductions			
Benefits	-	600	600
Total deductions	<u>-</u>	<u>600</u>	<u>600</u>
Change in net assets	8	1,077	1,085
Total net assets - beginning	<u>5,759</u>	<u>17,324</u>	<u>23,083</u>
Total net assets - ending	<u>\$ 5,767</u>	<u>\$ 18,401</u>	<u>\$ 24,168</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2012

	Special Revenue Funds
Assets	
Cash and cash equivalents / investments	\$ 1,051,536
Due from other governments - federal and state agencies	-
Net taxes receivable	73,505
Total assets	\$ 1,125,041
Liabilities and fund balances	
Liabilities:	
Accounts payable	\$ 18,923
Collections in advance	47,240
Deferred revenues:	
Taxes	73,505
Total liabilities	<u>139,668</u>
Fund balances:	
Assigned for subsequent year	315,906
Assigned	669,467
Total fund balances	<u>985,373</u>
Total liabilities and fund balances	\$ 1,125,041

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012**

	Special Revenue Funds
	<u> </u>
Revenues	
Taxes	\$ 6,509,720
Intergovernmental revenues	-
Investments	2,718
Rent	-
Charges for services	-
Other revenues	-
Total revenues	<u>6,512,438</u>
 Expenditures	
Current:	
Public safety	3,964,109
Economic and physical development	782,076
Debt service:	
Principal retirement	-
Interest and fiscal charges	-
Debt issuance costs	-
Total expenditures	<u>4,746,185</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,766,253</u>
 Other financing sources (uses)	
Transfers in	-
Transfers out	(1,737,871)
Issuance of refunding bonds	-
Payment to refunded debt escrow agent	-
Total other financing sources (uses)	<u>(1,737,871)</u>
 Net change in fund balances	28,382
 Fund balance - beginning	<u>956,991</u>
 Fund balance - ending	<u><u>\$ 985,373</u></u>

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DURHAM COUNTY, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012**

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Assets				
Cash and cash equivalents / investments	\$ 170,895	\$ 431,557	\$ 72,959	\$ 46,909
Net taxes receivable	16,782	16,208	6,865	24,976
Total assets	\$ 187,677	\$ 447,765	\$ 79,824	\$ 71,885
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Collections in advance	21,775	4,979	3,614	7,270
Deferred revenues:				
Taxes	16,782	16,208	6,865	24,976
Total liabilities	38,557	21,187	10,479	32,246
Fund balances:				
Assigned for subsequent year	125,000	87,695	50,000	20,458
Assigned	24,120	338,883	19,345	19,181
Total fund balances	149,120	426,578	69,345	39,639
Total liabilities and fund balances	\$ 187,677	\$ 447,765	\$ 79,824	\$ 71,885

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<u>Butner Safety District Fund</u>	<u>Special Park District Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 19,143	\$ 31,267	\$ 238,547	\$ 8,251	\$ 32,008	\$ 1,051,536
846	468	6,509	486	365	73,505
<u>\$ 19,989</u>	<u>\$ 31,735</u>	<u>\$ 245,056</u>	<u>\$ 8,737</u>	<u>\$ 32,373</u>	<u>\$ 1,125,041</u>
\$ -	\$ -	\$ -	\$ -	\$ 18,923	\$ 18,923
81	134	2,260	16	7,111	47,240
846	468	6,509	486	365	73,505
<u>927</u>	<u>602</u>	<u>8,769</u>	<u>502</u>	<u>26,399</u>	<u>139,668</u>
-	-	32,753	-	-	315,906
19,062	31,133	203,534	8,235	5,974	669,467
<u>19,062</u>	<u>31,133</u>	<u>236,287</u>	<u>8,235</u>	<u>5,974</u>	<u>985,373</u>
<u>\$ 19,989</u>	<u>\$ 31,735</u>	<u>\$ 245,056</u>	<u>\$ 8,737</u>	<u>\$ 32,373</u>	<u>\$ 1,125,041</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2012

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Revenues				
Taxes	\$ 1,602,145	\$ 1,073,927	\$ 1,461,986	\$ 763,611
Investments	392	779	220	191
Total revenues	<u>1,602,537</u>	<u>1,074,706</u>	<u>1,462,206</u>	<u>763,802</u>
Expenditures				
Current:				
Public safety	370,000	440,000	1,564,240	746,000
Economic and physical development	-	-	-	-
Total expenditures	<u>370,000</u>	<u>440,000</u>	<u>1,564,240</u>	<u>746,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,232,537</u>	<u>634,706</u>	<u>(102,034)</u>	<u>17,802</u>
Other financing sources (uses)				
Transfers out	(1,245,407)	(492,464)	-	-
Total other financing sources (uses)	<u>(1,245,407)</u>	<u>(492,464)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(12,870)	142,242	(102,034)	17,802
Fund balance - beginning	<u>161,990</u>	<u>284,336</u>	<u>171,379</u>	<u>21,837</u>
Fund balance - ending	<u>\$ 149,120</u>	<u>\$ 426,578</u>	<u>\$ 69,345</u>	<u>\$ 39,639</u>

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<u>Butner Safety District Fund</u>	<u>Special Park District Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 74,281	\$ 24,379	\$ 795,598	\$ 17,180	\$ 696,613	\$ 6,509,720
70	67	815	27	157	2,718
<u>74,351</u>	<u>24,446</u>	<u>796,413</u>	<u>17,207</u>	<u>696,770</u>	<u>6,512,438</u>
72,518	22,956	731,106	17,289	-	3,964,109
-	-	-	-	782,076	782,076
<u>72,518</u>	<u>22,956</u>	<u>731,106</u>	<u>17,289</u>	<u>782,076</u>	<u>4,746,185</u>
1,833	1,490	65,307	(82)	(85,306)	1,766,253
-	-	-	-	-	(1,737,871)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,737,871)</u>
1,833	1,490	65,307	(82)	(85,306)	28,382
17,229	29,643	170,980	8,317	91,280	956,991
<u>\$ 19,062</u>	<u>\$ 31,133</u>	<u>\$ 236,287</u>	<u>\$ 8,235</u>	<u>\$ 5,974</u>	<u>\$ 985,373</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, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,621,858	\$ 1,621,858	\$ 1,602,145	\$ (19,713)
Investments	-	-	392	392
Total revenues	<u>1,621,858</u>	<u>1,621,858</u>	<u>1,602,537</u>	<u>(19,321)</u>
Expenditures				
Public safety	<u>460,377</u>	<u>460,377</u>	<u>370,000</u>	<u>90,377</u>
Total expenditures	<u>460,377</u>	<u>460,377</u>	<u>370,000</u>	<u>90,377</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,161,481</u>	<u>1,161,481</u>	<u>1,232,537</u>	<u>71,056</u>
Other financing sources (uses)				
Transfers out	(1,226,481)	(1,226,481)	(1,245,407)	(18,926)
Appropriated fund balance	65,000	65,000	-	(65,000)
Total other financing sources (uses)	<u>(1,161,481)</u>	<u>(1,161,481)</u>	<u>(1,245,407)</u>	<u>(83,926)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(12,870)</u>	<u>\$ (12,870)</u>
Fund balance - beginning			<u>161,990</u>	
Fund balance - ending			<u>\$ 149,120</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, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,050,921	\$ 1,050,921	\$ 1,073,927	\$ 23,006
Investments	-	-	779	779
Total revenues	<u>1,050,921</u>	<u>1,050,921</u>	<u>1,074,706</u>	<u>23,785</u>
Expenditures				
Public safety	496,789	496,789	440,000	56,789
Total expenditures	<u>496,789</u>	<u>496,789</u>	<u>440,000</u>	<u>56,789</u>
Excess (deficiency) of revenues over (under) expenditures	<u>554,132</u>	<u>554,132</u>	<u>634,706</u>	<u>80,574</u>
Other financing sources (uses)				
Transfers out	(600,849)	(600,849)	(492,464)	108,385
Appropriated fund balance	46,717	46,717	-	(46,717)
Total other financing sources (uses)	<u>(554,132)</u>	<u>(554,132)</u>	<u>(492,464)</u>	<u>61,668</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	142,242	<u>\$ 142,242</u>
Fund balance - beginning			<u>284,336</u>	
Fund balance - ending			<u>\$ 426,578</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, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,564,240	\$ 1,464,240	\$ 1,461,986	\$ (2,254)
Investments	-	-	220	220
Total revenues	<u>1,564,240</u>	<u>1,464,240</u>	<u>1,462,206</u>	<u>(2,034)</u>
Expenditures				
Public safety	1,564,240	1,564,240	1,564,240	-
Total expenditures	<u>1,564,240</u>	<u>1,564,240</u>	<u>1,564,240</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(100,000)</u>	<u>(102,034)</u>	<u>(2,034)</u>
Other financing sources (uses)				
Appropriated fund balance	-	100,000	-	(100,000)
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(102,034)</u>	<u>\$ (102,034)</u>
Fund balance - beginning			<u>171,379</u>	
Fund balance - ending			<u>\$ 69,345</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, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 742,577	\$ 742,577	\$ 763,611	\$ 21,034
Investments	-	-	191	191
Total revenues	<u>742,577</u>	<u>742,577</u>	<u>763,802</u>	<u>21,225</u>
Expenditures				
Public safety	746,000	746,000	746,000	-
Total expenditures	<u>746,000</u>	<u>746,000</u>	<u>746,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,423)</u>	<u>(3,423)</u>	<u>17,802</u>	<u>21,225</u>
Other financing sources (uses)				
Appropriated fund balance	3,423	3,423	-	(3,423)
Total other financing sources (uses)	<u>3,423</u>	<u>3,423</u>	<u>-</u>	<u>(3,423)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>17,802</u>	<u>\$ 17,802</u>
Fund balance - beginning			<u>21,837</u>	
Fund balance - ending			<u>\$ 39,639</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, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 72,518	\$ 72,518	\$ 74,281	\$ 1,763
Investments	-	-	70	70
Total revenues	<u>72,518</u>	<u>72,518</u>	<u>74,351</u>	<u>1,833</u>
Expenditures				
Public safety	72,518	72,518	72,518	-
Total expenditures	<u>72,518</u>	<u>72,518</u>	<u>72,518</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,833</u>	<u>1,833</u>
 Net change in fund balances	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>1,833</u>	 <u><u>\$ 1,833</u></u>
 Fund balance - beginning			 <u>17,229</u>	
 Fund balance - ending			 <u><u>\$ 19,062</u></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, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 22,956	\$ 22,956	\$ 24,379	\$ 1,423
Investments	-	-	67	67
Total revenues	<u>22,956</u>	<u>22,956</u>	<u>24,446</u>	<u>1,490</u>
Expenditures				
Public safety	22,956	22,956	22,956	-
Total expenditures	<u>22,956</u>	<u>22,956</u>	<u>22,956</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,490</u>	<u>1,490</u>
 Net change in fund balances	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>1,490</u>	 <u><u>\$ 1,490</u></u>
 Fund balance - beginning			 <u>29,643</u>	
 Fund balance - ending			 <u><u>\$ 31,133</u></u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Bahama Fire Tax District Special Revenue Fund
Year Ended June 30, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 731,106	\$ 731,106	\$ 795,598	\$ 64,492
Investments	-	-	815	815
Total revenues	<u>731,106</u>	<u>731,106</u>	<u>796,413</u>	<u>65,307</u>
Expenditures				
Public safety	731,106	731,106	731,106	-
Total expenditures	<u>731,106</u>	<u>731,106</u>	<u>731,106</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>65,307</u>	<u>65,307</u>
 Net change in fund balances	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>65,307</u>	 <u><u>\$ 65,307</u></u>
 Fund balance - beginning			 <u>170,980</u>	
 Fund balance - ending			 <u><u>\$ 236,287</u></u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Butner Safety District Special Revenue Fund
Year Ended June 30, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 17,289	\$ 17,289	\$ 17,180	\$ (109)
Investments	-	-	27	27
Total revenues	<u>17,289</u>	<u>17,289</u>	<u>17,207</u>	<u>(82)</u>
Expenditures				
Public safety	17,289	17,289	17,289	-
Total expenditures	<u>17,289</u>	<u>17,289</u>	<u>17,289</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(82)</u>	<u>(82)</u>
 Net change in fund balances	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>(82)</u></u>	 <u><u>\$ (82)</u></u>
 Fund balance - beginning			 <u>8,317</u>	
Fund balance - ending			 <u><u>\$ 8,235</u></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, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 703,904	\$ 703,904	\$ 696,613	\$ (7,291)
Investments	-	-	157	157
Total revenues	<u>703,904</u>	<u>703,904</u>	<u>696,770</u>	<u>(7,134)</u>
Expenditures				
Economic and physical development	703,904	782,076	782,076	-
Total expenditures	<u>703,904</u>	<u>782,076</u>	<u>782,076</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(78,172)</u>	<u>(85,306)</u>	<u>(7,134)</u>
Other financing sources (uses)				
Appropriated fund balance	-	78,172	-	(78,172)
Total other financing sources (uses)	<u>-</u>	<u>78,172</u>	<u>-</u>	<u>(78,172)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(85,306)</u>	<u>\$ (85,306)</u>
Fund balance - beginning			<u>91,280</u>	
Fund balance - ending			<u>\$ 5,974</u>	

ENTERPRISE FUND

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

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DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual -
(Non-GAAP Basis) Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 8,052,130	\$ 10,670,445	\$ 2,618,315
Expenditures:			
Operating	3,951,643	3,493,297	458,346
Repairs and maintenance	328,518	241,289	87,229
Excess (deficiency) of revenues over (under) expenditures	3,771,969	6,935,859	3,163,890
Other Financing Sources (Uses):			
Capital expenses	(223,827)	(8,224,313)	(8,000,486)
Debt service	(2,146,327)	(2,146,326)	1
Investment income	25,000	32,410	7,410
Sewer connection fees	210,900	495,416	284,516
Intergovernmental revenues	-	6,252,051	6,252,051
Transfers out	(321,920)	(321,920)	-
Total other financing sources (uses)	(2,456,174)	(3,912,682)	(1,456,508)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,315,795	3,023,177	1,707,382
Fund balance appropriated	(1,315,795)	-	(1,315,795)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,023,177</u>	<u>\$ 3,023,177</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2012**

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$ 3,023,177
RECONCILING ITEMS:	
Capital outlay	8,224,313
Capital contributions	8,000
Debt principal payments	1,319,830
Amortization of bond issuance costs	(23,022)
Decrease in accrued interest payable	7,181
Increase in accrued payroll	(6,774)
Increase in accrued vacation	(16,601)
Decrease in accrued interest receivable	(40,390)
Increase in accounts receivable	15,449
Depreciation	(694,299)
Amortization of bond premium	52,609
	<hr/>
CHANGE IN NET ASSETS (GAAP BASIS)	\$ 11,869,473
	<hr/> <hr/>

FIDUCIARY FUNDS

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

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012**

	<u>Child Support Trust Fund</u>	<u>Sheriff's Evidence Trust Fund</u>	<u>Jail Inmate Trust Fund</u>	<u>Sheriff's Trust Fund</u>	<u>State Treasurer Department of Motor Vehicles Fund</u>
Assets					
Cash and cash equivalents	\$ 145,321	\$ 343,072	\$ 78,985	\$ 46,908	\$ 29,615
Accounts receivable	-	-	-	-	-
Net taxes receivable	-	-	-	-	-
Total assets	<u>\$ 145,321</u>	<u>\$ 343,072</u>	<u>\$ 78,985</u>	<u>\$ 46,908</u>	<u>\$ 29,615</u>
Liabilities					
Funds held for others	\$ 145,321	\$ 343,072	\$ 78,985	\$ 46,908	\$ -
Due to governmental agencies	-	-	-	-	29,615
Total liabilities	<u>\$ 145,321</u>	<u>\$ 343,072</u>	<u>\$ 78,985</u>	<u>\$ 46,908</u>	<u>\$ 29,615</u>

Durham Public School Fund	Town of Chapel Hill Tax Fund	City of Durham Tax Fund	City of Raleigh Tax Fund	Town of Morrisville	Totals
\$ (49,663)	\$ 62,496	\$ 820,073	\$ 12,559	\$ 10,292	\$ 1,499,658
157,210	6,990	733,830	4,970	-	903,000
-	10,782	2,531,332	2,783	-	2,544,897
<u>\$ 107,547</u>	<u>\$ 80,268</u>	<u>\$ 4,085,235</u>	<u>\$ 20,312</u>	<u>\$ 10,292</u>	<u>\$ 4,947,555</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 614,286
107,547	80,268	4,085,235	20,312	10,292	4,333,269
<u>\$ 107,547</u>	<u>\$ 80,268</u>	<u>\$ 4,085,235</u>	<u>\$ 20,312</u>	<u>\$ 10,292</u>	<u>\$ 4,947,555</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2012**

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
<u>Child Support Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 133,159	\$ 1,126,259	\$ 1,114,097	\$ 145,321
Liabilities				
Funds held for others	\$ 133,159	\$ 1,126,259	\$ 1,114,097	\$ 145,321
<u>Sheriff's Evidence Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 324,343	\$ 89,073	\$ 70,344	\$ 343,072
Liabilities				
Funds held for others	\$ 324,343	\$ 89,073	\$ 70,344	\$ 343,072
<u>Jail Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 126,055	\$ 803,140	\$ 850,210	\$ 78,985
Liabilities				
Funds held for others	\$ 126,055	\$ 803,140	\$ 850,210	\$ 78,985
<u>Sheriff's Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 54,618	\$ 386,336	\$ 394,046	\$ 46,908
Liabilities				
Funds held for others	\$ 54,618	\$ 386,336	\$ 394,046	\$ 46,908
<u>State Treasurer DMV Fund</u>				
Assets				
Cash and cash equivalents	\$ 29,191	\$ 384,503	\$ 384,079	\$ 29,615
Liabilities				
Due to governmental agencies	\$ 29,191	\$ 384,503	\$ 384,079	\$ 29,615
<u>Durham Public School Fund</u>				
Assets				
Cash and cash equivalents	\$ 4,009,048	\$ 1,672,564	\$ 5,731,275	\$ (49,663)
Accounts receivable	274,740	1,337,185	1,454,715	157,210
Total assets	\$ 4,283,788	\$ 3,009,749	\$ 7,185,990	\$ 107,547
Liabilities				
Due to governmental agencies	\$ 4,283,788	\$ 3,009,749	\$ 7,185,990	\$ 107,547

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2012

	July 1, 2011	Additions	Deductions	June 30, 2012
<u>Town of Chapel Hill Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 66,282	\$ 2,652,454	\$ 2,656,240	\$ 62,496
Accounts receivable	-	41,277	34,287	6,990
Net taxes receivable	8,978	2,635,126	2,633,322	10,782
Total assets	<u>\$ 75,260</u>	<u>\$ 5,328,857</u>	<u>\$ 5,323,849</u>	<u>\$ 80,268</u>
Liabilities				
Due to governmental agencies	<u>\$ 75,260</u>	<u>\$ 5,328,857</u>	<u>\$ 5,323,849</u>	<u>\$ 80,268</u>
<u>City of Durham Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 579,667	\$ 132,213,719	\$ 131,973,313	\$ 820,073
Accounts receivable	-	2,770,848	2,037,018	733,830
Net taxes receivable	2,861,559	133,279,998	133,610,225	2,531,332
Total assets	<u>\$ 3,441,226</u>	<u>\$ 268,264,565</u>	<u>\$ 267,620,556</u>	<u>\$ 4,085,235</u>
Liabilities				
Due to governmental agencies	<u>\$ 3,441,226</u>	<u>\$ 268,264,565</u>	<u>\$ 267,620,556</u>	<u>\$ 4,085,235</u>
<u>City of Raleigh Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 12,013	\$ 578,229	\$ 577,683	\$ 12,559
Accounts receivable	-	28,560	23,590	4,970
Net taxes receivable	4,337	565,808	567,362	2,783
Total assets	<u>\$ 16,350</u>	<u>\$ 1,172,597</u>	<u>\$ 1,168,635</u>	<u>\$ 20,312</u>
Liabilities				
Due to governmental agencies	<u>\$ 16,350</u>	<u>\$ 1,172,597</u>	<u>\$ 1,168,635</u>	<u>\$ 20,312</u>
<u>Town of Morrisville</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 10,450	\$ 158	\$ 10,292
Net taxes receivable	-	10,440	10,440	-
Total assets	<u>\$ -</u>	<u>\$ 20,890</u>	<u>\$ 10,598</u>	<u>\$ 10,292</u>
Liabilities				
Due to governmental agencies	<u>\$ -</u>	<u>\$ 20,890</u>	<u>\$ 10,598</u>	<u>\$ 10,292</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 5,334,376	\$ 139,916,727	\$ 143,751,445	\$ 1,499,658
Accounts receivable	274,740	4,177,870	3,549,610	903,000
Net taxes receivable	2,874,874	136,491,372	136,821,349	2,544,897
Total assets	<u>\$ 8,483,990</u>	<u>\$ 280,585,969</u>	<u>\$ 284,122,404</u>	<u>\$ 4,947,555</u>
Liabilities				
Funds held for others	\$ 638,175	\$ 2,404,808	\$ 2,428,697	\$ 614,286
Due to governmental agencies	7,845,815	278,181,161	281,693,707	4,333,269
Total liabilities	<u>\$ 8,483,990</u>	<u>\$ 280,585,969</u>	<u>\$ 284,122,404</u>	<u>\$ 4,947,555</u>

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

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DURHAM COUNTY, NORTH CAROLINA

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity¹ as of June 30, 2012

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
General Government:					
County commissioners	\$ 948,128	\$ -	\$ -	\$ -	\$ -
Finance	3,435,726	-	-	-	-
Tax administration	3,351,918	-	-	-	24,345
County Attorney	12,380	-	-	-	-
Court facilities	14,441,523	-	-	14,441,523	-
Board of elections	25,850	-	-	-	-
Register of deeds	1,552,462	-	-	-	20,000
General services	126,221,606	4,790,491	-	120,196,663	51,217
Information Technology	12,340,524	-	-	-	1,530,253
Human resources	22,350	-	-	-	11,530
Total general government	162,352,467	4,790,491	-	134,638,186	1,637,345
Public Safety:					
Sheriff	49,634,344	1,398,962	-	39,455,838	219,120
County fire protection	682,430	-	-	384,060	6,744
Emergency Management	763,028	-	-	-	45,635
Animal control	3,859,828	-	-	3,259,400	20,704
Criminal Justice Partnership	915,036	-	-	844,521	-
Youth home	408,013	-	-	367,000	-
Emergency medical services	5,069,401	-	-	1,947,348	-
Total public safety	61,332,080	1,398,962	-	46,258,167	292,203
Environmental Protection:					
Environmental engineering	1,793,781	1,523,280	-	77,873	7,315
Open Space and Real Estate	1,999,515	647,751	1,351,764	-	-
Total Environmental Protection	3,793,296	2,171,031	1,351,764	77,873	7,315
Economic and Physical Development:					
Planning	6,500	6,500	-	-	-
Soil and Erosion	29,732	-	-	-	-
Total Economic and Physical Development	36,232	6,500	-	-	-
Human Services:					
Public health	732,563	-	-	-	14,283
Mental health	866,884	-	-	-	-
Social services	3,816,857	-	-	3,101,314	-
Other human services	447,566	-	-	-	-
Total human services	5,863,870	-	-	3,101,314	14,283

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ 948,128	\$ -	\$ -	\$ -	\$ -
43,381	-	-	3,392,345	-
85,310	9,473	261,244	2,971,546	-
-	12,380	-	-	-
-	-	-	-	-
25,850	-	-	-	-
-	166,864	-	1,365,598	-
512,867	19,055	642,563	8,750	-
133,904	9,777,102	-	899,265	-
-	10,820	-	-	-
<u>1,749,440</u>	<u>9,995,694</u>	<u>903,807</u>	<u>8,637,504</u>	<u>-</u>
1,094,356	215,558	5,575,470	1,675,040	-
24,811	-	200,726	66,089	-
504,242	5,336	130,815	77,000	-
124,917	-	416,784	38,023	-
-	-	70,515	-	-
-	-	41,013	-	-
690,574	18,230	1,830,104	583,145	-
<u>2,438,900</u>	<u>239,124</u>	<u>8,265,427</u>	<u>2,439,297</u>	<u>-</u>
21,195	-	164,118	-	-
-	-	-	-	-
<u>21,195</u>	<u>-</u>	<u>164,118</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	29,732	-	-
-	-	29,732	-	-
47,597	5,700	461,755	203,228	-
42,324	82,053	46,341	696,166	-
33,230	52,110	414,292	215,911	-
-	-	447,566	-	-
<u>123,151</u>	<u>139,863</u>	<u>1,369,954</u>	<u>1,115,305</u>	<u>-</u>

DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹ as of June 30, 2012**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
Education:					
Public school building	\$ 8,080,942	\$ -	\$ -	\$ 8,080,942	\$ -
Cultural and Recreational:					
Library	6,747,528	-	-	6,111,610	18,347
Capital Projects:					
Construction in progress	210,372,716	-	-	-	-
Total Capital Assets	\$ 458,579,131	\$ 8,366,984	\$ 1,351,764	\$ 198,268,092	\$ 1,969,493

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

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ -	\$ -	\$ -	\$ -	\$ -
77,859	-	165,936	373,776	-
-	-	-	-	210,372,716
<u>\$ 4,410,545</u>	<u>\$ 10,374,681</u>	<u>\$ 10,898,974</u>	<u>\$ 12,565,882</u>	<u>\$ 210,372,716</u>

DURHAM COUNTY, NORTH CAROLINA

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

Year Ended June 30, 2012

	Capital Assets July 1, 2011	Additions	Transfers and Deletions	Capital Assets June 30, 2012
General Government:				
Board of county commissioners	\$ -	\$ 948,128	\$ -	\$ 948,128
County manager	5,708	-	(5,708)	-
Finance	3,435,726	-	-	3,435,726
Tax administration	3,310,218	41,700	-	3,351,918
County attorney	12,380	-	-	12,380
Court facilities	14,018,073	423,450	-	14,441,523
Board of elections	34,407	-	(8,557)	25,850
Register of deeds	1,515,795	36,667	-	1,552,462
General services	125,218,569	1,003,037	-	126,221,606
Information Technology	11,101,545	2,694,486	(1,455,507)	12,340,524
Human Resources	28,057	-	(5,707)	22,350
Total general government	<u>158,680,478</u>	<u>5,147,468</u>	<u>(1,475,479)</u>	<u>162,352,467</u>
Public Safety:				
County sheriff	49,512,045	468,652	(346,353)	49,634,344
Fire marshal	716,739	13,511	-	730,250
Emergency management	389,903	325,305	-	715,208
Criminal justice partnership	915,036	-	-	915,036
Animal control	3,859,828	-	-	3,859,828
Youth home	408,013	-	-	408,013
Emergency medical services	4,772,683	424,109	(127,391)	5,069,401
Total public safety	<u>60,574,247</u>	<u>1,231,577</u>	<u>(473,744)</u>	<u>61,332,080</u>
Environmental Protection:				
Environmental engineering	270,501	1,523,280	-	1,793,781
Open Space	1,999,515	-	-	1,999,515
Total Environmental Protection	<u>2,270,016</u>	<u>1,523,280</u>	<u>-</u>	<u>3,793,296</u>

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

DURHAM COUNTY, NORTH CAROLINA

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

Year Ended June 30, 2012

	Capital Assets July 1, 2011	Additions	Transfers and Deletions	Capital Assets June 30, 2012
Economic and Physical Development:				
Cooperative extension	\$ 34,495	\$ -	\$ -	\$ 34,495
Planning	6,500	-	-	6,500
Soil and Erosion	29,732	-	-	29,732
Total Economic and Physical Development	<u>70,727</u>	<u>-</u>	<u>-</u>	<u>70,727</u>
Human Services:				
Public health	4,509,430	-	(3,776,867)	732,563
Mental health	936,935	118,871	(188,922)	866,884
Social services	11,942,871	51,506	(8,177,520)	3,816,857
Other human services	569,573	82,662	(239,164)	413,071
Total human services	<u>17,958,809</u>	<u>253,039</u>	<u>(12,382,473)</u>	<u>5,829,375</u>
Education:				
DPS Building	<u>8,080,942</u>	<u>-</u>	<u>-</u>	<u>8,080,942</u>
Cultural and Recreational:				
Library	<u>6,698,233</u>	<u>53,269</u>	<u>(3,974)</u>	<u>6,747,528</u>
Capital Projects:				
Construction in progress	<u>164,517,137</u>	<u>53,895,647</u>	<u>(8,040,068)</u>	<u>210,372,716</u>
Total Capital Assets	<u><u>\$ 418,850,589</u></u>	<u><u>\$ 62,104,280</u></u>	<u><u>\$ (22,375,738)</u></u>	<u><u>\$ 458,579,131</u></u>

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

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2012

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-11	Issued During Year	Adjusted During Year	Defeased During Year
General Long-Term Debt						
Bonded Debt:						
REFUNDING, SERIES 2001	4.25%-5.50%	2/15/01	\$ 9,700,000	\$ -	\$ -	\$ -
PUBLIC IMPROVEMENT, SERIES 2002A	3.25%-4.75%	1/1/02	6,100,000	-	-	5,550,000
PUBLIC IMPROVEMENT, SERIES 2002B	4.00%-5.00%	5/1/02	12,305,000	-	-	10,930,000
PUBLIC IMPROVEMENT,SERIES 2004A (2/3 Bonds)	4.00%-5.00%	5/1/04	2,400,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2004B	4.00%-5.00%	5/1/04	9,600,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2006A	4.00%-5.00%	5/1/06	4,250,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2006B	4.00%-5.00%	5/1/06	18,100,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2008A	3.50%-5.00%	5/1/08	10,900,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2008B	3.50%-5.00%	5/1/08	30,940,000	-	-	-
REFUNDING, SERIES 2009	2.00%-5.00%	11/3/09	43,155,846	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010A	2.00%-5.00%	11/10/10	25,980,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010B	3.51%-5.23%	11/10/10	34,020,000	-	-	-
REFUNDING, SERIES 2011	3.00%-5.00%	6/08/11	61,750,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2012	3.00%-5.00%	04/28/12	-	64,670,000	-	-
UNAMORTIZED LOSS ON REFUNDING			(9,866,800)	-	-	-
UNAMORTIZED BOND PREMIUM			15,500,538	8,485,350	-	-
Total Bonded Debt			<u>274,834,584</u>	<u>73,155,350</u>	<u>-</u>	<u>16,480,000</u>
Other Long-Term Debt						
Installment Purchase Agreements:						
Certificates of Participation						
COPs 2009 FIXED			61,850,000	-	-	-
COPs 2009 VARIABLE			55,985,000	-	-	55,985,000
COPs 2010 VARIABLE		03/31/10	57,667,889	30,463,915	-	-
LOBS 2012	2.00%-5.00%	03/29/12	-	63,780,000	-	-
UNAMORTIZED BOND PREMIUM			-	4,024,801	-	-
Total Certificates Of Participation			<u>175,502,889</u>	<u>98,268,716</u>	<u>-</u>	<u>55,985,000</u>
Other Financing Agreements						
Total Installment Purchase Agreements			<u>41,513,714</u>	<u>61,198,176</u>	<u>-</u>	<u>-</u>
Earned Vacation Pay			217,016,603	159,466,892	-	55,985,000
Net OPEB Obligation			6,583,827	-	4,266,919	-
Total Other Long-Term Debt			<u>30,285,163</u>	<u>159,466,892</u>	<u>11,748,099</u>	<u>55,985,000</u>
Total General Long-Term Debt			<u>\$ 528,720,177</u>	<u>\$ 232,622,242</u>	<u>\$ 11,748,099</u>	<u>\$ 72,465,000</u>

Due Fiscal Year 2011-2012		Amount Outstanding 6-30-12	Due Fiscal Year 2012 - 2013		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 7,305,000	\$ 533,500	\$ 2,395,000	\$ 2,395,000	\$ 131,725	\$ -
550,000	288,375	-	-	-	-
1,375,000	531,160	-	-	-	-
800,000	100,000	1,600,000	800,000	72,000	800,000
3,200,000	408,000	6,400,000	3,200,000	272,000	3,200,000
650,000	187,500	3,600,000	850,000	161,500	2,750,000
2,650,000	734,000	15,450,000	3,450,000	628,000	12,000,000
400,000	475,250	10,500,000	400,000	459,250	10,100,000
1,050,000	1,368,188	29,890,000	1,050,000	1,326,188	28,840,000
130,169	2,096,092	43,025,677	121,340	2,092,187	42,904,337
3,435,000	1,129,950	22,545,000	3,165,000	1,032,300	19,380,000
-	1,480,630	34,020,000	-	1,480,630	34,020,000
-	2,459,959	61,750,000	-	2,741,750	61,750,000
-	-	64,670,000	8,530,000	2,533,458	56,140,000
(843,277)	-	(9,023,523)	(843,277)	-	(8,180,246)
1,213,886	-	22,772,002	1,556,482	-	21,215,520
21,915,778	11,792,604	309,594,156	24,674,545	12,930,988	284,919,611
3,095,000	2,831,756	58,755,000	3,095,000	2,721,706	55,660,000
-	49,060	-	-	-	-
-	743,914	88,131,804	-	-	88,131,804
-	412,795	63,780,000	3,190,000	2,396,875	60,590,000
51,987	-	3,972,814	198,641	-	3,774,173
3,146,987	4,037,525	214,639,618	6,483,641	5,118,581	208,155,977
85,097,951	812,481	17,613,939	9,472,757	352,681	8,141,182
88,244,938	4,850,006	232,253,557	15,956,398	5,471,262	216,297,159
4,058,737	-	6,792,009	4,119,560	-	2,672,449
2,190,396	-	35,575,947	-	-	35,575,947
94,494,071	4,850,006	274,621,513	20,075,958	5,471,262	254,545,555
\$ 116,409,849	\$ 16,642,610	\$ 584,215,669	\$ 44,750,503	\$ 18,402,250	\$ 539,465,166

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2012 (continued)

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-11	Issued During Year	Adjusted During Year	Defeased During Year
Proprietary Debt						
Enterprise Fund:						
Revenue Bonds, Series 2003	3.00%-4.75%	12/1/02	\$ 14,440,000	\$ -	\$ -	\$ -
Refunding, Series 2009			3,479,154	-	-	-
Unamortized Loss on Refunding			(286,000)	-	-	-
Unamortized Bond Premium			965,690	-	-	-
Total Enterprise Fund Bonded Debt			<u>18,598,844</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earned Vacation Pay			77,170	-	56,714	-
Total Proprietary Debt			<u>\$ 18,676,014</u>	<u>\$ -</u>	<u>\$ 56,714</u>	<u>\$ -</u>
Total General Long-Term and Proprietary Debt			<u>\$ 547,396,191</u>	<u>\$ 232,622,242</u>	<u>\$ 11,804,813</u>	<u>\$ 72,465,000</u>

Due Fiscal Year 2011-2012		Amount Outstanding 6-30-12	Due Fiscal Year 2012-2013		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 580,000	\$ 682,408	\$ 13,860,000	\$ 605,000	\$ 660,658	\$ 13,255,000
739,831	138,708	2,739,323	723,660	116,513	2,015,663
(47,667)	-	(238,333)	(47,667)	-	(190,666)
100,275	-	865,415	100,275	-	765,140
<u>1,372,439</u>	<u>821,116</u>	<u>17,226,405</u>	<u>1,381,268</u>	<u>777,171</u>	<u>15,845,137</u>
40,113	-	93,771	36,114	-	57,657
<u>\$ 1,412,552</u>	<u>\$ 821,116</u>	<u>\$ 17,320,176</u>	<u>\$ 1,417,382</u>	<u>\$ 777,171</u>	<u>\$ 15,902,794</u>
<u>\$ 117,822,401</u>	<u>\$ 17,463,726</u>	<u>\$ 601,535,845</u>	<u>\$ 46,167,885</u>	<u>\$ 19,179,421</u>	<u>\$ 555,367,960</u>

DURHAM COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy Fiscal Year Ended June 30, 2012

Property Valuations	
Real property	\$ 24,580,465,174
Personal property	3,166,306,877
Public service	471,720,126
DMV-registered vehicles	<u>1,623,871,164</u>
Total subject to tax	<u>\$ 29,842,363,341</u>
Real property/personal property/corporate excess levy	\$ 332,570,361
DMV -registered vehicles levy	<u>20,467,882</u>
Gross Levy	\$ 353,038,243
Abatements/discoveries	<u>3,837,833</u>
Net Levy	356,876,076
Uncollected at June 30, 2012	<u>(4,171,964)</u>
Current year taxes collected	<u>\$ 352,704,112</u>
Percent of current taxes collected	<u>98.83%</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, 2012**

Year of Levy	Uncollected Balance July 1, 2011	Current Year Gross Levy	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2012
2011	\$ -	\$ 353,038,243	\$ 352,704,112	\$ 3,837,833	\$ 4,171,964
2010	4,299,768	-	2,398,238	(746,959)	1,154,571
2009	1,071,158	-	298,595	(295,968)	476,595
2008	685,372	-	70,580	(361,328)	253,464
2007	160,456	-	27,470	(33,055)	99,931
2006	111,139	-	8,641	(28,103)	74,395
2005 and prior	494,064	-	30,630	(138,792)	324,642
	<u>\$ 6,821,957</u>	<u>\$ 353,038,243</u>	<u>\$ 355,538,266</u>	<u>\$ 2,233,628</u>	<u>6,555,562</u>

Less allowance for uncollectible ad valorem taxes receivable (17,022)

Ad valorem taxes receivable (net) \$ 6,538,540

Receivable by fund, net:

General Fund	\$ 3,682,255	
Capital financing	<u>311,388</u>	
General Fund		3,993,643
City of Durham	2,531,332	
City of Chapel Hill	10,782	
City of Raleigh	2,783	
Town of Morrisville	<u>-</u>	
Agency funds		<u>2,544,897</u>
		<u>\$ 6,538,540</u>

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

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable by Levy Year
June 30, 2012**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections</u>	<u>Abatements/ Discoveries</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 353,038,243	\$ 352,704,112	\$ 3,837,833	\$ 4,171,964
2010-2011	4,299,768	-	2,398,238	(746,959)	1,154,571
2009-2010	1,071,158	-	298,595	(295,968)	476,595
2008-2009	685,372	-	70,580	(361,328)	253,464
2007-2008	160,456	-	27,470	(33,055)	99,931
2006-2007	111,139	-	8,641	(28,103)	74,395
2005 and prior	494,064	-	30,630	(138,792)	324,642
	<u>\$ 6,821,957</u>	<u>\$ 353,038,243</u>	<u>\$ 355,538,266</u>	<u>\$ 2,233,628</u>	<u>6,555,562</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(17,022)</u>
Ad valorem taxes receivable (net)					<u>\$ 6,538,540</u>
Reconciliation with revenues:					
Taxes - ad valorem - governmental funds					\$ 223,438,460
Taxes - ad valorem - agency funds					<u>132,099,806</u>
Total collections and credits					<u>\$ 355,538,266</u>

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

STATISTICAL SECTION

FINANCIAL TRENDS INFORMATON

Schedule of Net Assets by Component

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

Schedule of Changes in Net Assets

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

Schedule of Fund Balances, Governmental Funds

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

Schedule of Changes in Fund Balances of Governmental Funds

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

Government-wide Expenses by Function

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

Government-wide Revenues

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

General Government Expenditures by Function

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

General Government Revenues by Source

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

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DURHAM COUNTY, NORTH CAROLINA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 81,285,449	\$ 33,692,576	\$ 58,793,546	\$ 63,614,759	\$ 80,186,886	\$ 126,736,015	\$ 50,531,593	\$ 34,361,023	\$ 70,418,094	\$ 20,244,058
Restricted	89,125,786	123,921,275	99,001,424	130,208,539	110,473,407	148,287,555	268,604,489	176,971,865	122,052,513	95,772,487
Unrestricted	(106,065,161)	(94,155,080)	(79,696,301)	(98,865,832)	(82,503,842)	(134,159,338)	(197,614,990)	(141,958,766)	(159,248,940)	(109,675,884)
Total governmental activities net assets	<u>\$ 64,346,074</u>	<u>\$ 63,458,771</u>	<u>\$ 78,098,669</u>	<u>\$ 94,957,466</u>	<u>\$ 108,156,451</u>	<u>\$ 140,864,232</u>	<u>\$ 121,521,092</u>	<u>\$ 69,374,122</u>	<u>\$ 33,221,667</u>	<u>\$ 6,340,661</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 19,525,232	\$ 13,063,666	\$ 20,812,310	\$ 24,680,549	\$ 27,357,125	\$ 28,475,844	\$ 31,884,317	\$ 34,304,997	\$ 37,969,224	\$ 46,827,067
Restricted	20,662,536	4,307,582	750,592	963,121	2,180,110	6,217,552	6,263,697	6,303,037	7,635,822	8,650,213
Unrestricted	(11,511,169)	13,933,360	10,471,031	10,636,796	10,104,513	8,481,270	8,850,009	10,980,746	13,012,822	15,010,061
Total business-type activities net assets	<u>\$ 28,676,599</u>	<u>\$ 31,304,608</u>	<u>\$ 32,033,933</u>	<u>\$ 36,280,466</u>	<u>\$ 39,641,748</u>	<u>\$ 43,174,666</u>	<u>\$ 46,998,023</u>	<u>\$ 51,588,780</u>	<u>\$ 58,617,868</u>	<u>\$ 70,487,341</u>
Primary government										
Invested in capital assets, net of related debt	\$100,810,681	\$ 46,756,242	\$ 79,605,856	\$ 88,295,308	\$ 107,544,011	\$ 155,211,859	\$ 82,415,910	\$ 68,666,020	\$ 108,387,318	\$ 67,071,125
Restricted	109,788,322	128,228,857	99,752,016	131,171,660	112,653,517	154,505,107	274,868,186	183,274,902	129,688,335	104,422,700
Unrestricted	(117,576,330)	(80,221,720)	(69,225,270)	(88,229,036)	(72,399,329)	(125,678,068)	(188,764,981)	(130,978,020)	(146,236,118)	(94,665,823)
Total primary government net assets	<u>\$ 93,022,673</u>	<u>\$ 94,763,379</u>	<u>\$ 110,132,602</u>	<u>\$ 131,237,932</u>	<u>\$ 147,798,199</u>	<u>\$ 184,038,898</u>	<u>\$ 168,519,115</u>	<u>\$ 120,962,902</u>	<u>\$ 91,839,535</u>	<u>\$ 76,828,002</u>

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

DURHAM COUNTY, NORTH CAROLINA

Changes in Net Assets
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 22,243,167	\$ 26,032,334	\$ 26,351,619	\$ 28,142,742	\$ 61,082,121	\$ 53,369,519	\$ 47,393,464	\$ 12,365,748	\$ 45,989,651	\$ 50,482,000
Public safety	40,084,513	40,967,085	45,099,164	52,182,047	49,069,987	51,025,747	52,889,080	55,255,454	53,964,797	54,806,448
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Economic and physical development	3,564,266	2,478,868	2,243,791	3,246,027	10,262,137	4,483,362	6,746,267	28,751,080	5,272,311	4,616,413
Environmental protection	2,114,239	2,288,155	2,760,078	2,817,714	3,022,401	3,261,121	3,800,698	2,456,029	3,542,985	3,694,850
Human services	293,265,929	302,529,857	341,183,062	344,328,289	371,034,045	405,376,336	437,677,600	108,607,392	109,093,936	115,743,251
Education	84,594,783	104,597,540	104,106,885	105,485,526	106,234,157	117,349,760	143,520,618	176,005,516	185,533,592	159,834,958
Cultural and recreational	7,366,833	7,089,954	7,375,565	11,569,884	12,136,121	10,909,020	11,998,176	25,220,574	12,510,214	12,075,639
Nondepartmental	9,674,739	10,644,972	11,197,360	15,342,913	-	-	-	-	-	-
Interest and fiscal charges	13,819,722	12,845,931	16,740,531	11,422,405	15,535,909	14,218,611	14,785,542	11,499,010	17,368,443	17,226,788
Total governmental activities	476,740,691	509,487,196	557,070,555	574,550,047	628,389,378	660,005,976	718,823,945	420,173,303	433,288,429	418,492,847
Business-type activities:										
Sewer utility	3,989,544	4,111,848	5,306,714	4,210,944	5,124,493	5,870,964	5,277,448	5,061,620	5,356,000	5,563,907
Total primary government expenses	480,730,235	513,599,044	562,377,269	578,760,991	633,513,871	665,876,940	724,101,393	425,234,923	438,644,429	424,056,754
Program Revenues										
Governmental activities:										
Charges for services:										
General government	6,450,886	6,556,766	7,419,425	8,427,778	8,787,807	9,670,581	8,052,809	8,835,568	8,399,578	9,276,517
Public safety	6,327,314	6,317,160	7,100,689	7,958,685	9,458,116	9,205,688	(272,050)	7,062,164	6,608,128	7,873,528
Transportation	547	2,619	15,323	-	-	-	-	-	-	-
Economic and physical development	-	-	10,588	10,588	5,956	15,523	25,867	47,284	21,352	13,564
Environmental protection	1,516,759	1,414,760	5,824,811	7,183,222	2,858,342	2,652,468	2,279,440	2,464,213	2,228,883	2,095,494
Human services	26,754,479	21,653,068	28,870,290	27,649,080	4,470,817	6,478,384	4,895,166	4,804,562	4,890,085	4,580,101
Cultural and recreational	232,807	56,264	279,545	260,841	289,708	233,515	236,530	234,076	270,157	284,754
Nondepartmental	-	500	-	-	-	-	-	-	-	-
Operating grants and contributions:										
General government	688,942	2,963,721	2,463,328	2,590,512	2,505,275	2,240,883	1,795,706	3,160,839	3,524,446	3,349,194
Public safety	1,573,012	2,356,010	2,148,442	3,231,746	4,262,803	2,604,222	4,970,328	5,445,725	4,522,824	4,544,100
Economic and physical development	149,967	405,071	380,608	440,969	551,745	711,079	1,685,798	1,453,149	1,086,038	857,200
Environmental protection	135,144	67,061	-	-	-	10,476	45,221	45,083	41,268	103,703
Human services	235,311,976	245,224,200	273,354,673	275,404,044	328,749,307	352,332,661	390,413,674	69,803,505	66,461,771	70,908,533
Cultural and recreational	483,422	290,522	250,378	386,952	297,356	263,204	362,201	322,150	268,013	246,509
Nondepartmental	148,530	-	-	-	-	-	-	-	-	-
Capital grants and contributions:										
General government	1,135,008	88,764	416,024	-	45,271	113,804	5,319,847	1,000,000	6,079,370	1,213,509
Public safety	5,481	-	24,580	-	-	-	-	-	-	-
Environmental protection	-	-	-	335,000	419,511	500,000	501,087	250,691	1,390,353	3,191,675
Education	236,944	-	140,637	2,565,712	8,083,680	26,352,299	13,481,375	1,063,268	1,086,766	172,946
Nondepartmental	-	199,796	-	-	-	-	-	-	-	-
Total governmental activities program revenues	281,151,218	287,596,282	328,699,341	336,445,129	370,785,694	413,384,787	433,792,999	105,992,277	106,879,032	108,711,327
Business-type activities:										
Charges for services: sewer utility	5,255,807	4,693,790	5,376,090	7,650,033	7,848,710	8,333,612	8,595,153	9,563,353	10,594,336	11,181,310
Capital grants and contributions: sewer utility	-	1,824,929	-	159,600	-	126,416	164,857	32,330	1,784,691	6,260,051
Total business-type activities program revenues	5,255,807	6,518,719	5,376,090	7,809,633	7,848,710	8,460,028	8,760,010	9,595,683	12,379,027	17,441,361
Total primary government program revenues	286,407,025	294,115,001	334,075,431	344,254,762	378,634,404	421,844,815	442,553,009	115,587,960	119,258,059	126,152,688

DURHAM COUNTY, NORTH CAROLINA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental activities	\$ (195,589,473)	\$ (221,890,914)	\$ (228,371,214)	\$ (238,104,918)	\$ (257,603,684)	\$ (246,621,189)	\$ (285,030,946)	\$ (314,181,026)	\$ (326,409,397)	\$ (309,781,520)
Business-type activities	1,266,263	2,406,871	69,376	3,598,689	2,724,217	2,589,064	3,482,562	4,534,063	7,023,027	11,877,454
Total primary government net expense	<u>(194,323,210)</u>	<u>(219,484,043)</u>	<u>(228,301,838)</u>	<u>(234,506,229)</u>	<u>(254,879,467)</u>	<u>(244,032,125)</u>	<u>(281,548,384)</u>	<u>(309,646,963)</u>	<u>(319,386,370)</u>	<u>(297,904,066)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	148,605,604	154,787,435	165,038,984	174,904,779	180,257,334	197,270,197	204,580,914	208,903,551	222,573,221	224,187,284
Property taxes, levied for fire districts	3,764,099	3,664,756	3,739,469	3,985,570	4,067,755	4,857,931	5,461,784	5,664,512	5,669,812	5,803,682
Property taxes, levied for other districts purposes	-	-	324,597	327,758	323,940	671,192	656,807	714,072	723,815	713,502
Local option sales tax	36,706,957	42,455,992	45,384,056	49,624,207	55,347,250	56,069,488	47,108,208	41,675,831	44,546,245	51,371,060
Occupancy tax	1,877,939	2,858,358	2,433,608	2,210,411	2,466,816	2,640,307	2,211,214	1,932,872	2,116,103	2,246,761
Animal tax	245,689	466,748	482,165	443,996	437,639	405,546	938,241	907,395	1,184,766	915,504
Gross receipts tax	182,933	200,066	185,738	199,465	204,714	220,678	230,687	329,430	333,207	345,126
Other taxes	45	1,626	-	-	-	-	-	-	-	-
Investments	6,039,156	3,602,549	9,320,860	10,141,571	13,321,460	7,650,534	3,123,327	3,216,562	7,335,369	9,886,557
Licenses and permits	-	2,009,911	-	-	-	-	-	-	-	-
Other revenues	10,950,845	10,762,996	11,139,896	12,923,685	14,127,991	813,880	1,096,491	1,047,400	5,774,404	8,604,913
Amortization of bond premium	191,044	193,174	193,174	202,273	247,770	251,141	280,133	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>208,564,311</u>	<u>221,003,611</u>	<u>238,242,547</u>	<u>254,963,715</u>	<u>270,802,669</u>	<u>270,850,894</u>	<u>265,687,806</u>	<u>264,391,625</u>	<u>290,256,942</u>	<u>304,074,389</u>
Business-type activities:										
Investment and rental income	351,858	166,107	626,115	611,070	603,131	847,304	306,961	52,902	5,121	(7,981)
Other revenues	82,886	-	-	2,940	100	62,716	-	3,792	940	-
Amortization of bond premium	43,030	55,031	33,834	33,834	33,834	33,834	33,834	-	-	-
Total business-type activities	<u>477,774</u>	<u>221,138</u>	<u>659,949</u>	<u>647,844</u>	<u>637,065</u>	<u>943,854</u>	<u>340,795</u>	<u>56,694</u>	<u>6,061</u>	<u>(7,981)</u>
Total primary government	<u>209,042,085</u>	<u>221,224,749</u>	<u>238,902,496</u>	<u>255,611,559</u>	<u>271,439,734</u>	<u>271,794,748</u>	<u>266,028,601</u>	<u>264,448,319</u>	<u>290,263,003</u>	<u>304,066,408</u>
Change in Net Assets										
Government activities	12,974,838	(887,303)	9,871,333	16,858,797	13,198,985	24,229,705	(19,343,140)	(49,789,401)	(36,152,455)	(5,707,131)
Business-type activities	1,744,037	2,628,009	729,325	4,246,533	3,361,282	3,532,918	3,823,357	4,590,757	7,029,088	11,869,473
Total primary government	<u>\$ 14,718,875</u>	<u>\$ 1,740,706</u>	<u>\$ 10,600,658</u>	<u>\$ 21,105,330</u>	<u>\$ 16,560,267</u>	<u>\$ 27,762,623</u>	<u>\$ (15,519,783)</u>	<u>\$ (45,198,644)</u>	<u>\$ (29,123,367)</u>	<u>\$ 6,162,342</u>

Notes:

- (1) Investment and rental income were combined and reported until Fiscal Year 2007. Therefore, the amounts in "Investments" for Fiscal Years 2002 through 2006 represent both investments and rental income. As of Fiscal Year 2007, rental income is reported as program revenue of the function that generates the revenue.
- (2) As of Fiscal Year 2007, the County no longer reports "Nondepartmental" revenues and expenses. These revenues and expenses are now reported in the function they pertain to, general government.
- (3) As of Fiscal Year 2010, the amortization of the bond premium is no longer reported under "General Revenues and Other Changes in Net Assets" but rather as a component of interest and fiscal charges expense.

DURHAM COUNTY, NORTH CAROLINA

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

June 30	General Fund						All Other Governmental Funds						All Governmental Funds Total
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Total
2012	\$ 1,055,346	\$ 30,431,788	\$ 47,694,892	\$ 11,612,648	\$ 45,477,059	\$ 136,271,733	\$ -	\$ 21,048,123	\$ -	\$ 46,976,875	\$ -	\$ 68,024,998	\$ 204,296,731
2011	869,092	25,392,181	33,904,565	8,148,653	49,205,996	117,520,487	-	33,189,054	-	51,139,509	-	84,328,563	201,849,050
2010	810,373	27,702,979	26,675,483	6,203,505	40,241,722	101,634,062	-	41,636,490	-	76,976,301	-	118,612,791	220,246,853
2009	790,316	27,353,153	18,151,896	7,592,000	38,300,379	92,187,744	33,922	82,039,274	-	93,713,294	-	175,786,490	267,974,234
2008	802,015	32,479,932	12,053,302	17,548,466	32,229,265	95,112,980	-	20,341,463	-	98,329,236	-	118,670,699	213,783,679
2007	767,010	27,586,231	12,865,309	19,209,735	32,375,511	92,803,796	-	333,754	-	105,117,653	-	105,451,407	198,255,203
2006	677,533	25,557,710	4,912,289	14,232,400	29,881,008	75,260,940	-	1,108,764	-	130,877,671	-	131,986,435	207,247,375
2005	469,045	31,151,323	4,547,678	14,990,000	16,378,545	67,536,591	-	2,742,602	-	90,120,604	-	92,863,206	160,399,797
2004	402,514	19,738,232	5,971,776	10,800,000	24,545,532	61,458,054	-	917,602	-	119,490,443	-	120,408,045	181,866,099
2003	278,270	20,909,356	6,321,324	11,735,181	17,664,227	56,908,358	-	400,199	-	84,289,842	-	84,690,041	141,598,399

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**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues										
Taxes	\$ 192,658,421	\$ 205,017,041	\$ 217,778,065	\$ 231,888,087	\$ 243,726,551	\$ 262,694,951	\$ 259,542,906	\$ 260,158,664	\$ 277,130,082	\$ 285,218,594
Licenses and permits	1,119,485	2,009,911	4,065,033	5,312,774	880,944	1,049,599	744,881	688,093	703,439	794,976
Intergovernmental	79,702,427	80,584,148	92,975,384	97,702,568	126,958,857	132,739,075	129,353,073	82,439,834	84,463,129	84,587,369
Investments	5,553,022	3,901,835	9,297,592	10,073,093	12,776,308	7,764,319	3,039,158	5,021,717	3,617,037	2,543,564
Rent	-	-	-	-	1,985,592	2,088,862	607,818	507,071	555,648	591,285
Charges for services	39,587,391	36,366,056	43,684,623	44,676,761	21,906,991	23,815,640	20,891,632	22,062,286	21,226,569	22,667,005
Other revenues	9,831,360	10,762,996	11,139,896	12,923,685	14,127,991	659,642	943,020	753,316	5,519,764	8,282,993
Total revenues	<u>328,452,106</u>	<u>338,641,987</u>	<u>378,940,593</u>	<u>402,576,968</u>	<u>422,363,234</u>	<u>430,812,088</u>	<u>415,122,488</u>	<u>371,630,981</u>	<u>393,215,668</u>	<u>404,685,786</u>
Expenditures										
General government	20,016,132	23,770,689	24,030,548	25,873,688	53,083,781	40,055,970	43,642,897	47,288,312	85,546,409	74,378,948
Public safety	37,431,865	38,777,865	42,812,116	45,997,598	48,084,025	49,037,837	51,260,744	51,139,790	52,050,280	53,832,256
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Economic and physical development	2,519,859	3,073,701	2,986,331	2,725,118	3,250,610	4,468,630	6,726,068	5,378,982	5,158,399	4,606,868
Environmental protection	2,091,867	2,193,159	2,403,268	2,821,303	2,991,804	10,742,700	8,853,660	30,505,276	26,494,114	20,700,688
Human services	134,196,935	132,033,272	155,505,806	158,201,370	156,237,699	172,690,598	162,360,553	107,552,239	108,524,800	109,066,287
Education	75,984,462	78,662,943	83,044,943	89,560,342	96,175,984	135,475,191	154,707,374	143,481,659	185,338,838	159,632,934
Cultural and recreational	7,175,210	7,194,385	7,492,517	8,188,661	9,894,487	11,508,607	14,618,455	20,714,654	13,687,066	12,032,600
Nondepartmental	9,925,637	10,644,972	11,197,360	15,342,913	-	-	-	-	-	-
Capital projects	12,412,245	47,982,843	41,033,820	37,337,665	23,050,573	-	-	-	-	-
Debt service:										
Principal retirement	17,771,809	19,061,212	21,476,140	23,163,537	25,140,527	25,249,056	27,266,955	25,431,125	53,158,145	109,738,119
Interest and fiscal charges	11,652,366	11,428,032	13,440,112	12,771,432	14,362,230	13,257,396	14,376,279	16,568,325	16,477,835	17,434,904
Debt issuance costs	-	-	-	-	123,167	83,939	1,546,769	994,584	1,060,066	1,115,755
Amortization of lease discount	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	-	-	-	-
Total expenditures	<u>332,340,887</u>	<u>375,985,573</u>	<u>406,585,461</u>	<u>423,146,127</u>	<u>433,557,387</u>	<u>463,732,424</u>	<u>485,372,254</u>	<u>449,067,446</u>	<u>547,508,452</u>	<u>562,551,859</u>
Excess of revenues over (under) expenditures	<u>(3,888,781)</u>	<u>(37,343,586)</u>	<u>(27,644,868)</u>	<u>(20,569,159)</u>	<u>(11,194,153)</u>	<u>(32,920,336)</u>	<u>(70,249,766)</u>	<u>(77,436,465)</u>	<u>(154,292,784)</u>	<u>(157,866,073)</u>
Other Financing Sources (Uses)										
Transfers in	33,158,516	34,705,447	39,523,513	43,462,928	49,535,192	54,831,910	50,509,388	52,852,625	52,214,136	114,501,549
Transfers out	(32,801,332)	(34,455,445)	(39,523,513)	(43,462,928)	(49,493,211)	(54,677,672)	(50,349,388)	(52,558,541)	(51,959,497)	(114,179,629)
Costs on issuance of debt	-	(193,744)	-	(1,000)	-	-	-	-	-	-
Premium on issuance of debt	-	42,591	-	982,737	-	404,574	1,207,038	-	3,738,451	7,299,951
Issuance of bonds	-	57,200,000	-	60,605,000	-	46,190,000	-	-	60,000,000	49,105,000
Refunding bond proceeds	-	-	-	-	-	-	-	49,171,920	71,955,824	73,276,601
Payment to refunded debt escrow agent	-	-	-	-	-	-	-	(48,776,331)	(71,425,002)	(72,630,409)
Issuance of installment purchases	-	21,027,000	1,410,000	5,830,000	2,160,000	1,700,000	123,073,283	29,019,411	71,371,069	102,940,691
Total other financing sources (uses)	357,184	78,325,849	1,410,000	67,416,737	2,201,981	48,448,812	124,440,321	29,709,084	135,894,981	160,313,754
Net change in fund balances	<u>\$ (3,531,597)</u>	<u>\$ 40,982,263</u>	<u>\$ (26,234,868)</u>	<u>\$ 46,847,578</u>	<u>\$ (8,992,172)</u>	<u>\$ 15,528,476</u>	<u>\$ 54,190,555</u>	<u>\$ (47,727,381)</u>	<u>\$ (18,397,803)</u>	<u>\$ 2,447,681</u>
Debt service as a percentage of noncapital expenditures	9.32%	8.96%	9.35%	9.20%	9.75%	9.69%	9.80%	9.95%	15.00%	24.92%

Notes:

- (1) Investment and rental income were combined and reported until Fiscal Year 2007. Therefore, the amounts in "Investments" for Fiscal Years 2002 through 2006 represent both investments and rental income.
- (2) As of Fiscal Year 2007, the County no longer reports "Nondepartmental" expenditures. These expenditures are now reported in general government.
- (3) As of Fiscal Year 2008, the County no longer reports "Capital project" expenditures separately in one line item. These expenditures are now reported in the functional areas they pertain to.

DURHAM COUNTY, NORTH CAROLINA

Government-wide Expenses by Function Last Ten Fiscal Years

Fiscal Year Ended	General Government	Public Safety	Transportation	Economic and Physical Development	Environmental Protection	Human Services
2003	\$ 22,243,167	\$ 40,084,513	\$ 12,500	\$ 3,564,266	\$ 2,114,239	\$ 293,265,929
2004	26,032,334	40,967,085	12,500	2,478,868	2,288,155	302,529,857
2005	26,351,619	45,099,164	12,500	2,243,791	2,760,078	341,183,062
2006	28,142,742	52,182,047	12,500	3,246,027	2,817,714	344,328,289
2007	61,082,121	49,069,987	12,500	10,262,137	3,022,401	371,034,045
2008	53,369,519	51,025,747	12,500	4,483,362	3,261,121	405,376,336
2009	47,393,464	52,889,080	12,500	6,746,267	3,800,698	437,677,600
2010	12,365,748	55,255,454	12,500	28,751,080	2,456,029	108,607,392
2011	45,989,651	53,964,797	12,500	5,272,311	3,542,985	109,093,936
2012	50,482,000	54,806,448	12,500	4,616,413	3,694,850	115,743,251

Notes:

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

Education	Cultural and Recreational	Nondepartmental Charges	Interest and Fiscal Charges	Sewer Utility	Total
\$ 84,594,783	\$ 7,366,833	\$ 9,674,739	\$ 13,819,722	\$ 3,989,544	\$ 480,730,235
104,597,540	7,089,954	10,644,972	12,845,931	4,111,848	513,599,044
104,106,885	7,375,565	11,197,360	16,740,531	5,306,714	562,377,269
105,485,526	11,569,884	15,342,913	11,422,405	4,210,944	578,760,991
106,234,157	12,136,121	-	15,535,909	5,124,493	633,513,871
117,349,760	10,909,020	-	14,218,611	5,870,964	665,876,940
143,520,618	11,998,176	-	14,785,542	5,277,448	724,101,393
176,005,516	25,220,574	-	11,499,010	5,061,620	425,234,923
185,533,592	12,510,214	-	17,368,443	5,356,000	438,644,429
159,834,958	12,075,639	-	17,226,788	5,563,907	424,056,754

DURHAM COUNTY, NORTH CAROLINA

Government-wide Revenues Last Ten Fiscal Years

Fiscal Year Ended	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment and Rental Income
2003	\$ 46,538,599	\$ 238,490,993	\$ 1,377,433	\$ 191,383,266	\$ 6,391,014
2004	40,694,927	251,306,585	288,560	204,434,981	3,768,656
2005	54,896,761	278,597,429	581,241	217,588,617	9,946,975
2006	59,140,227	282,054,223	3,060,312	231,696,186	10,752,641
2007	33,719,456	336,366,486	6,204,903	243,105,448	-
2008	36,589,771	358,162,525	27,092,519	262,135,339	-
2009	23,812,915	399,272,928	19,467,166	261,187,855	-
2010	33,011,220	80,230,451	2,346,289	260,127,663	-
2011	33,012,519	75,904,360	10,341,180	277,147,169	-
2012	35,305,268	80,009,239	10,838,181	285,582,919	-

Notes:

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

Investment and Interest Income	Licenses and Permits	Other Revenues	Amortization of Bond Premium	Total
\$ -	\$ -	\$ 11,033,731	\$ 234,074	\$ 495,449,110
-	2,009,911	10,762,996	248,205	513,514,821
-	-	11,139,896	227,008	572,977,927
-	-	12,926,625	236,107	599,866,321
13,924,591	-	14,128,091	281,604	647,730,579
8,497,838	-	876,596	284,975	693,639,563
3,430,288	-	1,096,491	313,967	708,581,610
3,269,464	-	1,051,192	-	380,036,279
7,340,490	-	5,775,344	-	409,521,062
9,878,576	-	8,604,913	-	430,219,096

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	General Government	Public Safety	Transportation	Environmental Protection	Education	Human Services
2003	\$ 20,016,132	\$ 37,431,865	\$ 12,500	\$ 2,091,867	\$ 75,984,462	\$ 134,196,935
2004	23,770,689	38,777,865	12,500	2,193,159	78,662,943	132,033,272
2005	24,030,548	42,812,116	12,500	2,403,268	83,044,943	155,505,806
2006	25,873,688	45,997,598	12,500	2,821,303	89,560,342	158,201,370
2007	53,083,781	48,084,025	12,500	2,991,804	96,175,984	156,237,699
2008	40,055,970	49,037,837	12,500	10,742,700	135,475,191	172,690,598
2009	43,642,897	51,260,744	12,500	8,853,660	154,707,374	162,360,553
2010	47,288,312	51,139,790	12,500	30,505,276	143,481,659	107,552,239
2011	85,546,409	52,050,280	12,500	26,494,114	185,338,838	108,524,800
2012	74,378,948	53,832,256	12,500	20,700,688	159,632,934	109,066,287

Notes:

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

Economic and Physical Development	Non- Departmental Charges	Cultural and Recreational	General Debt Service	Capital Projects	Total
\$ 2,519,859	\$ 9,925,637	\$ 7,175,210	\$ 30,574,175	\$ 12,412,245	\$ 332,340,887
3,073,701	10,644,972	7,194,385	31,639,244	48,176,587	376,179,317
2,986,331	11,197,360	7,492,517	36,066,252	41,033,820	406,585,461
2,725,118	15,342,913	8,188,661	37,084,969	37,337,665	423,146,127
3,250,610	-	9,894,487	40,775,924	23,050,573	433,557,387
4,468,630	-	11,508,607	39,740,391	-	463,732,424
6,726,068	-	14,618,455	43,190,003	-	485,372,254
5,378,982	-	20,714,654	42,994,034	-	449,067,446
5,158,399	-	13,687,066	70,696,046	-	547,508,452
4,606,868	-	12,032,600	128,288,778	-	562,551,859

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	General Property Taxes	Other Local Taxes	Licenses and Permits	Intergovernmental Revenues
2003	\$ 149,783,663	\$ 42,874,758	\$ 1,119,485	\$ 79,702,427
2004	155,278,002	49,739,039	2,009,911	80,584,148
2005	165,160,775	52,617,290	4,065,033	92,975,384
2006	175,025,932	56,862,155	5,312,774	97,702,568
2007	180,787,796	62,938,755	880,944	126,958,857
2008	197,270,197	65,424,754	1,049,599	132,739,075
2009	203,361,955	56,180,951	744,881	129,353,073
2010	209,175,709	50,982,955	688,093	82,439,834
2011	223,069,172	54,060,910	703,439	84,463,129
2012	223,996,640	61,221,954	794,976	84,587,369

Notes:

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

Rental Income	Investment Income	Charges for Services	Other Revenues	Total
\$ -	\$ 5,553,022	\$ 39,587,391	\$ 9,831,360	\$ 328,452,106
-	3,901,835	36,366,056	10,762,996	338,641,987
-	9,297,592	43,684,623	11,139,896	378,940,593
-	10,073,095	44,676,760	12,923,685	402,576,969
1,985,592	12,776,308	21,906,991	14,127,991	422,363,234
2,088,862	7,764,319	23,815,640	659,642	430,812,088
607,818	3,039,158	20,891,632	943,020	415,122,488
507,071	5,021,717	22,062,286	753,316	371,630,981
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

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REVENUE CAPACITY INFORMATION

Principal Property Taxpayers

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

Schedule of Assessed Value and Actual Value of Taxable Property

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

Property Tax Levies and Collections

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

Property Tax Levies Direct and Overlapping Local Government Jurisdictions

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

Direct and Overlapping Property Tax Rates

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

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DURHAM COUNTY, NORTH CAROLINA

Principal Property Taxpayers

June 30, 2012

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Fiscal Year 2012</u>			<u>Fiscal Year 2003</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>
International Business Machine	\$488,930,156	1	1.63%	\$600,135,431	1	3.23%
GlaxoSmithKline	474,284,325	2	1.58%	483,577,952	2	2.60%
Cree Inc	340,495,735	3	1.14%	119,091,943	5	0.64%
AW North Carolina Inc	302,844,257	4	1.01%	76,372,154	10	0.41%
Merck Sharp & Dohme Corp	231,061,509	5	0.77%			
Duke Energy Corp	187,673,652	6	0.62%	159,721,314	4	0.86%
SouthPoint Mall LLC	171,565,879	7	0.57%			
EISAI Inc	133,890,500	8	0.44%			
Frontier Communications	110,216,662	9	0.36%			
Highwoods/Forsyth Limited Part	102,327,558	10	0.34%	108,053,375	6	0.58%
Verizon South Inc	-		-	265,756,372	3	1.43%
IBM Credit LLC	-		-	105,368,244	7	0.56%
GlaxoSmithKline LLC	-		-	90,782,080	8	0.48%
State Street Bank & Trust	-		-	84,647,050	9	0.45%
	<u>\$2,543,290,233</u>		<u>8.46%</u>	<u>\$2,486,301,787</u>		<u>11.24%</u>

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year	Real Property	Personal Property	Public Service Companies	Registered Vehicles	Total	County Direct Tax Rate³	Special Tax Districts Tax Rate³	Average County Tax Rate³
2003	\$ 15,036,324,470	\$ 2,375,265,500	\$ 555,633,648	\$ 1,485,260,765	\$ 19,452,484,383	0.7530	0.0440-0.2000	0.7630
2004	15,689,112,679	2,361,973,098	536,047,683	1,484,745,571	20,071,879,031	0.7630	0.0550-0.2000	0.7680
2005	16,281,035,800	2,323,311,138	523,810,967	1,473,351,385	20,601,509,290	0.7900	0.0600-0.2000	0.7690
2006	16,769,216,308	2,465,434,636	515,456,602	1,530,608,393	21,280,715,939	0.8090	0.0570-0.2500	0.7990
2007	17,319,467,597	2,518,003,626	517,286,245	1,680,614,666	22,035,372,134	0.8090	0.0570-0.2500	0.8765
2008	18,068,249,108	2,837,548,386	514,897,106	1,715,889,532	23,136,584,132	0.8340	0.0570-0.2500	0.9190
2009	23,508,752,957	2,824,338,529	517,202,960	1,690,561,506	28,540,855,952	0.7081	0.0570-0.2500	0.7981
2010	23,976,021,000	2,905,267,206	524,524,630	1,627,078,510	29,032,891,346	0.7081	0.0570-0.2500	0.8359
2011	24,353,954,146	3,074,419,178	501,907,483	1,530,317,547	29,460,598,354	0.7459	0.0599-0.2500	0.7981
2012	24,580,465,174	3,166,306,877	471,720,126	1,623,871,164	29,842,363,341	0.7459	0.0599-0.2500	0.7745

Notes:

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

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year	Taxes Levied for the Fiscal Year		Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2003	\$ 232,148,202	\$ 223,438	\$ 232,371,640	\$ 227,535,763	97.92%	\$ 4,639,684	\$ 232,175,447	99.92%
2004	233,435,165	7,551,814	240,986,979	236,816,081	98.27%	4,020,535	240,836,616	99.94%
2005	254,087,231	6,044,986	260,132,217	255,882,258	98.37%	4,026,444	259,908,702	99.91%
2006	268,261,053	7,235,630	275,496,683	271,744,257	98.64%	3,523,473	275,267,730	99.92%
2007	279,649,301	9,638,188	289,287,489	285,179,105	98.58%	3,085,723	288,264,828	99.65%
2008	300,961,051	16,452,438	317,413,489	313,396,710	98.73%	2,976,591	316,373,301	99.67%
2009	331,748,220	5,476,495	337,224,715	331,357,242	98.26%	4,748,060	336,105,302	99.67%
2010	329,213,965	13,906,211	343,120,176	338,558,945	98.67%	3,718,894	342,277,839	99.75%
2011	358,766,287	4,398,601	363,164,888	358,623,043	98.75%	2,465,889	361,088,932	99.43%
2012	353,038,243	3,837,833	356,876,076	352,704,112	98.83%	-	352,704,112	98.83%

Notes:

- (1) Amounts included above for fiscal years 2003 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
2003	\$ 148,951,465	\$ 956,434	\$ 560,885	\$ 1,019,401	\$ 471,617	\$ 11,337	\$ 32,294
2004	155,082,240	925,009	555,182	972,907	454,755	17,762	41,030
2005	163,927,481	999,637	630,488	1,113,464	470,247	18,237	39,978
2006	174,366,392	1,005,133	711,260	1,123,278	581,169	16,126	38,913
2007	180,373,799	1,005,468	735,683	1,124,990	593,633	16,905	42,190
2008	198,126,081	1,412,365	945,480	1,126,263	672,045	17,304	43,986
2009	205,500,231	1,563,641	1,078,805	1,399,989	744,154	23,125	52,735
2010	209,323,910	1,602,205	1,071,167	1,472,700	738,849	23,983	44,825
2011	223,648,890	1,502,509	1,070,918	1,550,213	728,283	24,035	57,296
2012	224,310,246	1,603,344	1,073,640	1,461,650	766,788	24,336	74,677

Notes

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

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

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

Bahama	Special Park District	Butner Safety District	City of Durham	City of Raleigh	Town of Chapel Hill	Town of Morrisville	Total Tax Levies
\$ 318,700	\$ 362,450	\$ 12,619	\$ 79,161,595	\$ 60,126	\$ 1,342,607	\$ -	\$ 233,261,530
336,807	351,846	11,989	81,543,504	137,842	1,340,481	-	241,771,354
466,101	313,982	11,710	90,893,322	196,329	1,748,777	-	260,829,753
495,685	312,622	15,152	95,880,460	249,910	1,458,824	-	276,254,924
545,082	306,857	16,189	102,559,123	323,866	1,512,542	-	289,156,326
696,347	657,705	16,203	110,402,329	351,249	2,946,132	-	317,413,489
662,490	666,263	20,319	122,039,098	419,553	3,054,312	-	337,224,715
714,101	722,154	17,585	124,304,979	452,134	2,631,582	-	343,120,175
749,909	709,205	17,631	12,983,774	485,766	2,636,459	-	246,164,888
806,759	696,499	17,059	129,390,469	550,646	2,614,275	10,440	363,400,828

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$100 of assessed value)

	2003	2004	2005	2006	2007	2008 ²	2009	2010	2011	2012
County direct rate										
Operating rate	\$ 0.6911	\$ 0.6910	\$ 0.7019	\$ 0.7144	\$ 0.7536	\$ 0.7801	\$ 0.6594	\$ 0.6604	\$ 0.6911	\$ 0.6865
Capital rate	0.0619	0.0720	0.0881	0.0946	0.0554	0.0539	0.0487	0.0477	0.0548	0.0594
Total general fund direct rate	<u>0.7530</u>	<u>0.7630</u>	<u>0.7900</u>	<u>0.8090</u>	<u>0.8090</u>	<u>0.8340</u>	<u>0.7081</u>	<u>0.7081</u>	<u>0.7459</u>	<u>0.7459</u>
Fire district rates	0.0440-0.0900	0.0550-0.0900	0.0600-0.1100	0.0570-0.1100	0.0570-0.1100	0.0570-0.1150	0.0570-0.1100	0.0570-0.1100	0.0599-0.1100	0.0599-0.1125
Other special district rates	0.1087-0.2000	0.1087-0.2000	0.1287-0.2000	0.1287-0.2500	0.1287-0.2500	0.1474-0.2500	0.1461-0.2500	0.1461-0.2500	0.1460-0.2500	0.1474-0.2500
Municipality Rates										
City of Durham	0.5450	0.5450	0.5830	0.5830	0.6030	0.6180	0.5400	0.5400	0.5519	0.5575
Town of Chapel Hill	0.5530	0.5530	0.5750	0.5220	0.5220	0.5220	0.5810	0.4940	0.4940	0.4940
City of Raleigh	0.3850	0.3850	0.3950	0.3950	0.4350	0.4350	0.3735	0.3735	0.3735	0.3735
Town of Morrisville	-	-	-	-	-	-	-	-	-	0.3665

Notes:

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

DEBT CAPACITY INFORMATION

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

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

Legal Debt Margin Information

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

Direct and Overlapping Governmental Activities Debt

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

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

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

Ratios of General Bonded Debt Outstanding

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

Ratios of Outstanding Debt by Type

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

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	Population Estimate (1)	Taxable Property Assessed Value	Debt Limit	Gross Bonded Debt
2003	237,000 (1)	\$ 19,452,484,383	\$ 1,556,198,751	\$ 197,730,002
2004	242,000 (1)	20,071,879,031	1,605,750,322	239,020,001
2005	246,924 (1)	20,601,509,290	1,648,120,743	221,945,003
2006	249,654 (1)	21,280,715,939	1,702,457,275	265,660,004
2007	254,902 (1)	22,035,372,134	1,762,829,771	247,445,003
2008	261,206 (1)	23,136,584,132	1,850,926,731	275,570,001
2009	265,670 (1)	28,540,855,952	2,283,268,476	255,335,000
2010	267,849 (1)	29,032,891,346	2,322,631,308	233,930,000
2011	272,156 (1)	29,460,598,354	2,356,847,868	272,680,000
2012	275,960 (1)	29,842,363,341	2,387,389,067	298,585,000

NOTE:

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

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Taxable Property Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ 197,730,002	1.0	803
239,020,001	1.2	960
221,945,003	1.0	873
265,660,004	1.2	1,041
247,445,003	1.1	950
275,570,001	1.2	1,037
255,335,000	0.89	961
233,930,000	0.81	873
272,680,000	0.93	1,002
298,585,000	1.00	1,082

DURHAM COUNTY, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Years**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Value of Property	\$ 19,452,484,383	\$ 20,071,879,031	\$ 20,601,509,290	\$ 21,280,715,939	\$ 22,035,372,134
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,556,198,751	1,605,750,322	1,648,120,743	1,702,457,275	1,762,829,771
Amount of Debt Applicable to Limit General Obligation Bonds	<u>197,730,004</u>	<u>239,020,001</u>	<u>221,945,003</u>	<u>265,660,003</u>	<u>247,445,003</u>
Total net debt applicable to limit	<u>197,730,004</u>	<u>239,020,001</u>	<u>221,945,003</u>	<u>265,660,003</u>	<u>247,445,003</u>
Legal Debt Margin	<u>\$ 1,358,468,747</u>	<u>\$ 1,366,730,321</u>	<u>\$ 1,426,175,740</u>	<u>\$ 1,436,797,272</u>	<u>\$ 1,515,384,768</u>
Total net debt applicable to limit as a percentage of debt limit	<u>12.71%</u>	<u>14.89%</u>	<u>13.47%</u>	<u>15.60%</u>	<u>14.04%</u>

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

Fiscal Year				
2008	2009	2010	2011	2012
\$ 23,136,584,132	\$ 28,540,855,952	\$ 29,032,891,346	\$ 29,460,598,354	\$ 29,842,363,341
1,850,926,731	2,283,268,476	2,322,631,308	2,356,847,868	2,387,389,067
<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>
<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>
<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>
<u>14.89%</u>	<u>11.18%</u>	<u>10.07%</u>	<u>11.57%</u>	<u>12.51%</u>

DURHAM COUNTY, NORTH CAROLINA

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2012**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Municipality:			
City of Durham	\$ 236,505,256	100%	\$ 236,505,256
Town of Chapel Hill	60,245,000	0%	-
City of Raleigh	<u>350,725,002</u>	0%	<u>-</u>
Overlapping debt	<u>647,475,258</u>		<u>236,505,256</u>
Direct debt	541,847,713		541,847,713
Total direct and overlapping debt	<u><u>\$ 1,189,322,971</u></u>		<u><u>\$ 778,352,969</u></u>

Source: Overlapping debt provided by each municipality.

Note: Percentage of overlap based on assessed property values.

DURHAM COUNTY, NORTH CAROLINA

**Ratio of Annual Debt Service for Bonded Debt to Total
General Governmental Expenditures
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Debt Service Expenditures				General Governmental Expenditures	Ratio of Total Debt Service to General Governmental Expenditures
	Principal	Interest on Bonds	Other Expenses	Total Debt Service		
2003	\$ 17,771,809	\$ 11,646,516	\$ 5,850	\$ 29,424,175	\$ 332,340,887	8.85
2004	19,061,212	11,428,032	3,600	30,492,844	376,179,317	8.11
2005	21,476,140	13,440,112	-	34,916,252	406,585,461	8.59
2006	23,335,688	12,613,289	3,500	35,952,477	342,123,072	10.51
2007	25,321,777	13,441,166	3,350	38,766,293	356,860,759	10.86
2008	25,249,056	13,254,045	3,350	38,506,451	373,328,462	10.31
2009	27,266,955	14,372,730	3,350	41,643,035	374,809,528	11.11
2010	25,431,125	16,349,362	231,637	42,012,124	314,831,306	13.34
2011	53,158,145	15,794,753	683,053	69,635,951	323,275,838	21.54
2012	109,738,120	16,642,611	540,070	126,920,801	329,489,901	38.52

DURHAM COUNTY, NORTH CAROLINA

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property¹	Per Capita²
2003	\$ 197,730,004	1.02%	834.30
2004	239,020,001	1.19%	987.69
2005	221,945,003	1.08%	898.84
2006	265,660,003	1.25%	1,064.11
2007	247,445,003	1.12%	970.75
2008	275,570,002	1.19%	1,054.99
2009	255,335,002	0.89%	961.10
2010	233,930,000	0.82%	873.37
2011	272,680,000	0.93%	1,001.93
2012	298,585,000	1.00%	1,081.99

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

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

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

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DURHAM COUNTY, NORTH CAROLINA

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Total Governmental Activities
	General Obligation Bonds	Certificates of Participation	Installment Purchases	
2003	\$ 190,428,070	\$ 28,715,000	\$ 5,426,159	\$ 224,569,229
2004	232,231,073	26,690,000	24,813,943	283,735,016
2005	215,664,108	24,560,000	23,807,269	264,031,377
2006	259,881,989	22,325,000	30,123,804	312,330,793
2007	242,165,269	19,985,000	27,018,755	289,169,024
2008	270,784,681	17,525,000	23,506,871	311,816,552
2009	251,040,046	132,775,000	23,806,105	407,621,151
2010	230,107,209	132,724,828	46,985,373	409,817,410
2011	269,200,846	175,502,889	41,513,714	486,217,449
2012	298,585,000	210,666,804	17,613,939	526,865,743

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

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

Business-Type Activities

General Obligation Bonds	Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income¹	Per Capita¹
\$ 7,301,934	\$ 24,515,000	\$ 31,816,934	\$ 256,386,163	3.51%	1,093.84
6,788,928	24,515,000	31,303,928	315,038,944	4.06%	1,310.97
6,280,895	23,245,000	29,525,895	293,557,272	3.63%	1,194.77
5,778,014	21,935,000	27,713,014	340,043,807	4.37%	1,369.87
5,279,734	20,580,000	25,859,734	315,028,758	3.96%	1,269.14
4,785,321	19,155,000	23,940,321	335,756,873	3.82%	1,285.41
4,294,956	17,660,000	21,954,956	429,576,107	4.51%	1,616.95
3,822,791	16,090,000	19,912,791	429,730,201	4.21%	1,604.37
3,479,153	14,440,000	17,919,153	504,136,602	4.83%	1,852.38
2,739,323	13,860,000	16,599,323	543,465,066	5.33%	1,969.36

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OPERATING INFORMATION

Full-time Equivalent County Government Employees by Function

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

Operating Indicators by Function

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

Capital Asset Statistics by Function

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

DURHAM COUNTY, NORTH CAROLINA

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

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	206	220	213	216	243
Public safety	546	559	585	585	590
Economic and physical development	5	6	8	8	30
Environmental protection	21	24	29	28	11
Human services	734	686	659	644	651
Cultural and recreational	73	75	74	73	90
Utilities	5	5	5	5	4
Total	<u>1,590</u>	<u>1,575</u>	<u>1,573</u>	<u>1,559</u>	<u>1,619</u>

Source: Durham County Human Resources Department

2008	2009	2010	2011	2012
252	248	245	247	253
600	624	599	610	616
33	31	32	30	30
13	14	18	18	16
677	692	700	681	700
99	98	105	101	105
6	21	18	20	21
1,680	1,728	1,717	1,707	1,741

DURHAM COUNTY, NORTH CAROLINA

Operating Indicators By Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Administration										
Registered voters (6)	195,050	182,192	180,403	181,012	156,879	146,097	161,350	154,645	161,708	152,176
Taxable real estate parcels (7)	102,556	86,008	87,245	105,618	104,548	100,427	92,600	89,785	87,608	86,177
Tax bills (7)**	317,556	240,597	237,229	271,331	300,886	267,305	327,282	310,855	301,008	294,927
Human Services										
Adult care home residents served through on-site inspections (8)	875	845	853	826	811	889	886	884	855	852
Persons testing for HIV/STD (9)	43,265	53,584	66,169	65,924	67,765	60,122	62,013	64,698	62,177	65,429
Food assistance individuals (8)	44,238	42,034	34,178	29,727	23,730	22,527	21,706	20,291	19,012	16,854
Education										
Students attending public school (1)	32,671	32,566	32,551	31,938	31,732	32,749	31,981	31,719	30,947	30,889
Public school teachers (2)	2,300	2,245	2,671	2,326	2,368	2,419	2,368	2,293	2,184	2,164
Community college students-average semester (3)	24,416	24,769	25,561	25,810	25,509	25,444	24,849	25,230	22,794	21,744
Community college faculty (3)	337	162	161	150	154	148	139	139	131	118
Community Development and Cultural (5)										
Residential permits issued - new ***	856	997	993	883	1,713	2,153	2,284	2,058	1,983	1,714
Commercial permits issued - new ***	109	93	73	81	209	274	229	301	243	269
Building permits - additional, alterations ***	2,533	2,368	2,212	2,230	1,694	1,705	1,739	1,581	1,724	1,708
Inspections performed	27,635	26,086	26,295	25,183	*	*	*	*	*	*
Environmental Services										
Animal control service calls (10)	15,682	13,911	15,628	18,152	16,213	12,390	12,526	11,405	10,423	11,744
Animals impounded (10)	6,315	6,397	6,921	7,148	6,755	6,684	6,613	6,906	6,358	6,318
Sanitation inspections (9)	7,040	6,876	7,462	6,860	7,606	8,130	8,419	8,433	8,209	8,463
Public Safety										
Detention intake (11)	12,457	12,267	11,926	12,219	12,395	12,456	12,743	12,672	12,447	12,438
Civil processes served (11)	33,181	32,472	35,210	33,727	33,643	32,967	33,174	34,281	30,819	34,631
Pistol permits processed (11)	1,938	1,923	1,726	1,774	1,687	1,051	1,261	1,373	1,287	1,125
Average daily jail population (11)	551	554	582	598	629	597	549	509	470	449
Fire/medical incidents responded to by contracting fire departments (4)	11,870	12,402	11,733	12,344	11,925	10,000	6,239	7,599	7,549	7,423
Durham EMS trips (4)	27,742	26,696	27,405	26,260	25,111	23,132	21,766	19,839	19,001	20,728

* Information not available.

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

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

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

(2) Durham County Public Schools.

(3) Durham Technical Community College.

(4) Durham County Emergency Management Department.

(5) Durham City/County Planning Department.

(6) Durham County Board of Elections.

(7) Durham County Tax Department.

(8) Durham County Department of Social Services.

(9) Durham County Public Health Department.

(10) Durham County Animal Control.

(11) Durham County Sheriff Department.

DURHAM COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government (1)										
Rentable square footage	766,682	733,361	733,361	744,461	726,461	726,461	721,454	*	*	*
Human Services (2)										
Number of centers	4	4	4	4	6	6	6	6	7	8
Education (3)										
Number of schools	56	55	53	53	46	46	46	46	44	44
Number of higher education institutions	4	4	4	4	4	4	5	5	5	5
Community Development and Cultural (4)										
Libraries - branches	8	8	8	8	8	8	9	8	8	8
Volume of library books	704,093	661,687	603,930	565,245	609,544	584,299	514,958	496,926	475,730	480,641
Number of County parks	2	2	2	2	2	2		60	59	59
Public Safety										
Sheriff - Stations (5)	5	5	5	5	5	5	5	5	5	5
Detention capacity (5)	736	736	736	736	736	736	736	736	736	736
Fire protection - City Stations (6)	16	15	15	15	15	15	14	14	14	13
Fire protection - Volunteer Stations (6)	12	11	11	11	11	11	11	11	12	12
EMS - Stations (7)	6	6	6	6	6	6	6	6	6	6

*Information not available.

- (1) Durham County Open Space Department
- (2) Durham County Public Health and Social Services Departments
- (3) Durham Public Schools
- (4) Durham County Public Library
- (5) Durham County Sheriff's Department
- (6) Durham County Fire Department
- (7) Durham County Emergency Medical Services

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DEMOGRAPHIC & ECONOMIC INFORMATION

Property Value and Construction

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

Demographic and Economic Statistics

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

Principal Employers

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

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DURHAM COUNTY, NORTH CAROLINA

Property Value and Construction Last Ten Fiscal Years

Fiscal Year Ended June 30,	Building Value of Permits Issued (1)	Assessed Valuation (2)
2003	\$ 846,497,743	\$ 19,452,484,383
2004	700,759,078	20,180,457,105
2005	897,110,133	20,601,509,290
2006	833,845,052	21,280,715,939
2007	908,064,082	22,035,372,939
2008	937,163,464	23,136,584,132
2009	832,707,556	28,540,855,952
2010	854,185,593	29,032,891,346
2011	918,447,009	29,460,598,354
2012	782,358,521	29,842,363,341

NOTES:

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

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

DURHAM COUNTY, NORTH CAROLINA

Demographic and Economic Statistics Last Ten Years

Year	Population Estimates ¹	Personal Income ² (thousands of dollars)	Per Capita Personal Income ³	School Enrollment ⁴	Unemployment Rate ⁵
2003	237,000	\$ 7,388,122	\$ 34,605	30,821	5.6%
2004	242,000	7,849,791	32,482	30,889	4.2%
2005	246,924	8,235,669	33,505	30,947	4.6%
2006	249,654	8,784,739	37,262	31,719	3.9%
2007	254,902	9,526,901	36,388	31,981	3.8%
2008	261,206	10,204,867	38,923	32,749	5.5%
2009	265,670	10,435,368	39,383	32,854	8.0%
2010	267,849	10,190,008	38,795	32,551	7.8%
2011	271,238	*	*	32,566	8.4%
2012	275,960	*	*	32,671	8.2%

* Information not yet available

- (1) The 2001-2004 and 2009 estimates are from the Durham City/County Planning Department. 2005-2008 estimates are provided by the North Carolina Department of Administration, Division of Management and Budget, Research and Planning Service.
- (2) Bureau of Economic Analysis.
- (3) All per capita income data is for the calendar year ended in each fiscal year. 2000-2002 is actual per capita income provided by Problem Solving Research, Inc. & U.S. Dept. of Commerce, Bureau of Economic Analysis. 2003, 2004, 2005 and 2006 is projected per capita income provided by Woods & Poole Economics, Inc.
- (4) North Carolina Department of Public Instruction, 2000-2005 Final Average Daily Membership. Durham County Public Schools, 2006-2009 Final Average Daily Membership.
- (5) North Carolina Employment Security Commission.

DURHAM COUNTY, NORTH CAROLINA

**Principal Employers
Current Year and Nine Years Ago**

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Duke University & Health System	34,366	1	18.93%	26,400	1	16.36%
International Business Machines (IBM)	10,000	2	5.51%	13,500	2	8.36%
Durham Public Schools	4,600	3	2.53%	4,500	5	2.79%
GlaxoSmithKline	3,700	4	2.04%	5,000	3	3.10%
Blue Cross Blue Shield of North Carolina	2,401	5	1.32%	2,500	6	1.55%
Durham City Government	2,401	6	1.32%	1,979	8	1.23%
Cree, Inc.	2,304	7	1.27%			
Research Triangle Institute (RTI)	2,300	8	1.27%			
Fidelity Investments	2,200	9	1.21%			
Veterans Affairs (VA) Medical Center	2,162	10	1.19%	1,600	10	0.99%
Nortel Networks				5,000	4	3.10%
Durham Regional Hospital				2,263	7	1.40%
Durham County Government				1,965	9	1.22%
	<u>66,434</u>		<u>36.59%</u>	<u>64,707</u>		<u>40.09%</u>

Source: Durham Chamber of Commerce and Bureau of Labor Statistics

COMPLIANCE SECTION



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

Board of County Commissioners
Durham County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durham County, North Carolina (the "County"), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. We did not audit the financial statements of the Durham County ABC Board (the "Board"). Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board is based solely on the reports of the other auditors. We have also audited the accompanying schedule of debt covenant compliance (the "Schedule") as defined in the official statement for the Trust Agreement, dated December 1, 2002, with First-Citizens Bank & Trust Company. These computations are the responsibility of the County's management. Our responsibility is to express an opinion on these computations based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of this information. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule is presented fairly, in all material respects for the year ended June 30, 2012, as described in the Trust Agreement referred to in the first paragraph.

Cherry Bekaert & Holland C.P.A.

Raleigh, North Carolina
October 26, 2012

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Debt Covenant Compliance
Year Ended June 30, 2012**

	Enterprise Fund Sewer Utility Fund
	<u> </u>
Operating revenues	
Charges for services	\$ 10,685,894
Total operating revenues	<u>10,685,894</u>
 Operating expenses	
Personnel services	1,448,763
Contracted services - wastewater treatment plant	-
Utilities	467,617
Maintenance and other	1,841,581
Depreciation	694,299
Total operating expenses	<u>4,452,259</u>
 Operating income (loss)	<u>6,233,635</u>
 Add:	
Depreciation expense	<u>694,299</u>
 Income available for debt service	<u><u>\$ 6,927,934</u></u>
 Fiscal year revenue bond debt payments	\$ 1,262,408
Fiscal year total debt payments	\$ 2,140,947
 Senior lien debt service coverage	5.49
Total debt service coverage	3.24
 Series 2003 Revenue Bond Covenant Requirement	
Senior lien debt service coverage	1.20
Total debt service coverage	1.00



Acknowledgments

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

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

Jessica Brown-Linton, Assistant Finance Director

Dennis Roberts, Senior Accountant

Sarah Hill, Accountant

Dave Jerrido, Accountant

Kimerly Mann, Accountant

Kimberly Thompson, Accountant

Tiffany Long, Accountant

Catherine Davis, Compliance Manager