

County of Durham, North Carolina

**A Comprehensive
Annual
Financial
Report**



For year ended June 30, 2011

County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011

**George K. Quick,
Finance Director**

**Susan F. Tezai, CPA
Deputy Finance Director**

Prepared by the Durham County Finance Department

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**INTRODUCTORY SECTION
(TAB)**



Letter of Transmittal

October 26, 2011

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, 2011.

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, 2011, 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, 2011 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 271,238. Durham County is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

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

The annual budget serves as the foundation for Durham County's financial planning and control. All agencies of Durham County are required to submit requests for appropriation to the county manager on or before March 15th of each year. The county manager uses these requests as the starting point for developing a proposed budget. The county manager then presents this proposed budget to the commissioners for review prior to May 31st of each year. The board is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of Durham County's fiscal year. The adopted budget is prepared by fund, function (e.g., public safety), and department (e.g., sheriff). However, the appropriations are formally budgeted and approved on a functional basis. Budget-to-actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on 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 111.

Factors Affecting Financial Condition

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

Local Economy

Economic Development

Durham County has an expanding, diversified economy with a strong foundation in electronics, metallurgy, telecommunications, health care, and medical related industries. The City of Durham, the County's major municipality, is known as the City of Medicine because of the significant impact that biotechnology, health care and other medical related industries have on the economic base.

The County possesses a variety of technical resources and intellectual assets such as three nationally renowned doctoral based research universities with a strong entrepreneurial focus located in the region, state funded research centers in biotechnology and microelectronics, and a strong business support system. Close collaboration between the academic and business communities fosters a free flowing exchange of information and ideas beneficial to both groups. In April, 2010, the Durham MSA was ranked twenty-third in *Forbes'* "Best Place for Business and Careers" and tenth "Where Americans Spend the Most".

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 2010 totaled over \$822 million, with plans to create over 3,251 new jobs in the County. In addition, business expansions announced through the second quarter of calendar year 2011 totaled over \$401 million with plans to create another 1,156 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. Such recognition continues in the face of the nationwide economic downturn: in August 2010, The Wall Street Journal ranked Durham #1 in the housing market in the United States" and in September 2010 Yahoo Finance listed Durham "as an Up and Coming City as the city with the 3rd Biggest increase in Wages".

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.

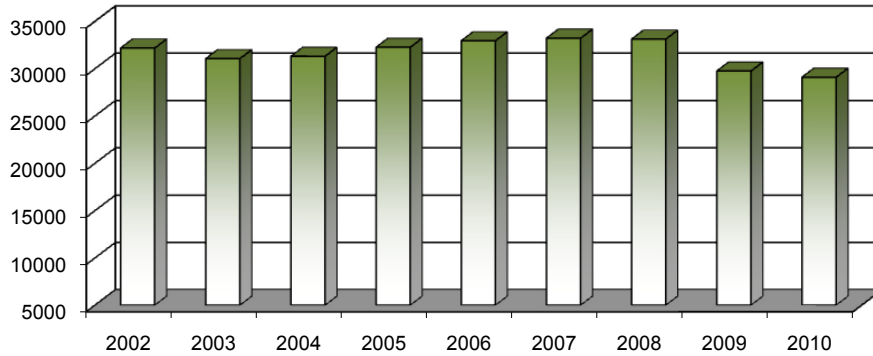
The number of research and development companies in the Park continues to grow. In calendar year 2010, Medicago, a company that produces pharmaceutical products, announced a new \$42 million facility with the creation of 85 jobs, and IEM, a disaster planning company, announced their arrival to the Park with an investment of over \$2 million and the creation of 430 jobs. In addition to new businesses, current businesses also announced expansions in the Park. IBM, Stiefel Labs, Cree, Bayer Crop Science, Glaxo Smith Kline, and RTI, announced expansions in calendar year 2010 with an estimated investment of over \$521 million and over 1,100 new jobs. Mustard Tree, Memscap, Bayer Crop Science, Syngenta Biotechnology, IBM and United Therapeutics announced planned expansions through the second quarter of calendar year 2011 with an estimated investment of over \$296 million and the creation of over 260 jobs. In September, 2010, Durham was ranked the best place to work for 2010 by McKinney of the Advertising Age, and in September, 2011, Durham was ranked thirty-seventh on the list of “America’s 50 Best Cities for Business in 2011” by *Businessweek*.

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 ninth Best Hospital in the US by *US News & World Report*, July 2011; a wealth of ongoing medical research; and growing clinical opportunities which attract medical doctors. The result is that Durham County has one of the nation’s top five concentrations of physicians per capita and nearly one third of all workers in the labor force works in a health or medical related industry.

Manufacturing



Source: Employment Security Commission (ESC)

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

Durham County is not only a center for technology development; the County is also a strong manufacturing center. The manufacturing sector experienced a decrease in employment from 29,741 in 2009 to 29,061 in 2010. The County experienced a 2.28 percent loss of manufacturing jobs for calendar year 2010 due to the recession and economic downturn.

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. *New York Times* ranked Durham the "41st Place to Go in 2011" in January 2011. In March 2011, *CNN Money* ranked Durham #1 on its list of Best Places to Retire. In addition, Durham boasts nationally acclaimed restaurants and performance facilities that host Broadway shows and other professional performances. Durham County has a distinctive history and culture. Its advantageous location, climate and lifestyle draw people from around the world to a place that has a dynamic business environment and a beautiful setting in the Piedmont region of North Carolina.

Major Employers

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

Company or Institution
Duke University & Medical Center
International Business Machines (IBM)
Durham Public Schools
Glaxo SmithKline
Blue Cross Blue Shield of North Carolina
Durham City Government
Research Triangle Institute
Veterans Administration Medical Center
Cree, Inc.
Fidelity Investments
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 2010 were \$822,318,230. Economic development announcements occurring through the second quarter of 2011 amounted to over \$400 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	38,795
Raleigh/Cary MSA	-	36,309	37,270	37,107	38,648	39,580	37,849	39,090
North Carolina	29,219	29,541	30,429	32,338	33,636	34,483	34,719	34,977
United States	32,209	33,127	34,212	36,629	38,564	40,189	39,626	39,945

Source: Bureau of Economic Analysis

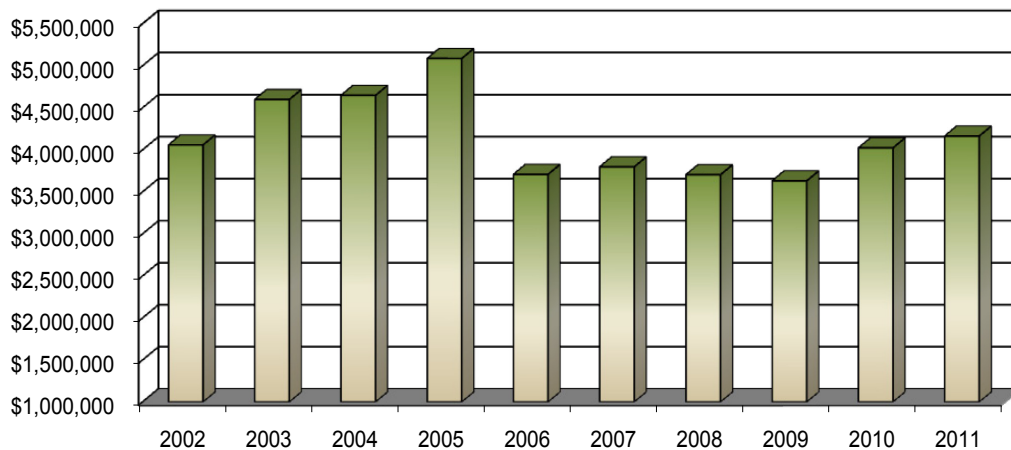
Prior to 2004, Durham was considered a part of the Triangle Metropolitan Statistical Area.

Retail Sales

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

Year Ended June 30,	Total Retail Sales (000's)	Total Taxable Sales (000's)	Percent Growth Over Previous Year
2002	4,057,352		10.0%
2003	4,597,853		13.3%
2004	4,646,891		1.1%
2005	5,085,956		9.50%
2006	n/a	\$ 3,707,314	*
2007	n/a	3,796,971	2.36%
2008	n/a	3,703,207	-2.50%
2009	n/a	3,630,249	-1.97%
2010	n/a	4,022,518	10.81%
2011	n/a	4,163,246	3.50%

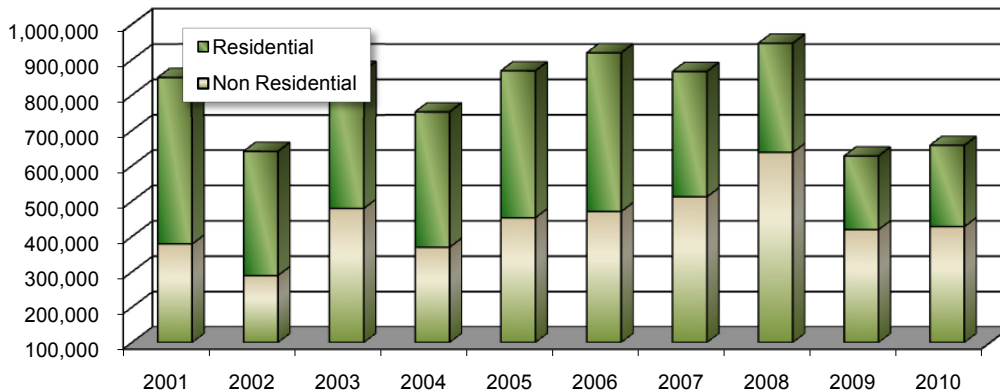
Note: The NC Department of Revenue made an administrative rule change to report Retail sales, beginning in Fiscal Year 2006, based on total taxable sales reported on sales and use tax returns by July of the Fiscal Year in question, rather than gross retail sales. Therefore, 2006 Retail sales total is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



For fiscal years 2003, 2004, and 2005, Durham exceeded \$4.5 billion in gross retail sales activity. In fiscal year 2006, the NC Department of Revenue made a rule change to report total taxable sales reported on sales and use tax returns and no longer total gross retail sales. Therefore, in fiscal year 2006 the total taxable sales reported shows a decline, but it is due to the difference in reporting methods. In fiscal year 2011, the total taxable sales reported were over \$4.1 billion, an increase of over \$140 million (3.5%), reflecting a positive turnaround to the national recession.

Construction Activity

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

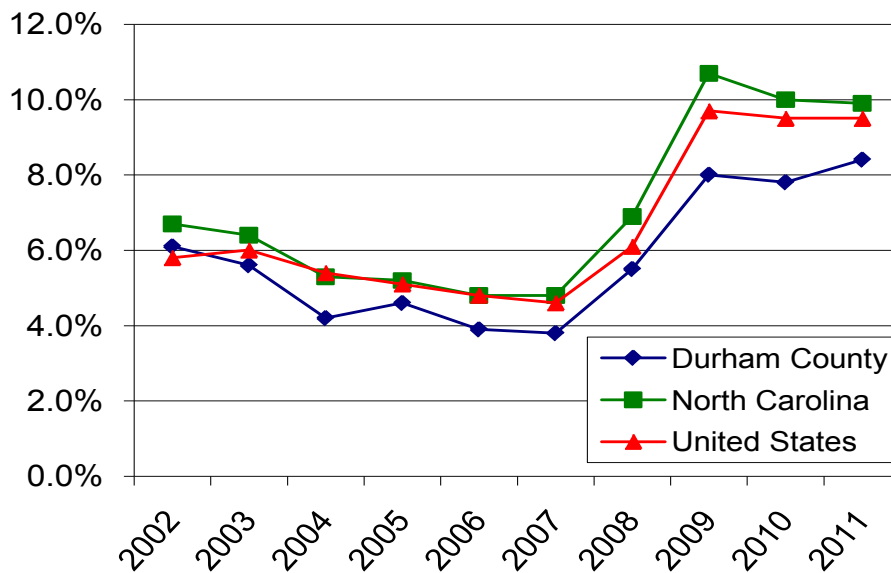


As of June 30, 2011, the total number of occupied dwelling units in Durham County was 111,356. Also, for the first six months of 2011, 1946 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. From 2009 to 2010, there was an overall 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
2002	6.1%	6.7%	5.8%
2003	5.6%	6.4%	6.0%
2004	4.2%	5.3%	5.4%
2005	4.6%	5.2%	5.1%
2006	3.9%	4.8%	4.8%
2007	3.8%	4.8%	4.6%
2008	5.5%	6.9%	6.1%
2009	8.0%	10.7%	9.7%
2010	7.8%	10.0%	9.5%
2011	8.4%	9.9%	9.5%



As of June 2011, the County’s unemployment rate was 8.4%, an increase of 0.6% from June 2010. However, the County’s unemployment rate compares favorably to the State’s and nation’s average unemployment rate as of June 2011 of 9.9% and 9.2%, 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 Stanford Library, the Animal Control Office and the completion of Phase I of the Human Services Complex, located on the 400 & 500 Blocks of East Main St. The Public Health and Mental Health Departments relocated to the new complex in May 2011. Also, the parking deck associated with the New Justice Center was completed late in the fiscal year and is now in use. Major projects under construction include Phase II of the Human Services Complex and the New Justice Center (courthouse); both are expected to be completed in fiscal year 2012. Other projects under construction include main library renovations, judicial building renovations, Civic Center renovations, Administrative Building renovations, EMS Station #1 renovations and the Board of County Commissioners' Chamber Upgrade.

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 four LEED certified buildings that have been completed and projects closed which include the following: Triangle Wastewater Treatment Plant Administrative Building – "Certified", East Regional Library – "Certified", North Regional Library – "Silver" and Animal Control Office building – "Silver". The County also has three other LEED certified buildings that have been completed, however, the projects have not yet been closed which include the following: Southwest Library- "Silver", South Regional Library - "Gold" and the Criminal Justice Center Renovation - "Silver". Additional projects utilizing sustainable design guidelines are currently under design and construction.

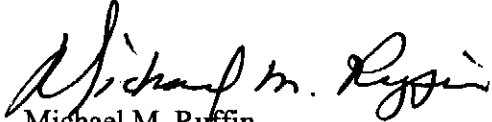
Awards and Acknowledgements


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, 2010. This was the eleventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,


Michael M. Ruffin
County Manager


George K. Quick
Finance Director

Durham County Board of County Commissioners



Michael D. Page
Chairman



Ellen W. Reckhow
Vice Chairman



Becky M. Heron



Joe Bowser



Brenda Howerton

Durham County Administration

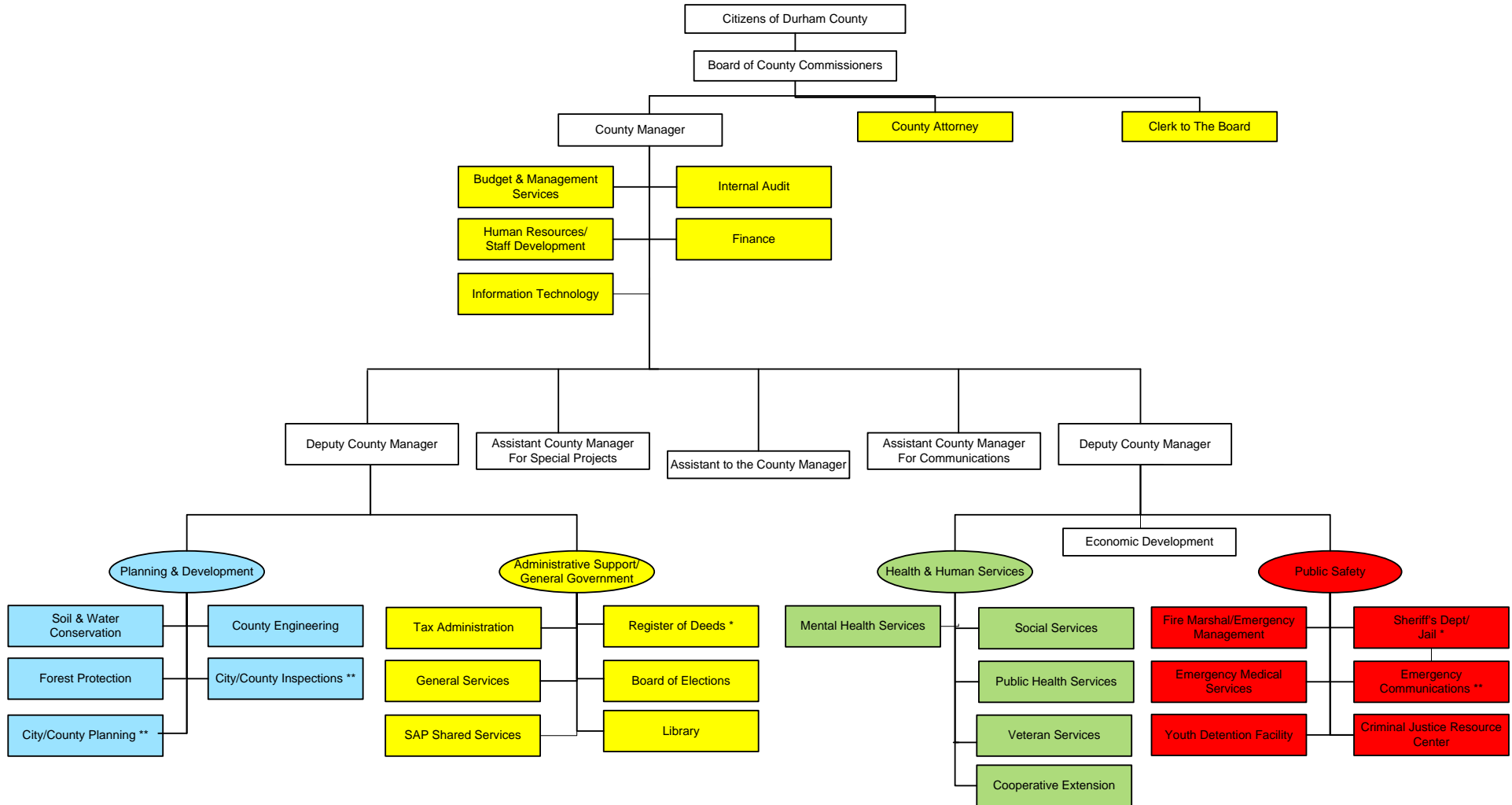


Mike Ruffin
County Manager



George K. Quick
Finance Director

Durham County, North Carolina General Administration Organizational Chart



* Elected Officials
 ** Joint City/County Departments

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Durham
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

**FINANCIAL SECTION
(TAB)**



INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Durham County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durham County, North Carolina (the "County"), as of and for the year then ended June 30, 2011, 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.

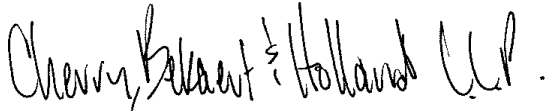
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2011, and the respective changes in financial position and the cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund and community health trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2011 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules and the Other Post Employment Benefit Schedules as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the County. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the statistical section, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit report and the report of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

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

Raleigh, North Carolina
October 26, 2011

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, 2011. 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 \$91,839,535 (*net assets*). However, of this amount, unrestricted net assets has a deficit balance of (\$146,236,118) (*unrestricted net assets*) which is primarily because of the general obligation debt the County has issued on behalf of the school system, Durham Technical Community College and the Museum of Life and Science to fund capital outlay as required by State law coupled with the recording of pension liabilities for other postemployment benefits (OPEB) according to GASB Statements No. 43 and No. 45 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 decreased by \$29,123,367, a decrease of 24.08 percent, due to decreases in the governmental activities' net assets.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$201,849,050, a decrease of \$18,397,803 in comparison with the prior year. Approximately 29.45 percent of this total amount, or \$59,450,327, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$93,335,936 or 25.73 percent of total general fund expenditures, compared to fiscal year 2010 which was \$75,467,968 or 21.37 percent of total general fund expenditures. The net change in fund balance for fiscal year 2011 was an increase of over \$15.8 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 over 102 percent of budget while expenditures were only 93.71 percent of budget and restricted fund balance decreased by over \$2.2 million with unrestricted fund balance increasing by over \$18.1 million. The net change in fund balance increased by over \$6.4 million in fiscal year 2011 from fiscal year 2010. The primary reasons for the increase in the net change in fund balance are the increase in excess of revenues over expenditures of over \$7 million, the decrease in the issuance of installment purchases of over \$800 thousand, the minor increase in transfers in of over \$400 thousand and a small increase in transfers out of almost \$200 thousand.
- The County's total debt increased by \$86,870,189 (18.86 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 a three year Bond Anticipation Note of \$29,500,000, the issuance of \$60,000,000 of general obligation bonds, the premium of \$3,738,451 on the issuance of these bonds, the issuance of \$42,778,061 in certificates of participation, the issuance of \$28,593,008 in

general obligation bond anticipation notes and an increase in the County's net OPEB obligation of \$5,538,452.

- 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 and the capital projects fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 29-36 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 37-39 of this report.

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

The basic fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-96 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 97-102 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 105-139 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 \$91,839,535 as of June 30, 2011. 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 \$108,387,318 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt issued to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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DURHAM COUNTY'S NET ASSETS

	Governmental		Business - type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 246,673,959	\$ 263,041,669	\$ 22,199,525	\$ 18,439,136	\$ 268,873,484	\$ 281,480,805
Capital assets	344,186,546	277,698,410	55,888,378	54,217,387	400,074,924	331,915,797
Total assets	590,860,505	540,740,079	78,087,903	72,656,523	668,948,408	613,396,602
Long-term liabilities outstanding	528,720,177	439,812,181	18,676,014	20,713,821	547,396,191	460,526,002
Other liabilities	28,918,661	31,553,776	794,021	353,922	29,712,682	31,907,698
Total liabilities	557,638,838	471,365,957	19,470,035	21,067,743	577,108,873	492,433,700
Net assets:						
Invested in capital assets, net						
of related debt	70,418,094	34,361,023	37,969,224	34,304,997	108,387,318	68,666,020
Restricted	122,052,513	176,971,865	7,635,822	6,303,037	129,688,335	183,274,902
Unrestricted	(159,248,940)	(141,958,766)	13,012,822	10,980,746	(146,236,118)	(130,978,020)
Total net assets	\$ 33,221,667	\$ 69,374,122	\$ 58,617,868	\$ 51,588,780	\$ 91,839,535	\$ 120,962,902

The second portion of the County's net assets in the amount of \$129,688,335 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, 2011, the unrestricted net assets are a deficit in the amount of (\$146,236,118). The unrestricted deficit is attributable primarily to the general obligation bonds, certificates of participation and general obligation bond anticipation notes issued by the County for the public schools, Durham Technical Community College and the Museum for Life and Science. Even though the debt has been issued to finance the acquisition, construction and renovation for the public schools, Durham Technical Community College and the Museum of Life and Science, the Governmental Accounting Standards Board has determined that it is not capital debt 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 (\$159,248,940) 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 \$13,012,822.

The government's net assets decreased by \$29,123,367 during the current fiscal year. This amount is a decrease of 24.07 percent. For the third consecutive year, the County has experienced a decrease in net assets. A portion of this decrease is again due to the recession and the decline in the economy. However, there was an increase in capital project activity for the Durham County Public Schools, Durham Technical Community College and the Museum of Life and Science of over \$37 million for governmental activities with an excess of charges for services and capital contributions over expenses in business-type activities of over \$7 million. In fiscal year 2011, capital grants and contributions increased by over \$7.9 million primarily because of an increase in general government of over \$5 million combined with increases in environmental protection and sewer utility of over \$1.1 million and \$1.7 million, respectively. Operating grants and contributions decreased by over \$4.3 million primarily because of decreases in human services and public safety of over \$3.3 million and \$922 thousand, respectively. Charges for services remained virtually the same with governmental activities decreasing by over \$1 million offset by an increase in business-type activities of over \$1 million. The decrease in governmental activities is primarily because of decreased collections in general government, public safety and environmental protection. The increase in sewer utility is because of increased rates. Property taxes levied for general purposes increased by over \$13.6 million for fiscal year 2011. In addition, for the first time since fiscal year 2008, there was an increase in local option sales taxes for the year of over \$2.8 million. This is excellent given that the nation continues to be in an economic downturn. Investment and interest income increased by over \$4 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 \$3.9 million. Other revenues increased by over \$4.7 million which is mainly because of the sale of public health program services and the sale of a portion of land the County purchased for a capital project. Also, in fiscal year 2011, there were increases in all other general revenue categories: property taxes levied for fire districts, property taxes levied for other district purposes, occupancy tax, animal tax and gross receipts tax. The net of revenues for all areas offset the increases in expenses which were over \$13.4 million. There was a significant increase in general government of over \$33.6 million coupled with significant decreases in economic and physical development and cultural and recreational of over \$23.4 million and \$12.7 million, respectively. This was mainly because expenses for building projects that were closed in fiscal year 2010 of over \$35 million were initially charged over the years while the projects were in progress to the functional areas of economic and physical development and cultural and recreational. When these projects were closed in fiscal year 2010, they were closed to building and grounds in the general services business area as final assets which is in the general government functional area. This did not recur in fiscal year 2011. Education increased by over \$9.5 million primarily because of increases in operating expenses and capital project activity. Interest and fiscal charges also increased by over \$5.8 million for the most part because of the advanced refunding. In addition, public safety and environmental protection decreased by over \$1.2 million and \$1 million, respectively, because of a decrease in capital expenses. Human services increased over \$480 thousand because of an increase in services and a decrease in capital expenses. 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	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 22,418,183	\$ 23,447,867	\$ 10,594,336	\$ 9,563,353	\$ 33,012,519	\$ 33,011,220
Operating grants and contributions	75,904,360	80,230,451	-	-	75,904,360	80,230,451
Capital grants and contributions	8,556,489	2,313,959	1,784,691	32,330	10,341,180	2,346,289
General revenues:						
Taxes	277,147,169	260,127,663	-	-	277,147,169	260,127,663
Investment and interest income	7,335,369	3,216,562	5,121	52,902	7,340,490	3,269,464
Other revenues	5,774,404	1,047,400	940	3,792	5,775,344	1,051,192
Total revenues	<u>397,135,974</u>	<u>370,383,902</u>	<u>12,385,088</u>	<u>9,652,377</u>	<u>409,521,062</u>	<u>380,036,279</u>
Expenses:						
General government	45,989,651	12,365,748	-	-	45,989,651	12,365,748
Public safety	53,964,797	55,255,454	-	-	53,964,797	55,255,454
Transportation	12,500	12,500	-	-	12,500	12,500
Economic and physical development	5,272,311	28,751,080	-	-	5,272,311	28,751,080
Environmental Protection	3,542,985	2,456,029	-	-	3,542,985	2,456,029
Human services	109,093,936	108,607,392	-	-	109,093,936	108,607,392
Education	185,533,592	176,005,516	-	-	185,533,592	176,005,516
Cultural and recreational	12,510,214	25,220,574	-	-	12,510,214	25,220,574
Interest and fiscal charges	17,368,443	11,499,010	-	-	17,368,443	11,499,010
Sewer utility	-	-	5,356,000	5,061,620	5,356,000	5,061,620
Total expenses	<u>433,288,429</u>	<u>420,173,303</u>	<u>5,356,000</u>	<u>5,061,620</u>	<u>438,644,429</u>	<u>425,234,923</u>
Increase (decrease) in net assets	(36,152,455)	(49,789,401)	7,029,088	4,590,757	(29,123,367)	(45,198,644)
Net assets – 6/30/2010	<u>69,374,122</u>	<u>119,163,523</u>	<u>51,588,780</u>	<u>46,998,023</u>	<u>120,962,902</u>	<u>166,161,546</u>
Net assets – 6/30/2011	<u>\$ 33,221,667</u>	<u>\$ 69,374,122</u>	<u>\$ 58,617,868</u>	<u>\$ 51,588,780</u>	<u>\$ 91,839,535</u>	<u>\$ 120,962,902</u>

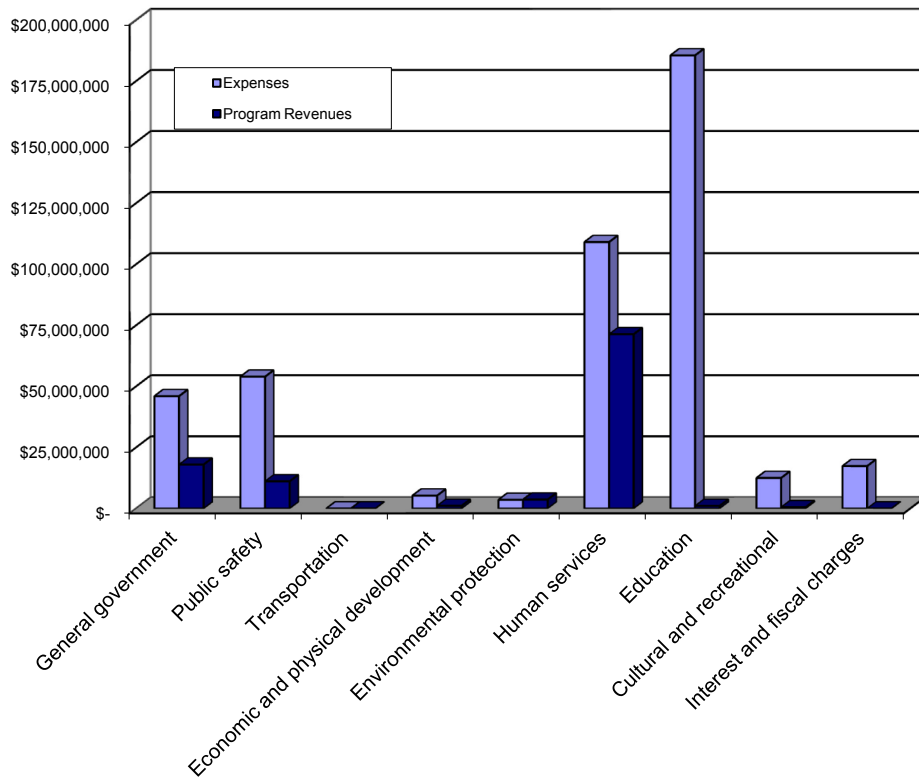
- Property taxes levied for general purposes increased by \$13,669,670 (6.54 percent) during the year. This increase is primarily because of the Tax Department's continued collection efforts including participating in the North Carolina Local Government Debt Setoff Clearinghouse Program.
- Local option sales tax increased by \$2,870,414 (6.89 percent) during the year. The increase was unexpected due to the recession and the economic downturn. In spite of the continued mortgage crisis, unemployment, poor investment market, etc., people have begun to go out more and spend money rather than as in previous fiscal years saving instead for necessities.
- Intergovernmental revenues and contributions increased by \$3,668,800 (4.44 percent). This is a net increase of operating grants and contributions and capital grants and contributions. Operating grants and contributions decreased over \$4.3 million primarily because of decreases in human services and public safety of over \$3.3 million and \$922 thousand, respectively. Capital grants and contributions increased by over \$7.9 million mainly because of an increase in general government of over \$5 million combined with increases in environmental protection and sewer utility of over \$1.1 million and \$1.7 million, respectively. The increase in general government was caused by an increase in revenues for debt service on capital projects and the increase in environmental protection was because of the receipt of clean water management grant revenues. The increase in sewer utility was because of contributed capital of over \$1.4 million in donated

sewer lines to the County and over \$384 thousand in revenues for the funding of sewer utility capital projects.

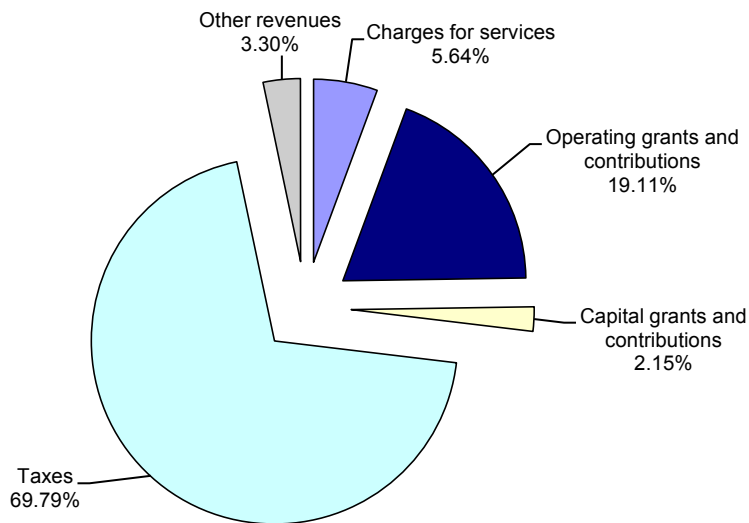
- Charges for services remained almost the same in total. Governmental activities decreased by over \$1 million with business-type activities increasing by over \$1 million. The decrease in governmental activities is primarily because of decreased collections in general government, public safety and environmental protection. The increase in sewer utility is mainly because of increased rates.
- Investment and interest income increased by \$4,071,026 (124.52 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 \$3.9 million.
- Other revenues increased by \$4,724,152 (449.41 percent). This increase is mostly because of the sale of public health program services of over \$3.4 million and the sale of a portion of land the County purchased for a capital project of over \$1.6 million.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The overall expenses for the County increased by \$13,409,506 (3.15 percent) due to increases in both governmental activities and business-type activities of \$13,115,126 and \$294,380, respectively. There was a significant increase in general government of over \$33.6 million and significant decreases in economic and physical development and cultural and recreational of over \$23.4 million and \$12.7 million, respectively. These were mainly because expenses for building capital projects that were closed in fiscal year 2010 of over \$35 million were initially expensed over the years that these projects were in progress to the functional areas of economic and physical development and cultural and recreational. When these building projects were closed in fiscal year 2010, they were closed as final assets to building and grounds in the general services business area which is in the general government functional area. This did not occur in fiscal year 2011. Education increased by over \$9.5 million mainly because of increases in operating expenses and capital project activity. Interest and fiscal charges also increased by over \$5.8 million for the most part because of an advanced refunding. In addition, environmental protection increased by \$1,086,956 (44.26%) mostly because of a reduction in capital expenses. Human services increased slightly by \$486,544 (0.45%) because of an increase in services coupled with a decrease in capital expenses. Public safety expenses decreased by \$1,290,657 (2.34 percent) for the most part because of a reduction in capital expenses. Sewer utility expenses increased \$294,380 (5.82 percent) primarily because of increases in operating expenses netted with decreases in interest and fiscal charges and transfers out.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

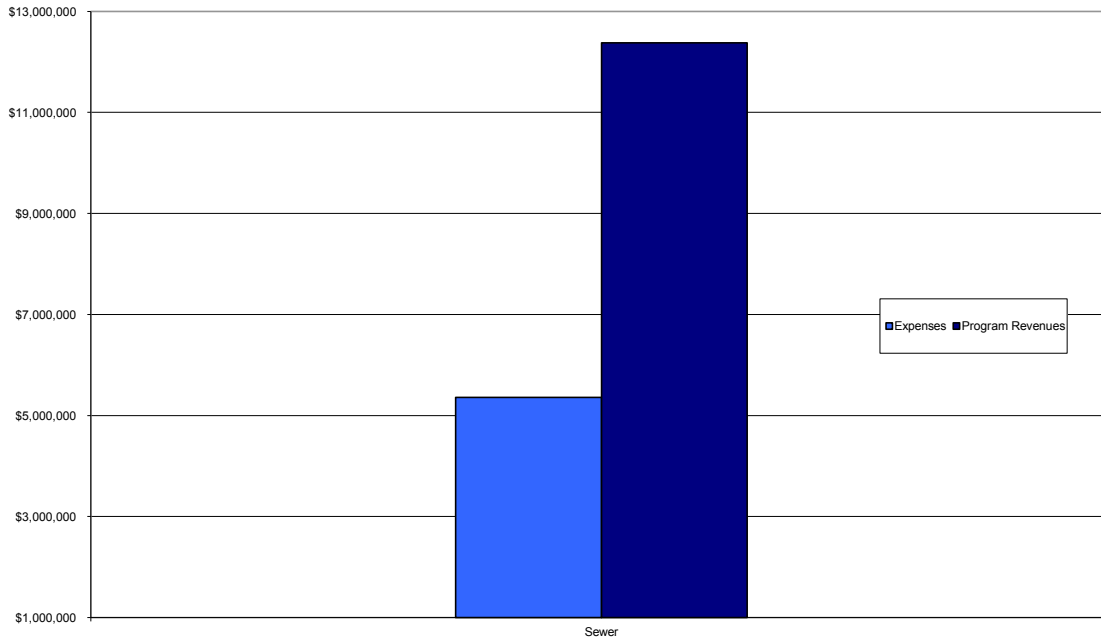


Business-type activities. Business-type activities increased the County's net assets by \$7,029,088 offsetting the decrease in governmental activities' net assets by 19.44 percent. Key elements of this are as follows:

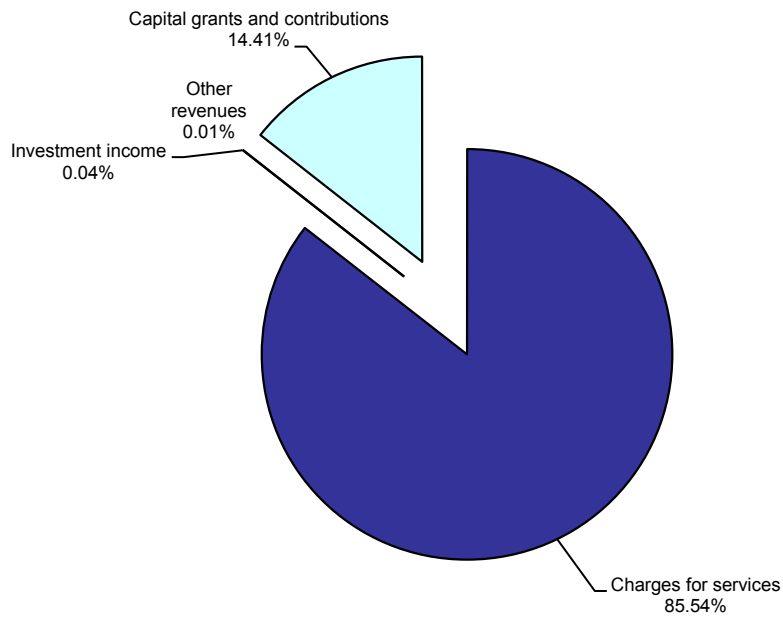
- Expenses decreased \$294,380 mainly because of decreases in interest and fiscal charges and transfers out netted with increases in operating expenses. All categories of the operating expenses increased in fiscal year 2011 mostly because of increased services.
- Charges for services increased by \$1,030,983 (10.78 percent). There was a rate increase of 8 percent for all customers, both residential and industrial, effective July 1, 2010 in fiscal year 2011 with no increase in the capital recovery charges. The capital recovery charges are part of connection fees for new customers and are used as a source of funding for capital acquisitions, construction and improvements.
- Investment and interest income decreased by \$47,781 (90.32 percent) because of the effect the recession and the decline in the economy has continued to have on the market.
- There were capital contributions (sewer lines) from private developers in fiscal year 2011 of \$1,400,000 compared to \$12,685 in fiscal year 2010.
- There were intergovernmental revenues of \$384,691 received for the water reuse project and for phase III of the wastewater treatment project in fiscal year 2011.

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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 \$201,849,050, a decrease of \$18,397,803 in comparison with the prior year. Approximately 70.55 percent of this total amount (\$142,398,723) 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 (\$869,092), 2) restricted by revenue source for specific purposes, programs and services (\$2,077,587), or 3) because it is restricted by State Statute (\$56,503,648).

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 \$93,335,936, while total fund balance grew and reached \$117,520,487. 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, 2011, the County has an available fund balance of 25.73 percent of general fund expenditures, while total fund balance represents 32.40 of that same amount. The percentage of available fund balance to total general fund expenditures increased from 21.37 percent for fiscal year 2010 to 25.73 percent for fiscal year 2011 an increase of 4.36 percent. The net change in fund balance for fiscal 2011 was an increase of over \$15.8 million. The primary reasons for the increases are revenue collections which were over 102 percent of budget and the expenditures which were only 93.71 percent of budget. Restricted fund balance decreased by over \$2.2 million with unrestricted fund balance increasing over \$18.1 million. The net change in fund balance increased by over \$6.4 million in fiscal year 2011 from fiscal year 2010. The primary reasons for the increase are the increase in excess of revenues over expenditures of over \$7 million and the decrease in the issuance of installment purchases of over \$800 thousand combined with slight increases in transfers in and transfers out.

The fund balance of the County's general fund increased by \$15,886,425 during the current fiscal year. Key factors in the changes are as follows:

- Intergovernmental revenues of the general fund decreased by 5.70 percent or \$4,572,246. There was a decrease in public health of over \$1.8 million primarily because of reduction in funding received due to the sale of their home health program. As a result of the sale of the program, public health no longer performed these services. In addition, there were reductions in mental health, social services and other intergovernmental revenues of \$1 million, \$700 thousand and \$1 million, respectively, primarily because of decreased funding received for the fiscal year.

- The general fund taxes increased by 6.68 percent or \$16,963,106. This increase is primarily the result increases in the amount of current year levy collections and the local option sales tax. Current year levy collections increased by \$14,073,576 (6.82 percent) because of a tax rate increase for the 2010 levy year of 3.78 cents combined with continued collection efforts including participating in the North Carolina Local Government Debt Setoff Clearinghouse Program. The tax rate increase was for the funding of debt service and Durham Public Schools. In addition, for the first time since fiscal year 2008, the local option sales taxes increased. The increase was \$2,870,414 (6.89 percent). This is excellent given the nation continues to be in an economic downturn. 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 2011 because the available amount to collect has been reduced by collecting more in the current year.
- Charges for services decreased \$828,460 (4.64 percent) mainly because of decreases in environmental protection, elections registration lists, register of deeds, public protection, emergency medical services' and general government charges netted with increases in social services, solid waste fees and collection fees. Environmental protection, elections registration lists, register of deeds, public protection, emergency medical services' and general government charges decreased by \$358,892 (39.02 percent), \$253,282 (99.92 percent), \$191,140 (7.01 percent), \$124,928 (7.43 percent), \$72,977 (1.40 percent) and \$31,970 (1.05 percent), respectively, while social services, solid waste fees and collection fees increased by \$95,511 (60.57 percent), \$63,087 (4.88 percent) and \$50,435 (3.88 percent), respectively. The decrease in environmental protection, elections registration lists, register of deeds, public protection, emergency medical services' and general government charges were a result of decreased services while the increase in solid waste fees was a result of increased services. The increase in social services was a result of increased administrative services while the increase in collection fees was because of increased fees resulting from higher collections for agency tax funds.
- Investments decreased by \$772,129 or 24.71 percent due to the market performance.
- Licenses and permits increased slightly by \$15,346 (2.23 percent) because of an increase in construction permits combined with a decrease in cablevision and franchise fees.
- Rent increased by \$46,351 (9.65 percent) mainly because of an increase in rent of County recreational facilities and the canteen.
- Other revenues increased by \$4,766,448 (632.73 percent) primarily because of the sale of the public health home health program of over \$3.4 million and the sale of a portion of land the County purchased for a capital project of over \$1.6 million.
- General government expenditures increased \$987,882 (2.92 percent). This is due mainly because of increased services of human resources of \$755,442 (25.05 percent), general services of \$309,983 (4.25 percent), information systems of \$251,618 (4.99 percent) and other general government of \$224,063 (56.92 percent) netted with decreases in tax of \$477,230 (6.94 percent), elections of \$168,445 (15.27 percent) and finance of \$136,596 (5.10 percent) and other insignificant increases occurring in other areas such as register of deeds, geographic information systems, risk management and insurance and court facilities.
- Economic and physical development decreased by \$309,257 (6.50 percent) primarily because of decreased disbursements per the IEP Agreements with less incentives being met coupled with less grant funded incentives for local businesses netted with increased services in cooperative extension.

- Human services' expenditures increased by \$972,561 (0.90 percent). This increase is primarily because of an increase in mental health of over \$2 million netted with a decrease in social services of over \$1.1 million.
- Education increased by \$6,074,440 from the prior fiscal year. Of this increase, Durham Public Schools received increased funding of \$6,224,526 for operating expenditures while Durham Technical Community College and other education received decreased funding of \$140,100 and \$9,986, respectively.
- Due to the economic downturn, in the budgetary process for fiscal year 2011, the County's management recommended a continuation of restrictions from fiscal year 2010 as well as further budget reductions to ensure the recession would not have a severe negative impact on Durham County's financial position. During the budgetary process, the Board and management reassessed the County's financial position, and the Board approved these measures for the fiscal year 2011 budget. The restrictions included the continuance of no employee pay increases and suspension of the longevity program. Further budget reductions included the reduction of departmental budgets by an average of 1.63 percent, 3.00 percent reduction of funding for Durham Technical Community College and the North Carolina Museum of Life and Science and suspended funding for open space matching grants.

The Community Health Trust Fund has a total fund balance of \$15,669,587, all of which is financing resources to be used for health related operating and capital expenditures as directed and approved by the Board of County Commissioners. The net increase in fund balance during the current year in the community health trust fund was \$3,238,549. The increase in fiscal year 2011 was due primarily to a transfer in of most of the proceeds from the sale of the public health home health agency in the amount of over \$2.7 million because the Board wanted to ensure that these proceeds would be spent on health-related expenditures when needed. In addition, there were decreased investment earnings of over \$457 thousand, increased charges for services of over \$2 thousand and decreased operating transfers out by over \$3.7 million. The reduction in the transfer out is primarily because there was a transfer to debt service in fiscal year 2010 per the Capital Improvement Plan to assist in funding health related debt for the human services complex capital project and there is 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 a transfer to the capital projects fund for health related software, laboratory instruments, imaging systems, etc. 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 2011, the primary revenue activity was the recognition of the annual amount from the lease (\$3,950,000). In addition, there was the recognition of the investment earnings (\$1,397,591) and other charges for services (\$56,700). There was also an other financing source, transfer in, from the general fund (\$2,756,066) which was most of the proceeds from the sale of the public health home health agency program. An operating financing use, operating transfer out (\$4,561,808) occurred. Of that transfer amount, \$4,250,000 was to assist in the funding of health related expenditures in the general fund and \$311,808 was to assist in the funding of health related expenditures for the Human Services Complex in the capital projects fund. The policy on managing the funds of the community health trust is that the Board of County Commissioners allocates a percentage of the earnings from the previous calendar year to health related expenditures and reinvests the balance which allows the fund to grow. However, in fiscal year 2011, 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 2011. 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 \$60,545,628, 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 \$39,941,794 due primarily to the acquisition, construction or improvement of major capital facilities for the County, School System, Durham Technical Community College and Museum of Life and Science using the funding sources combined with the issuance of installment purchases. The County's activity was recorded to construction in progress in capital assets of the County while the Schools System's, Durham Technical Community College's and the Museum of Life and Science's activity was recorded in their capital assets as they hold title to those assets.

The primary revenue activity was the recognition of other financing sources, the issuance of installment purchases (\$71,371,069), the issuance of bonds (\$60,000,000), the premium on the issuance of bonds (\$3,738,451) and transfers (\$1,211,808). The fund also recognized intergovernmental revenues (\$8,558,769) and investments (\$201,499). In the expenditures, there was construction activity in the amount of \$148,615,229, the payment of a three year note (BAN) (\$29,500,000), debt issuance costs (\$544,814), arbitrage and credit rating services (\$7,400) and there were other financing uses in the transfer of \$6,355,947. The construction activity was primarily for education and general government in the amounts of \$72,313,545 and \$50,684,669, respectively. The other construction activity occurred in environmental protection (\$22,943,902), cultural and recreational (\$2,634,449) and public safety (\$38,664).

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 \$13,012,822. There was an increase in total net assets of \$7,029,088. 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 \$20,428,484 and can be summarized briefly as follows:

- \$6,077,357 in decreases allocated to general administration were largely due to the allocation of the appropriation for benefits by functional area rather than all within general government. In addition, there were increases to honor commitments from fiscal year 2010 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 a one-time bonus for employees.
- \$7,792,259 in increases allocated to public safety were primarily for the appropriation for benefits to the public safety functional area from general government, to honor commitments from fiscal year 2010, to appropriate unspent restricted funds in fiscal year 2011, and for a one-time bonus for employees. 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 Justice Assistance Grant (JAG) for the sheriff's office. There was also an appropriation of inmate welfare funds to the sheriff's office to support inmate welfare needs.
- \$534,083 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 2010, to appropriate unspent restricted funds in fiscal year 2010, to appropriate unspent restricted funds in fiscal year 2011, a one-time bonus for employees and for the appropriation for benefits to the economic and physical development functional area from general government.
- \$547,533 in increases allocated to environmental protection were primarily for the appropriation for benefits to the environmental protection functional area from general government, to honor commitments from fiscal year 2010 and a one-time bonus for employees.
- \$13,866,894 in increases allocated to human services were primarily because of social services, mental health and public health. The increases in social services, mental health and public health were to honor commitments from fiscal year 2010, to appropriate unspent restricted funds in fiscal year 2011, a one-time bonus for employees, the appropriation for benefits to the human services functional area from general government and to provide increased services. The services are funded for the most part through the recognition of new grants and federal and state awards.
- \$1,009,006 in increases allocated to cultural and recreational were primarily for the appropriation for benefits to the cultural and recreational functional area from general government as well as to honor commitments from fiscal year 2010, to appropriate unspent restricted funds in fiscal year 2011, for a one-time bonus for employees, a Reading is Fundamental (RIF) Grant and other grant funds for the library.
- \$2,756,066 in increases to operating transfers were due to the sale of the public health home health program. The majority of the funds from the sale were transferred to the Community Health Trust Fund to ensure that they would be spent for health related expenditures when needed.

Of this net increase, \$331,000 was to be funded from additional taxes, intergovernmental revenues funding increased \$9,826,868, other revenues funding increased \$3,771,906 and operating transfers in funding increased \$114,190. The remaining \$6,384,520 was to be budgeted from available fund balance. However, during the year, while revenues exceeded budgetary estimates by \$7,723,404,

expenditures were far less than budgetary estimates with a positive variance of \$21,705,970, 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, 2011 amounts to \$400,074,924 (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 20.54 percent (a 23.94 percent increase for governmental activities and a 3.08 percent increase for business-type activities).

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

- Construction continued on the additional wastewater treatment facilities, the collection systems rehabilitation and reused wastewater facilities project which had construction costs for the year of \$55,021, \$446,560 and \$26,483, respectively. Construction began on the reused water facilities project which had costs for the year of \$405,802.
- Construction for the Durham Public School Projects continued in fiscal year 2011 in the amount of \$70,745,934.
- Construction for the Durham Technical Community College Projects continued in fiscal year 2011 in the amount of \$1,567,611.
- Construction for NCML & Bioquest Project for the Museum of Life and Science continued in fiscal year 2011 in the amount of \$1,336,634.
- Other construction activity for cultural and recreational expenses other than for the Museum occurred in the amount of \$1,297,815 for the Southwest Branch Library and South Regional Library.
- Construction activity for environmental protection occurred in the amount of \$22,943,902 in environmental engineering primarily for the human services complex (\$21,378,362), criminal justice resource center (\$883,344), administrative building renovations (\$386,886) and Lincoln Community Health Center renovations (\$224,478). Other activity occurred on the judicial building renovations and open space and farmland preservation.

- Construction activity for general government occurred in the amount of \$50,684,669. The major activity in general government was the new justice center (\$44,275,667), the computer replacement project (\$1,749,448), the civic center (\$1,594,817), county stadium renovations (\$1,104,753), the Fiscal Year 2010 ERP upgrade project (\$861,609), the register of deeds preservation project (\$629,768) and the fiber optic network (\$437,170). Other activity occurred in the County storage facility, the BOCC chamber upgrade, the rehabilitation project and the telecommunications system upgrade.
- There was contributed capital of donated sewer lines in the amount of \$1,400,000 for fiscal year 2011.
- There was a disposal of governmental activities' capital assets in the amount of \$1,360,546.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental		Business - type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 6,843,704	\$ 6,843,704	\$ 185,226	\$ 185,226	\$ 7,028,930	\$ 7,028,930
Easements	1,351,764	1,351,764	-	-	1,351,764	1,351,764
Improvements- water and sewer lines	-	-	14,952,695	14,120,055	14,952,695	14,120,055
Buildings	143,280,331	145,094,715	1,642,772	1,707,297	144,923,103	146,802,012
Office furniture and equipment	1,147,017	1,371,109	9,074	10,985	1,156,091	1,382,094
Machinery and equipment	999,083	948,896	91,951	89,822	1,091,034	1,038,718
Computer hardware	2,696,150	4,875,888	6,022	14,498	2,702,172	4,890,386
Computer software	357,746	613,095	-	-	357,746	613,095
Vehicles	1,819,739	2,498,320	53,460	76,192	1,873,199	2,574,512
Construction in progress	185,691,012	114,100,919	38,947,178	38,013,312	224,638,190	152,114,231
Total	\$ 344,186,546	\$ 277,698,410	\$ 55,888,378	\$ 54,217,387	\$ 400,074,924	\$ 331,915,797

Additional information on the County's capital assets can be found in Note D on pages 68-69 of this report.

Long-term debt. At the end of the current fiscal year, Durham County had total debt outstanding of \$510,450,031. Of this amount, \$278,993,428 comprises bonded debt backed by the full faith and credit of the government. Also included is \$14,440,000 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 \$175,502,889, installment notes in the amount of \$17,026,089, general obligation bond anticipation notes of \$22,480,874 and other financing agreements in the amount of \$2,006,751. 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			
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 274,834,584	\$ 228,692,055	\$ 4,158,844	\$ 4,562,229	\$ 278,993,428	\$ 233,254,284
Revenue bonds	-	-	14,440,000	16,090,000	14,440,000	16,090,000
Certificates of participation	175,502,889	132,724,828	-	-	175,502,889	132,724,828
Installment notes payable	39,506,963	44,443,785	-	-	39,506,963	44,443,785
Other financing agreements	2,006,751	2,541,588	-	-	2,006,751	2,541,588
Total	\$ 491,851,187	\$ 408,402,256	\$ 18,598,844	\$ 20,652,229	\$ 510,450,031	\$ 429,054,485

The County’s total debt excluding accrued compensated absences and net OPEB obligation increased by \$81,395,546 (18.97 percent) during the current fiscal year. The key changes in this increase was the issuance of \$60,000,000 of general obligation bonds, the premium of \$3,738,451 on the issuance of these bonds, the issuance of \$42,778,061 in certificates of participation, the issuance of \$28,593,008 in general obligation bond anticipation notes and the reduction of debt as a result of the annual debt payments and the payment of a three year Bond Anticipation Note of \$29,500,000.

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 \$2,356,847,868, leaving a legal debt margin of \$2,084,167,868. The net bonded debt per capita is \$1,002.

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

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the County is 8.4 percent as of June 2011, which is an increase from a rate of 7.8 percent as of June 2010. The County’s unemployment rate remains high due to the recession and economic downturn. However, the County’s unemployment rate compares favorably to the State’s and nation’s average unemployment rate as of June 2011 of 9.9 percent and 9.2 percent, respectively.

- The construction activity for non-residential and residential construction was over \$844 million for calendar year 2010 compared to over \$627 million for the calendar year 2009. The value of construction activity increased despite the nation continuing to be in an economic downturn.
- The manufacturing sector employment decreased 2.29 percent (680 positions) for calendar year 2010 (29,061) compared to calendar year 2009 (29,741).
- 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 2011 reported were \$4,163,246 compared to \$4,022,518 reported for fiscal year 2010, an increase of \$140,728 (3.50 percent). Total taxable sales are reported in thousands of dollars. Retail sales increased despite the current economic downturn.
- Economic development announcements for 2010 were over \$822 million, and economic announcements occurring through the second quarter of 2011 amounted to over \$401 million.
- The per capita income for Durham MSA for 2010 is \$38,795, a decrease of 3.29 percent over 2009. The Raleigh/Cary MSA has a per capita income of \$39,090. The per capita for the State and the nation increased from 2009 to 2010 to \$34,977 and \$39,945, an increase of 7.43 percent and 8.05 percent, respectively.
- Inflationary trends in the region compare favorably to the national indices.

All of these factors were considered in preparing the County's budget for the 2011 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$93,335,936 or 25.73 percent of total general fund expenditures, an increase of \$17,867,968 or 23.68 percent from the previous fiscal year. The County has appropriated \$8,148,653 of this amount for spending in the 2012 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2012 fiscal year. In addition, there were a significant amount of charges for general fund services that were increased for the 2012 fiscal year in the departments of animal control, sheriff, emergency medical services, register of deeds and public health. Transfers from the special revenue funds are budgeted for the 2012 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2012 fiscal year as a funding source for health related spending, and a transfer from the sewer utility fund is budgeted for 2012 to reimburse the general fund for sewer utility indirect costs and employee insurance benefits paid by the general fund.

The sewer rates were increased for the 2012 budget year in the sewer utility fund. The sewer rates were increased by 4 percent for all customers, both residential and industrial, effective July 1, 2011. These rate increases were necessary to maintain operations and sufficient funds to service debt. However, there was no increase in the capital recovery charges. The capital recovery charge is a part of connection fees for new customers and is used as a source of funding for capital acquisitions, construction and improvements. All other sewer utility charges remained the same with the exception of the sewer service charge rate and the wastewater monitoring charge rates. 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. The wastewater monitoring charge rates were revised to correspond with the laboratory's current monitoring charge rates.

In addition, in fiscal year 2012, because of the continued weak economy, there were other financial and operating actions taken. They include the continued suspension of the longevity program, continued suspension of the open space matching grants program, and no growth in funding for Durham Technical Community College and the Museum of Life and Science. The County's plan is to move forward in fiscal year 2012 closely monitoring revenues and expenditures and to reassess the County's financial position mid-year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Assets				
Cash and cash equivalents / investments	\$ 137,398,606	\$ 12,766,510	\$ 150,165,116	\$ 1,560,866
Cash and cash equivalents / investments - restricted	65,548,865	7,635,822	73,184,687	-
Receivables:				
Accounts receivable	1,040,059	8,694	1,048,753	1,036
Accrued interest receivable	391,957	60,810	452,767	-
Net taxes receivable	3,945,270	-	3,945,270	-
Solid waste receivable	23,539	-	23,539	-
Animal taxes receivable	1,510,961	-	1,510,961	-
Net emergency medical services receivable	1,249,968	-	1,249,968	-
Inventory	838,225	-	838,225	2,031,508
Due from other governments - federal and state agencies	20,288,868	373,694	20,662,562	-
Due from other governments - local	2,570,962	991,002	3,561,964	-
Prepays	30,867	-	30,867	122,403
Bond issuance costs	4,217,181	537,442	4,754,623	-
Accumulated amortization bond issue costs	(196,438)	(174,449)	(370,887)	-
Investment in joint venture	7,735,677	-	7,735,677	-
Pension assets	27,063	-	27,063	-
Derivative financial instrument	52,329	-	52,329	-
Capital assets:				
Nondepreciable:				
Land	6,843,704	185,226	7,028,930	1,650,345
Easements	1,351,764	-	1,351,764	-
Construction in progress	185,691,012	38,947,178	224,638,190	-
Depreciable:				
Land improvements - sewer and water lines	-	25,818,944	25,818,944	-
Buildings	209,107,417	4,103,344	213,210,761	2,776,320
Office furniture and equipment	1,896,130	13,374	1,909,504	-
Machinery and equipment	2,992,985	335,293	3,328,278	1,207,035
Computer hardware	7,678,656	26,133	7,704,789	-
Computer software	13,863,171	-	13,863,171	-
Vehicles	10,599,625	173,537	10,773,162	87,119
Law enforcement	-	-	-	599,661
Leasehold improvements	-	-	-	908,555
Accumulated depreciation	(95,837,918)	(13,714,651)	(109,552,569)	(2,132,382)
Total assets	<u>590,860,505</u>	<u>78,087,903</u>	<u>668,948,408</u>	<u>8,812,466</u>
Liabilities				
Accounts payable	16,396,908	622,968	17,019,876	688,758
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	3,051,259	88,179	3,139,438	-
Accrued payroll and related amounts withheld	4,723,146	69,874	4,793,020	91,315
Collections in advance	3,115,699	-	3,115,699	-
Due to other governments - federal and state agencies	30,334	-	30,334	566,012
Due to other governments - local	1,601,315	-	1,601,315	501,621
Other liabilities	-	-	-	47,423
Long-term liabilities:				
Net OPEB obligation due within one year	1,950,000	-	1,950,000	-
Accrued compensated absences due within one year	4,058,737	40,113	4,098,850	-
Bonds and other notes payable due within one year	52,597,859	1,372,439	53,970,298	34,424
Net OPEB obligation	28,335,163	-	28,335,163	-
Accrued compensated absences	2,525,090	37,057	2,562,147	126,504
Bonds and other notes payable	439,253,328	17,226,405	456,479,733	617,184
Total liabilities	<u>557,638,838</u>	<u>19,470,035</u>	<u>577,108,873</u>	<u>2,673,241</u>
Net assets				
Capital assets, net of related debt	70,418,094	37,969,224	108,387,318	4,445,045
Restricted for:				
Stabilization by State Statute	56,503,648	-	56,503,648	-
Capital projects	63,472,143	7,635,822	71,107,965	-
Grants and technology	2,076,722	-	2,076,722	-
Working capital	-	-	-	701,566
Unrestricted net assets	(159,248,940)	13,012,822	(146,236,118)	992,614
Total net assets	<u>\$ 33,221,667</u>	<u>\$ 58,617,868</u>	<u>\$ 91,839,535</u>	<u>\$ 6,139,225</u>

DURHAM COUNTY, NORTH CAROLINA

**Statement of Activities
Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Durham County ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 45,989,651	\$ 8,399,578	\$ 3,524,446	\$ 6,079,370	\$ (27,986,257)	\$ -	\$ (27,986,257)	\$ -
Public safety	53,964,797	6,608,128	4,522,824	-	(42,833,845)	-	(42,833,845)	-
Transportation	12,500	-	-	-	(12,500)	-	(12,500)	-
Economic and physical development	5,272,311	21,352	1,086,038	-	(4,164,921)	-	(4,164,921)	-
Environmental protection	3,542,985	2,228,883	41,268	1,390,353	117,519	-	117,519	-
Human services	109,093,936	4,890,085	66,461,771	-	(37,742,080)	-	(37,742,080)	-
Education	185,533,592	-	-	1,086,766	(184,446,826)	-	(184,446,826)	-
Cultural and recreational	12,510,214	270,157	268,013	-	(11,972,044)	-	(11,972,044)	-
Interest and fiscal charges	17,368,443	-	-	-	(17,368,443)	-	(17,368,443)	-
Total governmental activities	<u>433,288,429</u>	<u>22,418,183</u>	<u>75,904,360</u>	<u>8,556,489</u>	<u>(326,409,397)</u>	<u>-</u>	<u>(326,409,397)</u>	<u>-</u>
Business-type activities:								
Sewer utility	5,356,000	10,594,336	-	1,784,691	-	7,023,027	7,023,027	-
Total business-type activities	<u>5,356,000</u>	<u>10,594,336</u>	<u>-</u>	<u>1,784,691</u>	<u>-</u>	<u>7,023,027</u>	<u>7,023,027</u>	<u>-</u>
Total primary government	<u>\$ 438,644,429</u>	<u>\$ 33,012,519</u>	<u>\$ 75,904,360</u>	<u>\$ 10,341,180</u>	<u>(326,409,397)</u>	<u>7,023,027</u>	<u>(319,386,370)</u>	<u>-</u>
Component units:								
Durham County ABC Board	\$ 23,902,987	\$ 23,967,592	\$ -	\$ -	-	-	-	64,605
Total component units	<u>\$ 23,902,987</u>	<u>\$ 23,967,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,605</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					222,573,221	-	222,573,221	-
Property taxes, levied for fire districts					5,669,812	-	5,669,812	-
Property taxes, levied for other districts purposes					723,815	-	723,815	-
Local option sales tax					44,546,245	-	44,546,245	-
Occupancy tax					2,116,103	-	2,116,103	-
Animal tax					1,184,766	-	1,184,766	-
Gross receipts tax					333,207	-	333,207	-
Investment and interest income					7,335,369	5,121	7,340,490	2,699
Other revenues					5,774,404	940	5,775,344	2,374
Total general revenues					<u>290,256,942</u>	<u>6,061</u>	<u>290,263,003</u>	<u>5,073</u>
Change in net assets					(36,152,455)	7,029,088	(29,123,367)	69,678
Net assets - beginning					69,374,122	51,588,780	120,962,902	6,069,547
Net assets - ending					<u>\$ 33,221,667</u>	<u>\$ 58,617,868</u>	<u>\$ 91,839,535</u>	<u>\$ 6,139,225</u>

DURHAM COUNTY, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2011

	General	Community Health Trust Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents / investments	\$ 106,903,946	\$ 15,669,587	\$ 6,470,750	\$ 8,354,323	\$ 137,398,606
Cash and cash equivalents / investments - restricted	2,076,722	-	63,472,143	-	65,548,865
Receivables:					
Accounts receivable	1,040,059	-	-	-	1,040,059
Net taxes receivable	3,879,229	-	-	66,041	3,945,270
Solid waste receivable	23,539	-	-	-	23,539
Animal taxes receivable	1,510,961	-	-	-	1,510,961
Net emergency medical services receivable	1,249,968	-	-	-	1,249,968
Inventory	838,225	-	-	-	838,225
Due from other governments - federal and state agencies	16,212,278	-	4,076,590	-	20,288,868
Due from other governments - local	2,570,962	-	-	-	2,570,962
Due from capital project fund	738,872	-	-	-	738,872
Prepaid expenditures	30,867	-	-	-	30,867
Total assets	\$ 137,075,628	\$ 15,669,587	\$ 74,019,483	\$ 8,420,364	\$ 235,185,062
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 4,996,687	\$ -	\$ 11,175,986	\$ 224,235	\$ 16,396,908
Accrued payroll and related amounts withheld	4,723,146	-	-	-	4,723,146
Due to other governments - federal and state agencies	30,334	-	-	-	30,334
Due to other governments - local	42,318	-	1,558,997	-	1,601,315
Due to general fund	-	-	738,872	-	738,872
Deferred revenues:					
Collections in advance	3,098,959	-	-	16,740	3,115,699
Taxes	3,879,229	-	-	66,041	3,945,270
Solid waste	23,539	-	-	-	23,539
Animal taxes	1,510,961	-	-	-	1,510,961
Emergency medical services	1,249,968	-	-	-	1,249,968
Total liabilities	19,555,141	-	13,473,855	307,016	33,336,012
Fund balances:					
Non-spendable:					
Inventories	838,225	-	-	-	838,225
Prepaid expenditures	30,867	-	-	-	30,867
Restricted:					
Stabilization by State Statute	23,315,459	-	33,188,189	-	56,503,648
Museum	86,735	-	-	-	86,735
Tax technology	384,449	-	-	-	384,449
Sheriff	210,372	-	-	-	210,372
Fire marshal	237,215	-	-	-	237,215
Public health programs	25,706	-	-	-	25,706
Mental health programs	627,479	-	-	-	627,479
Library programs	20,063	-	-	-	20,063
Environmental protection programs	87,666	-	-	-	87,666
Register of deeds	259,375	-	-	-	259,375
Capital purchases	137,662	-	-	-	137,662
Education	-	-	865	-	865
Committed:					
Risk management	5,810,999	-	-	-	5,810,999
Mental health	1,639,994	-	-	-	1,639,994
Social services	290,584	-	-	-	290,584
Debt service	3,910,612	-	-	-	3,910,612
Sheriff inmate	300,167	-	-	-	300,167
OPEB	21,952,209	-	-	-	21,952,209
Assigned, reported in:					
General fund	8,148,653	-	-	-	8,148,653
Community health trust fund	-	15,669,587	-	-	15,669,587
Capital projects fund	-	-	27,356,574	-	27,356,574
Assigned, reported in nonmajor:					
Special revenue	-	-	-	956,991	956,991
Debt service	-	-	-	7,156,357	7,156,357
Unassigned:	49,205,996	-	-	-	49,205,996
Total fund balances	117,520,487	15,669,587	60,545,628	8,113,348	201,849,050
Total liabilities and fund balances	\$ 137,075,628	\$ 15,669,587	\$ 74,019,483	\$ 8,420,364	\$ 235,185,062

DURHAM COUNTY, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2011**

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

Ending fund balance - governmental funds	\$ 201,849,050
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	351,922,223
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,809,130
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(527,358,736)
Net assets of governmental activities	<u>\$ 33,221,667</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, 2011

	General	Community Health Trust Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 270,727,608	\$ -	\$ -	\$ 6,402,474	\$ 277,130,082
Licenses and permits	703,439	-	-	-	703,439
Intergovernmental revenues	75,642,205	-	8,558,769	262,155	84,463,129
Investments	2,352,536	1,037,591	201,499	25,411	3,617,037
Rent	526,705	-	-	28,943	555,648
Charges for services	17,010,403	4,006,700	-	209,466	21,226,569
Other revenues	5,519,764	-	-	-	5,519,764
Total revenues	<u>372,482,660</u>	<u>5,044,291</u>	<u>8,760,268</u>	<u>6,928,449</u>	<u>393,215,668</u>
Expenditures					
Current:					
General government	34,854,340	-	50,692,069	-	85,546,409
Public safety	47,905,838	-	38,664	4,105,778	52,050,280
Transportation	12,500	-	-	-	12,500
Economic and physical development	4,450,238	-	-	708,161	5,158,399
Environmental protection	3,550,212	-	22,943,902	-	26,494,114
Human services	108,524,800	-	-	-	108,524,800
Education	113,025,293	-	72,313,545	-	185,338,838
Cultural and recreational	11,052,617	-	2,634,449	-	13,687,066
Debt service:					
Principal retirement	-	-	29,500,000	23,658,145	53,158,145
Interest and fiscal charges	-	-	-	16,477,835	16,477,835
Debt issuance costs	-	-	544,814	515,252	1,060,066
Total expenditures	<u>323,375,838</u>	<u>-</u>	<u>178,667,443</u>	<u>45,465,171</u>	<u>547,508,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,106,822</u>	<u>5,044,291</u>	<u>(169,907,175)</u>	<u>(38,536,722)</u>	<u>(154,292,784)</u>
Other financing sources (uses)					
Transfers in	6,162,992	2,756,066	1,211,808	42,083,270	52,214,136
Transfers out	(39,383,389)	(4,561,808)	(6,355,947)	(1,658,353)	(51,959,497)
Premium on issuance of debt	-	-	3,738,451	-	3,738,451
Issuance of bonds	-	-	60,000,000	-	60,000,000
Issuance of installment purchases	-	-	71,371,069	-	71,371,069
Refunding bond proceeds	-	-	-	71,955,824	71,955,824
Payment to refunded debt escrow agent	-	-	-	(71,425,002)	(71,425,002)
Total other financing sources (uses)	<u>(33,220,397)</u>	<u>(1,805,742)</u>	<u>129,965,381</u>	<u>40,955,739</u>	<u>135,894,981</u>
Net change in fund balances	<u>15,886,425</u>	<u>3,238,549</u>	<u>(39,941,794)</u>	<u>2,419,017</u>	<u>(18,397,803)</u>
Fund balance - beginning	<u>101,634,062</u>	<u>12,431,038</u>	<u>100,487,422</u>	<u>5,694,331</u>	<u>220,246,853</u>
Fund balance - ending	<u>\$ 117,520,487</u>	<u>\$ 15,669,587</u>	<u>\$ 60,545,628</u>	<u>\$ 8,113,348</u>	<u>\$ 201,849,050</u>

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

DURHAM COUNTY, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds \$ (18,397,803)

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. 66,352,341

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 3,935,161

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. (88,042,154)

Change in net assets of governmental activities \$ (36,152,455)

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, 2011**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Taxes				
Current levy	\$ 199,074,261	\$ 214,844,312	\$ 220,398,427	\$ 5,554,115
Prior year's levy	17,770,051	2,331,000	2,036,314	(294,686)
Tax penalties and interest	457,953	457,953	634,431	176,478
Advertising and selling	15,000	15,000	37,432	22,432
Payments in lieu of taxes	30,000	30,000	46,945	16,945
Local option sales tax	39,570,595	39,570,595	44,546,245	4,975,650
Animal tax	400,000	400,000	554,790	154,790
Occupancy tax	1,970,000	1,970,000	2,116,103	146,103
Gross receipts tax	200,000	200,000	333,207	133,207
Solid waste tax	15,000	15,000	23,714	8,714
Total taxes	259,502,860	259,833,860	270,727,608	10,893,748
Intergovernmental revenues				
Beer and wine tax	130,000	130,000	127,426	(2,574)
Social services	33,820,318	39,889,645	37,446,620	(2,443,025)
Mental health	24,322,536	26,316,821	22,832,786	(3,484,035)
Public health	5,810,585	6,154,537	5,292,426	(862,111)
Library	266,650	277,010	268,013	(8,997)
ABC Board	1,000,000	1,000,000	926,488	(73,512)
Other	7,621,528	9,030,472	8,748,446	(282,026)
Total intergovernmental revenues	72,971,617	82,798,485	75,642,205	(7,156,280)
Charges for services				
Elections registration lists	-	-	209	209
Register of deeds	2,650,000	2,650,000	2,536,047	(113,953)
General government charges	2,687,859	2,687,859	3,019,421	331,562
Collection fees	1,053,500	1,053,500	1,350,103	296,603
Public protection	1,636,095	1,636,095	1,556,359	(79,736)
Environmental protection	655,641	655,641	560,906	(94,735)
Solid waste fees	1,291,890	1,291,890	1,355,984	64,094
Facilities fees	500,000	500,000	476,451	(23,549)
Library fees and charges	199,000	199,000	270,157	71,157
Mental health	50,000	50,000	78,153	28,153
Public health	412,318	412,318	399,255	(13,063)
Social services	164,476	164,476	253,211	88,735
Emergency medical services charges	4,530,000	4,530,000	5,132,795	602,795
Other charges	22,225	22,225	21,352	(873)
Total charges for services	15,853,004	15,853,004	17,010,403	1,157,399
Investment and rental income				
Investment earnings	1,229,699	1,229,699	2,352,536	1,122,837
Rent	478,121	478,121	526,705	48,584
Total investment and rental income	1,707,820	1,707,820	2,879,241	1,171,421
Licenses and permits				
Construction permits	188,270	188,270	286,691	98,421
Cablevision and franchise fees	400,000	400,000	390,081	(9,919)
Wine and beer licenses	15,000	15,000	20,412	5,412
Other licenses and permits	5,000	5,000	6,255	1,255
Total licenses and permits	608,270	608,270	703,439	95,169

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, 2011**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues (continued)				
Other revenues				
Miscellaneous	\$ 185,611	\$ 185,611	\$ 244,829	\$ 59,218
Confiscated property				
federal investigation	-	-	31,095	31,095
Inmate welfare	-	351,744	136,475	(215,269)
Sale of real property	-	-	1,622,352	1,622,352
Sale of program services	-	3,400,010	3,400,010	-
Other	300	20,452	42,867	22,415
Total other revenues	185,911	3,957,817	5,519,764	1,561,947
Total revenues	350,829,482	364,759,256	372,482,660	7,723,404
Expenditures				
General administration				
Board of county commissioners	509,875	574,508	537,934	36,574
County manager	1,484,405	1,715,981	1,573,968	142,013
Finance	2,542,756	2,728,876	2,546,316	182,560
Tax	5,024,319	6,957,111	6,401,448	555,663
Legal	1,515,910	1,643,229	1,536,451	106,778
Court facilities	364,369	375,555	324,199	51,356
Human resources	13,451,857	3,517,354	3,770,595	(253,241)
Elections	1,052,163	1,122,879	934,701	188,178
Risk management and insurance	2,463,115	2,479,235	1,655,242	823,993
General services	8,278,393	8,721,478	7,605,613	1,115,865
Geographic information systems	366,638	366,638	408,705	(42,067)
Information systems	5,291,965	5,675,905	5,296,653	379,252
Register of deeds	1,576,352	1,815,760	1,644,807	170,953
Other	1,353,089	1,503,340	617,708	885,632
Total general administration	45,275,206	39,197,849	34,854,340	4,343,509
Economic and physical development				
Planning	1,153,933	1,153,933	1,004,324	149,609
Cooperative extension	1,305,148	1,726,397	1,504,974	221,423
Soil and water conservation	297,979	342,695	330,408	12,287
Open space management	-	68,118	-	68,118
Industrial extension	2,090,027	1,819,027	1,112,152	706,875
Other	377,379	648,379	498,380	149,999
Total economic and physical development	5,224,466	5,758,549	4,450,238	1,308,311
Human services				
Public health	20,067,588	23,098,689	20,206,409	2,892,280
Mental health	31,199,905	34,169,883	29,812,031	4,357,852
Social services	53,389,648	61,099,076	56,782,711	4,316,365
Other	1,735,186	1,891,573	1,723,649	167,924
Total human services	106,392,327	120,259,221	108,524,800	11,734,421
Education				
Durham public schools				
Current	107,032,189	107,032,189	107,032,189	-
Capital	1,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	4,064,246	4,064,246	4,064,246	-
Capital	465,672	465,672	465,672	-
Other education	93,186	93,186	93,186	-
Total education	113,025,293	113,025,293	113,025,293	-

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, 2011**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Expenditures (continued)				
Public safety				
Criminal justice partnership	\$ 2,290,874	\$ 2,748,641	\$ 2,336,919	\$ 411,722
County sheriff	13,833,678	16,734,356	15,740,402	993,954
County jail	12,182,440	14,314,844	14,014,950	299,894
Youth home	1,066,842	1,187,222	1,040,797	146,425
Animal control	1,486,047	1,636,386	1,555,247	81,139
Emergency communications center	978,034	978,034	939,872	38,162
Emergency medical services	6,902,884	7,690,855	7,601,222	89,633
County fire protection	2,575,987	3,810,207	2,928,024	882,183
Medical examiner	100,000	100,000	100,900	(900)
Other public safety	1,671,139	1,679,639	1,647,505	32,134
Total public safety	<u>43,087,925</u>	<u>50,880,184</u>	<u>47,905,838</u>	<u>2,974,346</u>
Transportation				
Airport authority	12,500	12,500	12,500	-
Total transportation	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Environmental protection				
Solid waste	1,973,684	2,109,458	1,960,975	148,483
Environmental engineering	1,411,427	1,823,186	1,548,397	274,789
Other	63,661	63,661	40,840	22,821
Total environmental protection	<u>3,448,772</u>	<u>3,996,305</u>	<u>3,550,212</u>	<u>446,093</u>
Cultural and recreational				
Library	9,142,882	10,151,889	9,307,732	844,157
Other	1,800,019	1,800,018	1,744,885	55,133
Total cultural and recreational	<u>10,942,901</u>	<u>11,951,907</u>	<u>11,052,617</u>	<u>899,290</u>
Total expenditures	<u>327,409,390</u>	<u>345,081,808</u>	<u>323,375,838</u>	<u>21,705,970</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>23,420,092</u>	<u>19,677,448</u>	<u>49,106,822</u>	<u>29,429,374</u>
Other financing sources (uses)				
Transfers in	6,116,513	6,230,703	6,162,992	(67,711)
Appropriated fund balance	6,203,505	12,588,025	-	(12,588,025)
Transfers out	(36,627,323)	(39,383,389)	(39,383,389)	-
Issuance of installment purchases	887,213	887,213	-	(887,213)
Total other financing uses	<u>(23,420,092)</u>	<u>(19,677,448)</u>	<u>(33,220,397)</u>	<u>(13,542,949)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>15,886,425</u>	<u>\$ 15,886,425</u>
FUND BALANCE - BEGINNING OF YEAR			<u>101,634,062</u>	
FUND BALANCE - END OF YEAR			<u>\$ 117,520,487</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, 2011**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 1,037,591	\$ 1,037,591
Charges for services	3,950,000	3,950,000	4,006,700	56,700
Total revenues	<u>3,950,000</u>	<u>3,950,000</u>	<u>5,044,291</u>	<u>1,094,291</u>
Other financing sources (uses)				
Transfers in	-	2,756,066	2,756,066	-
Transfers out	(4,250,000)	(4,561,808)	(4,561,808)	-
Appropriated fund balance	300,000	(2,144,258)	-	2,144,258
Total other financing uses	<u>(3,950,000)</u>	<u>(3,950,000)</u>	<u>(1,805,742)</u>	<u>2,144,258</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	3,238,549	<u>\$ 3,238,549</u>
FUND BALANCE - BEGINNING OF YEAR			<u>12,431,038</u>	
FUND BALANCE - END OF YEAR			<u>\$ 15,669,587</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Assets

Proprietary Fund

June 30, 2011

	<u>Enterprise Fund</u>
	<u>Sewer</u>
	<u>Utility</u>
	<u>Fund</u>
Assets	
Current assets	
Cash and cash equivalents / investments	\$ 12,766,510
Cash and cash equivalents / investments - restricted	7,635,822
Receivables:	
Accounts receivable	8,694
Accrued interest receivable	60,810
Total receivables	<u>69,504</u>
Due from other governments - federal and state agencies	373,694
Due from other governments - local	991,002
Total current assets	<u>21,836,532</u>
Noncurrent assets	
Bond issuance costs	537,442
Accumulated amortization - bond issuance costs	(174,449)
Capital assets:	
Land	185,226
Land improvements - sewer and water lines	25,818,944
Building treatment plant	4,103,344
Office furniture and equipment	13,374
Machinery and equipment	335,293
Vehicles	173,537
Computer hardware	26,133
Construction in progress	38,947,178
Total capital assets	<u>69,603,029</u>
Less accumulated depreciation and amortization	<u>(13,714,651)</u>
Net capital assets	<u>55,888,378</u>
Total noncurrent assets	<u>56,251,371</u>
Total assets	<u>78,087,903</u>
Liabilities	
Current liabilities	
Current portion of accrued compensated absences	40,113
Current portion of long-term debt	1,372,439
Accounts payable	622,968
Arbitrage rebate payable	13,000
Accrued interest payable	88,179
Accrued payroll and related amounts withheld	69,874
Total current liabilities	<u>2,206,573</u>
Noncurrent liabilities	
Accrued compensated absences	37,057
Long-term debt	17,226,405
Total noncurrent liabilities	<u>17,263,462</u>
Total liabilities	<u>19,470,035</u>
Net assets	
Net assets - capital net of debt	37,969,224
Net assets - restricted for capital projects	7,635,822
Net assets - unrestricted	13,012,822
Total net assets	<u>\$ 58,617,868</u>

DURHAM COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2011**

	Enterprise Fund
	Sewer Utility Fund
Operating revenues	
Charges for services	\$ 10,359,823
Total operating revenues	<u>10,359,823</u>
Operating expenses	
Personnel services	1,378,058
Utilities	418,257
Maintenance and other	1,733,754
Depreciation and amortization	700,474
Total operating expenses	<u>4,230,543</u>
Operating income (loss)	<u>6,129,280</u>
Nonoperating revenue (expense)	
Investment and interest income	5,121
Sewer connection fees	234,513
Interest and fiscal charges	(870,817)
Miscellaneous	940
Total nonoperating revenue (expense)	<u>(630,243)</u>
Income (loss) before transfers and contributions	5,499,037
Transfers out	(254,640)
Capital contributions	<u>1,784,691</u>
Change in net assets	7,029,088
Total net assets - beginning	<u>51,588,780</u>
Total net assets - ending	<u>\$ 58,617,868</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, 2011**

	<u>Enterprise Fund</u>
	<u>Sewer Utility Fund</u>
Operating activities	
Cash received from sales	\$ 9,552,904
Cash paid to employees	(1,348,280)
Cash paid for operating plant	(1,717,040)
Net cash provided (used) by operating activities	<u>6,487,584</u>
Noncapital financing activities	
Sewer connection fees received	234,513
Transfers out	(254,640)
Miscellaneous	940
Net cash provided (used) by noncapital financing activities	<u>(19,187)</u>
Capital and related financing activities	
Principal payments on long-term debt	(1,993,637)
Interest paid	(916,616)
Intergovernmental revenues	384,691
Acquisition and construction costs of capital assets	(971,464)
Net cash provided (used) by capital and related financing activities	<u>(3,497,026)</u>
Investing activities	
Investment income and dividends	48,426
Net cash provided (used) by investing activities	<u>48,426</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>3,019,797</u>
Cash and cash equivalents/investments	
Beginning of year	<u>17,382,535</u>
End of year	<u>\$ 20,402,332</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 6,129,280
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	700,474
Change in assets and liabilities	
Accounts receivable	15,671
Due from other governments - federal and state agencies	(343,626)
Due from other governments - local	(478,964)
Accounts payable and accrued expenses	434,971
Other liabilities	29,778
Total adjustments	<u>358,304</u>
Net cash provided (used) by operating activities	<u>\$ 6,487,584</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:	
Capital contributions	<u>\$ 1,400,000</u>

DURHAM COUNTY, NORTH CAROLINA

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ -	\$ 23,083	\$ 5,334,376
U.S. government securities	1,334,355	-	-
Net taxes receivable	-	-	3,149,614
Total assets	<u>1,334,355</u>	<u>23,083</u>	<u>\$ 8,483,990</u>
Liabilities			
Accrued payroll and amounts withheld	11,023	-	-
Funds held for others	-	-	638,175
Due to governmental agencies	-	-	7,845,815
Total liabilities	<u>11,023</u>	<u>-</u>	<u>\$ 8,483,990</u>
Net assets			
Held in trust for:			
Employee pension benefits	1,323,332	-	
Individuals, organizations, and other governments	-	23,083	
Total net assets	<u>\$ 1,323,332</u>	<u>\$ 23,083</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2011

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds
Additions		
Employer contributions	\$ 300,207	\$ -
Employee contributions	-	2,232
Investment income	3,140	23
Total additions	<u>303,347</u>	<u>2,255</u>
Deductions		
Benefits	216,980	600
Total deductions	<u>216,980</u>	<u>600</u>
Change in net assets	86,367	1,655
Total net assets - beginning	<u>1,236,965</u>	<u>21,428</u>
Total net assets - ending	<u><u>\$ 1,323,332</u></u>	<u><u>\$ 23,083</u></u>

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011

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, 2011

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 to expenditure 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.

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 or committed to expenditure for specified purposes other than debt service or capital projects. The Debt Service Fund is also included in *Other Governmental Funds* and is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and related costs for all general long-term debt other than debt issued for and serviced by proprietary funds.

The County reports the following fiduciary fund types:

Law Enforcement Officer's Special Separation Allowance Pension Trust Fund. The pension trust fund 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, 2011

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, 2011

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.

3. Measurement Focus and Basis of Accounting

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Budgetary Control

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

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

The following summarizes the supplementary appropriations made for the major governmental funds other than the capital projects fund during fiscal year 2011:

	<u>Original Budget</u>	<u>Total Amendments</u>	<u>Revised Budget</u>
General	\$ 364,036,713	\$ 20,428,484	<u>\$ 384,465,197</u>
Community Health Trust	\$ 4,250,000	\$ 2,456,066	<u>\$ 6,706,066</u>

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At June 30, 2011, the County's deposits had a carrying amount of \$98,344,569 and a bank balance of \$100,488,221. Of the bank balance, \$722,686 was covered by federal depository insurance, and \$99,765,536 was covered by collateral held under the Pooling Method.

At June 30, 2011, the ABC Board's deposits had a carrying amount of \$1,550,506 and a bank balance of \$1,750,844. Of the bank balance, \$675,457 was covered by federal depository insurance and \$1,075,387 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, 2011 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	37,006,844	17,997,934	1,999,810	17,009,100	-
Commercial Paper	9,605,116	9,605,116	-	-	-
NC Capital Management Trust-Cash Portfolio	72,203,352	72,203,352	-	-	-
Community Health Trust	9,094,563	5,059,067	64,353	2,342,515	1,628,628
Certificate of Deposit	2,500,000	-	2,500,000	-	-
Total:	\$ 130,409,875	\$ 104,865,469	\$ 4,564,163	\$ 19,351,615	\$ 1,628,628

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2011, 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 AAA by Standard & Poor's as of June 30, 2011. 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 78 percent of the County's investments are in the Federal Home Loan Bank and Federal National Mortgage Association. These investments are 46% and 32% respectively, of the County's total investments. All securities owned by the County at June 30, 2011 were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank.

Interest rate swap

Effective July 30, 2004, the County entered into a floating-to-floating or basis swap on \$125,810,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B and 2004 A&B General Obligation Bonds. Effective September 1, 2009, the swap was modified to increase the notional amount to \$186,365,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008A&B General Obligation Bonds and 2009A Certificates of Participation. The notional amount of the Swap Agreement is equal to the par value of selected associated bonds. The objective of the swap was to create economics (generate present value savings) similar to a 65% of LIBOR synthetic fixed-rate financing without the County having to issue actual refunding bonds. The Swap Agreement provides for the County to make payments to the counterparty based on the taxable-equivalent Bond Market Association (BMA) index and for the counterparty to make reciprocal payments based on a floating rate priced at six-month LIBOR

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2011, the swap had a positive fair value totaling \$52,329, 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 \$3,986,403 in fiscal year 2011 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				3.733% + BMA/ *	4.685% + 6-month	\$52,329	Aaa/AA
2009 A Certificates of Participation General Obligation Bonds and Certificates of Participation	\$186,365	9/1/09	3/1/31	Divisor	LIBOR		

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

Risks:

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

Credit risk:

As of June 30, 2011, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding swap in the amount of \$52,329 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2011.

6. Receivables

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The receivables as of June 30, 2011 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	\$ 1,138,035	\$ 366,532	\$ 5,436,239	\$ 23,539	\$ 23,572,888	\$ 474,012	\$ 18,783,240	\$ 49,794,485
Capital projects	-	25,425	-	-	-	-	4,076,590	4,102,015
Other governmental	-	-	67,442	-	-	-	-	67,442
Total receivables	<u>1,138,035</u>	<u>391,957</u>	<u>5,503,681</u>	<u>23,539</u>	<u>23,572,888</u>	<u>474,012</u>	<u>22,859,830</u>	<u>53,963,942</u>
Allowance for doubtful accounts	<u>(97,976)</u>	<u>-</u>	<u>(47,450)</u>	<u>-</u>	<u>(22,322,920)</u>	<u>(474,012)</u>	<u>-</u>	<u>(22,942,358)</u>
Total governmental activities	<u><u>\$ 1,040,059</u></u>	<u><u>\$ 391,957</u></u>	<u><u>\$ 5,456,231</u></u>	<u><u>\$ 23,539</u></u>	<u><u>\$ 1,249,968</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,859,830</u></u>	<u><u>\$ 31,021,584</u></u>
Business-type activities:								
Sewer utility	<u>\$ 8,694</u>	<u>\$ 60,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,364,696</u>	<u>\$ 1,434,200</u>
Total receivables	<u>8,694</u>	<u>60,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,364,696</u>	<u>1,434,200</u>
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u><u>\$ 8,694</u></u>	<u><u>\$ 60,810</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,364,696</u></u>	<u><u>\$ 1,434,200</u></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, 2011 of \$474,012 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

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:

	<u>Deferred</u>	<u>Unearned</u>
Net property taxes receivable (general fund)	\$ 3,879,229	\$ -
Net property taxes receivable (special revenue)	66,041	-
Collections in advance (general fund)	-	3,098,959
Collections in advance (special revenue)	-	16,740
Emergency medical services receivable (general fund)	1,249,968	-
Solid waste fees receivable (general fund)	23,539	-
Animal taxes receivable (general fund)	1,510,961	-
Total deferred/unearned revenue for governmental funds	<u>\$ 6,729,738</u>	<u>\$ 3,115,699</u>

7. Inventories

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

8. Capital Assets

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2011

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, 2011

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, 2011 amounted to \$6,660,997. Of this amount, \$6,583,828 is recorded as a liability in the government-wide financial statements for governmental activities, and \$77,169 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, 2011 amounted to \$126,504. 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, 2011 amounted to \$19,999,207 in total. Upon separation from the County or the ABC Board, there is no compensation for earned sick leave. Therefore, sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Accumulated sick leave with the County used as retirement credit is limited to one month for each two years of service. Since the County and the ABC Board have no obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

11. Encumbrances

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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)].
- Restricted for museum – portion of fund balance that is restricted by revenue source for North Carolina Museum of Life and Science purposes.
- Restricted for tax technology – portion of fund balance that is restricted by revenue source for tax technology purposes.
- Restricted for sheriff – portion of fund balance that is restricted by revenue source for sheriff purposes.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 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.
- 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 debt service – portion of fund balance that can only be used for debt service.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 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 the Durham County Board of County Commissioners has budgeted.

- 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.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The following schedule presents the assigned fund balances at June 30, 2011:

	Nonmajor Funds				
	General Fund	Community Health Trust Fund	Capital Projects Fund	Special Revenue Funds	Debt Service Fund
Assigned Fund Balance:					
Assigned for subsequent year	\$ 8,148,653	\$ 2,173,499	\$ -	\$ 115,140	\$ 1,305,668
Assigned for health related purposes	-	13,496,088	-	-	-
Assigned for capital projects	-	-	27,356,574	-	-
Assigned for fire districts	-	-	-	742,254	-
Assigned for public safety purposes	-	-	-	8,317	-
Assigned for economic development purposes	-	-	-	91,280	-
Assigned for debt service	-	-	-	-	5,850,689
	<u>\$ 8,148,653</u>	<u>\$ 15,669,587</u>	<u>\$ 27,356,574</u>	<u>\$ 956,991</u>	<u>\$ 7,156,357</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, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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-recurring expenditures. Management has been instructed to conduct business in such a manner to achieve these goals. As of June 30, 2011, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 13.56% and 25.73%, respectively.

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, 2011.

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, 2011

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)	\$344,186,546
Investment in joint venture	<u>7,735,677</u>

Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities	<u><u>\$351,922,223</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)	\$ 3,945,270
Solid waste receivable	23,539
Animal taxes receivable	1,510,961
Emergency medical services receivable (net)	1,249,968
Derivative financial instrument	52,329
Pension assets	<u>27,063</u>

Net adjustment to increase total fund balances – total governmental funds to arrive at net assets of governmental activities	<u><u>\$ 6,809,130</u></u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

**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	\$ (52,597,859)
Bonds and other notes payable	(439,253,328)
Net OPEB obligation	(30,285,163)
Accrued compensated absences	(6,583,827)
Accrued interest payable	<u>(3,051,259)</u>
 Subtotal	 (531,771,436)
 Less: accrued interest receivable	 391,957
Less: bond issuance costs net of accumulated amortization	 <u>4,020,743</u>
 Net adjustment to decrease total fund balances – total governmental funds to arrive at net assets of governmental activities	 <u><u>\$(527,358,736)</u></u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

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	\$ 76,240,977
Less: depreciation expense	(9,752,841)
Plus: decrease in investment in joint venture	<u>(135,795)</u>
 Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 <u>\$ 66,352,341</u>

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

Decrease in deferred revenue of taxes (net)	\$ (589,175)
Decrease in deferred revenue of emergency medical services receivable (net)	(92,775)
Increase in deferred revenue of animal tax receivable (net)	629,976
Increase in deferred revenue of solid waste receivable (net)	1,588
Increase in derivative financial instrument	3,986,403
Decrease in pension asset	<u>(856)</u>
 Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	 <u>\$ 3,935,161</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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 2011 - 2012 fiscal year and are not shown as receivables at June 30, 2011.

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, 2011 was \$191,278. In addition to the delinquent interest collections, interest in the amount of \$76 was earned during fiscal year 2011.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 6,843,704	\$ -	\$ -	\$ 6,843,704
Easements	1,351,764	-	-	1,351,764
Construction in progress	114,100,919	74,965,050	(3,374,957)	185,691,012
Total nondepreciable capital assets	<u>122,296,387</u>	<u>74,965,050</u>	<u>(3,374,957)</u>	<u>193,886,480</u>
Depreciable capital assets:				
Buildings	205,732,460	-	3,374,957	209,107,417
Office furniture and Equipment	1,896,130	-	-	1,896,130
Machinery and Equipment	3,177,069	488,301	(672,385)	2,992,985
Computer Hardware	7,821,645	34,724	(177,713)	7,678,656
Computer Software	13,897,206	238,519	(272,554)	13,863,171
Vehicles	10,319,996	515,953	(236,324)	10,599,625
Total depreciable capital assets	<u>242,844,506</u>	<u>1,277,497</u>	<u>2,015,981</u>	<u>246,137,984</u>
Less accumulated depreciation for:				
Buildings	60,637,745	5,189,341	-	65,827,086
Office furniture and Equipment	525,021	224,092	-	749,113
Machinery and Equipment	2,228,173	436,544	(670,815)	1,993,902
Computer Hardware	2,945,757	2,214,463	(177,714)	4,982,506
Computer Software	13,284,111	493,868	(272,554)	13,505,425
Vehicles	7,821,676	1,194,533	(236,323)	8,779,886
Total accumulated depreciation	<u>87,442,483</u>	<u>9,752,841</u>	<u>(1,357,406)</u>	<u>95,837,918</u>
Total depreciable capital assets, net	<u>155,402,023</u>	<u>(8,475,344)</u>	<u>3,373,387</u>	<u>150,300,066</u>
Governmental activities capital assets, net	<u>\$ 277,698,410</u>	<u>\$ 66,489,706</u>	<u>\$ (1,570)</u>	<u>\$ 344,186,546</u>

During 2011, the County incurred \$ 70,745,934 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, 2011

D. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 6,035,768
Public safety	2,459,778
Environmental protection	39,223
Human Services	888,332
Educational	202,023
Cultural and recreational	127,717
Total depreciation expense	<u>\$ 9,752,841</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	38,013,312	933,866	-	38,947,178
Total nondepreciable capital assets	<u>38,198,538</u>	<u>933,866</u>	<u>-</u>	<u>39,132,404</u>
Depreciable capital assets:				
Land Improvements: Water and Sewer Lines	24,418,944	1,400,000	-	25,818,944
Buildings	4,103,344	-	-	4,103,344
Office furniture and Equipment	13,374	-	-	13,374
Machinery and Equipment	315,538	19,755	-	335,293
Computer Hardware	26,133	-	-	26,133
Vehicles	155,693	17,844	-	173,537
Total depreciable capital assets	<u>29,033,026</u>	<u>1,437,599</u>	<u>-</u>	<u>30,470,625</u>
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	10,298,889	567,360	-	10,866,249
Buildings	2,396,047	64,525	-	2,460,572
Office furniture and Equipment	2,389	1,911	-	4,300
Machinery and Equipment	225,716	17,626	-	243,342
Computer Hardware	11,635	8,476	-	20,111
Vehicles	79,501	40,576	-	120,077
Total accumulated depreciation	<u>13,014,177</u>	<u>700,474</u>	<u>-</u>	<u>13,714,651</u>
Total depreciable capital assets, net	<u>16,018,849</u>	<u>737,125</u>	<u>-</u>	<u>16,755,974</u>
Business-type activities capital assets, net	<u>\$ 54,217,387</u>	<u>\$ 1,670,991</u>	<u>\$ -</u>	<u>\$ 55,888,378</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Land	\$ 1,539,453	\$ 129,964	\$ (19,072)	\$ 1,650,345
Total nondepreciable capital assets	<u>1,539,453</u>	<u>129,964</u>	<u>(19,072)</u>	<u>1,650,345</u>
Depreciable capital assets:				
Buildings and improvements	2,673,509	189,712	(86,901)	2,776,320
Leasehold improvements	850,584	69,934	(11,963)	908,555
Vehicles	87,119	-	-	87,119
Machinery and equipment	1,154,348	99,435	(46,748)	1,207,035
Law enforcement	217,190	382,471	-	599,661
Total depreciable capital assets	<u>4,982,750</u>	<u>741,552</u>	<u>(145,612)</u>	<u>5,578,690</u>
Less accumulated depreciation for:				
Buildings and improvements	788,165	70,635	(87,972)	770,828
Leasehold improvements	380,919	46,049	(1,635)	425,333
Vehicles	37,042	7,259	-	44,301
Machinery and equipment	695,401	106,121	(27,418)	774,104
Law enforcement	106,144	26,684	(15,012)	117,816
Total accumulated depreciation	<u>2,007,671</u>	<u>256,748</u>	<u>(132,037)</u>	<u>2,132,382</u>
Total depreciable capital assets, net	<u>2,975,079</u>	<u>484,804</u>	<u>(13,575)</u>	<u>3,446,308</u>
Business-type activities capital assets, net	<u>\$ 4,514,532</u>	<u>\$ 614,768</u>	<u>\$ (32,647)</u>	<u>\$ 5,096,653</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2011:

	Beginning Balance June 30, 2010	Increases	Decreases	Ending Balance June 30, 2011	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 230,107,209	\$ 121,750,000	\$ 82,656,363	\$ 269,200,846	\$ 21,545,169
Certificates of participation	132,724,828	42,778,061	-	175,502,889	3,095,000
Installment notes payable	44,443,785	28,593,008	33,037,713	39,999,080	27,151,022
Unamortized bond premium	2,490,689	13,944,275	934,426	15,500,538	1,136,104
Unamortized loss on refunding	(3,905,843)	(6,327,858)	(366,901)	(9,866,800)	(843,277)
Net OPEB obligation	24,746,711	7,481,180	1,942,728	30,285,163	1,950,000
Accrued compensated absences	6,663,214	4,232,875	4,312,262	6,583,827	4,058,737
Other financing agreements	2,541,588	-	1,026,954	1,514,634	513,841
Total governmental activities	\$ 439,812,181	\$ 212,451,541	\$ 123,543,545	\$ 528,720,177	\$ 58,606,596
Business-type activities:					
General obligation bonds	\$ 3,822,791	\$ -	\$ 343,638	\$ 3,479,153	\$ 739,831
Revenue bonds	16,090,000	-	1,650,000	14,440,000	580,000
Unamortized bond premium	1,073,105	-	107,414	965,691	100,275
Unamortized loss on refunding	(333,667)	-	(47,667)	(286,000)	(47,667)
Accrued compensated absences	61,592	54,664	39,086	77,170	40,113
Total business-type activities	\$ 20,713,821	\$ 54,664	\$ 2,092,471	\$ 18,676,014	\$ 1,412,552

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, 2011, such statutory limit for the County was \$2,356,847,868 providing a legal debt margin of \$2,084,167,868.

Defeasance of debt

In fiscal year 2010, the county defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2010, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

E. LONG-TERM OBLIGATIONS (continued)

\$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, 2011, the loss from defeasance (net of amortization) was \$3,866,356. 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. 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.

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, \$121,750,000 was issued in fiscal year 2011.

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 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 2011.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

E. LONG-TERM OBLIGATIONS (continued)

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, 2011, the County has borrowed \$57,667,889. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

Bond anticipation notes

Durham County issues general obligation bond anticipation notes (BANs) for the acquisition and construction of major capital facilities. The BANs have been issued for governmental activities. The County has authorized the issuance of the BANs up to \$80,000,000 outstanding at any time. The BANs are general obligations of the County, and the County has pledged its faith and credit to the payment of principal and interest on the BANs. In addition, the County has entered into a Standby Note Purchase Agreement which expires when the BANs will mature on August 1, 2011 and is subject to prior redemption at the option of the County. The BANs will be replaced by general obligation bonds. The County had general obligation BANs of \$22,480,874 outstanding at June 30, 2011. 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, 2011

E. LONG-TERM OBLIGATIONS (continued)

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2011 are as follows:

<u>Purpose:</u>	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Outstanding June 30, 2011
<u>Governmental activities:</u>					
Refunding, Series 2001	4.25% to 5.50%	2/15/2001	4/1/2013	87,490,000	\$ 9,700,000
Public improvement, Series 2002A	3.25% to 4.75%	1/1/2002	3/1/2022	11,050,000	6,100,000
Public improvement, Series 2002B	4.00% to 5.00%	5/1/2002	4/1/2022	68,410,000	12,305,000
Public improvement, Series 2004A (2/3 Bonds)	4.00% to 5.00%	5/1/2004	5/1/2023	10,600,000	2,400,000
Public improvement, Series 2004B	4.00% to 5.00%	5/1/2004	5/1/2023	46,600,000	9,600,000
Public improvement, Series 2006A (2/3 Bonds)	4.00% to 5.00%	5/1/2006	6/1/2023	11,380,000	4,250,000
Public improvement, Series 2006B	4.00% to 5.00%	5/1/2006	6/1/2023	49,225,000	18,100,000
Public improvement, Series 2008A (2/3 Bonds)	3.50% to 5.00%	5/8/2008	4/1/2027	12,100,000	10,900,000
Public improvement, Series 2008B	3.50% to 5.00%	5/9/2008	4/1/2027	34,090,000	30,940,000
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	43,272,209	43,155,846
Public improvement, Series 2010A	2.00% to 5.00%	11/10/2010	11/1/2018	25,980,000	25,980,000
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
Certificate of participation, Series 2009A	4.00% to 5.00%	4/15/2009	6/1/2031	61,850,000	61,850,000
Certificate of participation, Series 2009B	Variable Rate	4/15/2009	6/1/2035	55,985,000	55,985,000
Certificate of participation, Series 2010	Variable Rate	3/31/2010	3/31/2013	125,000,000	57,667,889
Bond Anticipation Notes	Variable Rate	8/28/2008	8/1/2011	80,000,000	22,480,874
Installment purchase public facility	4.64%	5/14/1996	11/14/2014	7,300,000	1,961,862
Installment purchase garage facility	4.415%	8/20/2003	8/20/2018	14,502,000	8,427,933
Installment purchase vehicles and computer hardware	1.42%	6/29/2010	7/1/2013	8,215,000	6,194,370
Installment purchase	2.68%	5/27/2008	5/5/2012	1,700,000	441,924
<u>Other financing agreements</u>					
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	117,192
800 Mhz radio system upgrade	4.64%	9/27/2005	6/30/2015	5,012,454	1,889,559
Total governmental activities					<u>\$ 486,217,449</u>
<u>Business-type activities:</u>					
Revenue bonds, Series 2003 - sewer plant expansion/improvements	3.00% to 4.75%	12/1/2002	6/11/2028	24,515,000	14,440,000
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	3,822,791	3,479,153
Total business-type activities					<u>17,919,153</u>
Total bonded indebtedness					<u><u>\$ 504,136,602</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2011 to amortize outstanding debt and funds available for draw under installment purchase contracts including interest payments, exclusive of accrued compensated absences are as follows:

Governmental activities:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Installment Note Payable		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 21,545,169	\$11,792,604	\$ 3,095,000	\$ 5,071,156	\$ 5,183,990	\$ 527,572	\$ -	\$ -	\$ 29,824,159	\$ 17,391,332
2012	21,451,340	11,133,877	3,095,000	4,961,106	4,828,176	412,829	-	-	29,374,516	16,507,812
2013	19,528,468	10,194,874	3,095,000	4,839,556	2,808,860	309,536	-	-	25,432,328	15,343,966
2014	19,705,596	9,278,150	5,895,000	4,723,206	1,857,426	232,566	-	-	27,458,022	14,233,922
2015	19,612,615	8,469,313	5,895,000	4,476,356	4,286,987	385,905	-	-	29,794,602	13,331,574
2016-2020	95,507,658	28,815,873	29,460,000	18,680,781	49,792	-	-	-	125,017,450	47,496,654
2021-2025	55,405,000	9,973,147	26,375,000	11,300,413	17,608	-	-	-	81,797,608	21,273,560
2026-2030	16,445,000	1,782,491	32,540,000	6,593,775	-	-	-	-	48,985,000	8,376,266
2031-2035	-	-	8,385,000	670,800	-	-	-	-	8,385,000	670,800
	<u>\$269,200,846</u>	<u>\$91,440,329</u>	<u>\$117,835,000</u>	<u>\$61,317,149</u>	<u>\$19,032,839</u>	<u>\$1,868,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$406,068,685</u>	<u>\$ 154,625,886</u>

Business-type activities:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Installment Note Payable		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 739,831	\$ 138,708	\$ -	\$ -	\$ -	\$ -	\$ 580,000	\$ 682,408	\$ 1,319,831	\$ 821,116
2012	723,660	116,513	-	-	-	-	605,000	660,658	1,328,660	777,171
2013	711,532	87,567	-	-	-	-	625,000	637,063	1,336,532	724,630
2014	699,403	59,106	-	-	-	-	650,000	612,063	1,349,403	671,169
2015	572,385	31,130	-	-	-	-	680,000	585,250	1,252,385	616,380
2016-2020	32,342	1,617	-	-	-	-	3,935,000	2,382,750	3,967,342	2,384,367
2021-2025	-	-	-	-	-	-	5,010,000	1,302,375	5,010,000	1,302,375
2026-2030	-	-	-	-	-	-	2,355,000	169,100	2,355,000	169,100
	<u>\$ 3,479,153</u>	<u>\$ 434,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,440,000</u>	<u>\$7,031,667</u>	<u>\$ 17,919,153</u>	<u>\$ 7,466,308</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, 2011

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 \$21,471,665. Principal and interest paid for the year and total customer revenues were \$2,414,908 and \$10,359,823, 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 2011.

The ABC Board's long-term debt was \$651,608 as of June 30, 2011.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$695,614 for the year ended June 30, 2011. The future minimum rental payments due under the leases at June 30, 2011 are as follows:

YEAR ENDING JUNE 30,	COUNTY	ABC BOARD
2012	\$ 399,844	\$ 100,315
2013	173,257	65,496
2014	162,817	67,056
2015	119,520	63,516
2016	99,076	31,932
2017-2019	57,795	-
TOTAL	\$ 1,012,309	\$ 328,315

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, 2011 were \$20,664,619 and \$42,941,241, 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, 2011

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 2010 and 2011, the County received \$2,200,000 and \$2,191,200 for these services, respectively. Beginning July 1, 2010 through the remainder of the lease terms, payment made to the County will be adjusted for inflation using the CPI Index Adjustment. Under the revised agreement, Duke paid an additional \$375,000 to Lincoln Community Health Center for fiscal year 2009. LCHC received payments of \$2,850,000 and \$2,838,600 for fiscal year 2010 and 2011, respectively. Beginning July 1, 2010 through the remainder of the lease terms, payment made to the LCHC would be adjusted for inflation using the CPI Index Adjustment. If LCHC ceases to exist without a successor entity that operates in the same manner, payment will be made to the County to support public health initiative for the citizens of Durham County.

2. Industrial Extension Policy

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

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, 2011 are as follows:

<u>YEAR ENDING JUNE 30,</u>	Governmental activities	
	PRINCIPAL	INTEREST
2011	\$ 1,633,985	\$ -
2012	1,234,985	-
2013	1,017,985	-
2014	917,985	-
2015	787,985	-
2016-2018	795,907	-
	\$ 6,388,832	\$ -

Interest requirements related to the Industrial Extensions Policy are nominal.

3. School Facilities

In March 2009, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2010 – 2019 that included school projects totaling \$535,247,784 funded through voter approved general obligation bond referendums in November 2001, November 2003, and November 2007 totaling \$350,539,289, 2/3's general obligation bonds in the amount of \$10,650,000, certificates of participation (COPS) in the amount of \$8,250,000, miscellaneous revenue in the amount of \$1,300,000 and County contributions of \$2,000,000 in fiscal year 2010, and requests for general obligation bond referendums in fiscal year 2012 for \$132,308,364, coupled with additional County contributions of \$18,000,000. Total construction in progress for fiscal year 2011 for these projects was \$70,745,934 while total combined construction in progress since inception was \$146,329,666.

4. Construction

The total ten-year estimated and funded project costs of the CIP until June of 2019 is \$1,159,035,330. The plan continues to serve as a blueprint to meet the growing facility needs of the County. The funding sources for the CIP include: general obligation bonds, 2/3's general obligation bonds, certificates of participation (COPs), bond anticipation notes (BANs), revenue bonds, county contributions, sewer utility contributions and other miscellaneous revenues.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

F. COMMITMENTS (continued)

The CIP allocated funding for fiscal year 2011 in the amount of \$106,843,350. Funds provided approximately \$45,835,488 for capital projects of general governmental activities, \$500,000 for business-type activities, \$42,000,000 for education facilities, \$900,000 for environmental protection activities, and \$17,607,862 for human service activities.

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

As part of the ten year CIP for fiscal years 2010-2019, a general obligation bond referendum totaling \$207,100,000 was approved by Durham County citizens as a funding source. The referendum funded \$194,240,000 for school facilities, \$8,680,000 for community colleges, and \$4,180,000 for museum facilities. Of the 2003 voter approved general obligation bonds, the County has issued \$123,665,000. As of fiscal year end, no amount of the November 2007 voter approved general obligations bond was issued.

5. Capital commitments

The County had commitments at June 30, 2011 of approximately \$128,173 for the expansion of the wastewater treatment plant and construction of sewer distribution systems.

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

6. Other commitments

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

The County participates in a number of Federal and State of North Carolina grant awards programs. The disbursements of funds under these programs are subject to audit in accordance with the Office of Management and Budget Circular A-133, "*Audits of State and Local Governments, and Non-Profit Organizations*". The amounts, if any, of expenditures which may be disallowed by the granting agencies resulting from such audit cannot be determined at this time, although the County expects they would be immaterial.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

G. INTERFUND BALANCES AND ACTIVITIES

The following is a schedule of interfund receivable and payable balances as of June 30, 2011:

Due to:	
General Fund from Capital Projects Fund	
Amount due per BOCC approved interfund loan	<u>\$ 738,872</u>
Due from:	
Capital Projects Fund to General Fund	
Amount due per BOCC approved interfund loan	<u>\$ 738,872</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, 2011:

	Transfers in:				Total
	General Fund	Capital Projects Fund	Community Health Fund	Nonmajor Governmental Funds	
Transfers out:					
General fund	\$ -	\$ 900,000	\$ 2,756,066	\$ 35,727,323	\$ 39,383,389
Capital projects fund	-	-	-	6,355,947	6,355,947
Community health trust fund	4,250,000	311,808	-	-	4,561,808
Sewer utility fund	254,639	-	-	-	254,639
Nonmajor governmental funds	1,658,353	-	-	-	1,658,353
Total transfers	<u>\$ 6,162,992</u>	<u>\$ 1,211,808</u>	<u>\$ 2,756,066</u>	<u>\$ 42,083,270</u>	<u>\$ 52,214,136</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

G. INTERFUND BALANCES AND ACTIVITIES (continued)

Transfers from the General Fund to the Capital Projects Fund, Community Health Fund, and the Debt Service Fund are for funding general government construction projects per Durham County's Capital Improvement Plan, health-related initiatives, 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 Capital Projects Fund are for funding health-related expenditures and funding for health-related capital project activity per Durham County's Capital Improvement plan, respectively.

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

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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 6.42% and 6.41%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 6.50% and 6.41% 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, 2011, 2010 and 2009 were \$5,305,897, \$4,008,648, and \$4,022,947, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$142,723, \$112,418, and \$109,680, 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, 2011

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	13
Active plan members	<u>159</u>
Total	<u><u>172</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 \$300,207 or 3.9% 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, 2011 was determined as part of the December 31, 2009 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 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of December 31, 2009 was twenty-one years.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

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	\$ 300,964
Interest on net pension asset	(1,396)
Adjustment to annual required contribution	<u>1,495</u>
Annual pension cost	301,063
Contributions made	<u>300,207</u>
Decrease in net pension asset	856
Net pension asset, beginning of year	<u>(27,919)</u>
Net pension asset, end of year	<u><u>\$ (27,063)</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, 2011	\$ 301,063	99.72%	\$ (27,063)
June 30, 2010	217,187	99.59%	(27,919)
June 30, 2009	197,942	105.00%	(28,818)

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the plan was 37.36 percent funded. The actuarial accrued liability for benefits was \$3,439,501 and the actuarial value of assets was \$1,284,867, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,154,634. The covered payroll (annual payroll of active employees covered by the plan) was \$7,733,575 and the ratio of the UAAL to the covered payroll was 27.86%.

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, 2011

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, 2011 were \$538,074, which consisted of \$377,326 from the County and \$160,748 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, 2011 totaled \$10,589, which consisted of \$7,599 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 2.13%, and 5% and 5%, respectively, of the covered payroll.

4. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5% of the monthly receipts collected pursuant to Article 1 of NCGS 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2011, the County's required and actual contributions were \$21,606.

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, 2011

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy. The County’s contributions were calculated using a covered payroll amount of \$74,972,613. The County’s total payroll was \$84,283,369. Total contributions for the year ended June 30, 2011 were \$5,867,676, which consisted of \$3,686,264 from the County and \$2,181,412 from the non-law enforcement personnel. The County’s required contribution and the non-law enforcement personnel’s voluntary contribution represented 7.83% of the covered payroll amount.

6. Other Post-Employment Benefits

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

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

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

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the BOCC. The County’s members pay monthly for themselves with ten to twenty-four years of service and for dependent coverage at the County’s group rates. For retirees that qualify for full cost coverage, the monthly rates for healthcare are: for retiree only coverage, the monthly rates are \$94 for the Premium option, \$0 for the Core option, \$0 for the Basic option; for family dependent coverage, the monthly rates are \$1,287 for the premium option, \$903 for the Core option and \$672 for the Basic option; for the spouse only coverage, the monthly rates are \$782 for the Premium

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

option, \$501 for the Core option and \$401 for the Basic option; and for the child only coverage, the monthly rates are \$406 for the Premium option, \$336 for the Core option and \$290 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 \$584 for the Premium option, \$490 for the Core option, \$455 for the Basic option; for retiree/family dependent coverage, the monthly rates are \$1,777 for the premium option, \$1,393 for the Core option and \$1,162 for the Basic option; for the retiree/spouse only coverage, the monthly rates are \$1,272 for the Premium option, \$991 for the Core option and \$891 for the Basic option; and for the retiree/child only coverage, the monthly rates are \$896 for the Premium option, \$826 for the Core option and \$780 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 \$48; for retiree/family dependent coverage, the monthly rate is \$136; for retiree/spouse only coverage, the monthly rate is \$108; and for the retiree/child coverage, the monthly rate was \$97. 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 9.28% of annual covered payroll. For the current year, the County contributed \$1,942,728 or 2.34% 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 2.27% and .07% 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 \$5,538,452 which represents 74.47% of ARC. The total designated for OPEB as of fiscal year end for the General Fund and Sewer Utility Fund was \$21,952,209 and \$243,671, respectively. Currently, 440 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, 2011

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>1,942,728</u>
Increase (decrease) in net OPEB obligation	\$ 5,538,452
Net OPEB obligation, beginning of year	<u>24,746,711</u>
Net OPEB obligation, end of year	<u><u>\$30,285,163</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>
2011	\$ 7,481,180	26.00%	\$30,285,163
2010	7,168,139	16.24%	24,746,711
2009	7,168,139	15.54%	18,742,669

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, 2011

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, 2011, the County made contributions to the State for death benefits of \$63,258. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The net assets of the Death Benefit Plan are not available for future benefit payments but will be used to reduce future contribution requirements.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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 2011, a total of \$15,377,837 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 \$1,106,940 was incurred for benefits during the fiscal year 2011.

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; and natural disasters. The Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settlement claims have not exceeded coverage in any of the past three fiscal years.

J. LITIGATION

The County follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or estimable in amount. At June 30, 2011, the County had no pending litigation for which possible liability was fixed or estimable.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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 \$50,468 to the Council during the fiscal year ended June 30, 2011. There is no on-going financial interest or responsibility by the County.

Triangle Transit Authority

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

L. JOINT VENTURES WITHOUT EQUITY INTEREST

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

The Durham and Wake Counties Research and Production Service District Advisory Committee is a special taxing district governed by a ten-member board of which the individuals must be recommended by the Research Triangle Park and Tenants Association. The function of the Board is to make recommendations to the County Commissioners concerning the budget and tax rate to be set for the Special District/Research Triangle Park area.

The District is a joint venture of the two Boards of County Commissioners; however, the County does not have an equity interest in the District. The District may issue bonds or other obligations pursuant to the provisions of the Local Government Bond Act of the North Carolina General Statutes and is empowered to cause taxes to be levied upon all taxable property within its district in Durham and Wake Counties sufficient to meet financial obligations. The County does not approve the budget of the District, nor does the County control the collection or disbursement of District funds.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011:

Total assets	\$1,752,006
Total liabilities	<u>(78,926)</u>
Total equity	<u><u>\$1,673,080</u></u>
Total revenues	\$1,264,220
Total expenditures	<u>(1,281,082)</u>
Decrease in fund balance	<u><u>\$ (16,862)</u></u>

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

Raleigh-Durham Airport Authority

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

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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 2011 appropriation of approximately \$4.064 million to the College represents approximately 11.76% 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 \$465,672 to capital outlay bringing the County's contribution to Durham Technical Community College capital outlay to 30.15%. 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, 2011. 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, 2011, the County recorded an equity interest in the Bureau of \$782,300 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, 2011

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, 2011, the County’s equity interest in the Authority was \$6,953,377.

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 2011, the amount funded by the County was approximately \$9,572. 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, 2011 is \$7,735,677.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

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	\$ 201,198,797	\$ 78,231,458
Food Stamp	62,472,026	-
Temporary Assistance for Needy Families	1,720,355	-
Special Assistance to Adult	-	2,470,521
Special Assistance for the Blind	-	92,110
Title IV-E Adoption Assistance	926,179	233,481
IV-B Adoption Assistance	-	837,699
Energy and Refugee Assistance Payments	1,532,491	-
Total Direct Federal and State Awards	\$ 267,849,848	\$ 81,865,269

O. SUBSEQUENT EVENTS

The County has evaluated subsequent events through October 26, 2011, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

On June 22, 2011, the County executed an amendment to the floating-to-floating basis swap increasing the notional amount from \$186,365,000 to \$216,051,000 effective July 1, 2011.

REQUIRED SUPPLEMENTARY INFORMATION
(TAB)

DURHAM COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability ("AAL") Project Unit Credit (B)	Unfunded AAL ("UAAL") (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a percentage of Covered payroll [(B-A)/C]
December 31, 2003	\$ 678,858	\$1,388,785	\$ 709,927	\$ 0	\$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%

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>
2002	\$ 102,261	108.22%
2003	119,569	104.78%
2004	128,752	109.52%
2005	138,885	114.89%
2006	162,469	106.14%
2007	143,800	0.00%
2008	162,267	102.15%
2009	198,118	104.91%
2010	217,461	99.46%
2011	300,964	99.74%

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, 2010
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 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%

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
(TAB)**

**COMBINING and INDIVIDUAL
FUND STATEMENTS and
SCHEDULES**

MAJOR GOVERNMENTAL FUND

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

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DURHAM COUNTY, NORTH CAROLINA

**Schedule of Expenditures Compared with Project Authorizations
Capital Projects Fund
From Project Inception and for the Fiscal Years Ended June 30, 2011**

PROJECT	EXPENDITURES		SPENT TO DATE	REMAINING COMMITMENT
	CURRENT YEAR	PRIOR YEARS		
Durham Public School Projects	\$ 70,745,934	\$ 175,442,179	\$ 146,329,666	\$ 128,797,605
Justice Center	44,275,667	19,316,078	63,591,745	55,554,710
Judicial Building Renovation	41,694	991,478	1,033,172	2,083,189
NCML & Bioquest	1,336,634	11,854,800	13,191,434	1,949,378
County Storage Facility	10,000	92	10,092	3,089,908
Human Services Complex	21,378,362	32,651,843	54,030,205	36,228,245
Southwest Branch Library	529,106	5,717,698	6,246,804	417,700
South Regional Library	768,709	8,026,094	8,794,803	1,583,233
Scattered Site Housing Program	-	525,234	525,234	51,707
Crim Justice Resource Center	883,344	2,731,563	3,614,907	669,267
Open Space/Farmland Preservation	29,139	5,152,639	5,181,778	3,868,977
DTCC Campus Improvements	1,567,611	4,571,823	6,139,434	2,060,566
DTCC Newton Building	-	-	-	4,000,000
DTCC Northern Durham	-	-	-	1,000,000
DTCC Main Campus Extension	-	-	-	2,000,000
New Hope/Duke Land Acquisition	-	1,523,280	1,523,280	90,720
Detention Center Project	12,720	438,685	451,405	254,685
BOCC Chamber Upgrade	8,654	939,474	948,128	16,420
Main Library Renovations	-	460,729	460,729	339,271
County Stadium Renovations	1,104,753	7,065,048	8,169,801	37,032
Civic Center	1,594,817	1,527,427	3,122,244	2,222,756
Lincoln Community Health Center Renovations	1,684	164,879	166,563	73,114
ROD Preservation Project	629,768	288,742	918,510	26,490
Computer Replacement	1,749,448	1,591,350	3,340,798	997,842
Telecommunications System Upgrade	700	399,964	400,664	74,336
Administrative Building Renovations	386,886	552,327	939,213	1,056,039
EMS Station #1 Renovations	25,944	260	26,204	863,796
LCHC Phase 1 Renovation	222,794	24,519	247,313	1,053,457
Fiber Optic Network	437,170	-	437,170	343,830
FY10 ERP Upgrade Project	861,609	-	861,609	1,638,391
Single Family Rehabilitation Project	12,082	-	12,082	187,918
	<u>\$ 148,615,229</u>	<u>\$ 281,958,205</u>	<u>\$ 330,714,987</u>	<u>\$ 252,630,582</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, 2011**

	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	\$ 5,759	\$ 17,324	\$ 23,083
Total assets	<u>5,759</u>	<u>17,324</u>	<u>23,083</u>
Net assets			
Held in trust for:			
Individuals, organizations, and other governments	5,759	17,324	23,083
Total net assets	<u>\$ 5,759</u>	<u>\$ 17,324</u>	<u>\$ 23,083</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Net Assets
Private-purpose Trust Funds
Year Ended June 30, 2011**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Additions			
Employee contributions	\$ -	\$ 2,232	\$ 2,232
Investment income	15	8	23
Total additions	<u>15</u>	<u>2,240</u>	<u>2,255</u>
Deductions			
Benefits	-	600	600
Total deductions	<u>-</u>	<u>600</u>	<u>600</u>
Change in net assets	15	1,640	1,655
Total net assets - beginning	<u>5,744</u>	<u>15,684</u>	<u>21,428</u>
Total net assets - ending	<u>\$ 5,759</u>	<u>\$ 17,324</u>	<u>\$ 23,083</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.

Debt Service Fund

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

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DURHAM COUNTY, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents / investments	\$ 1,142,363	\$ 7,211,960	\$ 8,354,323
Net taxes receivable	66,041	-	66,041
Total assets	\$ 1,208,404	\$ 7,211,960	\$ 8,420,364
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 168,632	\$ 55,603	\$ 224,235
Collections in advance	16,740	-	16,740
Deferred revenues:			
Taxes	66,041	-	66,041
Total liabilities	251,413	55,603	307,016
Fund balances:			
Assigned for subsequent year	115,140	1,305,668	1,420,808
Assigned	841,851	5,850,689	6,692,540
Total fund balances	956,991	7,156,357	8,113,348
Total liabilities and fund balances	\$ 1,208,404	\$ 7,211,960	\$ 8,420,364

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 6,402,474	\$ -	\$ 6,402,474
Intergovernmental revenues	-	262,155	262,155
Investments	4,136	21,275	25,411
Rent	-	28,943	28,943
Charges for services	-	209,466	209,466
Total revenues	6,406,610	521,839	6,928,449
Expenditures			
Current:			
Public safety	4,105,778	-	4,105,778
Economic and physical development	708,161	-	708,161
Debt service:			
Principal retirement	-	23,658,145	23,658,145
Interest and fiscal charges	-	16,477,835	16,477,835
Debt issuance costs	-	515,252	515,252
Total expenditures	4,813,939	40,651,232	45,465,171
Excess (deficiency) of revenues over (under) expenditures	1,592,671	(40,129,393)	(38,536,722)
Other financing sources (uses)			
Transfers in	-	42,083,270	42,083,270
Transfers out	(1,658,353)	-	(1,658,353)
Refunding bond proceeds	-	71,955,824	71,955,824
Payment to refunded debt escrow agent	-	(71,425,002)	(71,425,002)
Total other financing sources (uses)	(1,658,353)	42,614,092	40,955,739
Net change in fund balances	(65,682)	2,484,699	2,419,017
Fund balance - beginning	1,022,673	4,671,658	5,694,331
Fund balance - ending	\$ 956,991	\$ 7,156,357	\$ 8,113,348

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DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2011

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Assets				
Cash and cash equivalents / investments	\$ 166,093	\$ 288,863	\$ 173,453	\$ 26,129
Net taxes receivable	14,977	15,746	5,738	20,334
Total assets	\$ 181,070	\$ 304,609	\$ 179,191	\$ 46,463
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Collections in advance	4,103	4,527	2,074	4,292
Deferred revenues:				
Taxes	14,977	15,746	5,738	20,334
Total liabilities	19,080	20,273	7,812	24,626
Fund balances:				
Assigned for subsequent year	65,000	46,717	-	3,423
Assigned	96,990	237,619	171,379	18,414
Total fund balances	161,990	284,336	171,379	21,837
Total liabilities and fund balances	\$ 181,070	\$ 304,609	\$ 179,191	\$ 46,463

<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>
\$ 17,283	\$ 29,750	\$ 172,480	\$ 8,352	\$ 259,960	\$ 1,142,363
396	435	7,273	535	607	66,041
<u>\$ 17,679</u>	<u>\$ 30,185</u>	<u>\$ 179,753</u>	<u>\$ 8,887</u>	<u>\$ 260,567</u>	<u>\$ 1,208,404</u>
\$ -	\$ -	\$ -	\$ -	\$ 168,632	\$ 168,632
54	107	1,500	35	48	16,740
396	435	7,273	535	607	66,041
<u>450</u>	<u>542</u>	<u>8,773</u>	<u>570</u>	<u>169,287</u>	<u>251,413</u>
-	-	-	-	-	115,140
17,229	29,643	170,980	8,317	91,280	841,851
<u>17,229</u>	<u>29,643</u>	<u>170,980</u>	<u>8,317</u>	<u>91,280</u>	<u>956,991</u>
<u>\$ 17,679</u>	<u>\$ 30,185</u>	<u>\$ 179,753</u>	<u>\$ 8,887</u>	<u>\$ 260,567</u>	<u>\$ 1,208,404</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2011**

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Revenues				
Taxes	\$ 1,497,047	\$ 1,074,631	\$ 1,545,543	\$ 730,832
Investments	943	903	365	171
Total revenues	<u>1,497,990</u>	<u>1,075,534</u>	<u>1,545,908</u>	<u>731,003</u>
Expenditures				
Current:				
Public safety	450,000	479,657	1,644,444	746,895
Economic and physical development	-	-	-	-
Total expenditures	<u>450,000</u>	<u>479,657</u>	<u>1,644,444</u>	<u>746,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,047,990</u>	<u>595,877</u>	<u>(98,536)</u>	<u>(15,892)</u>
Other financing sources (uses)				
Transfers out	(1,142,463)	(515,890)	-	-
Total other financing sources (uses)	<u>(1,142,463)</u>	<u>(515,890)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(94,473)	79,987	(98,536)	(15,892)
Fund balance - beginning	<u>256,463</u>	<u>204,349</u>	<u>269,915</u>	<u>37,729</u>
Fund balance - ending	<u>\$ 161,990</u>	<u>\$ 284,336</u>	<u>\$ 171,379</u>	<u>\$ 21,837</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>
\$ 58,005	\$ 23,664	\$ 749,297	\$ 17,112	\$ 706,343	\$ 6,402,474
77	104	1,033	32	508	4,136
<u>58,082</u>	<u>23,768</u>	<u>750,330</u>	<u>17,144</u>	<u>706,851</u>	<u>6,406,610</u>
59,874	23,594	683,755	17,559	-	4,105,778
-	-	-	-	708,161	708,161
<u>59,874</u>	<u>23,594</u>	<u>683,755</u>	<u>17,559</u>	<u>708,161</u>	<u>4,813,939</u>
(1,792)	174	66,575	(415)	(1,310)	1,592,671
-	-	-	-	-	(1,658,353)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,658,353)</u>
(1,792)	174	66,575	(415)	(1,310)	(65,682)
19,021	29,469	104,405	8,732	92,590	1,022,673
<u>\$ 17,229</u>	<u>\$ 29,643</u>	<u>\$ 170,980</u>	<u>\$ 8,317</u>	<u>\$ 91,280</u>	<u>\$ 956,991</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, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,511,368	\$ 1,511,368	\$ 1,497,047	\$ (14,321)
Investments	-	-	943	943
Total revenues	<u>1,511,368</u>	<u>1,511,368</u>	<u>1,497,990</u>	<u>(13,378)</u>
Expenditures				
Public safety	575,113	510,923	450,000	60,923
Total expenditures	<u>575,113</u>	<u>510,923</u>	<u>450,000</u>	<u>60,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>936,255</u>	<u>1,000,445</u>	<u>1,047,990</u>	<u>47,545</u>
Other financing sources (uses)				
Transfers out	(1,036,255)	(1,150,445)	(1,142,463)	7,982
Appropriated fund balance	100,000	150,000	-	(150,000)
Total other financing sources (uses)	<u>(936,255)</u>	<u>(1,000,445)</u>	<u>(1,142,463)</u>	<u>(142,018)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(94,473)	<u>\$ (94,473)</u>
Fund balance - beginning			<u>256,463</u>	
Fund balance - ending			<u>\$ 161,990</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, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,055,275	\$ 1,055,275	\$ 1,074,631	\$ 19,356
Investments	-	-	903	903
Total revenues	<u>1,055,275</u>	<u>1,055,275</u>	<u>1,075,534</u>	<u>20,259</u>
Expenditures				
Public safety	479,657	479,657	479,657	-
Total expenditures	<u>479,657</u>	<u>479,657</u>	<u>479,657</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>575,618</u>	<u>575,618</u>	<u>595,877</u>	<u>20,259</u>
Other financing sources (uses)				
Transfers out	(575,618)	(575,618)	(515,890)	59,728
Total other financing sources (uses)	<u>(575,618)</u>	<u>(575,618)</u>	<u>(515,890)</u>	<u>59,728</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	79,987	<u>\$ 79,987</u>
Fund balance - beginning			<u>204,349</u>	
Fund balance - ending			<u>\$ 284,336</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, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,444,444	\$ 1,444,444	\$ 1,545,543	\$ 101,099
Investments	-	-	365	365
Total revenues	<u>1,444,444</u>	<u>1,444,444</u>	<u>1,545,908</u>	<u>101,464</u>
Expenditures				
Public safety	<u>1,644,444</u>	<u>1,644,444</u>	<u>1,644,444</u>	-
Total expenditures	<u>1,644,444</u>	<u>1,644,444</u>	<u>1,644,444</u>	-
Excess (deficiency) of revenues over (under) expenditures	<u>(200,000)</u>	<u>(200,000)</u>	<u>(98,536)</u>	<u>101,464</u>
Other financing sources (uses)				
Appropriated fund balance	<u>200,000</u>	<u>200,000</u>	-	<u>(200,000)</u>
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	-	<u>(200,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(98,536)</u>	<u>\$ (98,536)</u>
Fund balance - beginning			<u>269,915</u>	
Fund balance - ending			<u>\$ 171,379</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, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 726,895	\$ 726,895	\$ 730,832	\$ 3,937
Investments	-	-	171	171
Total revenues	<u>726,895</u>	<u>726,895</u>	<u>731,003</u>	<u>4,108</u>
Expenditures				
Public safety	746,895	746,895	746,895	-
Total expenditures	<u>746,895</u>	<u>746,895</u>	<u>746,895</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(15,892)</u>	<u>4,108</u>
Other financing sources (uses)				
Appropriated fund balance	20,000	20,000	-	(20,000)
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(15,892)	<u>\$ (15,892)</u>
Fund balance - beginning			<u>37,729</u>	
Fund balance - ending			<u>\$ 21,837</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, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 59,874	\$ 59,874	\$ 58,005	\$ (1,869)
Investments	-	-	77	77
Total revenues	<u>59,874</u>	<u>59,874</u>	<u>58,082</u>	<u>(1,792)</u>
Expenditures				
Public safety	59,874	59,874	59,874	-
Total expenditures	<u>59,874</u>	<u>59,874</u>	<u>59,874</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(1,792)</u>	<u>(1,792)</u>
 Net change in fund balances	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>(1,792)</u>	 <u><u>\$ (1,792)</u></u>
 Fund balance - beginning			 <u>19,021</u>	
 Fund balance - ending			 <u><u>\$ 17,229</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, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 23,594	\$ 23,594	\$ 23,664	\$ 70
Investments	-	-	104	104
Total revenues	<u>23,594</u>	<u>23,594</u>	<u>23,768</u>	<u>174</u>
Expenditures				
Public safety	23,594	23,594	23,594	-
Total expenditures	<u>23,594</u>	<u>23,594</u>	<u>23,594</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>174</u>	<u>174</u>
 Net change in fund balances	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>174</u>	 <u><u>\$ 174</u></u>
 Fund balance - beginning			 <u>29,469</u>	
 Fund balance - ending			 <u><u>\$ 29,643</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, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 683,755	\$ 683,755	\$ 749,297	\$ 65,542
Investments	-	-	1,033	1,033
Total revenues	<u>683,755</u>	<u>683,755</u>	<u>750,330</u>	<u>66,575</u>
Expenditures				
Public safety	683,755	683,755	683,755	-
Total expenditures	<u>683,755</u>	<u>683,755</u>	<u>683,755</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>66,575</u>	<u>66,575</u>
 Net change in fund balances	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>66,575</u>	 <u><u>\$ 66,575</u></u>
 Fund balance - beginning			 <u>104,405</u>	
 Fund balance - ending			 <u><u>\$ 170,980</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, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 17,559	\$ 17,559	\$ 17,112	\$ (447)
Investments	-	-	32	32
Total revenues	<u>17,559</u>	<u>17,559</u>	<u>17,144</u>	<u>(415)</u>
Expenditures				
Public safety	17,559	17,559	17,559	-
Total expenditures	<u>17,559</u>	<u>17,559</u>	<u>17,559</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(415)</u>	<u>(415)</u>
 Net change in fund balances	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>(415)</u>	 <u><u>\$ (415)</u></u>
 Fund balance - beginning			 <u>8,732</u>	
 Fund balance - ending			 <u><u>\$ 8,317</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, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 637,161	\$ 708,161	\$ 706,343	\$ (1,818)
Investments	-	-	508	508
Total revenues	<u>637,161</u>	<u>708,161</u>	<u>706,851</u>	<u>(1,310)</u>
Expenditures				
Economic and physical development	637,161	708,161	708,161	-
Total expenditures	<u>637,161</u>	<u>708,161</u>	<u>708,161</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(1,310)</u>	<u>(1,310)</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 (1,310)	 <u>\$ (1,310)</u>
 Fund balance - beginning			 <u>92,590</u>	
 Fund balance - ending			 <u>\$ 91,280</u>	

DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Debt Service Fund
 Year Ended June 30, 2011

	Budget		Actual	Positive (Negative)
	Original	Final		Variance
Revenues				
Investments	\$ 10,000	\$ 10,000	\$ 21,275	\$ 11,275
Intergovernmental revenues	-	-	262,155	262,155
Rent	26,716	26,716	28,943	2,227
Charges for services	209,466	209,466	209,466	-
Total revenues	246,182	246,182	521,839	275,657
Expenditures				
Debt service:				
Principal retirement	21,145,398	21,637,516	23,658,145	(2,020,629)
Interest and fiscal charges	18,711,149	18,711,149	16,477,835	2,233,314
Debt issuance costs	346,711	877,533	515,252	362,281
Total expenditures	40,203,258	41,226,198	40,651,232	574,966
Excess (deficiency) of revenues over (under) expenditures	(39,957,076)	(40,980,016)	(40,129,393)	850,623
Other financing sources (uses)				
Transfers in	42,384,034	42,507,951	42,083,270	(424,681)
Refunding bond proceeds	-	71,955,824	71,955,824	-
Payment to refunded debt escrow agent	-	(71,425,002)	(71,425,002)	-
Appropriated fund balance	(2,426,958)	(2,058,757)	-	2,058,757
Total other financing sources (uses)	39,957,076	40,980,016	42,614,092	1,634,076
Net change in fund balances	\$ -	\$ -	2,484,699	\$ 2,484,699
Fund balance - beginning			4,671,658	
Fund balance - ending			\$ 7,156,357	

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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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 8,526,524	\$ 10,375,494	\$ 1,848,970
Expenditures:			
Operating	3,712,618	3,217,698	494,920
Repairs and maintenance	415,784	282,592	133,192
Excess (deficiency) of revenues over (under) expenditures	4,398,122	6,875,204	2,477,082
Other Financing Sources (Uses):			
Capital expenses	(70,000)	(971,464)	(901,464)
Debt service	(4,034,170)	(2,910,253)	1,123,917
Investment income	66,000	48,426	(17,574)
Sewer connection fees	315,660	234,513	(81,147)
Intergovernmental revenues	-	384,691	384,691
Miscellaneous	4,171	940	(3,231)
Transfers out	(254,640)	(254,640)	-
Total other financing sources (uses)	(3,972,979)	(3,467,787)	505,192
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	425,143	3,407,417	2,982,274
Fund balance appropriated	(425,143)	-	(425,143)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,407,417</u>	<u>\$ 3,407,417</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2011**

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$ 3,407,417
RECONCILING ITEMS:	
Capital outlay	971,464
Capital contributions	1,400,000
Debt principal payments	1,993,637
Amortization of bond issuance costs	(23,022)
Decrease in accrued interest payable	9,072
Decrease in accrued payroll	(14,200)
Increase in accrued vacation	(15,578)
Decrease in accrued interest receivable	(43,305)
Increase in accounts receivable	(15,671)
Depreciation	(700,474)
Amortization of bond premium	59,748
	<hr/>
CHANGE IN NET ASSETS (GAAP BASIS)	\$ 7,029,088
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FIDUCIARY FUNDS

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

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011**

	<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	\$ 133,159	\$ 324,343	\$ 126,055	\$ 54,618	\$ 29,191
Net taxes receivable	-	-	-	-	-
Total assets	<u>\$ 133,159</u>	<u>\$ 324,343</u>	<u>\$ 126,055</u>	<u>\$ 54,618</u>	<u>\$ 29,191</u>
Liabilities					
Funds held for others	\$ 133,159	\$ 324,343	\$ 126,055	\$ 54,618	\$ -
Due to governmental agencies	-	-	-	-	29,191
Total liabilities	<u>\$ 133,159</u>	<u>\$ 324,343</u>	<u>\$ 126,055</u>	<u>\$ 54,618</u>	<u>\$ 29,191</u>

Durham Public School Fund	Town of Chapel Hill Tax Fund	City of Durham Tax Fund	City of Raleigh Tax Fund	Totals
\$ 4,009,048	\$ 66,282	\$ 579,667	\$ 12,013	\$ 5,334,376
274,740	8,978	2,861,559	4,337	3,149,614
<u>\$ 4,283,788</u>	<u>\$ 75,260</u>	<u>\$ 3,441,226</u>	<u>\$ 16,350</u>	<u>\$ 8,483,990</u>
\$ -	\$ -	\$ -	\$ -	\$ 638,175
4,283,788	75,260	3,441,226	16,350	7,845,815
<u>\$ 4,283,788</u>	<u>\$ 75,260</u>	<u>\$ 3,441,226</u>	<u>\$ 16,350</u>	<u>\$ 8,483,990</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2011**

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2011</u>
<u>Child Support Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 144,169	\$ 1,236,087	\$ 1,247,097	\$ 133,159
Liabilities				
Funds held for others	\$ 144,169	\$ 1,236,087	\$ 1,247,097	\$ 133,159
<u>Sheriff's Evidence Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 314,957	\$ 255,997	\$ 246,611	\$ 324,343
Liabilities				
Funds held for others	\$ 314,957	\$ 255,997	\$ 246,611	\$ 324,343
<u>Jail Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 138,592	\$ 771,947	\$ 784,484	\$ 126,055
Liabilities				
Funds held for others	\$ 138,592	\$ 771,947	\$ 784,484	\$ 126,055
<u>Sheriff's Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 91,436	\$ 421,523	\$ 458,341	\$ 54,618
Liabilities				
Funds held for others	\$ 91,436	\$ 421,523	\$ 458,341	\$ 54,618
<u>State Treasurer DMV Fund</u>				
Assets				
Cash and cash equivalents	\$ 22,210	\$ 375,745	\$ 368,764	\$ 29,191
Liabilities				
Due to governmental agencies	\$ 22,210	\$ 375,745	\$ 368,764	\$ 29,191
<u>Durham Public School Fund</u>				
Assets				
Cash and cash equivalents	\$ 2,965,575	\$ 1,085,949	\$ 42,476	\$ 4,009,048
Net taxes receivable	94,406	2,013,674	1,833,340	274,740
Total assets	\$ 3,059,981	\$ 3,099,623	\$ 1,875,816	\$ 4,283,788
Liabilities				
Due to governmental agencies	\$ 3,059,981	\$ 3,099,623	\$ 1,875,816	\$ 4,283,788

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2011**

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2011</u>
<u>Town of Chapel Hill Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 60,074	\$ 2,648,234	\$ 2,642,026	\$ 66,282
Net taxes receivable	15,828	5,269,085	5,275,935	8,978
Total assets	<u>\$ 75,902</u>	<u>\$ 7,917,319</u>	<u>\$ 7,917,961</u>	<u>\$ 75,260</u>
Liabilities				
Due to governmental agencies	<u>\$ 75,902</u>	<u>\$ 7,917,319</u>	<u>\$ 7,917,961</u>	<u>\$ 75,260</u>
<u>City of Durham Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 610,006	\$ 129,617,380	\$ 129,647,718	\$ 579,668
Net taxes receivable	3,330,482	262,387,987	262,856,911	2,861,558
Total assets	<u>\$ 3,940,488</u>	<u>\$ 392,005,367</u>	<u>\$ 392,504,629</u>	<u>\$ 3,441,226</u>
Liabilities				
Due to governmental agencies	<u>\$ 3,940,488</u>	<u>\$ 392,005,367</u>	<u>\$ 392,504,629</u>	<u>\$ 3,441,226</u>
<u>City of Raleigh Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 10,494	\$ 488,190	\$ 486,671	\$ 12,013
Net taxes receivable	5,894	1,010,845	1,012,402	4,337
Total assets	<u>\$ 16,388</u>	<u>\$ 1,499,035</u>	<u>\$ 1,499,073</u>	<u>\$ 16,350</u>
Liabilities				
Due to governmental agencies	<u>\$ 16,388</u>	<u>\$ 1,499,035</u>	<u>\$ 1,499,073</u>	<u>\$ 16,350</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 4,357,513	\$ 136,901,052	\$ 135,924,188	\$ 5,334,377
Net taxes receivable	3,446,610	270,681,591	270,978,588	3,149,613
Total assets	<u>\$ 7,804,123</u>	<u>\$ 407,582,643</u>	<u>\$ 406,902,776</u>	<u>\$ 8,483,990</u>
Liabilities				
Funds held for others	\$ 689,154	\$ 2,685,554	\$ 2,736,533	\$ 638,175
Due to governmental agencies	7,114,969	404,897,089	404,166,243	7,845,815
Total liabilities	<u>\$ 7,804,123</u>	<u>\$ 407,582,643</u>	<u>\$ 406,902,776</u>	<u>\$ 8,483,990</u>

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

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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, 2011**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
General Government:					
County manager	\$ 5,708	\$ -	\$ -	\$ -	\$ -
Finance	3,435,726	-	-	-	-
Tax administration	3,310,218	-	-	-	24,345
County Attorney	12,380	-	-	-	-
Court facilities	14,018,073	-	-	14,018,073	-
Board of elections	34,407	-	-	-	-
Register of deeds	1,515,795	-	-	-	20,000
General services	125,218,569	4,790,491	-	119,441,269	-
Information Technology	11,101,545	-	-	-	1,530,253
Human resources	28,057	-	-	-	11,530
Budget	-	-	-	-	-
Total general government	<u>158,680,478</u>	<u>4,790,491</u>	<u>-</u>	<u>133,459,342</u>	<u>1,586,128</u>
Public Safety:					
Sheriff	49,512,045	1,398,962	-	39,455,838	219,120
County fire protection	668,919	-	-	384,060	6,744
Emergency Management	437,723	-	-	-	-
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	4,772,683	-	-	1,947,348	23,489
Total public safety	<u>60,574,247</u>	<u>1,398,962</u>	<u>-</u>	<u>46,258,167</u>	<u>270,057</u>
Environmental Protection:					
Environmental engineering	270,501	-	-	77,873	7,315
Open Space and Real Estate	1,999,515	647,751	1,351,764	-	-
Total Environmental Protection	<u>2,270,016</u>	<u>647,751</u>	<u>1,351,764</u>	<u>77,873</u>	<u>7,315</u>
Economic and Physical Development:					
Planning	6,500	6,500	-	-	-
Soil and Erosion	29,732	-	-	-	-
Total Economic and Physical Development	<u>36,232</u>	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Human Services:					
Public health	4,509,430	-	-	3,765,510	14,283
Mental health	936,935	-	-	96,500	-
Social services	11,942,871	-	-	11,257,473	-
Other human services	604,068	-	-	-	-
Total human services	<u>17,993,304</u>	<u>-</u>	<u>-</u>	<u>15,119,483</u>	<u>14,283</u>

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ 5,708	\$ -	\$ -	\$ -	\$ -
43,381	-	-	3,392,345	-
43,610	9,473	261,244	2,971,546	-
-	12,380	-	-	-
-	-	-	-	-
25,850	8,557	-	-	-
-	130,197	-	1,365,598	-
445,905	19,055	513,099	8,750	-
133,904	7,190,411	-	2,246,977	-
5,707	10,820	-	-	-
-	-	-	-	-
<u>704,065</u>	<u>7,380,893</u>	<u>774,343</u>	<u>9,985,216</u>	<u>-</u>
1,037,974	215,558	5,516,993	1,667,600	-
11,300	-	200,726	66,089	-
310,052	-	50,671	77,000	-
124,917	-	416,784	38,023	-
-	-	70,515	-	-
-	-	41,013	-	-
610,406	18,230	1,590,065	583,145	-
<u>2,094,649</u>	<u>233,788</u>	<u>7,886,767</u>	<u>2,431,857</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	473,112	203,228	-
42,324	6,165	138,763	653,183	-
33,230	52,110	384,147	215,911	-
-	-	604,068	-	-
<u>123,151</u>	<u>63,975</u>	<u>1,600,090</u>	<u>1,072,322</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, 2011**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
Education:					
Public school building	\$ 8,080,942	\$ -	\$ -	\$ 8,080,942	\$ -
Cultural and Recreational:					
Library	6,698,233	-	-	6,111,610	18,347
Capital Projects:					
Construction in progress	185,691,012	-	-	-	-
Total Capital Assets	\$ 440,024,464	\$ 6,843,704	\$ 1,351,764	\$ 209,107,417	\$ 1,896,130

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

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ -	\$ -	\$ -	\$ -	\$ -
49,925	-	144,575	373,776	-
-	-	-	-	185,691,012
<u>\$ 2,992,985</u>	<u>\$ 7,678,656</u>	<u>\$ 10,599,625</u>	<u>\$ 13,863,171</u>	<u>\$ 185,691,012</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, 2011**

	Capital Assets July 1, 2010	Additions	Transfers and Deletions	Capital Assets June 30, 2011
General Government:				
County manager	\$ 5,708	\$ -	\$ -	\$ 5,708
Finance	3,435,726	-	-	3,435,726
Tax administration	4,059,646	-	(749,428)	3,310,218
County attorney	12,380	-	-	12,380
Court facilities	14,029,273	-	(11,200)	14,018,073
Board of elections	34,407	-	-	34,407
Register of deeds	1,526,615	-	(10,820)	1,515,795
General services	125,148,500	100,633	(30,564)	125,218,569
Information Technology	11,101,545	-	-	11,101,545
Human Resources	17,237	-	10,820	28,057
Total general government	<u>159,371,037</u>	<u>100,633</u>	<u>(791,192)</u>	<u>158,680,478</u>
Public Safety:				
County sheriff	49,279,850	232,195	-	49,512,045
Fire marshal	730,773	-	(14,034)	716,739
Emergency management	188,363	208,740	(7,200)	389,903
Criminal justice partnership	915,036	-	-	915,036
Animal control	2,615,581	26,373	1,217,874	3,859,828
Youth home	408,013	-	-	408,013
Emergency medical services	4,428,818	395,955	(52,090)	4,772,683
Total public safety	<u>58,566,434</u>	<u>863,263</u>	<u>1,144,550</u>	<u>60,574,247</u>
Environmental Protection:				
Environmental engineering	247,737	22,764	-	270,501
Open Space	1,999,515	-	-	1,999,515
Total Environmental Protection	<u>2,247,252</u>	<u>22,764</u>	<u>-</u>	<u>2,270,016</u>

¹This 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, 2011**

	Capital Assets July 1, 2010	Additions	Transfers and Deletions	Capital Assets June 30, 2011
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	4,478,680	140,032	(109,282)	4,509,430
Mental health	923,270	13,665	-	936,935
Social services	11,932,810	29,941	(19,880)	11,942,871
Other human services	462,374	107,199	-	569,573
Total human services	<u>17,797,134</u>	<u>290,837</u>	<u>(129,162)</u>	<u>17,958,809</u>
Education:				
DPS Building	8,080,942	-	-	8,080,942
Cultural and Recreational:				
Library	4,906,448	-	1,791,785	6,698,233
Capital Projects:				
Construction in progress	114,100,919	74,965,050	(3,374,957)	185,691,012
Total Capital Assets	<u>\$ 365,140,893</u>	<u>\$ 76,242,547</u>	<u>\$ (1,358,976)</u>	<u>\$ 440,024,464</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, 2011

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-10	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	\$ 21,690,000	\$ -	\$ -	\$ -
PUBLIC IMPROVEMENT, SERIES 2002A	3.25%-4.75%	1/1/02	6,650,000	-	-	-
PUBLIC IMPROVEMENT, SERIES 2002B	4.00%-5.00%	5/1/02	13,680,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2004A (2/3 Bonds)	4.00%-5.00%	5/1/04	9,400,000	-	-	6,800,000
PUBLIC IMPROVEMENT,SERIES 2004B	4.00%-5.00%	5/1/04	37,600,000	-	-	26,500,000
PUBLIC IMPROVEMENT,SERIES 2006A	4.00%-5.00%	5/1/06	10,180,000	-	-	5,630,000
PUBLIC IMPROVEMENT,SERIES 2006B	4.00%-5.00%	5/1/06	44,425,000	-	-	25,125,000
PUBLIC IMPROVEMENT,SERIES 2008A	3.50%-5.00%	5/1/08	11,300,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2008B	3.50%-5.00%	5/1/08	31,990,000	-	-	-
REFUNDING, SERIES 2009	2.00%-5.00%	11/3/09	43,192,209	-	-	-
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	-	-
UNAMORTIZED LOSS ON REFUNDING			(3,905,843)	(6,327,858)	-	-
UNAMORTIZED BOND PREMIUM			2,490,689	13,218,066	-	-
Total Bonded Debt			<u>228,692,055</u>	<u>128,640,208</u>	-	<u>64,055,000</u>
Other Long-Term Debt						
Installment Purchase Agreements:						
Certificates of Participation						
COPs 2009 FIXED			61,850,000	-	-	-
COPs 2009 VARIABLE			55,985,000	-	-	-
COPs 2010 VARIABLE		03/31/10	14,889,828	42,778,061	-	-
Total Certificates Of Participation			<u>132,724,828</u>	<u>42,778,061</u>	-	-
Other Financing Agreements						
Total Installment Purchase Agreements			46,985,373	29,085,126	(3)	-
Earned Vacation Pay			179,710,201	71,863,187	(3)	-
Net OPEB Obligation			6,663,214	-	4,232,875	-
Total Other Long-Term Debt			<u>24,746,711</u>	<u>71,863,187</u>	<u>11,714,052</u>	-
Total General Long-Term Debt			<u>\$ 439,812,181</u>	<u>\$ 200,503,395</u>	<u>\$ 11,714,052</u>	<u>\$ 64,055,000</u>

Due Fiscal Year 2010-2011		Amount Outstanding 6-30-11	Due Fiscal Year 2011 - 2012		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 11,990,000	\$ 1,192,950	\$ 9,700,000	\$ 7,305,000	\$ 533,500	\$ 2,395,000
550,000	313,125	6,100,000	550,000	288,375	5,550,000
1,375,000	586,160	12,305,000	1,375,000	531,160	10,930,000
200,000	400,500	2,400,000	800,000	100,000	1,600,000
1,500,000	1,596,250	9,600,000	3,200,000	408,000	6,400,000
300,000	432,900	4,250,000	650,000	187,500	3,600,000
1,200,000	1,954,250	18,100,000	2,650,000	734,000	15,450,000
400,000	490,250	10,900,000	400,000	475,250	10,500,000
1,050,000	1,410,188	30,940,000	1,050,000	1,368,188	29,890,000
36,363	2,097,183	43,155,846	130,169	2,096,092	43,025,677
-	553,043	25,980,000	3,435,000	1,129,950	22,545,000
-	703,299	34,020,000	-	1,480,630	34,020,000
-	-	61,750,000	-	2,459,959	61,750,000
(366,901)	-	(9,866,800)	(843,277)	-	(9,023,523)
208,217	-	15,500,538	1,136,104	-	14,364,434
18,442,679	11,730,098	274,834,584	21,837,996	11,792,604	252,996,587
-	2,831,756	61,850,000	3,095,000	2,831,756	58,755,000
-	132,493	55,985,000	-	2,239,400	55,985,000
-	364,560	57,667,889	-	-	57,667,889
-	3,328,809	175,502,889	3,095,000	5,071,156	172,407,889
34,556,782	735,846	41,513,714	27,664,863	527,572	13,848,851
34,556,782	4,064,655	217,016,603	30,759,863	5,598,728	186,256,740
4,312,262	-	6,583,827	4,058,737	-	2,525,090
1,942,728	-	30,285,163	1,950,000	-	28,335,163
40,811,772	4,064,655	253,885,593	36,768,600	5,598,728	217,116,993
\$ 59,254,451	\$ 15,794,753	\$ 528,720,177	\$ 58,606,596	\$ 17,391,332	\$ 470,113,581

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2011 (continued)

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-10	Issued During Year	Adjusted During Year	Defeased During Year
Proprietary Debt						
Enterprise Fund:						
Revenue Bonds, Series 2003	3.00%-4.75%	12/1/02	\$ 16,090,000	\$ -	\$ -	\$ -
Refunding, Series 2009			3,822,791	-	-	-
Unamortized Loss on Refunding			(333,667)	-	-	-
Unamortized Bond Premium			1,073,105	-	-	-
Total Enterprise Fund Bonded Debt			<u>20,652,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earned Vacation Pay			61,592	-	54,664	-
Total Proprietary Debt			<u>\$ 20,713,821</u>	<u>\$ -</u>	<u>\$ 54,664</u>	<u>\$ -</u>
Total General Long-Term and Proprietary Debt			<u>\$ 460,526,002</u>	<u>\$ 200,503,395</u>	<u>\$ 11,768,716</u>	<u>\$ 64,055,000</u>

Due Fiscal Year 2010-2011		Amount Outstanding 6-30-11	Due Fiscal Year 2011-2012		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 1,650,000	\$ 764,908	\$ 14,440,000	\$ 580,000	\$ 682,408	\$ 13,860,000
343,637	149,017	3,479,154	739,831	138,708	2,739,323
(47,667)	-	(286,000)	(47,667)	-	(238,333)
107,415	-	965,690	100,275	-	865,415
<u>2,053,385</u>	<u>913,925</u>	<u>18,598,844</u>	<u>1,372,439</u>	<u>821,116</u>	<u>17,226,405</u>
39,086	-	77,170	40,113	-	37,057
<u>\$ 2,092,471</u>	<u>\$ 913,925</u>	<u>\$ 18,676,014</u>	<u>\$ 1,412,552</u>	<u>\$ 821,116</u>	<u>\$ 17,263,462</u>
<u>\$ 61,346,922</u>	<u>\$ 16,708,678</u>	<u>\$ 547,396,191</u>	<u>\$ 60,019,148</u>	<u>\$ 18,212,448</u>	<u>\$ 487,377,043</u>

DURHAM COUNTY, NORTH CAROLINA

**Analysis of Current Tax Levy
Fiscal Year Ended June 30, 2011**

Property Valuations	
Real property	\$ 24,353,954,146
Personal property	3,074,419,178
Public service	501,907,483
DMV-registered vehicles	<u>1,530,317,547</u>
Total subject to tax	<u>\$ 29,460,598,354</u>
Real property/personal property/corporate excess levy	\$ 337,273,806
DMV -registered vehicles levy	<u>21,492,481</u>
Gross Levy	\$ 358,766,287
Abatements/discoveries	<u>4,398,601</u>
Net Levy	363,164,888
Uncollected at June 30, 2011	<u>(4,541,845)</u>
Current year taxes collected	<u>\$ 358,623,043</u>
Percent of current taxes collected	<u>98.75%</u>

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

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable By Fund
Year Ended June 30, 2011**

Year of Levy	Uncollected Balance July 1, 2010	Current Year Gross Levy	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2011
2010	\$ -	\$ 358,766,287	\$ 358,623,043	\$ 4,398,601	\$ 4,541,845
2009	4,561,230	-	3,139,977	(277,066)	1,144,187
2008	1,191,447	-	277,333	(217,190)	696,924
2007	770,571	-	108,895	(494,001)	167,675
2006	608,962	-	45,413	(448,332)	115,217
2005	105,611	-	13,291	(7,012)	85,308
2004 and prior	759,438	-	15,022	(329,706)	414,710
	<u>\$ 7,997,259</u>	<u>\$ 358,766,287</u>	<u>\$ 362,222,974</u>	<u>\$ 2,625,294</u>	<u>7,165,866</u>

Less allowance for uncollectible ad valorem taxes receivable (70,981)

Ad valorem taxes receivable (net) \$ 7,094,885

Receivable by fund, net:

General Fund	\$ 3,593,146	
Capital financing	<u>286,083</u>	
General Fund		3,879,229
Bethesda fire	14,977	
Lebanon fire	15,746	
Parkwood fire	5,738	
Redwood fire	20,334	
New Hope fire	396	
Eno fire	435	
Bahama fire	7,273	
Special Park fire	608	
Special Butner	<u>535</u>	
Special revenue funds		66,042
Durham Public Schools	274,740	
City of Durham	2,861,559	
City of Chapel Hill	8,978	
City of Raleigh	<u>4,337</u>	
Fiduciary funds		<u>3,149,614</u>
		<u>\$ 7,094,885</u>

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable by Levy Year
June 30, 2011**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections</u>	<u>Abatements/ Discoveries</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ -	\$ 358,766,287	\$ 358,623,043	\$ 4,398,601	\$ 4,541,845
2009-2010	4,561,230	-	3,139,977	(277,066)	1,144,187
2008-2009	1,191,447	-	277,333	(217,190)	696,924
2007-2008	770,571	-	108,895	(494,001)	167,675
2006-2007	608,962	-	45,413	(448,332)	115,217
2005-2006	105,611	-	13,291	(7,012)	85,308
2004 and prior	759,438	-	15,022	(329,706)	414,710
	<u>\$ 7,997,259</u>	<u>\$ 358,766,287</u>	<u>\$ 362,222,974</u>	<u>\$ 2,625,294</u>	<u>7,165,866</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(70,981)</u>
Ad valorem taxes receivable (net)					<u>\$ 7,094,885</u>
Reconciliation with revenues:					
Taxes - ad valorem - governmental funds					\$ 228,815,254
Taxes - ad valorem - agency funds					<u>133,407,720</u>
Total collections and credits					<u>\$ 362,222,974</u>

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

STATISTICAL SECTION
(TAB)

FINANCIAL TRENDS INFORMATON

Schedule of Net Assets by Component

This schedule is a summary of the County's net assets for the last 10 fiscal years. Information can be obtained from the Statement of Net Assets in the financial statements for each of the fiscal years. 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$ 62,465,729	\$ 81,285,449	\$ 33,692,576	\$ 58,793,546	\$ 63,614,759	\$ 80,186,886	\$ 126,736,015	\$ 50,531,593	\$ 34,361,023	\$ 70,418,094
Restricted	19,299,640	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
Unrestricted	(29,647,145)	(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)
Total governmental activities net assets	<u>\$ 52,118,224</u>	<u>\$ 64,346,074</u>	<u>\$ 63,458,771</u>	<u>\$ 78,098,669</u>	<u>\$ 94,957,466</u>	<u>\$ 108,156,451</u>	<u>\$ 140,864,232</u>	<u>\$ 121,521,092</u>	<u>\$ 69,374,122</u>	<u>\$ 33,221,667</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 12,209,852	\$ 19,525,232	\$ 13,063,666	\$ 20,812,310	\$ 24,680,549	\$ 27,357,125	\$ 28,475,844	\$ 31,884,317	\$ 34,304,997	\$ 37,969,224
Restricted	26,235	20,662,536	4,307,582	750,592	963,121	2,180,110	6,217,552	6,263,697	6,303,037	7,635,822
Unrestricted	14,717,551	(11,511,169)	13,933,360	10,471,031	10,636,796	10,104,513	8,481,270	8,850,009	10,980,746	13,012,822
Total business-type activities net assets	<u>\$ 26,953,638</u>	<u>\$ 28,676,599</u>	<u>\$ 31,304,608</u>	<u>\$ 32,033,933</u>	<u>\$ 36,280,466</u>	<u>\$ 39,641,748</u>	<u>\$ 43,174,666</u>	<u>\$ 46,998,023</u>	<u>\$ 51,588,780</u>	<u>\$ 58,617,868</u>
Primary government										
Invested in capital assets, net of related debt	\$ 74,675,581	\$ 100,810,681	\$ 46,756,242	\$ 79,605,856	\$ 88,295,308	\$ 107,544,011	\$ 155,211,859	\$ 82,415,910	\$ 68,666,020	\$ 108,387,318
Restricted	19,325,875	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
Unrestricted	(14,929,594)	(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)
Total primary government net assets	<u>\$ 79,071,862</u>	<u>\$ 93,022,673</u>	<u>\$ 94,763,379</u>	<u>\$ 110,132,602</u>	<u>\$ 131,237,932</u>	<u>\$ 147,798,199</u>	<u>\$ 184,038,898</u>	<u>\$ 168,519,115</u>	<u>\$ 120,962,902</u>	<u>\$ 91,839,535</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**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 39,936,181	\$ 22,243,167	\$ 26,032,334	\$ 26,351,619	\$ 28,142,742	\$ 61,082,121	\$ 53,369,519	\$ 47,393,464	\$ 12,365,748	\$ 45,989,651
Public safety	37,503,756	40,084,513	40,967,085	45,099,164	52,182,047	49,069,987	51,025,747	52,889,080	55,255,454	53,964,797
Transportation	44,423	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Economic and physical development	3,750,474	3,564,266	2,478,868	2,243,791	3,246,027	10,262,137	4,483,362	6,746,267	28,751,080	5,272,311
Environmental protection	1,984,277	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
Human services	271,087,299	293,265,929	302,529,857	341,183,062	344,328,289	371,034,045	405,376,336	437,677,600	108,607,392	109,093,936
Education	78,128,417	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
Cultural and recreational	8,167,116	7,366,833	7,089,954	7,375,565	11,569,884	12,136,121	10,909,020	11,998,176	25,220,574	12,510,214
Nondepartmental	8,394,980	9,674,739	10,644,972	11,197,360	15,342,913	-	-	-	-	-
Interest and fiscal charges	9,285,800	13,819,722	12,845,931	16,740,531	11,422,405	15,535,909	14,218,611	14,785,542	11,499,010	17,368,443
Total governmental activities	458,282,723	476,740,691	509,487,196	557,070,555	574,550,047	628,389,378	660,005,976	718,823,945	420,173,303	433,288,429
Business-type activities:										
Sewer utility	4,454,553	3,989,544	4,111,848	5,306,714	4,210,944	5,124,493	5,870,964	5,277,448	5,061,620	5,356,000
Total primary government expenses	462,737,276	480,730,235	513,599,044	562,377,269	578,760,991	633,513,871	665,876,940	724,101,393	425,234,923	438,644,429
Program Revenues										
Governmental activities:										
Charges for services:										
General government	6,095,983	6,450,886	6,556,766	7,419,425	8,427,778	8,787,807	9,670,581	8,052,809	8,835,568	8,399,578
Public safety	4,197,381	6,327,314	6,317,160	7,100,689	7,958,685	9,458,116	9,205,688	(272,050)	7,062,164	6,608,128
Transportation	-	547	2,619	15,323	-	-	-	-	-	-
Economic and physical development	-	-	-	10,588	10,588	5,956	15,523	25,867	47,284	21,352
Environmental protection	1,499,938	1,516,759	1,414,760	5,824,811	7,183,222	2,858,342	2,652,468	2,279,440	2,464,213	2,228,883
Human services	21,825,888	26,754,479	21,653,068	28,870,290	27,649,080	4,470,817	6,478,384	4,895,166	4,804,562	4,890,085
Cultural and recreational	263,499	232,807	56,264	279,545	260,841	289,708	233,515	236,530	234,076	270,157
Nondepartmental	-	-	500	-	-	-	-	-	-	-
Operating grants and contributions:										
General government	120,203	688,942	2,963,721	2,463,328	2,590,512	2,505,275	2,240,883	1,795,706	3,160,839	3,524,446
Public safety	2,015,856	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
Economic and physical development	107,308	149,967	405,071	380,608	440,969	551,745	711,079	1,685,798	1,453,149	1,086,038
Environmental protection	-	135,144	67,061	-	-	-	10,476	45,221	45,083	41,268
Human services	221,453,755	235,311,976	245,224,200	273,354,673	275,404,044	328,749,307	352,332,661	390,413,674	69,803,505	66,461,771
Cultural and recreational	497,495	483,422	290,522	250,378	386,952	297,356	263,204	362,201	322,150	268,013
Nondepartmental	7,565	148,530	-	-	-	-	-	-	-	-
Capital grants and contributions:										
General government	310,578	1,135,008	88,764	416,024	-	45,271	113,804	5,319,847	1,000,000	6,079,370
Public safety	155,954	5,481	-	24,580	-	-	-	-	-	-
Economic and physical development	394,866	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	335,000	419,511	500,000	501,087	250,691	1,390,353
Education	908,702	236,944	-	140,637	2,565,712	8,083,680	26,352,299	13,481,375	1,063,268	1,086,766
Nondepartmental	-	-	199,796	-	-	-	-	-	-	-
Total governmental activities program revenues	259,854,971	281,151,218	287,596,282	328,699,341	336,445,129	370,785,694	413,384,787	433,792,999	105,992,277	106,879,032
Business-type activities:										
Charges for services: sewer utility	5,693,095	5,255,807	4,693,790	5,376,090	7,650,033	7,848,710	8,333,612	8,595,153	9,563,353	10,594,336
Capital grants and contributions: sewer utility	356,796	-	1,824,929	-	159,600	-	126,416	164,857	32,330	1,784,691
Total business-type activities program revenues	6,049,891	5,255,807	6,518,719	5,376,090	7,809,633	7,848,710	8,460,028	8,760,010	9,595,683	12,379,027
Total primary government program revenues	265,904,862	286,407,025	294,115,001	334,075,431	344,254,762	378,634,404	421,844,815	442,553,009	115,587,960	119,258,059

DURHAM COUNTY, NORTH CAROLINA

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue										
Governmental activities	\$ (198,427,752)	\$ (195,589,473)	\$ (221,890,914)	\$ (228,371,214)	\$ (238,104,918)	\$ (257,603,684)	\$ (246,621,189)	\$ (285,030,946)	\$ (314,181,026)	\$ (326,409,397)
Business-type activities	1,595,338	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
Total primary government net expense	<u>(196,832,414)</u>	<u>(194,323,210)</u>	<u>(219,484,043)</u>	<u>(228,301,838)</u>	<u>(234,506,229)</u>	<u>(254,879,467)</u>	<u>(244,032,125)</u>	<u>(281,548,384)</u>	<u>(309,646,963)</u>	<u>(319,386,370)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	144,443,413	148,605,604	154,787,435	165,038,984	174,904,779	180,257,334	197,270,197	204,580,914	208,903,551	222,573,221
Property taxes, levied for fire districts	3,390,576	3,764,099	3,664,756	3,739,469	3,985,570	4,067,755	4,857,931	5,461,784	5,664,512	5,669,812
Property taxes, levied for other districts purposes	-	-	-	324,597	327,758	323,940	671,192	656,807	714,072	723,815
Intangibles tax	2,972,310	-	-	-	-	-	-	-	-	-
Local option sales tax	31,464,746	36,706,957	42,455,992	45,384,056	49,624,207	55,347,250	56,069,488	47,108,208	41,675,831	44,546,245
Occupancy tax	3,501,737	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
Animal tax	246,962	245,689	466,748	482,165	443,996	437,639	405,546	938,241	907,395	1,184,766
Gross receipts tax	203,575	182,933	200,066	185,738	199,465	204,714	220,678	230,687	329,430	333,207
Other taxes	1,098	45	1,626	-	-	-	-	-	-	-
Investments	4,015,529	6,039,156	3,602,549	9,320,860	10,141,571	13,321,460	7,650,534	3,123,327	3,216,562	7,335,369
Licenses and permits	-	-	2,009,911	-	-	-	-	-	-	-
Other revenues	9,830,761	10,950,845	10,762,996	11,139,896	12,923,685	14,127,991	813,880	1,096,491	1,047,400	5,774,404
Amortization of bond premium	191,044	191,044	193,174	193,174	202,273	247,770	251,141	280,133	-	-
Miscellaneous revenue	596,072	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>200,857,823</u>	<u>208,564,311</u>	<u>221,003,611</u>	<u>238,242,547</u>	<u>254,963,715</u>	<u>270,802,669</u>	<u>270,850,894</u>	<u>265,687,806</u>	<u>264,391,625</u>	<u>290,256,942</u>
Business-type activities:										
Investment and rental income	429,209	351,858	166,107	626,115	611,070	603,131	847,304	306,961	52,902	5,121
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>429,209</u>	<u>477,774</u>	<u>221,138</u>	<u>659,949</u>	<u>647,844</u>	<u>637,065</u>	<u>943,854</u>	<u>340,795</u>	<u>56,694</u>	<u>6,061</u>
Total primary government	<u>201,287,032</u>	<u>209,042,085</u>	<u>221,224,749</u>	<u>238,902,496</u>	<u>255,611,559</u>	<u>271,439,734</u>	<u>271,794,748</u>	<u>266,028,601</u>	<u>264,448,319</u>	<u>290,263,003</u>
Special Items										
Business-type activities:										
Transfer of capital assets to local government unit	(2,572,062)	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>(2,572,062)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>(2,572,062)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets										
Government activities	2,430,071	12,974,838	(887,303)	9,871,333	16,858,797	13,198,985	24,229,705	(19,343,140)	(49,789,401)	(36,152,455)
Business-type activities	(547,515)	1,744,037	2,628,009	729,325	4,246,533	3,361,282	3,532,918	3,823,357	4,590,757	7,029,088
Total primary government	<u>\$ 1,882,556</u>	<u>\$ 14,718,875</u>	<u>\$ 1,740,706</u>	<u>\$ 10,600,658</u>	<u>\$ 21,105,330</u>	<u>\$ 16,560,267</u>	<u>\$ 27,762,623</u>	<u>\$ (15,519,783)</u>	<u>\$ (45,198,644)</u>	<u>\$ (29,123,367)</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
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Total
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
2002	211,051	17,853,127	9,079,776	6,285,445	15,409,210	48,838,609	-	258,647	-	95,318,184	-	95,576,831	144,415,440

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**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 186,224,417	\$ 192,658,421	\$ 205,017,041	\$ 217,778,065	\$ 231,888,087	\$ 243,726,551	\$ 262,694,951	\$ 259,542,906	\$ 260,158,664	\$ 277,130,082
Licenses and permits	996,274	1,119,485	2,009,911	4,065,033	5,312,774	880,944	1,049,599	744,881	688,093	703,439
Intergovernmental	77,103,487	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
Investments	3,998,249	5,553,022	3,901,835	9,297,592	10,073,093	12,776,308	7,764,319	3,039,158	5,021,717	3,617,037
Rent	-	-	-	-	-	1,985,592	2,088,862	607,818	507,071	555,648
Charges for services	33,882,689	39,587,391	36,366,056	43,684,623	44,676,761	21,906,991	23,815,640	20,891,632	22,062,286	21,226,569
Other revenues	8,834,487	9,831,360	10,762,996	11,139,896	12,923,685	14,127,991	659,642	943,020	753,316	5,519,764
Total revenues	311,039,603	328,452,106	338,641,987	378,940,593	402,576,968	422,363,234	430,812,088	415,122,488	371,630,981	393,215,668
Expenditures										
General government	20,559,502	20,016,132	23,770,689	24,030,548	25,873,688	53,083,781	40,055,970	43,642,897	47,288,312	85,546,409
Public safety	36,166,560	37,431,865	38,777,865	42,812,116	45,997,598	48,084,025	49,037,837	51,260,744	51,139,790	52,050,280
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	4,314,841	2,519,859	3,073,701	2,986,331	2,725,118	3,250,610	4,468,630	6,726,068	5,378,982	5,158,399
Environmental protection	1,973,798	2,091,867	2,193,159	2,403,268	2,821,303	2,991,804	10,742,700	8,853,660	30,505,276	26,494,114
Human services	122,999,807	134,196,935	132,033,272	155,505,806	158,201,370	156,237,699	172,690,598	162,360,553	107,552,239	108,524,800
Education	75,548,399	75,984,462	78,662,943	83,044,943	89,560,342	96,175,984	135,475,191	154,707,374	143,481,659	185,338,838
Cultural and recreational	7,232,710	7,175,210	7,194,385	7,492,517	8,188,661	9,894,487	11,508,607	14,618,455	20,714,654	13,687,066
Nondepartmental	8,540,335	9,925,637	10,644,972	11,197,360	15,342,913	-	-	-	-	-
Capital projects	5,665,221	12,412,245	47,982,843	41,033,820	37,337,665	23,050,573	-	-	-	-
Debt service:										
Principal retirement	15,977,509	17,771,809	19,061,212	21,476,140	23,163,537	25,140,527	25,249,056	27,266,955	25,431,125	53,158,145
Interest and fiscal charges	9,292,764	11,652,366	11,428,032	13,440,112	12,771,432	14,362,230	13,257,396	14,376,279	16,568,325	16,477,835
Debt issuance costs	-	-	-	-	-	123,167	83,939	1,546,769	994,584	1,060,066
Amortization of lease discount	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	-	-	-
Total expenditures	309,433,946	332,340,887	375,985,573	406,585,461	423,146,127	433,557,387	463,732,424	485,372,254	449,067,446	547,508,452
Excess of revenues over (under) expenditures	1,605,657	(3,888,781)	(37,343,586)	(27,644,868)	(20,569,159)	(11,194,153)	(32,920,336)	(70,249,766)	(77,436,465)	(154,292,784)
Other Financing Sources (Uses)										
Transfers in	30,631,976	33,158,516	34,705,447	39,523,513	43,462,928	49,535,192	54,831,910	50,509,388	52,852,625	52,214,136
Transfers out	(29,294,534)	(32,801,332)	(34,455,445)	(39,523,513)	(43,462,928)	(49,493,211)	(54,677,672)	(50,349,388)	(52,558,541)	(51,959,497)
Costs on issuance of debt	(241,856)	-	(193,744)	-	(1,000)	-	-	-	-	-
Premium on issuance of debt	-	-	42,591	-	982,737	-	404,574	1,207,038	-	3,738,451
Issuance of bonds	79,840,006	-	57,200,000	-	60,605,000	-	46,190,000	-	-	60,000,000
Refunding bond proceeds	34,943,463	-	-	-	-	-	-	-	49,171,920	71,955,824
Payment to refunded debt escrow agent	(34,713,933)	-	-	-	-	-	-	-	(48,776,331)	(71,425,002)
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
Total other financing sources (uses)	81,165,122	357,184	78,325,849	1,410,000	67,416,737	2,201,981	48,448,812	124,440,321	29,709,084	135,894,981
Net change in fund balances	\$ 82,770,779	\$ (3,531,597)	\$ 40,982,263	\$ (26,234,868)	\$ 46,847,578	\$ (8,992,172)	\$ 15,528,476	\$ 54,190,555	\$ (47,727,381)	\$ (18,397,803)
Debt service as a percentage of noncapital expenditures	8.66%	9.32%	8.96%	9.35%	9.20%	9.75%	9.69%	9.80%	9.95%	15.00%

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
2002	\$ 39,936,181	\$37,503,756	\$ 44,423	\$ 3,750,474	\$ 1,984,277	\$ 271,087,299
2003	22,243,167	40,084,513	12,500	3,564,266	2,114,239	293,265,929
2004	26,032,334	40,967,085	12,500	2,478,868	2,288,155	302,529,857
2005	26,351,619	45,099,164	12,500	2,243,791	2,760,078	341,183,062
2006	28,142,742	52,182,047	12,500	3,246,027	2,817,714	344,328,289
2007	61,082,121	49,069,987	12,500	10,262,137	3,022,401	371,034,045
2008	53,369,519	51,025,747	12,500	4,483,362	3,261,121	405,376,336
2009	47,393,464	52,889,080	12,500	6,746,267	3,800,698	437,677,600
2010	12,365,748	55,255,454	12,500	28,751,080	2,456,029	108,607,392
2011	45,989,651	53,964,797	12,500	5,272,311	3,542,985	109,093,936

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
\$ 78,128,417	\$ 8,167,116	\$ 8,394,980	\$ 9,285,800	\$ 4,454,553	\$ 462,737,276
84,594,783	7,366,833	9,674,739	13,819,722	3,989,544	480,730,235
104,597,540	7,089,954	10,644,972	12,845,931	4,111,848	513,599,044
104,106,885	7,375,565	11,197,360	16,740,531	5,306,714	562,377,269
105,485,526	11,569,884	15,342,913	11,422,405	4,210,944	578,760,991
106,234,157	12,136,121	-	15,535,909	5,124,493	633,513,871
117,349,760	10,909,020	-	14,218,611	5,870,964	665,876,940
143,520,618	11,998,176	-	14,785,542	5,277,448	724,101,393
176,005,516	25,220,574	-	11,499,010	5,061,620	425,234,923
185,533,592	12,510,214	-	17,368,443	5,356,000	438,644,429

DURHAM COUNTY, NORTH CAROLINA

Government-wide Revenues Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Investment and Rental Income</u>
2002	\$ 39,575,784	\$ 223,053,855	\$ 2,126,896	\$ 186,224,417	\$ 4,444,738
2003	46,538,599	238,490,993	1,377,433	191,383,266	6,391,014
2004	40,694,927	251,306,585	288,560	204,434,981	3,768,656
2005	54,896,761	278,597,429	581,241	217,588,617	9,946,975
2006	59,140,227	282,054,223	3,060,312	231,696,186	10,752,641
2007	33,719,456	336,366,486	6,204,903	243,105,448	-
2008	36,589,771	358,162,525	27,092,519	262,135,339	-
2009	23,812,915	399,272,928	19,467,166	261,187,855	-
2010	33,011,220	80,230,451	2,346,289	260,127,663	-
2011	33,012,519	75,904,360	10,341,180	277,147,169	-

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	Miscellaneous Revenue	Total
\$ -	\$ -	\$ 9,830,761	\$ 191,044	\$ 596,072	\$ 466,043,567
-	-	11,033,731	234,074	-	495,449,110
-	2,009,911	10,762,996	248,205	-	513,514,821
-	-	11,139,896	227,008	-	572,977,927
-	-	12,926,625	236,107	-	599,866,321
13,924,591	-	14,128,091	281,604	-	647,730,579
8,497,838	-	876,596	284,975	-	693,639,563
3,430,288	-	1,096,491	313,967	-	708,581,610
3,269,464	-	1,051,192	-	-	380,036,279
7,340,490	-	5,775,344	-	-	409,521,062

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
2002	\$ 20,559,502	\$ 36,166,560	\$ 12,500	\$ 1,973,798	\$ 75,548,399	\$ 122,999,807
2003	20,016,132	37,431,865	12,500	2,091,867	75,984,462	134,196,935
2004	23,770,689	38,777,865	12,500	2,193,159	78,662,943	132,033,272
2005	24,030,548	42,812,116	12,500	2,403,268	83,044,943	155,505,806
2006	25,873,688	45,997,598	12,500	2,821,303	89,560,342	158,201,370
2007	53,083,781	48,084,025	12,500	2,991,804	96,175,984	156,237,699
2008	40,055,970	49,037,837	12,500	10,742,700	135,475,191	172,690,598
2009	43,642,897	51,260,744	12,500	8,853,660	154,707,374	162,360,553
2010	47,288,312	51,139,790	12,500	30,505,276	143,481,659	107,552,239
2011	85,546,409	52,050,280	12,500	26,494,114	185,338,838	108,524,800

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
\$ 4,314,841	\$ 8,540,335	\$ 7,232,710	\$ 25,512,129	\$ 5,665,221	\$ 308,525,802
2,519,859	9,925,637	7,175,210	30,574,175	12,412,245	332,340,887
3,073,701	10,644,972	7,194,385	31,639,244	48,176,587	376,179,317
2,986,331	11,197,360	7,492,517	36,066,252	41,033,820	406,585,461
2,725,118	15,342,913	8,188,661	37,084,969	37,337,665	423,146,127
3,250,610	-	9,894,487	40,775,924	23,050,573	433,557,387
4,468,630	-	11,508,607	39,740,391	-	463,732,424
6,726,068	-	14,618,455	43,190,003	-	485,372,254
5,378,982	-	20,714,654	42,994,034	-	449,067,446
5,158,399	-	13,687,066	70,696,046	-	547,508,452

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
2002	\$ 147,755,973	\$ 38,468,444	\$ 996,274	\$ 76,554,415
2003	149,783,663	42,874,758	1,119,485	79,702,427
2004	155,278,002	49,739,039	2,009,911	80,584,148
2005	165,160,775	52,617,290	4,065,033	92,975,384
2006	175,025,932	56,862,155	5,312,774	97,702,568
2007	180,787,796	62,938,755	880,944	126,958,857
2008	197,270,197	65,424,754	1,049,599	132,739,075
2009	203,361,955	56,180,951	744,881	129,353,073
2010	209,175,709	50,982,955	688,093	82,439,834
2011	223,069,172	54,060,910	703,439	84,463,129

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
\$ -	\$ 3,998,249	\$ 33,882,689	\$ 8,834,487	\$ 310,490,531
-	5,553,022	39,587,391	9,831,360	328,452,106
-	3,901,835	36,366,056	10,762,996	338,641,987
-	9,297,592	43,684,623	11,139,896	378,940,593
-	10,073,095	44,676,760	12,923,685	402,576,969
1,985,592	12,776,308	21,906,991	14,127,991	422,363,234
2,088,862	7,764,319	23,815,640	659,642	430,812,088
607,818	3,039,158	20,891,632	943,020	415,122,488
507,071	5,021,717	22,062,286	753,316	371,630,981
555,648	3,617,037	21,226,569	5,519,764	393,215,668

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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, 2011

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Enterprise</u>	<u>Fiscal Year 2011</u>			<u>Fiscal Year 2002</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>
GlaxoSmithKline		\$ 551,489,109	1	1.87%			
International Business Machine		461,320,862	2	1.57%	\$ 554,674,278	2	2.91%
A W North Carolina Inc.		283,874,782	3	0.96%			
Cree Research		256,957,363	4	0.87%			
Merck Sharpe & Dohme Corp		207,684,813	5	0.70%			
Duke Energy		183,791,292	6	0.62%	159,293,082	4	0.83%
Verizon		178,625,471	7	0.61%	290,259,245	3	1.52%
Southpoint Mall		169,444,545	8	0.58%			
EISAI		130,546,427	9	0.44%			
Highwoods/Forsyth Limited Part		100,905,698	10	0.34%	106,832,855	5	0.56%
Glaxo Welcome Inc.		-		-	570,540,108	1	2.99%
IBM Credit Corporation		-		-	128,266,653	6	0.67%
Noetel Networks Inc.		-		-	115,910,842	7	0.61%
Cree Research		-		-	88,170,239	8	0.46%
CMD Properties Inc.		-		-	67,556,509	9	0.35%
Vac Ltd.		-		-	66,579,433	10	0.35%
		<u>\$ 2,524,640,362</u>		<u>8.56%</u>	<u>\$ 2,148,083,244</u>		<u>11.25%</u>

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year	Real Property	Personal Property	Public Service Companies	Registered Vehicles	Total	County-wide Tax Rate³	Special Tax Districts Tax Rate³	Average County Tax Rate³
2002	\$ 14,691,794,947	\$ 2,335,651,127	\$ 605,245,298	\$ 1,456,774,687	\$ 19,089,466,059	0.7290	0.0191-0.2000	0.7130
2003	15,036,324,470	2,375,265,500	555,633,648	1,485,260,765	19,452,484,383	0.7530	0.0187-0.2000	0.7630
2004	15,689,112,679	2,361,973,098	536,047,683	1,484,745,571	20,071,879,031	0.7630	0.0187-0.2000	0.7680
2005	16,281,035,800	2,323,311,138	523,810,967	1,473,351,385	20,601,509,290	0.7900	0.0187-0.2000	0.7690
2006	16,769,216,308	2,465,434,636	515,456,602	1,530,608,393	21,280,715,939	0.8090	0.0187-0.2500	0.7990
2007	17,319,467,597	2,518,003,626	517,286,245	1,680,614,666	22,035,372,134	0.8090	0.0187-0.2500	0.8765
2008	18,068,249,108	2,837,548,386	514,897,106	1,715,889,532	23,136,584,132	0.8340	0.0187-0.2500	0.9190
2009	23,508,752,957	2,824,338,529	517,202,960	1,690,561,506	28,540,855,952	0.7081	0.0361-0.2500	0.7981
2010	23,976,021,000	2,905,267,206	524,524,630	1,627,078,510	29,032,891,346	0.7459	0.0360-0.2500	0.8359
2011	24,353,954,146	3,074,419,178	501,907,483	1,530,317,547	29,460,598,354	0.7459	0.0360-0.2500	0.8359

Notes:

- (1) All taxable property is subject to the county-wide tax. Most property in unincorporated areas is subject to special district taxes. The County's property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the County except for certain registered motor vehicles which are assessed and collected throughout the year. Assessed valuations are established by the Board of County Commissioners at 100% of estimated market value for real property and 100% of estimated actual value for personal property. Public service company property is certified by the State of North Carolina at 100% of actual value, with no distinction between real and personal property values.
- (2) A revaluation of real property is required by N.C. General Statutes at least every eight years. The last revaluation 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			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments	Total Adjusted Levy	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2002	\$ 222,892,295	\$ (3,182,482)	\$ 219,709,813	\$ 214,138,224	97.46%	\$ 5,402,510	\$ 219,540,734	99.92%
2003	232,148,202	223,438	232,371,640	227,535,763	97.92%	4,635,731	232,171,494	99.91%
2004	233,435,165	7,551,814	240,986,979	236,816,081	98.27%	4,015,963	240,832,044	99.94%
2005	254,087,231	6,044,986	260,132,217	255,882,258	98.37%	4,021,830	259,904,088	99.91%
2006	268,261,053	7,235,630	275,496,683	271,744,257	98.64%	3,517,987	275,262,244	99.91%
2007	279,649,301	9,638,188	289,287,489	285,179,105	98.58%	3,076,804	288,255,909	99.64%
2008	300,961,051	16,452,438	317,413,489	313,396,710	98.73%	2,948,261	316,344,971	99.66%
2009	331,748,220	5,476,495	337,224,715	331,357,242	98.26%	4,676,027	336,033,269	99.65%
2010	329,213,965	13,906,211	343,120,176	338,558,945	98.67%	3,417,043	341,975,988	99.67%
2011	358,766,287	4,398,601	363,164,888	358,623,043	98.75%	-	358,623,043	98.75%

Notes:

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

DURHAM COUNTY, NORTH CAROLINA

**Property Tax Levies Direct and Overlapping Local Government Jurisdictions
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Durham County	Fire Tax Districts					
		Bethesda	Lebanon	Parkwood	Redwood	Eno	New Hope
2002	\$ 140,660,336	\$ 977,276	\$ 552,533	\$ 964,000	\$ 433,921	\$ 17,769	\$ 7,304
2003	148,951,465	956,434	560,885	1,019,401	471,617	11,337	32,294
2004	155,082,240	925,009	555,182	972,907	454,755	17,762	41,030
2005	163,927,481	999,637	630,488	1,113,464	470,247	18,237	39,978
2006	174,366,392	1,005,133	711,260	1,123,278	581,169	16,126	38,913
2007	180,373,799	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

Notes

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

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

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

Bahama	Special Park District	Butner Safety District	City of Durham	City of Raleigh	Town of Chapel Hill	Total Tax Levies
\$ 356,444	\$ 363,588	\$ 7,071	\$ 75,230,524	\$ -	\$ 1,196,820	\$ 220,767,586
318,700	362,450	12,619	79,161,595	60,126	1,342,607	233,261,530
336,807	351,846	11,989	81,543,504	137,842	1,340,481	241,771,354
466,101	313,982	11,710	90,893,322	196,329	1,748,777	260,829,753
495,685	312,622	15,152	95,880,460	249,910	1,458,824	276,254,924
545,082	306,857	16,189	102,559,123	323,866	1,512,542	289,156,326
696,347	657,705	16,203	110,402,329	351,249	2,946,132	317,413,489
662,490	666,263	20,319	122,039,098	419,553	3,054,312	337,224,715
714,101	722,154	17,585	124,304,979	452,134	2,631,582	343,120,175
749,909	709,205	17,631	12,983,774	485,766	2,636,459	246,164,888

DURHAM COUNTY, NORTH CAROLINA

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

(rate per \$100 of assessed value)

	2002	2003	2004	2005	2006	2007	2008 ²	2009	2010	2011
County Direct Rates										
County-wide Rate	\$ 0.7290	\$ 0.7530	\$ 0.7630	\$ 0.7900	\$ 0.8090	\$ 0.8090	\$ 0.0834	\$ 0.7081	\$ 0.7081	\$ 0.7459
Fire Special Tax Districts:										
Bethesda	0.0550	0.0550	0.0550	0.0650	0.0650	0.0650	0.0850	0.0900	0.0900	0.0900
Combined direct rate	0.7840	0.8080	0.8180	0.8550	0.8740	0.8740	0.1684	0.7981	0.7981	0.8359
Lebanon	0.0590	0.0590	0.0590	0.0670	0.0750	0.0750	0.1000	0.1000	0.1000	0.1000
Combined direct rate	0.7880	0.8120	0.8220	0.8570	0.8840	0.8840	0.1834	0.8081	0.8081	0.8459
Parkwood	0.0900	0.0900	0.0900	0.1100	0.1100	0.1100	0.1100	0.1100	0.1100	0.1100
Combined direct rate	0.8190	0.8430	0.8530	0.9000	0.9190	0.9190	0.1934	0.8181	0.8181	0.8559
Redwood	0.0750	0.0750	0.0750	0.0825	0.1000	0.1000	0.1150	0.1075	0.1075	0.1075
Combined direct rate	0.8040	0.8280	0.8380	0.8725	0.9090	0.9090	0.1984	0.8156	0.8156	0.8534
New Hope	0.0500	0.0500	0.0650	0.0650	0.0625	0.0675	0.0675	0.0675	0.0570	0.0695
Combined direct rate	0.7790	0.8030	0.8280	0.8550	0.8715	0.8765	0.1509	0.7756	0.7651	0.8154
Eno	0.0440	0.0440	0.0640	0.0640	0.0570	0.0570	0.0570	0.0570	0.0599	0.0599
Combined direct rate	0.7730	0.7970	0.8270	0.8540	0.8660	0.8660	0.1404	0.7651	0.7680	0.8058
Bahama	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600
Combined direct rate	0.7890	0.8130	0.8230	0.8500	0.8690	0.8690	0.1434	0.7681	0.7681	0.8059
Public Safety Special Tax District:										
Butner Safety	0.2000	0.2000	0.2000	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
Combined direct rate	0.9290	0.9530	0.9630	1.0400	1.0590	1.0590	0.3334	0.9581	0.9581	0.9959
Economic and Physical Development Special Tax District:										
Special park	0.0187	0.0187	0.0187	0.0187	0.0187	0.037366	0.0361	0.0361	0.0360	0.0374
Combined direct rate	0.7477	0.7717	0.7817	0.8087	0.8277	0.8464	0.1195	0.7442	0.7441	0.7833
Municipality Rates										
City of Durham	0.5340	0.5450	0.5450	0.5830	0.5830	0.6030	0.6180	0.5400	0.5400	0.5519
Town of Chapel Hill	0.5040	0.5530	0.5530	0.5750	0.5220	0.5220	0.5220	0.5810	0.4940	0.4940
City of Raleigh	0.0385	0.3850	0.3850	0.3950	0.3950	0.4350	0.4350	0.3735	0.3735	0.3735

Notes:

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

DEBT CAPACITY INFORMATION

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

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

Legal Debt Margin Information

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

Direct and Overlapping Governmental Activities Debt

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

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

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

Ratios of General Bonded Debt Outstanding

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

Ratios of Outstanding Debt by Type

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

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	Population Estimate (1)	Taxable Property Assessed Value	Debt Limit	Gross Bonded Debt
2002	230,000 (1)	\$ 19,089,466,059	\$ 1,527,157,285	\$ 205,913,960
2003	237,000 (1)	19,452,484,383	1,556,198,751	190,428,068
2004	242,000 (1)	20,071,879,031	1,605,750,322	232,231,074
2005	246,924 (1)	20,601,509,290	1,648,120,743	215,664,108
2006	249,654 (1)	21,280,715,939	1,702,457,275	259,881,989
2007	254,902 (1)	22,035,372,134	1,762,829,771	242,165,269
2008	261,206 (1)	23,136,584,132	1,850,926,731	270,784,680
2009	265,670 (1)	28,540,855,952	2,283,268,476	251,040,046
2010	267,849 (1)	29,032,891,346	2,322,631,308	230,107,209
2011	272,156 (1)	29,460,598,354	2,356,847,868	269,200,846

NOTE:

(1) Estimate from Durham City/County Planning Department

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Taxable Property Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ 205,913,960	1.1	895
190,428,068	1.0	803
232,231,074	1.2	960
215,664,108	1.0	873
259,881,989	1.2	1,041
242,165,269	1.1	950
270,784,680	1.2	1,037
251,040,046	0.88	945
230,107,209	0.79	859
11,792,604	0.04	989

DURHAM COUNTY, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Years**

	<u>2002</u>	<u>2003</u>	<u>Fiscal Year 2004</u>	<u>2005</u>	<u>2006</u>
Assessed Value of Property	\$ 19,089,466,059	\$ 19,452,484,383	\$ 20,071,879,031	\$ 20,601,509,290	\$ 21,280,715,939
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,527,157,285	1,556,198,751	1,605,750,322	1,648,120,743	1,702,457,275
Amount of Debt Applicable to Limit General Obligation Bonds	<u>213,730,004</u>	<u>197,730,004</u>	<u>239,020,001</u>	<u>221,945,003</u>	<u>265,660,003</u>
Total net debt applicable to limit	<u>213,730,004</u>	<u>197,730,004</u>	<u>239,020,001</u>	<u>221,945,003</u>	<u>265,660,003</u>
Legal Debt Margin	<u>\$ 1,313,427,281</u>	<u>\$ 1,358,468,747</u>	<u>\$ 1,366,730,321</u>	<u>\$ 1,426,175,740</u>	<u>\$ 1,436,797,272</u>
Total net debt applicable to limit as a percentage of debt limit	<u>14.00%</u>	<u>12.71%</u>	<u>14.89%</u>	<u>13.47%</u>	<u>15.60%</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.

2007	2008	Fiscal Year 2009	2010	2011
\$ 22,035,372,134	\$ 23,136,584,132	\$ 28,540,855,952	\$ 29,032,891,346	\$ 29,460,598,354
1,762,829,771	1,850,926,731	2,283,268,476	2,322,631,308	2,356,847,868
<u>247,445,003</u>	<u>275,570,002</u>	<u>255,335,002</u>	<u>233,930,000</u>	<u>272,680,000</u>
<u>247,445,003</u>	<u>275,570,002</u>	<u>255,335,002</u>	<u>233,930,000</u>	<u>272,680,000</u>
<u>\$ 1,515,384,768</u>	<u>\$ 1,575,356,729</u>	<u>\$ 2,027,933,474</u>	<u>\$ 2,088,701,308</u>	<u>\$ 2,084,167,868</u>
<u>14.04%</u>	<u>14.89%</u>	<u>11.18%</u>	<u>10.07%</u>	<u>11.57%</u>

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Governmental Activities Debt As of June 30, 2011

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Municipality:			
City of Durham	\$ 232,020,007	100%	\$ 232,020,007
Town of Chapel Hill	34,110,000	0%	-
City of Raleigh	<u>222,485,001</u>	0%	<u>-</u>
Overlapping debt	<u>488,615,008</u>		<u>232,020,007</u>
Direct debt	269,200,846		269,200,846
Total direct and overlapping debt	<u><u>\$ 757,815,854</u></u>		<u><u>\$ 501,220,853</u></u>

Source: Overlapping debt provided by each municipality.

Note: Percentage of overlap based on assessed property values.

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	Debt Service Expenditures			Total Debt Service	General Governmental Expenditures	Ratio of Total Debt Service to General Governmental Expenditures
	Principal	Interest on Bonds	Other Expenses			
2002	\$ 13,783,268	\$ 7,865,623	\$ 3,400	\$ 21,652,291	\$ 308,525,802	7.02
2003	17,771,809	11,646,516	5,850	29,424,175	332,340,887	8.85
2004	19,061,212	11,428,032	3,600	30,492,844	376,179,317	8.11
2005	21,476,140	13,440,112	-	34,916,252	406,585,461	8.59
2006	23,335,688	12,613,289	3,500	35,952,477	342,123,072	10.51
2007	25,321,777	13,441,166	3,350	38,766,293	356,860,759	10.86
2008	25,249,056	13,254,045	3,350	38,506,451	373,328,462	10.31
2009	27,266,955	14,372,730	3,350	41,643,035	374,809,528	11.11
2010	25,431,125	16,349,362	231,637	42,012,124	314,831,306	13.34
2011	53,158,145	15,794,753	683,053	69,635,951	323,275,838	21.54

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
2002	\$ 213,730,004	1.12%	929.26
2003	197,730,004	1.02%	834.30
2004	239,020,001	1.19%	987.69
2005	221,945,003	1.08%	898.84
2006	265,660,003	1.25%	1,064.11
2007	247,445,003	1.12%	970.75
2008	275,570,002	1.19%	1,054.99
2009	255,335,002	0.89%	961.10
2010	233,930,000	0.82%	873.37
2011	272,680,000	0.93%	1,001.93

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

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

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

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DURHAM COUNTY, NORTH CAROLINA

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Certificates of Participation	Installment Purchases	Total Governmental Activities
2002	\$ 205,913,962	\$ 30,655,000	\$ 5,772,077	\$ 242,341,039
2003	190,428,070	28,715,000	5,426,159	224,569,229
2004	232,231,073	26,690,000	24,813,943	283,735,016
2005	215,664,108	24,560,000	23,807,269	264,031,377
2006	259,881,989	22,325,000	30,123,804	312,330,793
2007	242,165,269	19,985,000	27,018,755	289,169,024
2008	270,784,681	17,525,000	23,506,871	311,816,552
2009	251,040,046	132,775,000	23,806,105	407,621,151
2010	230,107,209	132,724,828	46,985,373	409,817,410
2011	269,200,846	175,502,889	41,513,714	486,217,449

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
\$	7,816,042	\$ -	\$ 7,816,042	\$ 250,157,081	3.49%	1,095.82
	7,301,934	24,515,000	31,816,934	256,386,163	3.51%	1,093.84
	6,788,928	24,515,000	31,303,928	315,038,944	4.06%	1,310.97
	6,280,895	23,245,000	29,525,895	293,557,272	3.63%	1,194.77
	5,778,014	21,935,000	27,713,014	340,043,807	4.37%	1,369.87
	5,279,734	20,580,000	25,859,734	315,028,758	3.96%	1,269.14
	4,785,321	19,155,000	23,940,321	335,756,873	3.82%	1,285.41
	4,294,956	17,660,000	21,954,956	429,576,107	4.51%	1,616.95
	3,822,791	16,090,000	19,912,791	429,730,201	4.21%	1,604.37
	3,479,153	14,440,000	17,919,153	504,136,602	4.83%	1,852.38

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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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General government	213	206	220	213
Public safety	543	546	559	585
Economic and physical development	5	5	6	8
Environmental protection	23	21	24	29
Human services	775	734	686	659
Cultural and recreational	80	73	75	74
Utilities	4	5	5	5
Total	<u>1,643</u>	<u>1,590</u>	<u>1,575</u>	<u>1,573</u>

Source: Durham County Human Resources Department

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
216	243	252	248	245	247
585	590	600	624	599	610
8	30	33	31	32	30
28	11	13	14	18	18
644	651	677	692	700	681
73	90	99	98	105	101
5	4	6	21	18	20
<u>1,559</u>	<u>1,619</u>	<u>1,680</u>	<u>1,728</u>	<u>1,717</u>	<u>1,707</u>

DURHAM COUNTY, NORTH CAROLINA

Operating Indicators By Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Administration										
Registered voters (6)	182,192	180,403	181,012	156,879	146,097	161,350	154,645	161,708	152,176	156,865
Taxable real estate parcels (7)	86,008	87,245	105,618	104,548	100,427	92,600	89,785	87,608	86,177	83,847
Tax bills (7)**	240,597	237,229	271,331	300,886	267,305	327,282	310,855	301,008	294,927	282,681
Human Services										
Adult care home residents served through on-site inspections (8)	845	853	826	811	889	886	884	855	852	*
Persons testing for HIV/STD (9)	53,584	66,169	65,924	67,765	60,122	62,013	64,698	62,177	65,429	74,741
Food assistance individuals (8)	42,034	34,178	29,727	23,730	22,527	21,706	20,291	19,012	16,854	14,120
Education										
Students attending public school (1)	32,671	32,551	31,938	31,732	32,749	31,981	31,719	30,947	30,889	30,821
Public school teachers (2)	2,245	2,671	2,326	2,368	2,419	2,368	2,293	2,184	2,164	2,119
Community college students-average semester (3)	24,769	25,561	25,810	25,509	25,444	24,849	25,230	22,794	21,744	22,306
Community college faculty (3)	162	161	150	154	148	139	139	131	118	124
Community Development and Cultural (5)										
Residential permits issued - new ***	997	993	883	1,713	2,153	2,284	2,058	1,983	1,714	1,864
Commercial permits issued - new ***	93	73	81	209	274	229	301	243	269	228
Building permits - additional, alterations ***	2,368	2,212	2,230	1,694	1,705	1,739	1,581	1,724	1,708	1,764
Inspections performed	26,086	26,295	25,183	*	*	*	*	*	*	*
Environmental Services										
Animal control service calls (10)	13,911	15,628	18,152	16,213	12,390	12,526	11,405	10,423	11,744	10,679
Animals impounded (10)	6,397	6,921	7,148	6,755	6,684	6,613	6,906	6,358	6,318	5,754
Sanitation inspections (9)	6,876	7,462	6,860	7,606	8,130	8,419	8,433	8,209	8,463	9,788
Public Safety										
Detention intake (11)	12,267	11,926	12,219	12,395	12,456	12,743	12,672	12,447	12,438	13,069
Civil processes served (11)	32,472	35,210	33,727	33,643	32,967	33,174	34,281	30,819	34,631	31,124
Pistol permits processed (11)	1,923	1,726	1,774	1,687	1,051	1,261	1,373	1,287	1,125	1,787
Average daily jail population (11)	554	582	598	629	597	549	509	470	449	418
Fire/medical incidents responded to by contracting fire departments (4)	12,402	11,733	12,344	11,925	10,000	6,239	7,599	7,549	7,423	6,842
Durham EMS trips (4)	26,696	27,405	26,260	25,111	23,132	21,766	19,839	19,001	20,728	21,447

* 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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government (1)										
Rentable square footage	733,361	733,361	744,461	726,461	726,461	721,454	*	*	*	*
Human Services (2)										
Number of centers	4	4	4	6	6	6	6	7	8	9
Education (3)										
Number of schools	55	53	53	46	46	46	46	44	44	44
Number of higher education institutions	4	4	4	4	4	5	5	5	5	5
Community Development and Cultural (4)										
Libraries - branches	8	8	8	8	8	9	8	8	8	8
Volume of library books	661,687	603,930	565,245	609,544	584,299	514,958	496,926	475,730	480,641	466,984
Number of County parks	2	2	2	2	2		60	59	59	59
Public Safety										
Sheriff - Stations (5)	5	5	5	5	5	5	5	5	5	5
Detention capacity (5)	736	736	736	736	736	736	736	736	736	736
Fire protection - City Stations (6)	15	15	15	15	15	14	14	14	13	13
Fire protection - Volunteer Stations (6)	11	11	11	11	11	11	11	12	12	11
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)
2002	\$ 654,970,735	\$ 19,089,466,059
2003	846,497,743	19,452,484,383
2004	700,759,078	20,180,457,105
2005	897,110,133	20,601,509,290
2006	833,845,052	21,280,715,939
2007	908,064,082	22,035,372,939
2008	937,163,464	23,136,584,132
2009	832,707,556	28,540,855,952
2010	854,185,593	29,032,891,346
2011	918,447,009	29,460,598,354

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
2002	230,000	\$ 7,230,974	\$ 33,490	30,821	6.1%
2003	237,000	7,388,122	34,605	30,889	5.6%
2004	242,000	7,849,791	32,482	30,947	4.2%
2005	246,924	8,235,669	33,505	31,719	4.6%
2006	249,654	8,784,739	37,262	31,981	3.9%
2007	254,902	9,526,901	36,388	32,749	3.8%
2008	261,206	10,204,867	38,923	31,732	5.5%
2009	265,670	10,435,368	39,383	31,938	8.0%
2010	267,849	*	38,795	32,566	7.8%
2011	271,238	*	*	32,566	7.6%

* 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**

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Duke University & Health System	33,750	1	23.91%	17,421	1	13.59%
International Business Machines (IBM)	10,000	2	7.08%	14,000	2	10.93%
Durham Public Schools	5,440	3	3.85%	4,500	5	3.51%
GlaxoSmithKline	4,500	4	3.19%	5,000	3	3.90%
Blue Cross Blue Shield of North Carolina	2,437	5	1.73%	2,500	6	1.95%
Durham City Government	2,336	6	1.65%	1,979	8	1.54%
Research Triangle Institute	2,200	7	1.56%			
Veterans Affairs Medical Center	2,162	8	1.53%	1,600	10	1.25%
Cree, Inc.	2,000	9	1.42%			
Fidelity Investments	1,800	10	1.28%			
Nortel Networks				5,000	4	3.90%
Durham Regional Hospital				2,263	7	1.77%
Durham County Government				1,965	9	1.53%
	<u>66,625</u>		<u>47.20%</u>	<u>56,228</u>		<u>43.87%</u>

Source: Durham Chamber of Commerce.

COMPLIANCE SECTION



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

Board of County Commissioners
Durham County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durham County, North Carolina (the "County"), as of and for the year ended June 30, 2011, and have issued our report thereon dated October 26, 2011. 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, 2011, as described in the Trust Agreement referred to in the first paragraph.

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

Raleigh, North Carolina
October 26, 2011

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Debt Covenant Compliance
Year Ended June 30, 2011**

	Enterprise Fund Sewer Utility Fund
	<u> </u>
Operating revenues	
Charges for services	\$ 10,359,823
Total operating revenues	<u>10,359,823</u>
 Operating expenses	
Personnel services	1,378,058
Contracted services - wastewater treatment plant	-
Utilities	418,257
Maintenance and other	1,733,754
Depreciation	700,474
Total operating expenses	<u>4,230,543</u>
 Operating income (loss)	<u>6,129,280</u>
 Add:	
Depreciation expense	<u>700,474</u>
 Income available for debt service	<u><u>\$ 6,829,754</u></u>
 Fiscal year revenue bond debt payments	\$ 2,414,908
Fiscal year total debt payments	\$ 2,907,562
 Senior lien debt service coverage	2.83
Total debt service coverage	2.35
 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

Delphine Powell, Accountant

Tiffany Long, Accountant

Catherine Davis, Compliance Manager

