

County of Durham, North Carolina



Comprehensive Annual Financial Report

For The Year Ended June 30, 2015

Cover:

Managing for Results Model

An enhanced performance management approach to improve government efficiencies and effectiveness in order to better address Durham County's social and economic challenges.

Charting a New Course in Durham County Government to Better Serve the Community

2014 vision of the County Manager

Wendell Davis

County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015

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Chief Financial Officer**

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Prepared by the Durham County Finance Department

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**INTRODUCTORY SECTION
(TAB)**



Letter of Transmittal

October 30, 2015

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, 2015.

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

Durham County's financial statements have been audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Durham County for the fiscal year ended June 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that Durham County's financial statements for the fiscal year ended June 30, 2015 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. Durham County’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Durham County, incorporated in 1881, is located in the piedmont part of the state, which is considered to be the top growth area in the State, and one of the top growth areas in the country. Durham County currently occupies a land area of 299 square miles and serves a population of 290,874. Durham County is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

In accordance with standards of the Governmental Accounting Standards Board (GASB) defining the governmental reporting entity, this report includes all funds and component units (except as noted below) that are controlled by or are dependent on the County’s

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

The annual budget serves as the foundation for Durham County’s financial planning and control. All agencies of Durham County are required to submit requests for appropriation to the county manager on or before March 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 and the community health trust fund, a major special revenue fund, this comparison is presented on pages 33-35 as part of the basic financial statements for the governmental funds. For other major funds and nonmajor governmental funds, with appropriated annual budgets, this comparison is presented in the other supplementary section of this report, which starts on page 137.

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. *American City Business Journal*, October 2015, recognized Durham as the #2 “Best City Where Your Money goes the Farthest”. In August 2015, *Thumbtact* ranked Durham #14 “Best City for Small Business in the U.S.”, and in November 2014, *Nerd Wallet* listed Durham as one of the “Best Cities for Young Entrepreneurs” for its access to funds, networking and mentorship, local economy and affordability.

Construction of new facilities and expansion of others is testimony to the fact that Durham is a nurturing environment for start-up companies and for more established companies. Many companies from various regions of the U.S. as well as other countries have moved their headquarters here to take advantage of the County’s diverse resources in an environment that fosters business development. Business expansions announced in calendar year 2014 totaled over \$370 million, with plans to create over 2,365 new jobs in the County. In addition, business expansions announced through the third quarter of calendar year 2015 totaled over \$524 million with plans to create another 1,379 new jobs.

The diversity of industries represented in the County and its strong emphasis on business development through research and development has brought national recognition to the area. The County continues to receive recognitions nationally for its improvement economically. In September 2015, *Wallet Hub*, ranked Durham 19th amongst “Most Recession-Recovered U.S. Cities”. In July 2015, *Smartasset*, ranked Durham #10 as the “Top Ten Counties in North Carolina that bring in the Most Investments”, and in April 2015 Durham was ranked #6 on the list of “Top 10 Small American Cities of the Future 2015/2016 by *FDiIntelligence*.

Research and Development

Durham is located at the pinnacle of North Carolina’s famous Research Triangle Park, formed in 1959 by business leaders, government officials and leaders from Duke University of Durham, North Carolina State University in Raleigh and the University of North Carolina at Chapel Hill. The Research Triangle Park (RTP) consists of 7,000 acres of land, 95% of its corporate enterprises are located in Durham County. In its fifty-fifth year, RTP is the longest-operating research park in the country. RTP is also the nation’s largest and most successful research and development-oriented business park. There is more than 200 tenant companies and organizations located in the Park that represent some of the world’s largest and most prestigious corporate and government organizations in scientific and technological research. Businesses in the Park employ approximately 39,863 full-time employees and an estimated 6,757 contract employees.

The number of research and development companies in the Park continues to grow. In calendar year 2014, Bayer Crop Science, an agricultural biotechnology company, announced a new \$29.6 million facility with the creation of 25 new jobs, and Weatherly

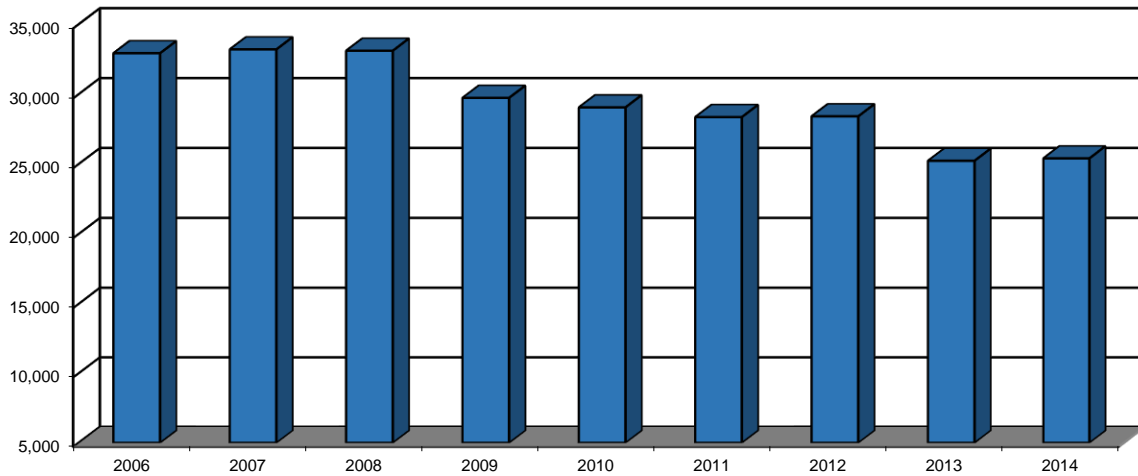
Healthcare, a healthcare industry staffing company, will invest over \$950 thousand in a new facility creating 230 jobs. In addition to new businesses, current businesses also announced expansions in the Park. Businesses such as Eisai, Argos Therapeutics, United Therapeutics, Alexandria Real Estate, and Becton Dickinson (BD), announced expansions in calendar year 2014 with an estimated investment of over \$98 million and over 261 new jobs. Other existing companies, AgBiome, Cree, IBM, and United Therapeutics announced planned expansions through the third quarter of calendar year 2015 with an estimated investment of over \$118 million and the creation of over 89 jobs. In April 2014, a report from *CBRE* “Scoring Tech Talent”, listed Durham as “One of the Top Areas that have Tech Talent”.

Research conducted in Durham County continues to cover a broad range of high tech fields such as biotechnology, medical instrumentation, metallurgy, electronic hardware and software development, health care products, digital switching and transmission systems, telecommunication and microelectronics. There also continues to be an abundance of highly skilled graduates from the region’s research universities and prestigious law, business and medical schools. In September 2015, *US News and World Report*, ranked Duke #8 for “Best Graduate School, Medical Programs”, and the *National Center for Education Statistics*, recognized North Carolina Central University as #5 on the list of “Highest Number of Graduate Students among Historically Black Colleges and Universities in the U. S.”.

Health care

The City of Durham is called the City of Medicine because of its vibrant healthcare industry, which includes more than 1,200 medical- and health-related companies that are located in Durham County. There is a wide spectrum of major medical centers in the area, including Duke University Medical Center. In July 2015, *US News & World Report* “Honor Roll List for Hospitals”, ranks them as the 14th best Hospital in the nation with six specialties ranking in the top 20; the highest being the sixth Best Hospital for Cardiology and Heart Surgery in the US, and the #1 Hospital in the State; a world class academic and health care system; transforming medicine locally and globally through innovative medical research; and educating future clinical and scientific leaders. The result is that Durham County has four times the national average of physicians, three times the national average of nurses, and nearly one third of all workers in the labor force works in a health or medical related industry.

Manufacturing



Source: Employment Security Commission (ESC)

Durham County is a strong manufacturing center in the region. The manufacturing sector experienced an increase in employment from 25,238 in 2013 to 25,412 in 2014. The County experienced an increase of 174 manufacturing jobs in calendar year 2014. The economy continues to rebound with the decreases in the unemployment rate for the Nation and State, and a nominal increase in the County's unemployment rate. The County will continue to have strong representation in the manufacturing sector with the constantly improving economy.

Telecommunications

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

Quality of Life

Durham is a diverse down-home city, defined by a combination of a growing economy, quality of life, strong community, offering enough to interest big city lovers while maintaining its small town appeal. In August 2015, *Only in Your State* ranked Durham #5 on its list of "Best Cities for Singles in North Carolina". In March 2015, *Coupons Daily* recognized Durham as #8 on the list of "10 Cheapest Small Cities for Millennials". In addition, Durham boasts nationally acclaimed restaurants. *Scoutology* named Dame's Chicken and Waffles #2 on its list of "The Top 21 North Carolina New American Restaurants" and *Thrillist* named Monuts Donuts one of "The 33 Best Donut Shops in America 2015" in March and April of 2015, respectfully. In addition, Zagat recognized Durham as #8 on its list of "America's Next Hot Food Cities". Durham has performance facilities such as the Durham Performing Arts Center (DPAC) and the Carolina Theater that host Broadway shows and other professional performances. In January 2015, *Pollstar*, *Billboard*, and *Venues Today*, recognized the DPAC amongst the "Top 5 Theaters in the

United States”. Durham has nationally recognized sports cultures, such as Duke University, North Carolina Central University, and the Triple A affiliate of the Tampa Bay Rays, the Durham Bulls. In January 2015, *Stadium Journey* recognized The Durham Bulls Athletic Park at #33 on its list of “Top 100 Stadiums Experiences of 2014”. Durham is the home of the 2015 NCAA National Champions, Duke University Blue Devils. 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
Fidelity Investments
Quintiles Transnational Corporation
Research Triangle Institute
Veterans Administration Medical Center
Cree, Inc.
AW North Carolina, Inc.
US Environmental Protection Agency
Durham County Government
National Institute of Environmental Health Sciences
North Carolina Central University
Walmart
Merck & Co., Inc
Lab Corp

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 2014 were \$370,892,114. Economic development announcements occurring through the third quarter of 2015 amounted to over \$524 million.

Economic Development Statistics

Per Capita Income

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

	2006	2007	2008	2009	2010	2011	2012	2013
Durham MSA	37,262	38,923	39,383	40,116	40,597	41,785	40,963	41,376
Raleigh MSA	37,107	38,648	39,580	37,849	39,479	40,631	42,709	43,947
North Carolina	32,338	33,636	34,483	34,719	36,028	36,520	37,910	38,683
United States	36,629	38,564	40,189	39,626	40,163	42,298	45,188	44,765

Source: Bureau of Economic Analysis

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

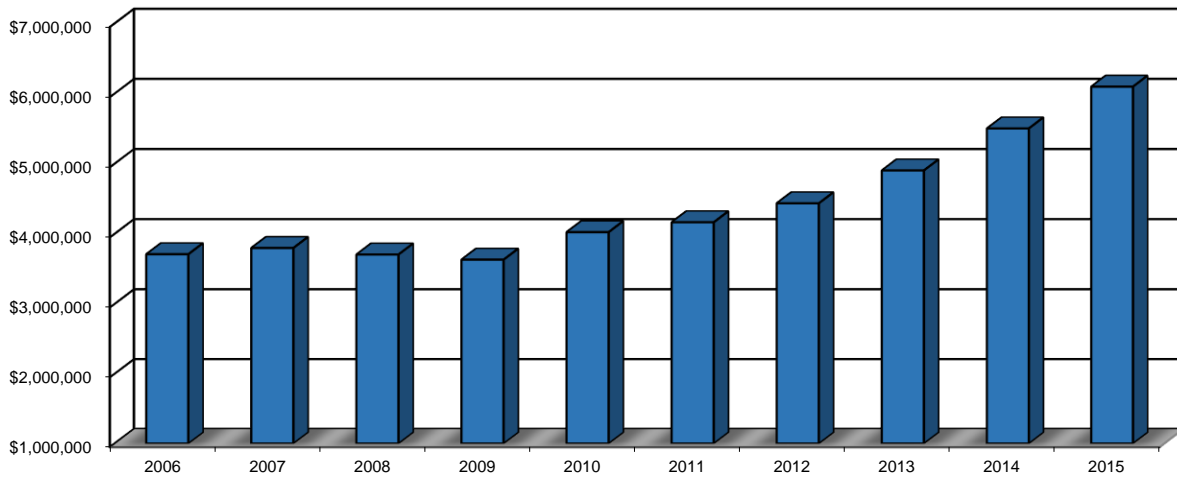
Note: The Bureau of Economic Analysis makes comprehensive revisions to the per capita income estimates annually. The latest revision was November 2014 for periods 2001-2014.

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 Taxable Sales (000's)	Percent Growth Over Previous Year
2006	\$ 3,707,314	*
2007	3,796,971	2.36%
2008	3,703,207	-2.50%
2009	3,630,249	-1.97%
2010	4,022,518	10.81%
2011	4,163,246	3.50%
2012	4,434,078	6.51%
2013	4,902,628	10.57%
2014	5,501,325	12.21%
2015	6,097,770	10.84%

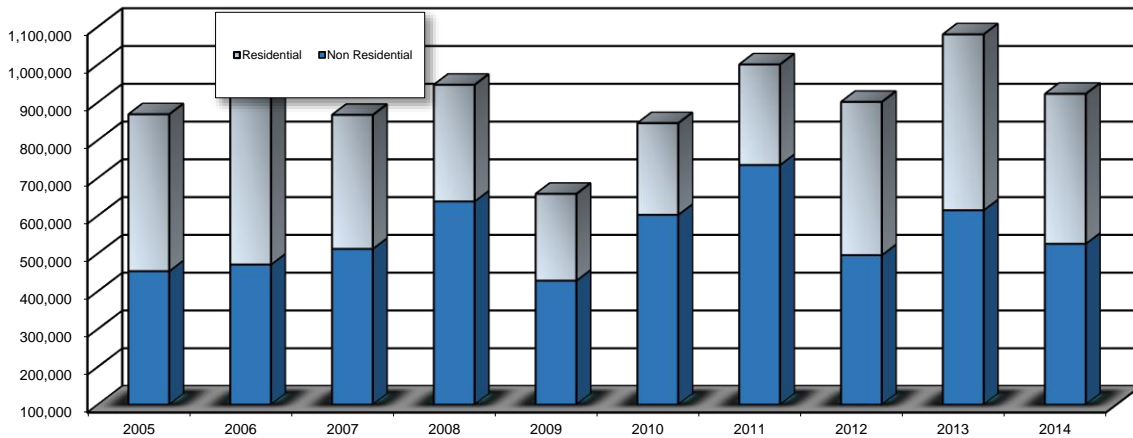
Note: Effective Fiscal Year 2006 based on an administrative rule change by the NC Department of Revenue, retail sales are based on total taxable sales reported on sales and use tax returns by July of the Fiscal Year in question, rather than gross retail sales. The calculation of the "Percent Growth Over Previous Year" for total taxable sales is stated beginning fiscal year 2007 when comparable data became available.



Since fiscal year 2009 when the economy started to slowly recover, Durham’s retail sales have continued to increase from over \$5.5 billion in fiscal year 2014 to slightly over \$6.09 billion in fiscal year 2015. One of the main reasons for this growth is because of new businesses, small and large, continuing to develop in the area. In fiscal year 2015, the total taxable sales reported were over \$6.09 billion, an increase of over \$596 million (10.84 %), reflecting continued positive growth in the County’s economy.

Construction Activity

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

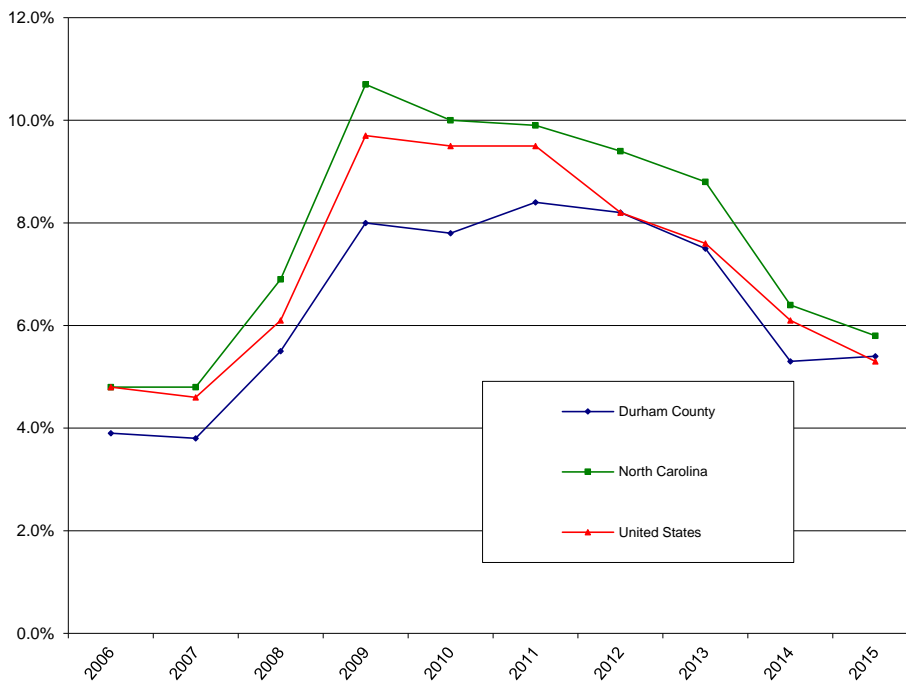


As of June 30, 2015, the total number of occupied dwelling units in Durham County was 119,683. Also, for the first six months of 2015, 1,577 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. From calendar year 2013 to 2014, there was an overall decrease in the value of all building permits issued in the County. The decrease was in both the value of non-residential construction and residential construction activity. The decrease in the value of permits issued as well as decreases in the number of permits issued is an indication of the decline in construction activity regionally, not only in the County. The County’s economic growth continues to be a significant point of efficacy.

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
2006	3.9%	4.8%	4.8%
2007	3.8%	4.8%	4.6%
2008	5.5%	6.9%	6.1%
2009	8.0%	10.7%	9.7%
2010	7.8%	10.0%	9.5%
2011	8.4%	9.9%	9.5%
2012	8.2%	9.4%	8.2%
2013	7.5%	8.8%	7.6%
2014	5.3%	6.4%	6.1%
2015	5.4%	5.8%	5.3%



As of June 2015, the County's unemployment rate was 5.4%, an increase of .1% from June 2014. Although the County's unemployment rate increased slightly, the County's unemployment rate compares favorably to the State's 5.8% and a small percentage higher than the average unemployment rate of 5.3% for the Nation. 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 most recent Master Plan, amended in fiscal year 2003, reflects the changes in facility needs and options for Social Services, and Public Health. As of Fiscal Year 2013, the County no longer provides mental health services; as a result, the County had no facility needs for Mental Health. However, the County is currently renting the Human Services Complex space planned for use to provide mental health services to the MCO contracted to provide mental health services, Alliance Behavioral Healthcare, Inc. The 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 2012-2013 fiscal year, the Board of County Commissioners (BOCC) adopted the 2014-2023 Capital Improvement Plan (CIP). The plan itself provides a blueprint which the County uses to meet the growing facility needs of the schools, libraries, museum, court system, public safety, human service agencies, general government needs and open space. The CIP also provides a financial overview of the financing options for the existing capital projects as well as those capital projects not yet implemented projected in the 10-year plan. Annually, the financing options are reviewed, as well as the projects and their estimated costs.

Accomplishments during the past fiscal year include the completion of the Criminal Justice Resource Multipurpose Room, Criminal Justice Resource Center Water Intrusion Repairs and the Urban Ministries Community Shelter Fire Sprinkler Upgrades. Other projects in various stages of design and regulatory approvals include the Judicial Building Renovation, Main Library Renovation, Lincoln Community Health Center Phase II Renovation, and the Southwest Library Parking Lot Expansion. The construction of the East Main Street Parking Lot ADA Ramp and Stair Installation is nearing completion. The Emergency Medical Services Long Range Space Planning and Analysis and the Update to the Space Needs Analysis and Facility Master Plan is nearing completion as discussions are underway to finalize the reports. It is important to note that the completion of this update will allow Durham County to make informed decisions regarding the upcoming CIP which will forecast new projects over the upcoming years.

In 2008, the County adopted a High Performance Building Policy incorporating sustainable design into County building projects. The Policy requires that new construction over 10,000 square feet shall achieve a minimum rating of LEED (Leadership in Energy and Environmental Design) "Gold", and that renovation projects obtain a "Certified" rating. Currently, the County has nine LEED certified buildings that have been completed which include the following: Triangle Wastewater Treatment Plant Administrative Building – "Certified", East Regional Library – "Certified", North Regional Library –

“Silver”, South Regional Library – “Gold”, Animal Control Office Building - “Silver”, Southwest Library Renovation and Addition – “Silver”, the Criminal Justice Center Third Floor Renovation – “Silver”, the recently completed Durham County Courthouse – “Gold” and the recently completed Human Services Facility – “Silver”. Additional projects utilizing sustainable design guidelines are currently under design.

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, 2014. This was the fourteenth 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.

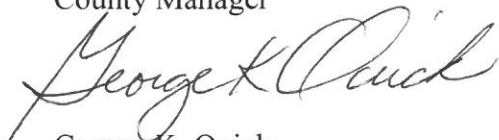
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Wendell Davis
County Manager



George K. Quick
Chief Financial Officer

Durham County Board of County Commissioners



Michael D. Page
Chairman



Brenda A. Howerton
Vice Chairman



Fred Foster Jr.



Wendy Jacobs



Ellen W. Reckhow

Durham County Administration



Wendell Davis
County Manager

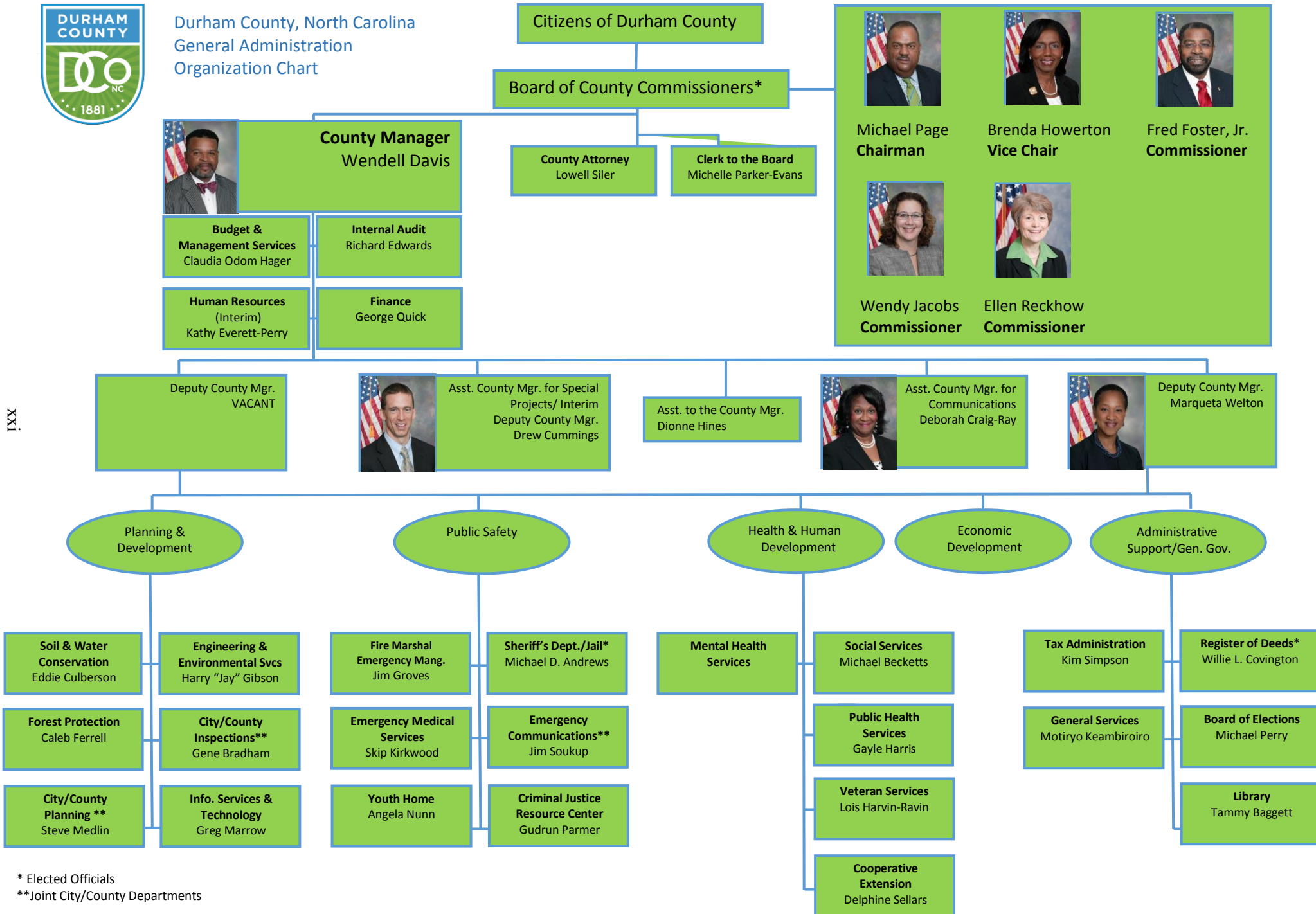


George K. Quick
Chief Financial Officer



Durham County, North Carolina
General Administration
Organization Chart

IXX



* Elected Officials
**Joint City/County Departments



Government Finance Officers Association

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

Presented to

**County of Durham
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION
(Tab)

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durham County, North Carolina (the "County"), as of and for the year then ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2015, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the community health trust fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note P to the financial statements, the County adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result, net position as of June 30, 2014 of the Statement of Activities has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplemental and Other Information

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

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

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2015 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.



Raleigh, North Carolina
October 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-xviii.

Financial Highlights

- The assets and deferred outflows of resources of Durham County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$129,583,904 (*net position*). However, of this amount, unrestricted net position has a deficit balance of (\$18,432,103) (*unrestricted net position*) which is primarily because of the debt the County has issued on behalf of the school system, Durham Technical Community College and the Museum of Life and Science to fund capital outlay as required by State law. The assets funded by the County are owned by the Durham Public School System, Durham Technical Community College and the Museum of Life and Science and are capitalized in their financial statements. Therefore, the County, as the issuing government, has incurred a liability without a corresponding increase in assets.
- The government's total net position increased by \$59,211,270, an increase of 84.14 percent, due to increases in both the governmental activities' net position and the business-type activities' net position of over \$54.54 million and \$4.67 million, respectively.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$215,311,197, an increase of \$18,412,648 in comparison with the prior year. Approximately 20.07 percent of this total amount, or \$43,222,390, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$138,410,471 or 34.26 percent of total general fund expenditures, compared to fiscal year 2014 which was \$117,740,458 or 30.43 percent of total general fund expenditures. The net change in fund balance for fiscal year 2015 was an increase of over \$24.3 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 104.33 percent of budget while expenditures were only 93.32 percent of budget. The net change in fund balance increased by over \$11.5 million in fiscal year 2015 from fiscal year 2014. The primary reasons for the increase in the net change in fund balance are the increase in excess of revenues over expenditures of over \$15.3 million, the decrease in transfers in of over \$340 thousand and the increase in transfers out of over \$3.4 million.
- The County's total debt decreased by \$42,990,505 (6.47 percent) during the current fiscal year. The key factors in this decrease were the annual retirement of governmental and business-type activities debt, the issuance of \$9,720,717 in general obligation bond anticipation notes, the decrease in the LGERS pension obligation of \$16,834,393 and the increase in the County's net OPEB obligation of \$4,472,838.
- Durham County continues to maintain its AAA bond rating.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

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

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

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

the Board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

The government-wide financial statements can be found on pages 25-26 of this report.

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

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

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

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

The basic governmental fund financial statements can be found on pages 27-34 of this report.

Proprietary funds. Durham County has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses an enterprise fund to account for its sewer utilities. This fund is the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities, only in more detail. The proprietary fund financial statements provide separate information for the sewer utility which is considered to be a major fund of the County.

The basic proprietary fund financial statements can be found on pages 35-37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. Durham County has twelve fiduciary funds, one of which is a pension trust fund, two of which are private-purpose trust funds and nine of which are agency funds. The resources in the pension trust fund have been set aside by the County to pay future obligations but are not held in a trust that meets the criteria outlined in GASB Statement 68, paragraph 4.

The basic fiduciary fund financial statements can be found on pages 38-39 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 41-110 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 111-121 of this report.

Following the required supplementary information, combining statements referred to earlier are provided to show details in connection with nonmajor governmental funds. Budgetary information for each fund as required by the North Carolina General Statutes and detailed comparative statements, including annually budgeted funds, can also be found in this section. Combining and individual fund statements and schedules can be found on pages 125-158 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$129,583,904 as of June 30, 2015. Net position is reported in three categories: net investment in capital assets, restricted net position and unrestricted net position.

The County's net position increased by \$59,211,270 for the fiscal year ended June 30, 2015. One of the largest portions in the amount of \$84,461,242 reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

DURHAM COUNTY'S NET POSITION

	Governmental		Business - type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 273,517,339	\$ 241,428,792	\$ 32,597,730	\$ 29,648,716	\$ 306,115,069	\$ 271,077,508
Capital assets	402,081,091	401,147,314	71,479,920	71,926,312	473,561,011	473,073,626
Total assets	<u>675,598,430</u>	<u>642,576,106</u>	<u>104,077,650</u>	<u>101,575,028</u>	<u>779,676,080</u>	<u>744,151,134</u>
Total deferred outflows of resources	13,420,065	7,336,969	717,644	716,152	14,137,709	8,053,121
Long-term liabilities outstanding	598,881,552	622,889,704	22,728,281	24,876,241	621,609,833	647,765,945
Other liabilities	20,808,620	22,528,287	521,686	681,402	21,330,306	23,209,689
Total liabilities	<u>619,690,172</u>	<u>645,417,991</u>	<u>23,249,967</u>	<u>25,557,643</u>	<u>642,940,139</u>	<u>670,975,634</u>
Total deferred inflows of resources	20,992,774	641,210	296,972	-	21,289,746	641,210
Net position:						
Net investment in capital assets	34,987,961	20,701,314	49,473,281	47,154,452	84,461,242	67,855,766
Restricted	57,772,872	52,415,572	5,781,893	7,854,486	63,554,765	60,270,058
Unrestricted	(44,425,284)	(69,263,012)	25,993,181	21,724,599	(18,432,103)	(47,538,413)
Total net position	<u>\$ 48,335,549</u>	<u>\$ 3,853,874</u>	<u>\$ 81,248,355</u>	<u>\$ 76,733,537</u>	<u>\$ 129,583,904</u>	<u>\$ 80,587,411</u>

The second portion of the County's net position in the amount of \$63,554,765 represents resources that are subject to external legal restrictions that limit the County's ability to access and use these funds beyond the purpose for which they were provided. Unexpended bond proceeds, grant funding and statutorily restricted revenues are included in this category.

The remaining portion of net position is unrestricted net position. This balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2015, the unrestricted net position is a deficit in the amount of (\$18,432,103). The unrestricted deficit is attributable primarily to the general obligation bonds issued by the County for the public schools, Durham Technical Community College and the Museum for Life and Science. Even though the debt has been issued to finance the acquisition, construction and renovation for the public schools, Durham Technical Community College and the Museum of Life and Science, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it is not financing assets owned by the County. Therefore, this debt is reflected within the unrestricted portion of net position rather than as part of the category net investment in capital assets. In addition, as of fiscal year 2008, the unrestricted net position deficit includes pension liabilities for other postemployment benefits per GASB Statements No. 43 and No. 45. Also, as of fiscal year 2011, the restricted net position now includes Stabilization by State Statute per GASB Statement No.

54 which further increases the unrestricted net position deficit. In addition, the County implemented GASB Statements No. 68 and No. 71 this year. With the new reporting change, the County has allocated its proportionate share of the Local Government Employees' Retirement System's and the Register of Deeds' Supplemental Pension Fund's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position for governmental and business-type activities by \$10,058,341 and \$156,436, respectively.

At the end of the current fiscal year, the County is not able to report positive balances in all three categories of net position for the government as a whole. However, the same did not hold true for the separate governmental and business-type activities. The unrestricted net position for the governmental activities had a deficit balance of (\$44,425,284) while the other two categories of net position, net investment in capital assets and restricted net position, and all three categories of net position of the business-type activities were positive. The unrestricted net position for the business-type activities had a positive balance of \$25,993,181.

DURHAM COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business - type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 33,468,570	\$ 26,142,700	\$ 11,243,175	\$ 12,007,107	\$ 44,711,745	\$ 38,149,807
Operating grants and contributions	56,872,129	50,005,628	-	-	56,872,129	50,005,628
Capital grants and contributions	3,436,039	3,933,909	600,000	780,802	4,036,039	4,714,711
General revenues:						
Taxes	335,198,649	315,456,947	-	-	335,198,649	315,456,947
Investment and interest income	13,472,042	5,086,255	16,054	42,036	13,488,096	5,128,291
Other revenues	1,300,117	4,574,741	-	25,889	1,300,117	4,600,630
Total revenues	<u>443,747,546</u>	<u>405,200,180</u>	<u>11,859,229</u>	<u>12,855,834</u>	<u>455,606,775</u>	<u>418,056,014</u>
Expenses:						
General government	57,622,575	55,772,804	-	-	57,622,575	55,772,804
Public safety	63,834,548	61,569,018	-	-	63,834,548	61,569,018
Transportation	309,017	12,500	-	-	309,017	12,500
Economic and physical development	4,773,955	5,490,387	-	-	4,773,955	5,490,387
Environmental Protection	3,860,175	3,657,826	-	-	3,860,175	3,657,826
Human services	87,852,834	85,440,041	-	-	87,852,834	85,440,041
Education	137,832,688	148,666,331	-	-	137,832,688	148,666,331
Cultural and recreational	12,240,868	12,671,110	-	-	12,240,868	12,671,110
Interest and fiscal charges	20,880,870	22,953,477	-	-	20,880,870	22,953,477
Sewer utility	-	-	7,187,975	6,387,907	7,187,975	6,387,907
Total expenses	<u>389,207,530</u>	<u>396,233,494</u>	<u>7,187,975</u>	<u>6,387,907</u>	<u>396,395,505</u>	<u>402,621,401</u>
Increase (decrease) in net position	54,540,016	8,966,686	4,671,254	6,467,927	59,211,270	15,434,613
Net position, beginning, previously reported	<u>3,853,874</u>	<u>(5,112,812)</u>	<u>76,733,537</u>	<u>70,265,610</u>	<u>80,587,411</u>	<u>65,152,798</u>
Restatement (Note P)	<u>(10,058,341)</u>	<u>-</u>	<u>(156,436)</u>	<u>-</u>	<u>(10,214,777)</u>	<u>-</u>
Net position, beginning, restated	<u>(6,204,467)</u>	<u>(5,112,812)</u>	<u>76,577,101</u>	<u>70,265,610</u>	<u>70,372,634</u>	<u>65,152,798</u>
Net position, ending	<u>\$ 48,335,549</u>	<u>\$ 3,853,874</u>	<u>\$ 81,248,355</u>	<u>\$ 76,733,537</u>	<u>\$ 129,583,904</u>	<u>\$ 80,587,411</u>

Because the County funds Durham Public Schools', Durham Technical Community College's and the Museum of Life and Science's capital needs but does not carry the resulting assets on the County's financial statements, the County reports a net deficit on the statement of net position for governmental activities. In spite of this deficit reported in governmental activities, the County's finances are strong as evidenced by:

- Continued diligence in the collection of property taxes by maintaining an overall collection percentage of 99.61 percent for the current levy year for governmental activities.
- Planning and management of revenues and expenses through the use of financial models for capital and debt service.
- Continued low cost of bonded debt that is a direct result of the County's high bond rating by the rating agencies of Moody's and Standard and Poor's. The County considers this unique achievement to be a key factor in keeping the interest costs low on the County's outstanding debt.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget

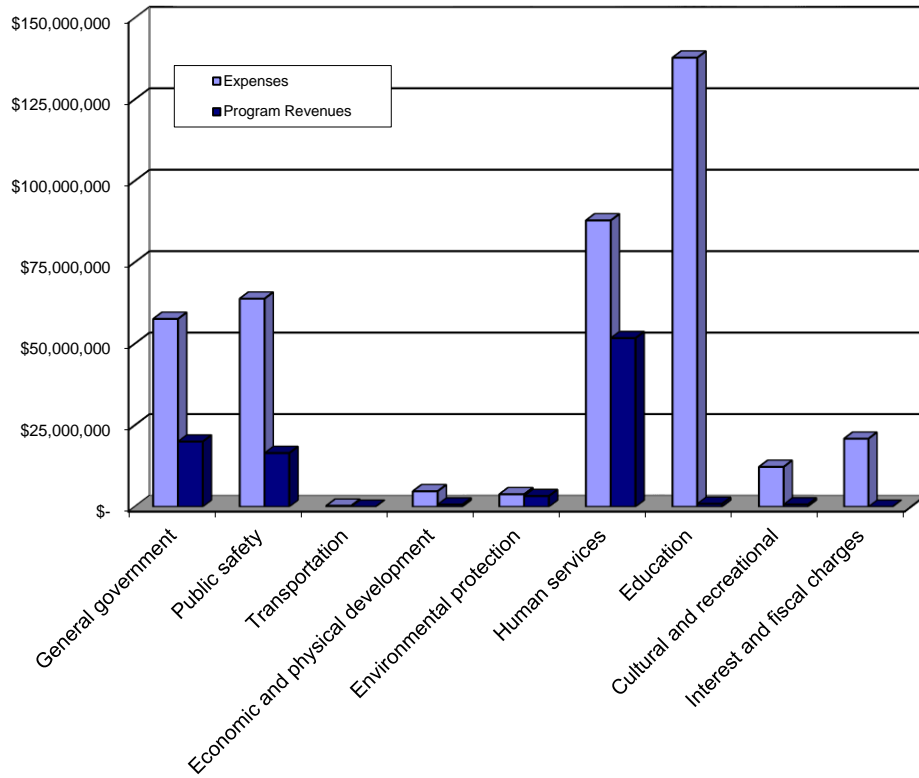
Governmental activities. The governmental activities increased the County's beginning net position by \$54,540,016 or 92.11% of the total increase in the net position of the County. The increase is due primarily because revenues increased in fiscal year 2015 compared to fiscal year 2014 by over \$38.5 million (9.51 percent) while expenses decreased by over \$7 million (1.77 percent). This amount is an increase of 879.04 percent of the governmental activities beginning net position. In fiscal year 2015, property taxes levied for general purposes and for fire districts increased by slightly over \$7.8 million (3.20 percent) and \$821 thousand (12.33 percent), respectively. This increase was primarily because of the increase in the tax rate of \$0.0187 cents combined with having a complete fiscal year of billing and collections for the registered motor vehicles on the new North Carolina Vehicle Tax System (NCVTS) also known as the "Tag and Tax Together System." In addition, the County continued collection efforts including participation in the North Carolina Local Government Debt Setoff Clearinghouse Program. In addition, local option sales taxes increased for the fifth consecutive year by over \$9 million (14.77 percent) as a result of increased collections. Investments increased by over \$8.3 million (164.87 percent) which is primarily because the value in the financial derivative instrument for the County's SWAP Agreement per GASB Statement No. 53 increased in fiscal year 2015 by over \$4 million compared to an increase in value in fiscal year 2014 of over \$400 thousand combined with an increase the fair market value of County investments of over \$5 million. Other revenues decreased by over \$3.2 million primarily because the revenues for County employees' out-of-pocket premiums for additional insurance coverage is being reported in charges for services effective in fiscal year 2015. Animal tax revenues were a loss again this fiscal year. The loss for fiscal year 2015 was not quite \$3 thousand compared to not quite \$1.3 million in fiscal year 2014 which is due mainly because of a decrease in the change in the accounts receivable. The County no longer assesses these animal taxes. The revenues reported are from collections from prior years' billings. As such, the receivable will continue to decrease and the revenue source will eventually go away. Program revenues for charges for services increased by over \$7.3 million (28.01 percent) while operating grants and contributions increased by over \$6.8 million (13.73

percent) combined with a decrease in capital grants and contributions of not quite \$500 thousand (12.65 percent). The charges for services increased mainly due to increases in general government, public safety and human services of over \$3.9 million, \$2.1 million and \$1 million, respectively. The increase in general government was mostly the result of reporting revenues from County employees' out-of-pocket premiums for additional insurance coverage in charges for services which were previously reported as other revenues. The increase in public safety is largely due to increases in emergency medical services and the sheriff of over \$1.5 million and \$600 thousand, respectively, and the increase in human services of over \$1 million is mainly due to increases in social services and public health of over \$660 thousand and \$330 thousand, respectively. The increases in both public safety and human services is due primarily to increased services. The increase in the operating grants and contributions was largely due to increased funding for human services of over \$6.2 million combined with slight increases in general government, public safety and environmental protection. The increase in human services was primarily the result of increases in social services of not quite \$4.6 million and public health of over \$2 million due for the most part because of increased services combined with a decrease of over \$400 thousand dollars in mental health. The reduction of mental health was the result of the loss of grant funding as the County no longer provides mental health services directly but rather contracts with a managed care organization. The decrease in capital grants and contributions in the amount of not quite \$500 thousand was insignificant and was a combination of a reduction in the value of contributed capital and changes in funding between functional areas of general government, environmental protection and education. The County's finances continue to be strong, sound and stable because of solid, dedicated and committed financial management.

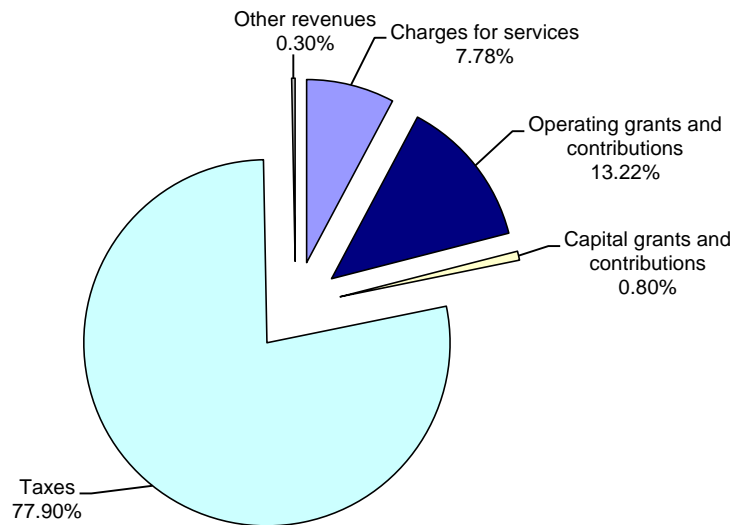
For the most part, increases in governmental activities' expenses closely paralleled inflation and growth in the demand for services. The County's total governmental activities' expenses decreased by over \$7 million (1.77 percent). Education expenses decreased by over \$10.8 million (7.28 percent) for the most part due to decreased construction costs. Interest and fiscal charges decreased by over \$2 million (9.03 percent) because of reduced interest and fiscal charges paid of over \$1.3 million combined with an increase in the amortization of bond premium of over \$660 thousand. Human services expenses increased by over \$2.4 million (2.82 percent) due in the most part to an increase in services. Public safety expenses increased by over \$2.2 million (3.68 percent) primarily because of increased services in the law enforcement and emergency medical services combined with the movement of the public safety portion of the County retirement contributions subsequent to the measurement period to the Statement of Net Position as a result of the implementation of GASB Statement No. 68. In addition, there was an increase in transportation and environmental protection of over \$296 thousand (2,372.13 percent) because of funding for the new light rail system working with the local transit, GoTriangle. In addition, there was a slight increase in environmental protection of over \$200 thousand (5.53 percent) and a slight decrease in cultural and recreational of over \$400 thousand (3.40 percent).

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Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

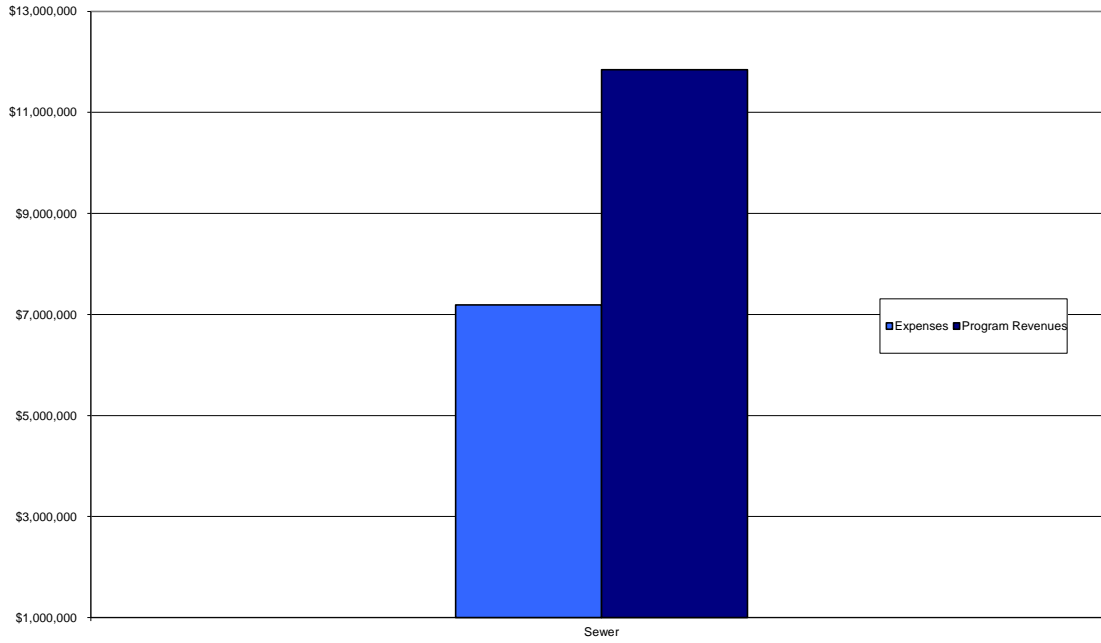


Business-type activities. Business-type activities increased the County's net position by \$4,671,254 accounting for 7.89 percent of the increase of the total growth in the government's net position. Key elements of this are as follows:

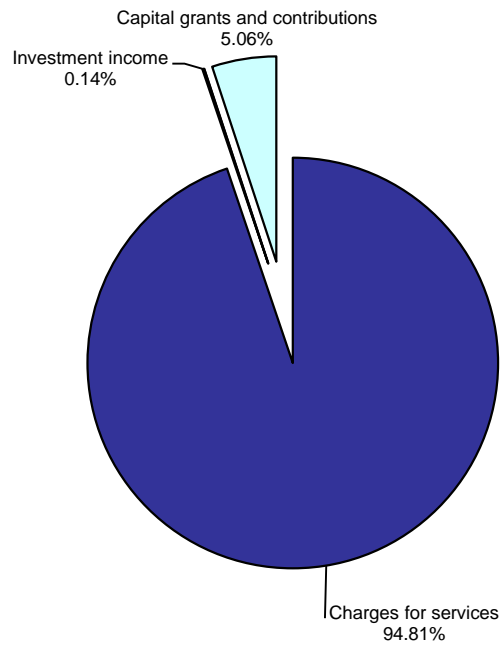
- Expenses increased \$800,068 (12.53 percent) because of increases in operating expenses netted with decreases in interest and fiscal charges. There were no debt issuance costs for fiscal year 2015. Personnel services, utilities and maintenance and other operating expenses decreased in fiscal year 2015 mostly because of decreased services. Depreciation expense increased primarily because of the closing of several capital projects to buildings that were improvements to the waste water treatment plant.
- Charges for services decreased by \$763,932 (6.36 percent). There was a rate increase of 2.07 percent for all customers, both residential and industrial, effective July 1, 2014 in fiscal year 2014 as well as an increase in the capital recovery charges 1.83 percent. The capital recovery charges are part of connection fees for new customers and are used as a source of funding for capital acquisitions, construction and improvements. In addition, the laboratory monitoring charges were increased for the 2015 budget year. All other sewer utility charges remained the same. Even with the increased charges for services, there was a decrease in the charges for services for the fiscal year. This was because the County ceased to provide services to the Town of Cary. Services to the Town of Cary were only provided for a portion of the fiscal year.
- Investment and interest income decreased by \$25,982 (61.81 percent) primarily because of the decrease in the accrued interest receivable at year end combined with a slight decrease in annual earnings.
- There was capital contributions (sewer lines) from private developers in fiscal year 2015 of \$600,000 compared to none in fiscal year 2014.

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Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the County's Funds

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

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

As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$215,311,197, an increase of \$18,412,648 in comparison with the prior year. Approximately 79.93 percent of this total amount (\$172,088,807) 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 (\$995,989), 2) restricted by revenue source for specific purposes, programs and services (\$2,634,311), or 3) because it is restricted by State Statute (\$39,592,090).

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 \$138,410,471, while total fund balance reached \$171,675,396. 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, 2015, the County has an available fund balance of 34.26 percent of general fund expenditures, while total fund balance represents 42.50 percent of that same amount. The percentage of available fund balance to total general fund expenditures increased from 30.43 percent for fiscal year 2014 to 34.26 percent for fiscal year 2015, an increase of 3.83 percent. The net change in fund balance for fiscal 2015 was an increase of over \$24.3 million. The primary reasons for the increases are the revenue collections were 104.33 percent of budget while expenditures were only 93.32 percent of budget.

The fund balance of the County's general fund increased by \$24,316,560 during the current fiscal year. Key factors in the changes are as follows:

- The general fund taxes increased by 5.64 percent or \$17,483,427. This increase is for the most part the result of increased collections in the current year levy collections of \$8,475,185 (3.48 percent) combined with an increase in local option sales tax of \$9,070,245 (14.77 percent). The significant increase in taxes was primarily because of an increase in the tax rate of \$0.0187 cents combined with having a complete fiscal year of billing and collections for the registered motor vehicles on the new North Carolina Vehicle Tax System (NCVTS) also known as the "Tag and Tax Together System." In addition, the County continued collection efforts including participation in the North Carolina Debt Setoff Clearinghouse Program. The increase in the local option sales tax was mainly due to increased spending. This is the fifth consecutive year of increased local option sales tax collections which is excellent.

- Intergovernmental revenues of the general fund increased by 14.28 percent or \$7,281,691. The increase is primarily because of an increase in human services funding for social services and public health of over \$7 million combined with an increase in distribution from the ABC Board of \$300 thousand. There was a decrease in mental health funding of over \$457 thousand which was the result of transferring grant funding to the managed care organization the County contracts with to provide these services on behalf of the County. There was also a slight increase in other intergovernmental revenues of over \$380 thousand.
- Charges for services increased \$7,729,109 (40.68 percent) mainly because of increases in register of deeds, general government charges and emergency medical services of \$3,900,200 (174.93 percent), \$2,764,452 (83.43 percent) and \$1,296,820 (20.63percent), respectively. The increase in the register of deeds was primarily the result of a correction in their month end process. The correction included reclassing funds previously recorded to prepaid escrow and recognizing the funds as revenues. In addition, the fees for register of deeds were increased for fiscal year 2015. The general government charges increased for the most part because effective for fiscal year 2015 revenues for employees' out-of-pocket for additional insurance coverage (e.g., dependent coverage, etc.) is recorded as charges for services. In prior years, these revenues were recorded as other revenues. Emergency medical services increased largely due to increased services.
- Licenses and permits decreased by \$237,581 (17.50 percent) mostly because of a decreases in construction permits of \$261,081 (30.42 percent) combined with a slight increases in cablevision and franchise fees, wine and beer licenses and other licenses and permits.
- Other revenues decreased by \$3,263,158 (71.51 percent) primarily because effective for fiscal year 2015 revenues for employees' out-of-pocket for additional insurance coverage (e.g., dependent coverage, etc.) is recorded as charges for services and no longer as other revenues.
- General government expenditures increased \$4,488,010 (10.25 percent). This is due mainly because of increases in other general government and human resources in the amounts of \$1,978,820 and \$1,025,959, respectively. Other general government's increase was due for the most part because of increased capital purchases and contracted services. Human resources increase is for the most part due to increased costs of benefits paid during the fiscal year of over \$1.1 million netted against reduced benefit costs in other human resources. There were also slight increases in general services, tax and legal in the amounts of \$519,934, \$263,802 and \$237,661.
- Public safety increased by \$3,777,644 (6.65 percent). This is due mainly because of increases in emergency medical services of \$3,672,429 (33.95 percent). As of fiscal year 2015, the volunteer fire departments (VFDs) no longer provided paramedic services. The County reviewed the County's emergency medical services department and assessed the needs in this program of services. As a result of this assessment that included the need to provide all paramedic services County-wide with no assistance from the VFDs, additional funding was provided for this service (e.g., additional employees, additional capital, etc.).
- Economic and physical development decreased by \$666,498 (14.05 percent) primarily because of decreases in industrial extension. Disbursements per the Industrial Extension Policy (IEP) Agreements decreased by \$952,047 as a result of less incentives being paid out during the fiscal year. In addition, there were slight increases in cooperative extension and soil and water conservation in the amounts of \$246,588 and \$192,911. Planning had a slight decrease in the amount of \$165,250.

- Human services' expenditures increased by \$4,177,712 (4.90 percent). This increase was principally due to the increase in social services of \$4,168,457 (7.55 percent) as a result of increased services. There was also an increase in public health in the amount of \$1,341,881 (6.35 percent) also as a result of increased services. Mental health decreased by \$1,119,332 (15.72 percent) which was the result of the transfer of a grant to Alliance Behavioral Healthcare. The \$1.1 million represented expenditures funded with grant funds and County match.
- Education increased by \$733,721 (0.58 percent) from the prior fiscal year. Of this increase, Durham Public Schools and Durham Technical Community College received increased funding for operating expenditures of \$629,835 and \$114,726, respectively, and other education received a minor decrease in funding of \$10,840.
- Cultural and recreational increased by \$338,651 (2.90 percent) mainly because of increased salaries and benefits, reading materials, electronic resources and audiovisuals for the library.

The Community Health Trust Fund has a total fund balance of \$9,060,387, all of which is financing resources to be used for health related operating and capital expenditures as directed and approved by the Board of County Commissioners. The net decrease in fund balance during the current year in the community health trust fund was \$4,851,869. The decrease in fiscal year 2015 was a combination of increased transfers out of almost \$4.5 million, decreased investment earnings of over \$425 thousand and decreased charges for services of over \$58 thousand. The decrease in investment earnings is a result of the reduction of the invested amount due to the increase in transfers out and the market as these funds are managed by investment managers in the market as approved by special legislation.

In fiscal year 2015, 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 (\$903,624). An operating financing use, transfer out (\$9,705,493) also occurred. The amount transferred was to assist in the funding of health related expenditures in the general fund for emergency management services, public health, and the support for the Lincoln Community Health Center and to assist in the funding for health related debt service expenditures in the debt service fund for the Human Services Complex. 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 2015, 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 2015. 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 \$26,733,369, all of which is financing resources to be used for the acquisition, construction or improvement of major capital facilities other than those financed by proprietary funds. The net increase in fund balance during the current year in the capital projects' fund was \$602,812 due primarily to funding for the fiscal year of intergovernmental revenues, transfers in and the issuance of installment purchases being slightly more than the expenditures for the acquisition, construction or improvement of major capital facilities for the County, School System, Durham Technical Community College and Museum of Life and Science. The County's activity was recorded to construction in progress in capital assets of

the County while the Schools System's, Durham Technical Community College's and the Museum of Life and Science's activity was recorded in their capital assets as they hold title to those assets.

The primary revenue activity was the recognition of other financing sources, the issuance of installment purchases (\$9,720,717) and transfers (\$8,439,282). The fund also recognized intergovernmental revenues (\$2,775,892) and investments (\$19,078). In the expenditures, there was construction activity in the amount of \$18,776,940. In addition, there were other financing uses in the transfer of \$1,575,217. Of this transfer amount, \$1,415,690 was transferred to the debt service fund and \$159,527 was transferred to the general fund. The construction activity was primarily for education, general government and environmental protection in the amounts of \$11,175,944, \$5,837,959 and \$1,565,357, respectively. The other construction activity occurred in cultural and recreational (\$197,680).

The Debt Service Fund has a total fund balance of \$5,966,665, all of which is financing resources to be used for the retirement of the County's general long-term debt other than debt issued for and serviced by proprietary funds. The net decrease in fund balance during the current year in the debt service fund was \$2,240,633 due primarily because the annual retirement of the principal and interest of the County's general long-term debt and other financing uses was greater than the revenues and other financing sources.

The primary funding activity was the recognition of other financing sources of transfers (\$59,778,637). The fund also recognized intergovernmental revenues (\$480,391), charges for services (\$412,310) and investments (\$36,743). In the expenditures, there was principal and interest for the retirement of general long-term debt in the amounts of \$36,159,495 and \$22,573,434, respectively. In addition, there were debt issuance costs of \$23,000 in preparation for the refunding of debt for fiscal year 2016.

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

At the end of the fiscal year, unrestricted net position of the sewer utility fund amounted to \$26,617,577. There was an increase in total net position of \$4,671,254. Other factors concerning the finances of this fund have already been addressed in the discussion of Durham 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 \$13,416,806 and can be summarized briefly as follows:

- \$804,387 in decreases allocated to general administration were largely due to increases to honor commitments from fiscal year 2014 coupled with increases in appropriations primarily for additional self-insured benefits costs, and increased funding for the Minority/Women Business Enterprise (M/WBE) Disparity Study netted against decreases resulting from the allocation of a portion of the appropriations for salary increases for the implementation of the second phase of the classification and compensation study. 100% of the appropriation for the implementation of the second phase of the classification and compensation study was in the original budget of general administration. Once the allocations between functional areas was finalized, the appropriation for the other functional areas was moved accordingly.
- \$3,919,763 in increases allocated to public safety were primarily to honor commitments from fiscal year 2014, to appropriate unspent restricted funds in fiscal year 2015, to increase appropriations for the purchase of capital assets from the Parkwood Volunteer Fire Department, to fund salaries and benefits for additional fire positions and to fund the implementation of the second phase of the classification and compensation study. In addition, there was an increase to replace a totaled medical vehicle.
- \$1,003,662 in increases allocated to economic and physical development were primarily for support of the IEP Agreements, as well as cooperative extension due to the receipt of additional grant funding, funding for soil and water interns, funding the implementation of the second phase of the classification and compensation study and to honor commitments from fiscal year 2014 and to appropriate unspent restricted funds in fiscal year 2015.
- \$945,628 in increases allocated to environmental protection were primarily to honor commitments from fiscal year 2014, to fund the purchase of easements, to fund the purchase of capital and increases in appropriations for the funding of the second phase of the classification and compensation study.
- \$6,906,906 in increases allocated to human services were primarily because of increases in social services and public health. The increases in social services and public health were to honor commitments from fiscal year 2014, to appropriate unspent restricted funds in fiscal year 2015 and to provide increased services. The services are funded for the most part through the recognition of new grants, donations and additional federal and state awards. In addition, there was increases in appropriations for the funding of the second phase of the classification and compensation study and to recognize additional funding for coordinated transportation.
- \$65,283 in increases allocated to cultural and recreational were primarily for the funding of the second phase of the classification and compensation study, to appropriate unspent restricted funds in fiscal year 2015 and for increases to the benefits payout for County library employees.
- \$297,000 in increases allocated to transportation were for increases in funding for specific purposes, programs and projects as set forth in the Durham Bus and Rail Investment Plan (Plan). The Plan is funded by the \$7 vehicle registration tax. The funding is distributed to the regional public transportation authority, GoTriangle, who is responsible for administering the Plan.
- \$1,082,951 in increases in operating transfers was to support the County's contribution to various capital projects coupled with a minor increase to several special revenue funds.

Of this net increase, \$5,583,947 was to be funded from intergovernmental revenues, charges for services increased \$323,350, taxes increased \$297,000, licenses and permits increased \$54,145,

other revenues funding increased \$57,323 and operating transfers in funding increased \$725,199. The remaining \$6,375,842 was to be budgeted from available fund balance. During the year, revenues exceeded budgetary estimates by \$17,421,895 while other financing sources did not exceed budgetary estimates by \$284,304; however, expenditures were far less than budgetary estimates with a positive variance of \$24,737,190, thus eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. Durham County's capital assets for its governmental and business-type activities as of June 30, 2015 totals \$473,561,011 (net of accumulated depreciation). These assets include 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 net capital assets for the current fiscal year was \$487,385 (0.10 percent). Governmental activities' increased \$933,777 (0.23 percent) and business-type activities decreased \$446,392 (0.62 percent).

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

- Construction continued on the collection systems rehabilitation in the amount of \$1,086,089 and on the new waste water treatment plant land purchase project in the amount of \$50,000.
- Construction for the Durham Public School Projects continued in fiscal year 2015 in the amount of \$10,009,316.
- Construction for the Durham Technical Community College project for campus improvements occurred in fiscal year 2015 in the amount of \$1,166,628.
- Construction for NCML & Bioquest Projects for the Museum of Life and Science continued in fiscal year 2014 in the amount of \$162,201.
- Other construction activity for cultural and recreational expenses other than for the Museum occurred in the amount of \$35,479 for the Main Library Upgrade.
- Construction activity for environmental protection occurred in the amount of \$1,565,357 in environmental engineering primarily for the judicial buildings renovation – phase II (\$643,152), criminal justice resource center (\$498,349) and human services complex (\$348,717). Other activity occurred on the open space and farmland preservation, utility performance and the Hollow Rock/New Hope.
- Construction activity for general government occurred in the amount of \$5,837,959. The major activity in general government was the 800 MHz radio system upgrade (\$2,247,450), the 12 County IT hardware replacement (\$1,925,335), the urban ministry sprinkler upgrade (\$334,977), the administrative building elevator renovation (\$249,124) and the fiber optic network infrastructure (\$210,962). Other activity occurred in the county stadium new signage, ongoing

parking resurfacing, ongoing roof replacement, ongoing HVAC replacement, Rougemont Community water system, new justice center, County storage facility, 13 telecommunications upgrade, major laser fiche upgrade and single family rehabilitation and scattered site housing projects.

- There was contributed capital for fire services in the amount of \$1,341,125 for fiscal year 2014 for governmental activities.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental		Business - type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 8,366,984	\$ 8,366,984	\$ 185,226	\$ 185,226	\$ 8,552,210	\$ 8,552,210
Easements	1,862,991	1,351,764	-	-	1,862,991	1,351,764
Improvements- water and sewer lines	-	-	13,794,930	13,711,751	13,794,930	13,711,751
Buildings	147,391,599	136,609,810	52,504,269	1,449,198	199,895,868	138,059,008
Office furniture and equipment	1,365,335	1,561,939	-	3,343	1,365,335	1,565,282
Machinery and equipment	2,746,843	1,981,117	300,384	260,487	3,047,227	2,241,604
Computer hardware	331,715	1,309,396	321	4,628	332,036	1,314,024
Computer software	3,612,095	1,942,885	-	-	3,612,095	1,942,885
Vehicles	6,283,335	4,616,750	72,541	74,095	6,355,876	4,690,845
Construction in progress	230,120,194	243,406,669	4,622,249	56,237,584	234,742,443	299,644,253
Total	\$ 402,081,091	\$ 401,147,314	\$ 71,479,920	\$ 71,926,312	\$ 473,561,011	\$ 473,073,626

Additional information on the County's capital assets can be found in Note D on pages 70-72 of this report.

Long-term debt. At the end of the current fiscal year, Durham County had total debt outstanding of \$562,905,096. Of this amount, \$296,203,083 comprises bonded debt backed by the full faith and credit of the government. Also included is \$9,520,000 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 \$224,026,822, installment notes in the amount of \$8,475,577, general obligation bond anticipation notes of \$12,660,538 and other financing agreements in the amount of \$12,019,076. 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			
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 295,033,765	\$ 321,259,230	\$ 1,169,318	\$ 1,968,996	\$ 296,203,083	\$ 323,228,226
Revenue bonds	-	-	9,520,000	10,190,000	9,520,000	10,190,000
Certificates of participation	224,026,822	234,683,853	-	-	224,026,822	234,683,853
Installment notes payable	21,136,115	12,793,441	-	-	21,136,115	12,793,441
Other financing agreements	77,359	528,213	11,941,717	12,612,862	12,019,076	13,141,075
Total	\$ 540,274,061	\$ 569,264,737	\$ 22,631,035	\$ 24,771,858	\$ 562,905,096	\$ 594,036,595

The County's total debt excluding accrued compensated absences, net OPEB obligation and LGERS pension obligation decreased by \$31,131,499 (5.24 percent) during the current fiscal year. The key factors in this decrease were the annual retirement of governmental and business-type activities debt and the issuance of \$9,720,717 in general obligation bond anticipation notes.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the County is \$2,538,894,266, leaving a legal debt margin of \$2,267,989,266. The net bonded debt per capita is \$931.

Additional information on the County's long-term debt can be found in Note E on pages 73-79 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is 5.4 percent as of June 2015, which is an increase from a rate of 5.3 percent as of June 2014. The County's unemployment rate is lower than the State's rate of 5.8 percent at June 2015 but slightly higher than the nation's unemployment rate of 5.3 percent as of June 2015.
- The construction activity for non-residential and residential construction was over \$922 million for calendar year 2014 compared to over \$1 billion for the calendar year 2013.
- The manufacturing sector employment had minor increase of 0.69 percent (174 positions) for calendar year 2014 (25,412) compared to calendar year 2013 (25,238).
- Reported retail sales are reported on total taxable sales based on sales and use tax returns. The total taxable sales for Durham County for 2015 reported were \$6,097,770 compared to \$5,501,325 reported for fiscal year 2014, an increase of \$596,445 (10.84 percent). Total taxable sales are reported in thousands of dollars. The increase in retail sales is another indication of the County's strong economy.
- Economic development announcements for 2014 were almost \$371 million, and economic announcements occurring through the third quarter of 2015 amounted to over \$524 million.

- The per capita income for Durham MSA for 2013 is \$41,376, an increase of 1.01 percent over 2012. Raleigh has a per capita income of \$43,947. The per capita for the State increased from 2012 to 2013 to \$38,683, an increase of 2.04 percent, while the per capita for the nation decreased to \$44,765, a decrease of 0.94 percent. The source for this information is the Bureau of Economic Analysis (BEA).
- Inflationary trends in the region compare favorably to the national indices.

All of these factors were considered in preparing the County's budget for the 2016 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$138,410,471 or 34.26 percent of total general fund expenditures, an increase of \$20,670,013 or 17.56 percent from the previous fiscal year. The County has appropriated \$11,521,144 of this amount for spending in the 2016 fiscal year budget. There was no tax rate increase for the 2016 fiscal year. It will remain at \$0.7931. Also, there was a significant number of general fund charges for services that were increased for the 2016 fiscal year in the department of public health. In addition, there were several new charges for services added for public health. Transfers from the special revenue funds are budgeted for the 2016 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2016 fiscal year as a funding source for health related spending.

The sewer rates were increased for the 2016 budget year in the sewer utility fund. The sewer rates were increased by 2.5 percent for all customers, both residential and industrial, effective July 1, 2015. These rate increases were necessary to maintain operations and sufficient funds to service debt. The capital recovery charges were increased by 1.8 percent, effective July 1, 2015. 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.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Assets				
Cash and cash equivalents / investments	\$ 191,515,308	\$ 25,888,607	\$ 217,403,915	\$ 4,556,785
Cash and cash equivalents / investments - restricted	18,180,782	5,781,893	23,962,675	-
Receivables:				
Accounts receivable	1,787,547	8,762	1,796,309	3,066
Accrued interest receivable	293,247	15,678	308,925	-
Net property taxes receivable	2,463,515	-	2,463,515	-
Solid waste receivable	30,576	-	30,576	-
Animal taxes receivable	336,543	-	336,543	-
Net emergency medical services receivable	1,785,487	-	1,785,487	-
Inventory	949,015	-	949,015	2,653,246
Due from other governments - federal and state agencies	22,860,517	106,496	22,967,013	-
Due from other governments - local	3,103,381	669,771	3,773,152	-
Due from other agencies - other	106,722	-	106,722	-
Prepaid expenses	46,974	4,675	51,649	121,438
Investment in joint venture	11,515,801	-	11,515,801	-
Pension assets - LGERS and ROD	8,970,852	121,848	9,092,700	186,477
Pension asset - LEOSSA	102,939	-	102,939	-
Derivative financial instrument	9,468,133	-	9,468,133	-
Capital assets:				
Nondepreciable:				
Land	8,366,984	185,226	8,552,210	2,274,417
Easements	1,862,991	-	1,862,991	-
Construction in progress	230,120,194	4,622,249	234,742,443	-
Depreciable:				
Land improvements - sewer and water lines	-	26,898,544	26,898,544	-
Buildings	228,320,904	56,854,766	285,175,670	3,578,013
Office furniture and equipment	3,040,544	-	3,040,544	-
Machinery and equipment	6,547,741	721,086	7,268,827	1,490,602
Computer hardware	4,092,121	45,160	4,137,281	-
Computer software	16,316,237	-	16,316,237	-
Vehicles	16,496,624	317,246	16,813,870	165,718
Leasehold improvements	-	-	-	1,370,258
Accumulated depreciation	(113,083,249)	(18,164,357)	(131,247,606)	(2,852,885)
Total assets	675,598,430	104,077,650	779,676,080	13,547,135
Deferred outflows of resources				
LGERS and ROD pension deferrals	6,926,373	93,248	7,019,621	139,597
Unamortized loss on refundings	6,493,692	624,396	7,118,088	-
Total deferred outflows of resources	13,420,065	717,644	14,137,709	139,597
Liabilities				
Accounts payable	8,553,199	347,379	8,900,578	977,944
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	3,368,763	69,661	3,438,424	-
Accrued payroll and related amounts withheld	7,070,689	91,646	7,162,335	109,620
Due to other governments - federal and state agencies	21,275	-	21,275	699,537
Due to other governments - local	953,164	-	953,164	1,171,800
Security deposits	488,712	-	488,712	-
Retiree and COBRA prepaid benefit contributions	203,372	-	203,372	-
Escrow - register of deeds	149,446	-	149,446	-
Other liabilities	-	-	-	258,492
Long-term liabilities:				
Accrued compensated absences due within one year	4,571,568	64,598	4,636,166	-
Bonds and other notes payable due within one year	38,211,282	2,033,806	40,245,088	95,976
Net OPEB obligation	51,038,152	-	51,038,152	-
Accrued compensated absences	2,997,771	32,648	3,030,419	107,018
Bonds and other notes payable	502,062,779	20,597,229	522,660,008	1,258,219
Total liabilities	619,690,172	23,249,967	642,940,139	4,678,606
Deferred inflows of resources				
Prepaid taxes	707,391	-	707,391	-
LGERS and ROD pension deferrals	20,285,383	296,972	20,582,355	473,682
Total deferred inflows of resources	20,992,774	296,972	21,289,746	473,682
Net position				
Net investment in capital assets	34,987,961	49,473,281	84,461,242	4,671,928
Restricted for:				
Stabilization by State Statute	39,592,090	-	39,592,090	-
Capital projects	15,547,232	5,781,893	21,329,125	-
Grants and technology	2,518,732	-	2,518,732	-
Fire services	114,818	-	114,818	-
Working capital	-	-	-	923,959
Unrestricted net position	(44,425,284)	25,993,181	(18,432,103)	2,938,557
Total net position	\$ 48,335,549	\$ 81,248,355	\$ 129,583,904	\$ 8,534,444

DURHAM COUNTY, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Durham County ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 57,622,575	\$ 13,672,364	\$ 4,683,445	\$ 1,639,435	\$ (37,627,331)	\$ -	\$ (37,627,331)	\$ -
Public safety	63,834,548	11,029,058	4,789,575	655,147	(47,360,768)	-	(47,360,768)	-
Transportation	309,017	-	-	-	(309,017)	-	(309,017)	-
Economic and physical development	4,773,955	68,673	618,300	-	(4,086,982)	-	(4,086,982)	-
Environmental protection	3,860,175	2,862,153	193,511	233,750	(570,761)	-	(570,761)	-
Human services	87,852,834	5,359,752	46,346,963	-	(36,146,119)	-	(36,146,119)	-
Education	137,832,688	-	-	907,707	(136,924,981)	-	(136,924,981)	-
Cultural and recreational	12,240,868	473,764	240,335	-	(11,526,769)	-	(11,526,769)	-
Interest and fiscal charges	20,880,870	-	-	-	(20,880,870)	-	(20,880,870)	-
Total governmental activities	<u>389,207,530</u>	<u>33,465,764</u>	<u>56,872,129</u>	<u>3,436,039</u>	<u>(295,433,598)</u>	<u>-</u>	<u>(295,433,598)</u>	<u>-</u>
Business-type activities:								
Sewer utility	7,187,975	11,243,175	-	600,000	-	4,655,200	4,655,200	-
Total business-type activities	<u>7,187,975</u>	<u>11,243,175</u>	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>4,655,200</u>	<u>4,655,200</u>	<u>-</u>
Total primary government	<u>\$ 396,395,505</u>	<u>\$ 44,708,939</u>	<u>\$ 56,872,129</u>	<u>\$ 4,036,039</u>	<u>(295,433,598)</u>	<u>4,655,200</u>	<u>(290,778,398)</u>	<u>-</u>
Component units:								
Durham County ABC Board	\$ 30,444,241	\$ 31,488,457	\$ -	\$ -	-	-	-	1,044,216
Total component units	<u>\$ 30,444,241</u>	<u>\$ 31,488,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,044,216</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					252,758,385	-	252,758,385	-
Property taxes, levied for fire districts					7,482,408	-	7,482,408	-
Property taxes, levied for other districts purposes					754,365	-	754,365	-
Local option sales tax					70,484,647	-	70,484,647	-
Occupancy tax					3,014,169	-	3,014,169	-
Gross receipts tax					410,964	-	410,964	-
Vehicle registration tax					296,517	-	296,517	-
Investment and interest income					13,472,042	16,054	13,488,096	321
Other revenues					1,300,117	-	1,300,117	475
Total general revenues					<u>349,973,614</u>	<u>16,054</u>	<u>349,989,668</u>	<u>796</u>
Change in net position					54,540,016	4,671,254	59,211,270	1,045,012
Net position, beginning, previously reported					3,853,874	76,733,537	80,587,411	7,769,756
Adjustments (Note P):								
Restatement					(10,058,341)	(156,436)	(10,214,777)	(280,324)
Net position, beginning, restated					<u>(6,204,467)</u>	<u>76,577,101</u>	<u>70,372,634</u>	<u>7,489,432</u>
Net position, ending					<u>\$ 48,335,549</u>	<u>\$ 81,248,355</u>	<u>\$ 129,583,904</u>	<u>\$ 8,534,444</u>

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

DURHAM COUNTY, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2015**

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents / investments	\$ 154,836,964	\$ 9,060,387	\$ 14,868,174	\$ 5,964,966	\$ 1,693,016	\$ 186,423,507
Cash and cash equivalents / investments - restricted	2,518,732	-	15,547,232	-	114,818	18,180,782
Receivables:						
Accounts receivable	1,787,322	-	-	225	-	1,787,547
Net property taxes receivable	2,398,539	-	-	-	64,976	2,463,515
Solid waste receivable	30,576	-	-	-	-	30,576
Animal taxes receivable	336,543	-	-	-	-	336,543
Net emergency medical services receivable	1,785,487	-	-	-	-	1,785,487
Inventory	949,015	-	-	-	-	949,015
Due from other governments - federal and state agencies	22,350,996	-	480,023	-	29,498	22,860,517
Due from other governments - local	3,101,907	-	-	1,474	-	3,103,381
Due from agencies - other	-	-	-	-	106,722	106,722
Due from capital project fund	1,819,769	-	-	-	-	1,819,769
Prepaid expenditures	46,974	-	-	-	-	46,974
Total assets	<u>\$ 191,962,824</u>	<u>\$ 9,060,387</u>	<u>\$ 30,895,429</u>	<u>\$ 5,966,665</u>	<u>\$ 2,009,030</u>	<u>\$ 239,894,335</u>
Liabilities						
Accounts payable	\$ 6,167,564	\$ -	\$ 2,342,291	\$ -	\$ 43,344	\$ 8,553,199
Accrued payroll and related amounts withheld	7,070,689	-	-	-	-	7,070,689
Due to other governments - federal and state agencies	21,275	-	-	-	-	21,275
Due to other governments - local	953,164	-	-	-	-	953,164
Due to general fund	-	-	1,819,769	-	-	1,819,769
Security deposits	488,712	-	-	-	-	488,712
Retiree and COBRA prepaid benefit contributions	203,372	-	-	-	-	203,372
Escrow - register of deeds	149,446	-	-	-	-	149,446
Total liabilities	<u>15,054,222</u>	<u>-</u>	<u>4,162,060</u>	<u>-</u>	<u>43,344</u>	<u>19,259,626</u>
Deferred inflows of resources						
Prepaid taxes	682,061	-	-	-	25,330	707,391
Net property taxes receivable	2,398,539	-	-	-	64,976	2,463,515
Solid waste receivable	30,576	-	-	-	-	30,576
Animal taxes receivable	336,543	-	-	-	-	336,543
Net emergency medical services receivable	1,785,487	-	-	-	-	1,785,487
Total deferred inflows of resources	<u>5,233,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,306</u>	<u>5,323,512</u>
Fund balances						
Non-spendable:						
Inventories	949,015	-	-	-	-	949,015
Prepaid expenditures	46,974	-	-	-	-	46,974
Restricted:						
Stabilization by State Statute	32,268,936	-	7,323,154	-	-	39,592,090
Museum	330,356	-	-	-	-	330,356
Tax technology	444,296	-	-	-	-	444,296
Sheriff	198,389	-	-	-	-	198,389
Fire marshal	66,617	-	-	-	114,818	181,435
Cooperative extension programs	34,415	-	-	-	-	34,415
Public health programs	338,025	-	-	-	-	338,025
Social services programs	263,519	-	-	-	-	263,519
Criminal justice programs	903	-	-	-	-	903
Environmental protection programs	91,146	-	-	-	-	91,146
Register of deeds	751,066	-	-	-	-	751,066
Education	-	-	761	-	-	761
Committed:						
Risk management	5,791,535	-	-	-	-	5,791,535
Public health	338,151	-	-	-	-	338,151
Debt service	12,185,099	-	-	-	-	12,185,099
Sheriff inmate	311,951	-	-	-	-	311,951
Education: Article 46	4,021,317	-	-	-	-	4,021,317
OPEB	42,918,849	-	-	-	-	42,918,849
Self-insured health benefits	1,342,187	-	-	-	-	1,342,187
Assigned, reported in:						
General fund	11,521,144	-	-	-	-	11,521,144
Community health trust fund	-	9,060,387	-	-	-	9,060,387
Capital projects fund	-	-	19,409,454	-	-	19,409,454
Debt service	-	-	-	5,966,665	-	5,966,665
Assigned, reported in nonmajor:						
Special revenue	-	-	-	-	1,760,562	1,760,562
Unassigned, general	57,461,506	-	-	-	-	57,461,506
Total fund balances	<u>171,675,396</u>	<u>9,060,387</u>	<u>26,733,369</u>	<u>5,966,665</u>	<u>1,875,380</u>	<u>215,311,197</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 191,962,824</u>	<u>\$ 9,060,387</u>	<u>\$ 30,895,429</u>	<u>\$ 5,966,665</u>	<u>\$ 2,009,030</u>	<u>\$ 239,894,335</u>

DURHAM COUNTY, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2015**

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

Total fund balance - governmental funds	\$ 215,311,197
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	413,596,892
Other long-term assets used in governmental activities are not a current financial resource and, therefore, are not reported in the funds.	18,541,924
Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.	13,420,065
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	9,707,922
Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.	(20,285,383)
Long-term liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.	(601,957,068)
Net position of governmental activities	<u>\$ 48,335,549</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, 2015

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 327,769,070	\$ -	\$ -	\$ -	\$ 8,242,034	\$ 336,011,104
Licenses and permits	1,119,886	-	-	-	-	1,119,886
Intergovernmental revenues	58,278,890	-	2,775,892	480,391	117,188	61,652,361
Investments	3,269,352	903,624	19,078	36,743	4,365	4,233,162
Rent	1,058,153	-	-	-	-	1,058,153
Charges for services	26,730,553	3,950,000	-	412,310	-	31,092,863
Other revenues	1,300,117	-	-	-	-	1,300,117
Total revenues	<u>419,526,021</u>	<u>4,853,624</u>	<u>2,794,970</u>	<u>929,444</u>	<u>8,363,587</u>	<u>436,467,646</u>
Expenditures						
Current:						
General government	48,262,022	-	5,837,959	-	-	54,099,981
Public safety	60,628,480	-	-	-	4,023,825	64,652,305
Transportation	309,017	-	-	-	-	309,017
Economic and physical development	4,078,194	-	-	-	763,702	4,841,896
Environmental protection	4,205,943	-	1,565,357	-	-	5,771,300
Human services	89,516,898	-	-	-	-	89,516,898
Education	126,454,721	-	11,175,944	-	-	137,630,665
Cultural and recreational	12,000,044	-	197,680	-	-	12,197,724
Debt service:						
Principal retirement	-	-	-	36,159,495	-	36,159,495
Interest and fiscal charges	-	-	-	22,573,434	-	22,573,434
Debt issuance costs	-	-	-	23,000	-	23,000
Total expenditures	<u>345,455,319</u>	<u>-</u>	<u>18,776,940</u>	<u>58,755,929</u>	<u>4,787,527</u>	<u>427,775,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>74,070,702</u>	<u>4,853,624</u>	<u>(15,981,970)</u>	<u>(57,826,485)</u>	<u>3,576,060</u>	<u>8,691,931</u>
Other financing sources (uses)						
Transfers in	8,764,687	-	8,439,282	59,778,637	-	76,982,606
Transfers out	(58,518,829)	(9,705,493)	(1,575,217)	(4,192,785)	(2,990,282)	(76,982,606)
Issuance of installment purchases	-	-	9,720,717	-	-	9,720,717
Total other financing sources (uses)	<u>(49,754,142)</u>	<u>(9,705,493)</u>	<u>16,584,782</u>	<u>55,585,852</u>	<u>(2,990,282)</u>	<u>9,720,717</u>
Net change in fund balances	<u>24,316,560</u>	<u>(4,851,869)</u>	<u>602,812</u>	<u>(2,240,633)</u>	<u>585,778</u>	<u>18,412,648</u>
Fund balance - beginning	<u>147,358,836</u>	<u>13,912,256</u>	<u>26,130,557</u>	<u>8,207,298</u>	<u>1,289,602</u>	<u>196,898,549</u>
Fund balance - ending	<u>\$ 171,675,396</u>	<u>\$ 9,060,387</u>	<u>\$ 26,733,369</u>	<u>\$ 5,966,665</u>	<u>\$ 1,875,380</u>	<u>\$ 215,311,197</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, 2015

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

Net changes in fund balances - total governmental funds	\$ 18,412,648
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.	639,010
Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.	6,083,096
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	15,490,647
Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.	(10,227,042)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	24,141,657
Change in net position of governmental activities	<u>\$ 54,540,016</u>

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Taxes				
Current levy	\$ 247,068,539	\$ 247,068,539	\$ 251,730,706	\$ 4,662,167
Prior year's levy	1,778,800	1,778,800	1,056,302	(722,498)
Tax penalties and interest	551,500	551,500	640,309	88,809
Advertising and selling	10,000	10,000	31,710	21,710
Payments in lieu of taxes	45,000	45,000	45,591	591
Local option sales tax	60,525,373	60,525,373	70,484,647	9,959,274
Animal tax	-	-	15,776	15,776
Occupancy tax	2,500,000	2,500,000	3,014,169	514,169
Gross receipts tax	350,000	350,000	410,964	60,964
Vehicle registration tax	-	297,000	296,517	(483)
Solid waste tax	-	-	31,433	31,433
White goods tax	-	-	10,946	10,946
Total taxes	<u>312,829,212</u>	<u>313,126,212</u>	<u>327,769,070</u>	<u>14,642,858</u>
Intergovernmental revenues				
Beer and wine tax	140,000	140,000	192,611	52,611
Social services	40,272,641	43,035,381	40,254,405	(2,780,976)
Public health	5,763,879	7,316,082	7,029,996	(286,086)
Library	245,000	245,000	240,335	(4,665)
ABC Board	1,500,000	1,500,000	1,800,000	300,000
Other	6,242,593	7,511,597	8,761,543	1,249,946
Total intergovernmental revenues	<u>54,164,113</u>	<u>59,748,060</u>	<u>58,278,890</u>	<u>(1,469,170)</u>
Charges for services				
Register of deeds	2,770,000	2,770,000	6,129,819	3,359,819
General government charges	5,605,361	5,915,361	6,077,901	162,540
Collection fees	1,406,155	1,406,155	1,437,097	30,942
Public protection	2,179,800	2,179,800	2,061,423	(118,377)
Environmental protection	201,000	201,000	146,111	(54,889)
Solid waste fees	1,988,607	1,988,607	2,032,339	43,732
Facilities fees	446,937	446,937	453,466	6,529
Library fees and charges	195,000	195,000	307,405	112,405
Public health	348,012	348,012	335,497	(12,515)
Social services	166,140	166,140	144,635	(21,505)
Emergency medical services charges	7,820,900	7,820,900	7,581,695	(239,205)
Other charges	26,880	40,230	23,165	(17,065)
Total charges for services	<u>23,154,792</u>	<u>23,478,142</u>	<u>26,730,553</u>	<u>3,252,411</u>
Investment and rental income				
Investment earnings	2,890,002	2,890,002	3,269,352	379,350
Rent	1,029,680	1,029,680	1,058,153	28,473
Total investment and rental income	<u>3,919,682</u>	<u>3,919,682</u>	<u>4,327,505</u>	<u>407,823</u>
Licenses and permits				
Construction permits	334,500	388,645	597,152	208,507
Cablevision and franchise fees	430,000	430,000	485,645	55,645
Wine and beer licenses	20,000	20,000	24,874	4,874
Other licenses and permits	7,000	7,000	12,215	5,215
Total licenses and permits	<u>791,500</u>	<u>845,645</u>	<u>1,119,886</u>	<u>274,241</u>

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 Year Ended June 30, 2015

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Revenues (continued)				
Other revenues				
Miscellaneous	\$ 759,862	\$ 759,862	\$ 454,970	\$ (304,892)
Confiscated property				
federal investigation	-	-	74,620	74,620
Inmate welfare	144,000	144,000	111,763	(32,237)
Sale of surplus property and materials	-	-	45,037	45,037
Other	25,200	82,523	613,727	531,204
Total other revenues	929,062	986,385	1,300,117	313,732
Total revenues	395,788,361	402,104,126	419,526,021	17,421,895
Expenditures				
General administration				
Board of county commissioners	705,317	690,056	633,787	56,269
County manager	2,402,586	2,532,822	2,306,050	226,772
Finance	3,103,044	3,329,377	2,891,446	437,931
Tax	6,933,014	7,013,932	6,549,488	464,444
Legal	2,231,949	2,362,568	2,109,570	252,998
Court facilities	369,474	369,474	346,301	23,173
Human resources	5,382,951	6,330,016	5,936,409	393,607
Elections	1,246,247	1,234,956	1,049,943	185,013
Risk management and insurance	2,699,734	2,603,858	2,461,371	142,487
General services	13,632,938	13,909,843	10,874,047	3,035,796
Geographic information systems	416,314	416,314	416,314	-
Information systems and technology	7,150,925	7,411,001	6,180,180	1,230,821
Register of deeds	1,865,508	2,026,357	1,690,808	335,549
Other	9,175,953	6,280,993	4,816,308	1,464,685
Total general administration	57,315,954	56,511,567	48,262,022	8,249,545
Economic and physical development				
Planning	1,076,514	1,076,514	785,420	291,094
Cooperative extension	1,367,158	1,632,953	1,509,154	123,799
Soil and water conservation	441,223	760,815	577,403	183,412
Open space management	77,175	145,450	46,118	99,332
Industrial extension	1,856,198	2,206,198	702,961	1,503,237
Other	607,138	607,138	457,138	150,000
Total economic and physical development	5,425,406	6,429,068	4,078,194	2,350,874
Human services				
Public health	23,598,822	25,968,007	22,491,940	3,476,067
Mental health	6,661,442	6,661,442	5,999,663	661,779
Social services	60,373,928	64,274,004	59,412,067	4,861,937
Other	1,569,361	2,207,006	1,613,228	593,778
Total human services	92,203,553	99,110,459	89,516,898	9,593,561
Education				
Durham public schools				
Current	118,863,146	118,863,146	118,863,146	-
Capital	1,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	5,840,415	5,840,415	5,840,415	-
Capital	302,500	302,500	302,500	-
Other education	78,660	78,660	78,660	-
Total education	126,454,721	126,454,721	126,454,721	-

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, 2015

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Expenditures (continued)				
Public safety				
Criminal justice partnership	\$ 3,694,172	\$ 3,912,784	\$ 3,530,914	\$ 381,870
County sheriff	18,166,758	19,277,868	18,426,225	851,643
County jail	15,396,873	15,758,378	15,290,444	467,934
Youth home	1,344,545	1,498,047	1,375,247	122,800
Animal control	1,758,226	1,812,752	1,687,185	125,567
Emergency communications center	1,064,214	1,064,214	1,030,736	33,478
Emergency medical services	14,141,530	15,245,415	14,491,176	754,239
County fire protection	4,306,226	5,201,049	4,633,558	567,491
Medical examiner	100,000	121,800	104,900	16,900
Other public safety	58,095	58,095	58,095	-
Total public safety	60,030,639	63,950,402	60,628,480	3,321,922
Transportation				
Airport authority	12,500	12,500	12,500	-
Go Triangle	-	297,000	296,517	483
Total transportation	12,500	309,500	309,017	483
Environmental protection				
Solid waste	1,889,070	2,118,582	2,006,723	111,859
Environmental engineering	1,923,842	2,632,330	2,171,430	460,900
Other	41,134	48,762	27,790	20,972
Total environmental protection	3,854,046	4,799,674	4,205,943	593,731
Cultural and recreational				
Library	10,840,752	10,906,035	10,283,961	622,074
Other	1,721,083	1,721,083	1,716,083	5,000
Total cultural and recreational	12,561,835	12,627,118	12,000,044	627,074
Total expenditures	357,858,654	370,192,509	345,455,319	24,737,190
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	37,929,707	31,911,617	74,070,702	42,159,085
Other financing sources (uses)				
Transfers in	8,323,792	9,048,991	8,764,687	(284,304)
Appropriated fund balance	11,211,475	17,587,317	-	(17,587,317)
Transfers out	(57,464,974)	(58,547,925)	(58,518,829)	29,096
Total other financing uses	(37,929,707)	(31,911,617)	(49,754,142)	(17,842,525)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	\$ -	24,316,560	\$ 24,316,560
FUND BALANCE -BEGINNING OF YEAR			147,358,836	
FUND BALANCE - END OF YEAR			\$ 171,675,396	

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 903,624	\$ 903,624
Charges for services	3,950,000	3,950,000	3,950,000	-
Total revenues	<u>3,950,000</u>	<u>3,950,000</u>	<u>4,853,624</u>	<u>903,624</u>
Other financing sources (uses)				
Transfers out	(9,705,493)	(9,705,493)	(9,705,493)	-
Appropriated fund balance	5,755,493	5,755,493	-	(5,755,493)
Total other financing uses	<u>(3,950,000)</u>	<u>(3,950,000)</u>	<u>(9,705,493)</u>	<u>(5,755,493)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	(4,851,869)	<u>\$ (4,851,869)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>13,912,256</u>	
FUND BALANCE - END OF YEAR			<u>\$ 9,060,387</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Position

Proprietary Fund

June 30, 2015

	<u>Enterprise Fund</u>
	<u>Sewer Utility Fund</u>
Assets	
Current assets	
Cash and cash equivalents / investments	\$ 25,888,607
Cash and cash equivalents / investments - restricted	5,781,893
Receivables:	
Accounts receivable	8,762
Accrued interest receivable	15,678
Total receivables	<u>24,440</u>
Due from other governments - federal and state agencies	106,496
Due from other governments - local	669,771
Prepaid expenses	4,675
Total current assets	<u>32,475,882</u>
Noncurrent assets	
Net pension asset	121,848
Capital assets:	
Land	185,226
Land improvements - sewer and water lines	26,898,544
Building treatment plant	56,854,766
Machinery and equipment	721,086
Vehicles	317,246
Computer hardware	45,160
Construction in progress	4,622,249
Total capital assets	<u>89,644,277</u>
Less accumulated depreciation and amortization	<u>(18,164,357)</u>
Net capital assets	<u>71,479,920</u>
Total noncurrent assets	<u>71,601,768</u>
Total assets	<u>104,077,650</u>
Deferred outflows of resources	
Contributions to pension plan in current fiscal year	93,248
Unamortized loss on refundings	624,396
Total deferred outflows of resources	<u>717,644</u>
Liabilities	
Current liabilities	
Current portion of accrued compensated absences	64,598
Current portion of long-term debt	2,033,806
Accounts payable	347,379
Arbitrage rebate payable	13,000
Accrued interest payable	69,661
Accrued payroll and related amounts withheld	91,646
Total current liabilities	<u>2,620,090</u>
Noncurrent liabilities	
Accrued compensated absences	32,648
Long-term debt	20,597,229
Total noncurrent liabilities	<u>20,629,877</u>
Total liabilities	<u>23,249,967</u>
Deferred inflows of resources	
Pension deferrals	296,972
Total deferred inflows of resources	<u>296,972</u>
Net position	
Net investment in capital assets	49,473,281
Restricted for capital projects	5,781,893
Unrestricted	25,993,181
Total net position	<u>\$ 81,248,355</u>

DURHAM COUNTY, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund Year Ended June 30, 2015

	Enterprise Fund Sewer Utility Fund
Operating revenues	
Charges for services	\$ 9,669,773
Total operating revenues	<u>9,669,773</u>
Operating expenses	
Personnel services	1,584,898
Utilities	537,363
Maintenance and other	2,170,056
Depreciation	2,315,589
Total operating expenses	<u>6,607,906</u>
Operating income	<u>3,061,867</u>
Nonoperating revenue (expense)	
Investment and interest income	16,054
Sewer connection fees	1,573,402
Interest and fiscal charges	(580,069)
Total nonoperating revenue (expense)	<u>1,009,387</u>
Income before transfers and contributions	4,071,254
Capital contributions	<u>600,000</u>
Change in net position	4,671,254
Net position beginning, as previously reported	76,733,537
Adjustments (Note P):	
Restatement	(156,436)
Net position beginning, restated	<u>76,577,101</u>
Total net position, ending	<u><u>\$ 81,248,355</u></u>

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Cash Flows
 Proprietary Fund
 Year Ended June 30, 2015

	<u>Enterprise Fund</u>
	<u>Sewer</u>
	<u>Utility</u>
	<u>Fund</u>
Operating activities	
Cash received from sales	\$ 9,594,388
Cash paid to employees	(1,660,059)
Cash paid for operating plant	(2,863,036)
Prepaid	(4,675)
Net cash provided (used) by operating activities	<u>5,066,618</u>
Noncapital financing activities	
Sewer connection fees received	<u>1,573,402</u>
Net cash provided (used) by noncapital financing activities	<u>1,573,402</u>
Capital and related financing activities	
Principal payments on long-term debt	(2,040,549)
Interest paid	(599,219)
Acquisition and construction costs of capital assets	<u>(1,269,200)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,908,968)</u>
Investing activities	
Investment income and dividends	<u>28,935</u>
Net cash provided (used) by investing activities	<u>28,935</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>2,759,987</u>
Cash and cash equivalents/investments	
Beginning of year	<u>28,910,513</u>
End of year	<u>\$ 31,670,500</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 3,061,867
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,315,589
Pension expense	9,853
Change in assets, deferred outflows of resources, and liabilities:	
Accounts receivable	24,324
Due from other governments - federal and state agencies	(49,240)
Due from other governments - local	(50,469)
Accounts payable	(155,617)
Compensated absences and accrued payroll	(601)
Deferred outflows of resources for pensions	(84,413)
Prepaid expenses	(4,675)
Total adjustments	<u>2,004,751</u>
Net cash provided (used) by operating activities	<u>\$ 5,066,618</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:	
Capital contributions	<u>\$ 600,000</u>

DURHAM COUNTY, NORTH CAROLINA

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015**

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ 1,647,466	\$ 39,864	\$ 2,574,728
Accounts receivable	-	-	232,041
Net property taxes receivable	-	-	1,500,891
Due from governmental agencies	-	-	1,105,947
Total assets	<u>1,647,466</u>	<u>39,864</u>	<u>\$ 5,413,607</u>
Liabilities			
Accrued payroll and related amounts withheld	23,475	-	-
Funds held for others	-	-	840,636
Due to governmental agencies	-	-	4,572,971
Total liabilities	<u>23,475</u>	<u>-</u>	<u>\$ 5,413,607</u>
Net position			
Held in trust for:			
Employee pension benefits	1,623,991	-	
Individuals, organizations, and other governments	-	39,864	
Total net position	<u>\$ 1,623,991</u>	<u>\$ 39,864</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2015

	Law Enforcement Officers' Special Separation Allowance Pension Trust Fund	Private-purpose Trust Funds
Additions		
Employer contributions	\$ 429,436	\$ -
Employee contributions	-	3,429
Investment income	1,737	15
Total additions	<u>431,173</u>	<u>3,444</u>
Deductions		
Benefits	<u>317,558</u>	<u>1,000</u>
Total deductions	<u>317,558</u>	<u>1,000</u>
Change in net position	113,615	2,444
Total net position - beginning	<u>1,510,376</u>	<u>37,420</u>
Total net position - ending	<u>\$ 1,623,991</u>	<u>\$ 39,864</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, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

The County is one of the 100 counties established in North Carolina under State Law [G.S. 153A-10]. The County was incorporated in 1881 and covers an area of 299 square miles and has operated under the Commissioner-Manager form of government since 1930. As required by GAAP, these financial statements present the County and its component unit, a legally separate entity for which the County is financially accountable. The discretely presented component unit below is reported in a separate column in the County’s government-wide financial statements to emphasize that it is legally separate from the County.

Discretely Presented Component Unit

Durham County Board of Alcoholic Control (ABC Board)

The ABC Board operates retail liquor stores within the County and investigates violations of laws pertaining to retail liquor sales. The five members of the ABC Board’s governing board are appointed by the Board of County Commissioners. The ABC Board is required by State Statute to distribute gross receipts remaining after distributions provided for therein to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as a business-type activity.

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Durham County Industrial Facility and Pollution Control Financing Authority

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

2. Government-wide and Fund Financial Statements

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

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

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

The County also reports *Other Governmental Funds*, which are individually nonmajor, in total. The Bethesda Fire District, Lebanon Fire District, Parkwood Fire District, Redwood Fire District,

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Hope Fire District, Eno Fire District, Bahama Fire District, Bethesda Service District, Butner Safety District and Special Park District are all special revenue fund types. Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned for specified purposes other than debt service or capital projects.

Fiduciary Funds:

Pension Trust Funds. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The *Law Enforcement Officers' (LEO) Special Separation Allowance Fund* accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system. The resources in the LEO Special Separation Allowance Fund have been set aside to pay future obligations of the LEO Special Separation Allowance but are not held in a trust that meets the criteria outlined in GASB Statement 68, paragraph 4.

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

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

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

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes and sales tax distributions. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales tax distributions collected and held by the State at year-end on behalf of the County are recognized as revenue within 90 days of year-end, and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the County, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Budgetary Data Control

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

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

The County Manager is authorized to transfer budgeted amounts within a function up to 15% cumulatively and up to \$20,000 between functions of the same fund with a report to the BOCC at the next regularly scheduled meeting. Any revisions that alter the total expenditures of any function which exceed \$20,000 whether by transfer or additional appropriated fund balance within a fund, all transfers between funds, and all transfers from the contingency account must be approved by the BOCC. The General Fund and the Community Health Trust Fund original budget and the amended final budget are reported in the basic financial statements. The original and the amended final budget for all other governmental major funds and nonmajor funds, the schedule of expenditures compared with project authorizations for the capital projects fund and the Non-GAAP Basis for the major proprietary fund are reported in the Combining and Individual Fund Statements and Schedules elsewhere in this report.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following summarizes the supplementary appropriations made for the major governmental funds other than the capital projects fund during fiscal year 2015:

	Original Budget	Total Amendments	Revised Budget
General	\$ 415,323,628	\$ 13,416,806	\$ 428,740,434
Community Health Trust	\$ 9,705,493	\$ -	\$ 9,705,493
Debt Service	\$ 60,037,686	\$ 4,192,785	\$ 64,230,741

All annual appropriations lapse at each fiscal year-end.

5. Equity in Pooled Cash and Cash Equivalent/Investments

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

Cash and Cash Equivalents

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

Deposits and Investments

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the County's or the ABC Board's agent in the entity's name.

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

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

At June 30, 2015, the County's deposits had a carrying amount of \$50,165,345 and a bank balance of \$46,796,025. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$46,046,025 was covered by collateral held under the Pooling Method. At June 30, 2015, the amount held in trust related to the Law Enforcement Separation Allowance is \$1,647,466.

At June 30, 2015, the ABC Board's deposits had a carrying amount of \$4,556,785 and a bank balance of \$4,584,668. Of the bank balance, \$500,000 was covered by federal depository insurance and \$4,084,668 was covered by collateral held under the Pooling Method. North Carolina General Statute 159-30 authorizes the County and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States of America; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, a SEC-registered mutual fund. It is the County's policy to hold investments to maturity in order to realize full book value and interest earnings.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of June 30, 2015, 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>
US Government Agencies	\$ 92,693,309	\$ 31,028,569	\$ 26,040,190	\$ 35,624,550	\$ -
Commercial Paper	4,988,484	4,988,484	-	-	-
NC Capital Management Trust-Cash Portfolio	81,216,659	81,216,659	-	-	-
NC Capital Management Trust-Term Portfolio *	5,020,297	-	5,020,297	-	-
Community Health Trust	9,020,286	6,175,735	186,132	1,467,098	1,191,321
Certificate of Deposit	2,524,268	2,524,268	-	-	-
Total:	<u>\$ 195,463,303</u>	<u>\$ 125,933,715</u>	<u>\$ 31,246,619</u>	<u>\$ 37,091,648</u>	<u>\$ 1,191,321</u>

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

Interest Rate Risk:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of 12 months or less. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of not more than three years.

Credit Risk:

The County has no formal policy regarding credit risk, but maintains internal management procedures that limit the County's investments to the provisions of North Carolina General Statute 159-30 that restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County invests in commercial paper bearing the highest credit rating, as determined by nationally recognized statistical rating organizations (NRSROs) and banker's acceptances where the accepting bank or its holding company are incorporated in North Carolina. As of June 30, 2015, the County's investments in commercial paper were rated A1 by Standard & Poor's, F1 by Fitch Ratings, and P1 by Moody's Investors Service. In addition, all of the County's commercial paper carries a long-term debt rating of A or better. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2015. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government, and agencies obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 70 percent of the County's investments are in the Federal Home Loan Bank and Federal Farm Credit Bank. These investments are 38% and 32% respectively, of the County's total investments. All securities owned by the County at June 30, 2015 were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank.

Interest rate swap

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

Fair value:

As of June 30, 2015, the swap had a positive fair value totaling \$9,468,133, estimated using the zero-coupon method. This method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps. The positive fair value is reported as an asset, derivative financial instrument, with the accumulated increase in the fair value of the hedging derivative reported as

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

deferred inflows of resources in the Statement of Net Position. The fair value increased by \$4,020,517 in fiscal year 2015. 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/ *	1.132% + 6-month	\$9,468,133	Aaa/AA
2009 A Certificates of Participation General Obligation Bonds and Certificates of Participation	\$216,051	7/1/11	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, 2015, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding swap in the amount of \$9,468,133 because the swap had a positive fair value. However, should the relationship between the tax-exempt and taxable interest rates change and the fair values of the swap become negative, the County would not be exposed to credit risk in the amount of the derivative's fair value. Both County and the counterparty's payment obligations under the swap are guaranteed by Aaa/AA/AA rated Bank of New York Mellon.

Basis and tax risk:

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

Termination risk:

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

The ABC Board did not have any investments as of June 30, 2015.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Receivables

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables at the government-wide level at June 30, 2015, were as follows:

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Taxes</u>	<u>Solid Waste</u>	<u>Emergency Medical Services</u>	<u>Community Development Mortgage Loans</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental activities:								
General	\$ 1,885,298	\$ 279,006	\$ 2,767,597	\$ 30,576	\$ 34,697,478	\$ 451,370	\$ 25,452,903	\$ 65,564,228
Capital projects	-	14,241	-	-	-	-	480,023	494,264
Debt Service	225	-	-	-	-	-	1,474	1,699
Other governmental	-	-	65,775	-	-	-	136,220	201,995
Total receivables	1,885,523	293,247	2,833,372	30,576	34,697,478	451,370	26,070,620	66,262,186
Allowance for doubtful accounts	(97,976)	-	(33,314)	-	(32,911,991)	(451,370)	-	(33,494,651)
Total governmental activities	\$ 1,787,547	\$ 293,247	\$ 2,800,058	\$ 30,576	\$ 1,785,487	\$ -	\$ 26,070,620	\$ 32,767,535
Business-type activities:								
Sewer utility	\$ 8,762	\$ 15,678	\$ -	\$ -	\$ -	\$ -	\$ 776,267	\$ 800,707
Total receivables	8,762	15,678	-	-	-	-	776,267	800,707
Allowance for doubtful accounts	-	-	-	-	-	-	-	-
Total business-type activities	\$ 8,762	\$ 15,678	\$ -	\$ -	\$ -	\$ -	\$ 776,267	\$ 800,707

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, 2015 of \$451,370 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Deferred Outflows/Inflows of Resources

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

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

8. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

9. Capital Assets

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

title to these Durham County Board of Education properties, and the construction has not been included in capital assets. The properties are reflected as capital assets in the financial statements of the Durham County Board of Education.

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

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

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

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

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

<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, 2015

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.

10. Long-term Obligations

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Compensated Absences

Permanent employees of the County can earn vacation leave at the rate of 11 days per year for the first two years up to a maximum of 25 days per year after twenty-five years. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is 30 days. At the end of each calendar year, the accumulated vacation leave in excess of 225 hours for employees who work a 37.5 hour workweek, 240 hours for employees who work a 40 hour work week, 252 hours for employees who work a 42 hour workweek, and 336 hours for employees who work a 56 hour workweek as of the first full pay period in January is converted to sick leave. The maximum amount of vacation leave that can be carried forward to January 1 is 225, 240, 252, and 336 hours, respectively. At termination, employees are paid for any accumulated vacation leave up to the maximum amount. Accumulated vacation leave and salary related payments at June 30, 2015 amounted to \$7,666,585. Of this amount, \$7,569,339 is recorded as a liability in the government-wide financial statements for governmental activities, and \$97,246 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, 2015 and 2014 amounted to \$107,018 and \$104,621. 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, 2015 amounted to \$26,010,992 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 every 20 days of sick leave. Since neither the County nor the ABC Board has any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Encumbrances

As required by North Carolina General Statutes, encumbrance accounting is employed in the governmental funds. The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. These amounts are included in the Stabilization by State Statute amount in restricted fund balance. Amounts outstanding at June 30, 2015 are as follows:

	Major Funds			Nonmajor Funds
General Fund	Community Health Trust	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
\$ 3,208,942	\$ -	\$ 6,843,131	\$ -	\$ -

13. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 education – portion of fund balance restricted by revenue source that can be used only for school capital or school debt service for Durham Public Schools.

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The following schedule presents the assigned fund balances at June 30, 2015:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Special Revenue Funds
Assigned Fund Balance:					
Assigned for subsequent year	\$ 11,521,144	\$ 2,409,601	\$ -	\$ -	\$ -
Assigned for health related purposes	-	6,650,786	-	-	-
Assigned for capital projects	-	-	19,409,454	-	-
Assigned for fire districts	-	-	-	-	1,731,808
Assigned for public safety purposes	-	-	-	-	21,288
Assigned for economic development purposes	-	-	-	-	7,466
Assigned for debt service	-	-	-	5,966,665	-
	<u>\$ 11,521,144</u>	<u>\$ 9,060,387</u>	<u>\$ 19,409,454</u>	<u>\$ 5,966,665</u>	<u>\$ 1,760,562</u>

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Durham County has an adopted fund balance policy. Included in the policy for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Chief Financial Officer may deviate from this priority after consultation with the County Manager. In addition, per the policy, the goal for the unassigned fund balance of the General Fund is 9% of total actual expenditures and the goal of total fund balance available as a percentage of expenditures is 25%. Once the 25% level has been achieved, the amount over 25% shall be used to fund the annual OPEB contribution to meet the OPEB obligation, pay-as-you-go capital projects or other non-reoccurring expenditures. In addition, the OPEB portion of the total fund balance for the general fund shall not exceed 25% of the total fund balance to ensure that the committed for OPEB portion of fund balance remains reasonably proportionate to the total fund balance for the general fund as a whole to include unassigned fund balance. Management has been instructed to conduct business in such a manor to achieve these goals. As of June 30, 2015, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 14.22% and 34.26%, respectively.

14. Use of Estimates

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

15. Interest rate swap

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

16. Defined Benefit Pension Plans

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between total *fund balance for the governmental funds* and *net position for governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$(166,975,648) consists of the following:

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

Capital assets (net of depreciation)	\$402,081,091
Investment in joint venture	<u>11,515,801</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$413,596,892</u>

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

Derivative financial instrument	\$ 9,468,133
Pension asset – LEO	102,939
Pension asset – LGERS	8,314,122
Pension asset – ROD	<u>656,730</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 18,541,924</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

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

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

Pension deferrals – LGERS	\$ 6,896,229
Pension deferrals – ROD	30,144
Unamortized loss on debt refundings	<u>6,493,692</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 13,420,065</u>
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4. “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.”

Property taxes receivable (net)	\$ 2,463,515
Solid waste receivable	30,576
Animal taxes receivable	336,543
Emergency medical services receivable (net)	1,785,487
Investments (fair market value)	<u>5,091,801</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 9,707,922</u>
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5. “Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.”

Pension deferrals – LGERS	\$ (20,263,544)
Pension deferrals – ROD	<u>(21,839)</u>

Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ (20,285,383)</u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

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

Bonds and other notes payable due within one year	\$ (38,211,282)
Bonds and other notes payable	(502,062,779)
Net OPEB obligation	(51,038,152)
Accrued compensated absences	(7,569,339)
Accrued interest payable	<u>(3,368,763)</u>
 Subtotal	 (602,250,315)
 Less: accrued interest receivable	 <u>293,247</u>
 Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	 <u><u>\$(601,957,068)</u></u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances for the governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. The total adjustment of \$(36,127,368) is comprised of the following:

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

Capital outlay	\$ 11,319,089
Less: depreciation expense	(10,385,312)
Plus: decrease in investment in joint venture	<u>(294,767)</u>

Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	<u>\$ 639,010</u>
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2. “Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.”

Pension deferrals – LGERS	\$ 6,896,229
Pension deferrals – ROD	30,144
Amortization on loss of debt refunding	<u>(843,277)</u>

Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	<u>\$ 6,083,096</u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

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

Decrease in deferred revenue of taxes (net)	\$ (751,494)
Increase in deferred revenue of emergency medical services receivable (net)	159,779
Decrease in deferred revenue of animal tax receivable	(18,582)
Decrease in deferred revenue of solid waste receivable	(4,490)
Decrease in Alliance advance loan receivable	(2,008,000)
Increase in derivative financial instrument	4,020,517
Increase in pension asset – LEO	30,264
Increase in pension asset – LGERS	8,314,122
Increase in pension asset – ROD	656,730
Increase in investment earnings (fair market value)	<u>5,091,801</u>

Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities \$15,490,647

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

Increase in pension deferrals – LGERS, net of restatement	\$ (8,916,955)
Increase in pension deferrals – ROD, net of restatement	(662,757)
County’s portion of collective pension expense – LGERS	(672,339)
County’s portion of collective pension expense – ROD	<u>25,009</u>

Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities \$(10,227,042)

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

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

Principal repayments	\$ 36,159,495
Increase in debt (net)	(9,720,717)
Increase in OPEB liability	(4,472,838)
Decrease in accrued interest payable	6,943
Increase in accrued compensated absences	(509,686)
Increase in accrued interest receivable	126,562
Amortization of bond premium	<u>2,551,898</u>
 Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	 <u>\$ 24,141,657</u>

C. PROPERTY TAXES

Property Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014. 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 September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,366,984	\$ -	\$ -	\$ 8,366,984
Easements	1,351,764	511,227	-	1,862,991
Construction in progress	243,406,669	4,646,857	(17,933,332)	230,120,194
Total nondepreciable capital assets	<u>253,125,417</u>	<u>5,158,084</u>	<u>(17,933,332)</u>	<u>240,350,169</u>
Depreciable capital assets:				
Buildings	211,990,858	16,330,046	-	228,320,904
Office furniture and Equipment	3,012,712	203,128	(175,296)	3,040,544
Machinery and Equipment	5,470,706	1,647,656	(570,621)	6,547,741
Computer Hardware	3,839,097	77,728	175,296	4,092,121
Computer Software	13,688,462	2,627,775	-	16,316,237
Vehicles	13,926,737	3,349,451	(779,564)	16,496,624
Total depreciable capital assets	<u>251,928,572</u>	<u>24,235,784</u>	<u>(1,350,185)</u>	<u>274,814,171</u>
Less accumulated depreciation for:				
Buildings	75,381,048	5,548,257	-	80,929,305
Office furniture and Equipment	1,450,773	224,436	-	1,675,209
Machinery and Equipment	3,489,589	813,409	(502,100)	3,800,898
Computer Hardware	2,529,701	1,230,705	-	3,760,406
Computer Software	11,745,577	1,665,203	(706,638)	12,704,142
Vehicles	9,309,987	903,302	-	10,213,289
Total accumulated depreciation	<u>103,906,675</u>	<u>10,385,312</u>	<u>(1,208,738)</u>	<u>113,083,249</u>
Total depreciable capital assets, net	<u>148,021,897</u>	<u>13,850,472</u>	<u>(141,447)</u>	<u>161,730,922</u>
Governmental activities capital assets, net	<u>\$ 401,147,314</u>	<u>\$ 19,008,556</u>	<u>\$ (18,074,779)</u>	<u>\$ 402,081,091</u>

During 2015, the County incurred \$10,009,316 of expenses for public school construction. The County maintains school construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to these Durham County Board of Education properties, and the construction has not been included in the County's capital assets but rather 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, 2015

D. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 7,086,328
Public safety	2,715,799
Environmental protection	36,707
Human Services	191,777
Educational	202,023
Cultural and recreational	152,678
Total depreciation expense	<u>\$ 10,385,312</u>

Business-type Activities/Sewer Utility Fund:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Land	\$ 185,226	\$ -	\$ -	\$ 185,226
Construction In Progress	56,237,584	1,136,089	(52,751,424)	4,622,249
Total nondepreciable capital assets	<u>56,422,810</u>	<u>1,136,089</u>	<u>(52,751,424)</u>	<u>4,807,475</u>
Depreciable capital assets:				
Land Improvements: Water and Sewer Lines	26,298,544	600,000	-	26,898,544
Buildings	4,103,344	52,751,422	-	56,854,766
Office furniture and Equipment	13,374	-	(13,374)	-
Machinery and Equipment	614,948	122,843	(16,705)	721,086
Computer Hardware	45,160	-	-	45,160
Vehicles	293,604	23,642	-	317,246
Total depreciable capital assets	<u>31,368,974</u>	<u>53,497,907</u>	<u>(30,079)</u>	<u>84,836,802</u>
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	12,586,793	516,821	-	13,103,614
Buildings	2,654,146	1,696,351	-	4,350,497
Office furniture and Equipment	10,031	-	(10,031)	-
Machinery and Equipment	354,461	72,915	(6,674)	420,702
Computer Hardware	40,532	4,307	-	44,839
Vehicles	219,509	25,196	-	244,705
Total accumulated depreciation	<u>15,865,472</u>	<u>2,315,590</u>	<u>(16,705)</u>	<u>18,164,357</u>
Total depreciable capital assets, net	<u>15,503,502</u>	<u>51,182,317</u>	<u>(13,374)</u>	<u>66,672,445</u>
Business-type activities capital assets, net	<u>\$ 71,926,312</u>	<u>\$ 52,318,406</u>	<u>\$(52,764,798)</u>	<u>\$ 71,479,920</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 2,219,417	\$ 55,000	\$ -	\$ 2,274,417
Total nondepreciable capital assets	<u>2,219,417</u>	<u>55,000</u>	<u>-</u>	<u>2,274,417</u>
Depreciable capital assets:				
Buildings and improvements	3,578,013	-	-	3,578,013
Leasehold improvements	1,272,157	98,101	-	1,370,258
Vehicles	160,170	6,623	(1,075)	165,718
Machinery and equipment	1,367,182	124,814	(1,394)	1,490,602
Total depreciable capital assets	<u>6,377,522</u>	<u>229,538</u>	<u>(2,469)</u>	<u>6,604,591</u>
Less accumulated depreciation for:				
Buildings and improvements	1,024,053	85,771	-	1,109,824
Leasehold improvements	500,295	52,400	-	552,695
Vehicles	44,643	6,261	-	50,904
Machinery and equipment	1,008,115	132,741	(1,394)	1,139,462
Total accumulated depreciation	<u>2,577,106</u>	<u>277,173</u>	<u>(1,394)</u>	<u>2,852,885</u>
Total depreciable capital assets, net	<u>3,800,416</u>	<u>(47,635)</u>	<u>(1,075)</u>	<u>3,751,706</u>
Business-type activities capital assets, net	<u>\$ 6,019,833</u>	<u>\$ 7,365</u>	<u>\$ (1,075)</u>	<u>\$ 6,026,123</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 294,600,869	\$ -	\$ 24,300,597	\$ 270,300,272	\$ 24,207,615
Certificates of participation	52,565,000	-	3,095,000	49,470,000	3,095,000
Limited obligation bonds	166,120,000	-	6,935,000	159,185,000	6,940,000
Installment notes payable	12,793,440	9,720,717	1,378,042	21,136,115	1,406,810
Unamortized bond premium	42,657,214	-	2,551,899	40,105,315	2,551,899
Net OPEB obligation	46,565,314	8,118,446	3,645,608	51,038,152	-
Accrued compensated absences	7,059,653	4,958,446	4,448,760	7,569,339	4,571,568
Net pension liability (LGERS)	16,591,240	-	16,591,240	-	-
Other financing agreements	528,214	-	450,855	77,359	9,958
Total governmental activities	\$ 639,480,944	\$ 22,797,609	\$ 63,397,001	\$ 598,881,552	\$ 42,782,850

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
General obligation bonds	\$ 1,304,131	\$ -	\$ 699,403	\$ 604,728	\$ 572,385
State revolving loans	12,612,864	-	671,147	11,941,717	671,146
Revenue bonds	10,190,000	-	670,000	9,520,000	690,000
Unamortized bond premium	664,865	-	100,275	564,590	100,275
Accrued compensated absences	104,381	56,801	63,936	97,246	64,598
Net pension liability (LGERS)	243,153	-	243,153	-	-
Total business-type activities	\$ 25,119,394	\$ 56,801	\$ 2,447,914	\$ 22,728,281	\$ 2,098,404

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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, 2015, such statutory limit for the County was \$2,538,894,266 providing a legal debt margin of \$2,267,989,266.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

E. LONG-TERM OBLIGATIONS (continued)

Defeasance of debt

In fiscal year 2010, the county defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2010, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$48,609,998. The carrying values of the Refunding Bonds, Series 2009, which refunded 2000 Public Improvement Bonds and 2002B Public Improvement Bonds, were adjusted for the loss from defeasance (net of amortization) of \$4,239,510. As of June 30, 2015, the loss from defeasance (net of amortization) was \$2,414,666. This advance refunding was undertaken to reduce the total debt service payments over the next 12 years by \$3,013,418 and resulted in an economic gain of \$2,499,031.

In fiscal year 2011, the County defeased various bond issues by creating irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2011, the amount of defeased debt outstanding and removed from the County's liabilities amounted to \$64,055,000. Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the Refunding Bonds, Series 2011, which refunded 2004A&B Public Improvement Bonds and 2006A&B Public Improvement Bonds, have been adjusted for the loss of defeasance (net of amortization) of \$6,286,444. As of June 30, 2015, the loss from defeasance (net of amortization) was \$4,079,026. This advance refunding was undertaken to reduce the total debt service payments over the next 12 years by \$4,064,220 and resulted in an economic gain of \$2,832,738.

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

E. LONG-TERM OBLIGATIONS (continued)

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

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

General obligation bonds

Durham County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. There were no General obligation bonds issued in fiscal year 2015.

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

Two-thirds (2/3s) bonds

Durham County issues 2/3s bonds to provide funds for the acquisition and construction of major capital facilities. 2/3s bonds are similar to general obligation bonds in that they also are direct obligations and pledge the full faith and credit of the government. There were no 2/3s bonds issued in fiscal year 2015.

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. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

Limited Obligation Bonds

Durham County issues limited obligation bonds (LOBs) for the acquisition and construction of major capital facilities. Limited obligation bonds are direct obligations and pledge the full faith and credit of the government.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

E. LONG-TERM OBLIGATIONS (continued)

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 \$39,000,000 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 June 18, 2017 and is subject to prior redemption at the option of the County. The BANs will be replaced by general obligation bonds. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

E. LONG-TERM OBLIGATIONS (continued)

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2015 are as follows:

Purpose:	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Outstanding June 30, 2015
<u>Governmental activities:</u>					
Public improvement, Series 2006A (2/3 Bonds)	4.00% to 5.00%	5/1/2006	6/1/2023	\$ 11,380,000	\$ 1,000,000
Public improvement, Series 2006B	4.00% to 5.00%	5/1/2006	6/1/2023	49,225,000	4,000,000
Public improvement, Series 2008A (2/3 Bonds)	3.50% to 5.00%	5/8/2008	4/1/2027	12,100,000	9,300,000
Public improvement, Series 2008B	3.50% to 5.00%	5/9/2008	4/1/2027	34,090,000	26,740,000
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	43,272,209	37,205,272
Public improvement, Series 2010A	2.00% to 5.00%	11/10/2010	11/1/2018	25,980,000	12,975,000
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	57,845,000
Public improvement, Series 2012	3.00% to 5.00%	4/25/2012	4/1/2032	64,670,000	44,810,000
Public improvement refunding, Series 2014	2.00% to 5.00%	6/3/2014	4/1/2034	44,635,000	42,405,000
Certificate of participation, Series 2009A	4.00% to 5.00%	4/15/2009	6/1/2031	61,850,000	49,470,000
Limited Obligation Bonds, 2012	2.00% to 5.00%	3/29/2012	6/1/2032	63,780,000	54,210,000
Limited Obligation Bonds, 2013	1.50% to 5.00%	3/28/2013	6/1/2043	112,470,000	104,975,000
Bond Anticipation Notes	Variable Rate	6/18/2014	6/18/2017	39,900,000	12,660,538
Installment purchase, garage facility	4.415%	8/20/2003	8/20/2018	14,502,000	4,165,198
Installment purchase, utility performance	2.285%	9/18/2012	9/18/2028	4,549,000	4,310,379
Other financing agreements					
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	77,359
800 Mhz radio system upgrade	4.64%	9/27/2005	6/30/2015	5,012,454	-
Total governmental activities					<u>\$ 500,168,746</u>
<u>Business-type activities:</u>					
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	3,822,791	604,728
Refunding Revenue bonds, 2012					
sewer plant expansion/improvements	2.49%	8/23/2012	6/11/2027	13,985,000	9,520,000
Enterprise State Revolving Loan I	2.22%	10/7/2012	5/1/2032	-	2,361,448
Enterprise State Revolving Loan II	2.22%	1/28/2011	5/1/2033	-	9,580,269
Total business-type activities					<u>22,066,445</u>
Total bonded indebtedness					<u><u>\$ 522,235,191</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2015 to amortize outstanding debt and funds available for draw under installment purchase contracts including interest payments, exclusive of accrued compensated absences are as follows:

Governmental activities:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Limited Obligation Bonds		Installment Note Payable		Other Financing Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 24,207,615	\$ 12,252,819	\$ 3,095,000	\$ 2,348,956	\$ 6,940,000	\$ 6,744,163	\$ 1,406,809	\$ 159,131	\$ 9,959	\$ -	\$ 35,659,383	\$ 21,505,069
2016	23,937,658	11,136,345	3,095,000	2,225,156	6,940,000	6,429,063	1,436,089	134,853	9,959	-	35,418,706	19,925,417
2017	23,800,000	10,058,712	3,095,000	2,083,381	6,935,000	6,113,963	1,467,934	110,008	9,959	-	35,307,893	18,366,064
2018	23,459,999	8,974,562	3,090,000	1,959,581	6,940,000	5,930,188	886,158	84,563	9,959	-	34,386,116	16,948,894
2019	23,460,000	7,839,981	3,090,000	1,805,081	6,935,000	5,650,738	1,552,124	297,990	9,959	-	35,047,083	15,593,790
2020-2024	89,340,000	24,560,176	15,465,000	6,793,994	34,695,000	24,468,488	1,726,463	14,114	27,564	-	141,254,027	55,836,772
2025-2029	45,805,000	9,168,751	15,450,000	3,082,275	34,680,000	16,913,475	-	-	-	-	95,935,000	29,164,501
2030-2045	16,290,000	1,280,028	3,090,000	154,500	55,120,000	15,448,125	-	-	-	-	74,500,000	16,882,653
	<u>\$ 270,300,272</u>	<u>\$ 85,271,374</u>	<u>\$ 49,470,000</u>	<u>\$ 20,452,924</u>	<u>\$ 159,185,000</u>	<u>\$ 87,698,203</u>	<u>\$ 8,475,577</u>	<u>\$ 800,659</u>	<u>\$ 77,359</u>	<u>\$ -</u>	<u>\$ 487,508,208</u>	<u>\$ 194,223,160</u>

Business-type activities:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Limited Obligation Bonds		State Revolving Loan		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 572,385	\$ 31,130	\$ -	\$ -	\$ -	\$ -	\$ 671,146	\$ 265,106	\$ 690,000	\$ 237,048	\$ 1,933,531	\$ 533,284
2016	32,343	1,617	-	-	-	-	671,146	250,207	705,000	219,867	1,408,489	471,691
2017	-	-	-	-	-	-	671,146	235,307	725,000	202,313	1,396,146	437,620
2018	-	-	-	-	-	-	671,146	220,408	745,000	184,260	1,416,146	404,668
2019	-	-	-	-	-	-	671,146	205,508	765,000	165,710	1,436,146	371,218
2020-2024	-	-	-	-	-	-	3,355,729	804,050	4,105,000	533,607	7,460,729	1,337,657
2025-2029	-	-	-	-	-	-	3,355,729	431,564	1,785,000	66,981	5,140,729	498,545
2030-2045	-	-	-	-	-	-	1,874,529	80,145	-	-	1,874,529	80,145
	<u>\$ 604,728</u>	<u>\$ 32,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,941,717</u>	<u>\$ 2,492,295</u>	<u>\$ 9,520,000</u>	<u>\$ 1,609,786</u>	<u>\$ 22,066,445</u>	<u>\$ 4,134,828</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

E. LONG-TERM OBLIGATIONS (continued)

Revenue bonds

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

In fiscal year 2003, \$24,515,000 of revenue bonds was issued to finance the construction project to expand the existing wastewater treatment facilities. In fiscal year 2013, \$13,985,000 of refunded revenue bonds were issued to refund the 2003 revenue bonds outstanding. The bonds are payable through 2027. The total principal and interest remaining to be paid on the bonds is \$11,129,785. Principal and interest paid for the year and total customer revenues were \$923,731 and \$9,669,773, respectively. Interest requirements for the revenue bonds are also payable annually at a fixed rate of 2.49%. These debt obligations are secured by a pledge of and lien upon, and payable solely from, the net receipts of the enterprise system and, in certain circumstances, by proceeds of the revenue bonds, investment earnings and certain net insurance and other proceeds. The revenue bonds are additionally secured by and payable from money and securities of certain funds, accounts and sub-accounts held by the trustee under the trust agreement and the first supplemental trust agreement. Sewer Utility Fund revenues are used to repay sewer utility long-term obligations. There were no revenue bonds issued in fiscal year 2015.

The ABC Board's long-term debt was \$1,258,219 as of June 30, 2015.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$365,416 for the year ended June 30, 2015. The future minimum rental payments due under the leases at June 30, 2015 are as follows:

YEAR ENDING JUNE 30,	COUNTY	ABC BOARD
2016	\$ 345,140	\$ 64,704
2017	224,034	66,408
2018	19,906	68,160
2019	6,603	69,972
2020	6,603	35,448
TOTAL	\$ 602,286	\$ 304,692

Leased Facilities

Pursuant to agreements executed between the County, Duke Regional Hospital (formerly Durham Regional Hospital, effective July 1, 2013) and Duke, effective July 1, 1998, the County began leasing its Hospital facilities to Duke under the terms of an operating lease expiring on June 30, 2018. The cost of leased facilities to the County was \$63,605,860, and the accumulated depreciation and carrying value as of June 30, 2015 were \$27,026,284 and \$36,579,576, 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, 2015

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 2014 and 2015, the County received \$2,345,072 and \$2,379,310 for these services, respectively. Through the remainder of the lease terms, payments made to the County will be adjusted for inflation using the CPI Index Adjustment. Under the revised agreement, Duke paid an additional \$375,000 to Lincoln Community Health Center for fiscal year 2009. LCHC received payments of \$3,037,934 and \$3,082,288 for fiscal year 2014 and 2015, respectively. Through the remainder of the lease terms, payments made to the LCHC would be adjusted for inflation using the CPI Index Adjustment. If LCHC ceases to exist without a successor entity that operates in the same manner, payment will be made to the County to support public health initiative for the citizens of Durham County.

2. Industrial Extension Policy

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

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, 2015 are as follows:

<u>YEAR ENDING JUNE 30,</u>	Governmental activities	
	PRINCIPAL	INTEREST
2016	\$ 2,483,745	\$ -
2017	2,214,660	-
2018	880,923	-
2019	722,730	-
2020	670,230	-
2021-2025	2,592,223	-
2026-2030	1,324,365	-
2013-2035	264,873	-
	\$ 11,153,749	\$ -

Interest requirements related to the Industrial Extensions Policy are nominal.

3. School Facilities

In June 2013, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2014 – 2023 that included school projects totaling \$330,260,205 funded through voter approved general obligation bond referendums in November 2001, November 2003, and November 2007 totaling \$298,763,205, 2/3's general obligation bonds in the amount of \$10,650,000, certificates of participation (COPS) in the amount of \$9,550,000, miscellaneous revenue in the amount of \$5,172,000, and County contributions of \$6,125,000. Total construction in progress for fiscal year 2015 for these projects was \$10,009,316 while total combined construction in progress since inception was \$174,694,873.

4. Construction

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

F. COMMITMENTS (continued)

The CIP allocated funding for fiscal year 2015 in the amount of \$19,783,002. Funds provided approximately \$13,751,642 for capital projects of general governmental activities, \$550,000 for business-type activities, \$2,052,500 for public safety, \$2,242,860 for cultural and recreational, \$700,000 for environmental protection activities, and \$486,000 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), with a funding source from a State Revolving Fund, is now complete.

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

5. Capital commitments

The County had commitments at June 30, 2015 of approximately \$15,885 for the expansion of the wastewater treatment plant and construction of sewer distribution systems.

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

6. Other commitments

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

F. COMMITMENTS (continued)

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

G. INTERFUND BALANCES AND ACTIVITIES

The following is a schedule of interfund receivable and payable balances as of June 30, 2015:

Due to:		
General Fund from Capital Projects Fund		
Amount due per BOCC approved interfund loan	\$	<u>1,819,769</u>
Due from:		
Capital Projects Fund to General Fund		
Amount due per BOCC approved interfund loan	\$	<u>1,819,769</u>

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

G. INTERFUND BALANCES AND ACTIVITIES (continued)

Transfers:

The following is a summary of transfers for the year ended June 30, 2015:

	Transfers in:			Total
	General Fund	Capital Projects Fund	Debt Service Fund	
Transfers out:				
General fund	\$ -	\$ 4,443,702	\$ 54,075,127	\$ 58,518,829
Community health trust fund	5,417,673	-	4,287,820	9,705,493
Capital projects fund	159,527	-	1,415,690	1,575,217
Debt service fund	197,205	3,995,580	-	4,192,785
Nonmajor governmental funds	2,990,282	-	-	2,990,282
 Total transfers	 <u>\$ 8,764,687</u>	 <u>\$ 8,439,282</u>	 <u>\$ 59,778,637</u>	 <u>\$ 76,982,606</u>

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

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

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

Transfer from Debt Service Fund to the General Fund and Capital Projects Fund are for funding services to update Durham County’s Space Needs Analysis and Facility Master Plan and for funding construction of new capital projects, respectively.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

1. North Carolina Local Governmental Employees' Retirement System

Plan Description. The County and the ABC Board are participating employers in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

DURHAM COUNTY, NORTH CAROLINA
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. - County and ABC employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$6,377,809 for the year ended June 30, 2015. The ABC Board's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the ABC Board were \$139,535 for the year ended June 30, 2015.

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

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

At June 30, 2015, the County reported an asset of \$8,435,963 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was 1.430%, which was an increase of .03% from its proportion measured as of June 30, 2013.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

For the year ended June 30, 2015, the County recognized pension expense of \$682,192. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 921,776
Net difference between projected and actual earnings on pension plan investments	-	19,638,740
Changes in proportion and differences between County contributions and proportionate share of contributions	611,668	-
County contributions subsequent to the measurement date	6,377,809	-
Total	\$ 6,989,477	\$20,560,516

\$6,377,809 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:

2016	\$ 4,987,406
2017	4,987,406
2018	4,987,406
2019	4,986,629
2020	-
Thereafter	-

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's Proportionate share of the net pension liability (asset)	\$ (28,635,317)	\$ (8,435,963)	\$ (39,648,789)

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

2. Law Enforcement Officers' Special Separation Allowance

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	16
Active plan members	180
Total	196

A separate report was not issued for the plan.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements No. 67 and No. 68:

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

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 \$429,436 or 4.78% 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, 2015 was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increase ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The remaining amortization period as of December 31, 2013 was seventeen years.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
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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:

Employer annual required contribution	\$ 396,667
Interest on net pension obligation	(3,634)
Adjustment to annual required contribution	<u>6,139</u>
Annual pension cost	399,172
Employer contributions made for fiscal year ending 6/30/2015	<u>429,436</u>
Increase (decrease) in net pension (asset)	(30,264)
Net pension (asset), beginning of fiscal year	<u>(72,675)</u>
Net pension (asset), end of fiscal year	<u><u>\$ (102,939)</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, 2015	\$ 399,172	107.58%	\$ (102,939)
June 30, 2014	341,463	107.26%	(72,675)
June 30, 2013	293,124	107.28%	(47,876)

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was 35.92 percent funded. The actuarial accrued liability for benefits was \$4,376,707 and the actuarial value of assets was \$1,572,116, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,804,591. The covered payroll (annual payroll of active employees covered by the plan) was \$8,838,882 and the ratio of the UAAL to the covered payroll was 31.73%.

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
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy. Article 12 E of NCGS Chapter 143 requires the County and the ABC Board to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$640,588, which consisted of \$449,201 from the County and \$191,387 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, 2015 totaled \$18,274 which consisted of \$5,262 from the ABC Board and \$13,012 from the law enforcement officers employed by the ABC Board. The County's required contributions and the officers' voluntary contributions represented 5% and 2.13%, respectively, of the covered payroll.

4. Registers of Deeds' Supplemental Pension Fund

Plan Description. Durham County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$24,117 for the year ended June 30, 2015.

DURHAM COUNTY, NORTH CAROLINA
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

At June 30, 2015, the County reported an asset of \$656,716 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was 2.897%, which was a decrease of .125% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$(25,009). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,027	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,535
Changes in proportion and differences between County contributions and proportionate share of contributions	-	18,304
County contributions subsequent to the measurement date	24,117	-
Total	\$ 30,144	\$ 21,839

\$24,117 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Year End June 30:

2016	\$	(6,464)
2017		(6,464)
2018		(2,000)
2019		(884)
2020		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%:

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate. The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's Proportionate share of the net pension liability (asset)	\$ (589,700)	\$ (656,716)	\$ (714,316)

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

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

Plan Description. All regular and volunteer firemen whose qualifications are certified by the Board of County Commissioners are eligible to participate in the North Carolina Firefighters’ and Rescue Squad Workers’ Pension Fund. The State of North Carolina contributes, on behalf of the County of Durham, to the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina

DURHAM COUNTY, NORTH CAROLINA
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) of the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the - Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Plan members are required to contribute \$10 per month to the plan, however the County may contribute on their behalf, for pension benefits, \$10 per month per participant and has no pension plan obligations beyond the amounts paid into the Fund. For the year end June 30, 2015, the County contributed \$3,720. The State, a non-employer contributor, funds the plan through appropriations. The County does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2014, the State contributed \$14,627,000 to the plan. The County of Durham's proportionate share of the State's contribution is \$9,735.

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

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

At June 30, 2015, the County reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the County through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the County and supported by the State was \$9,735. The net pension liability was measured as of June 30, 2014.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the County is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the County recognized pension expense of \$3,660 and revenue of \$3,660 for support provided by the State. At June 30, 2015, the County reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
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H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

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

Funding Policy. The County's contributions were calculated using a covered payroll amount of \$80,793,406. The County's total payroll was \$91,971,103. Total contributions for the year ended June 30, 2015 were \$6,215,258, which consisted of \$4,051,282 from the County and \$2,163,976 from the non-law enforcement personnel. The County's required contribution and the non-law enforcement personnel's voluntary contribution represented 6.76% of the covered payroll amount.

7. Other Post-Employment Benefits

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	525	16
Active plan members	<u>1,704</u>	<u>180</u>
Total	<u><u>2,229</u></u>	<u><u>196</u></u>

Funding Policy. The County pays 95% of the cost of Basic coverage healthcare benefits to qualified retirees. The County pays 100% of the cost of the Core coverage healthcare benefit to qualified retirees who complete an annual health risk assessment. These benefits are provided under a County resolution that can be amended by the BOCC. The County's members pay monthly for themselves with ten to twenty-four years of service and for dependent coverage at 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 \$119.38 for the Premium option, \$0 for the Core option, \$0 for the Basic option; for family dependent coverage, the monthly rates are \$1,485.43 for the premium option, \$1,1013.56 for the Core option and \$754.25 for the Basic option; for the spouse only coverage, the monthly rates are \$907.93 for the Premium option, \$562.86 for the Core option and \$449.67 for the Basic option; and for the child only coverage, the monthly rates are \$477.43 for the Premium option, \$377.64 for the Core option and \$326.19 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 \$669.90 for the Premium option, \$550.62 for the Core option, \$511.41 for the Basic option; for retiree/family dependent coverage, the monthly rates are \$2,035.95 for the premium option, \$1,564.08 for the Core option and \$1,304.77 for the Basic option; for the retiree/spouse only coverage, the monthly rates are \$1,458.45 for the Premium option, \$1,113.38 for the Core option and \$1,009.19 for the Basic option; and for the retiree/child only coverage, the monthly rates are \$1,027.95 for the Premium option, \$928.16 for the Core option and \$876.71 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 \$54; for retiree/family dependent coverage, the monthly rate is \$153; for retiree/spouse only coverage, the monthly rate is \$122; and for the retiree/child coverage, the monthly rate was \$112. 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 \$9.50; for retiree/family dependent coverage, the monthly rate is \$23; for retiree/spouse only coverage, the monthly rate is \$14.65; and for the retiree/child coverage, the monthly rate was \$15.35. 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The current ARC rate is 9.04% of annual covered payroll. For the current year, the County contributed \$3,645,608 or 4.06% 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 3.71% and .35% of covered payroll, respectively. For the current year, the County did not contribute to an irrevocable trust but rather set aside funding for the HCB Plan in the fund balance of the General Fund in the amount of \$6,078,939 which represents 75.65% of ARC. The total committed fund balance for OPEB as of fiscal year end for the General Fund was \$42,918,849. Currently, 552 retirees are eligible for health benefits. The County's obligation to contribute to the HCB Plan is established and may be amended by the BOCC.

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

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

Annual required contribution	\$ 8,035,206
Valuation Discount Rate	4.00%
Interest on net OPEB obligation	1,862,613
Amortization Factor	26.1695
Adjustment to annual required contribution	<u>(1,779,373)</u>
Annual OPEB cost (expense)	\$ 8,118,446
Employer contributions made	<u>3,645,608</u>
Increase (decrease) in net OPEB obligation	\$ 4,472,838
Net OPEB obligation, beginning of year	<u>46,565,314</u>
Net OPEB obligation, end of year	<u><u>\$51,038,152</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

Fiscal Year Ended <u>June 30</u>	Annual <u>OPEB Cost</u>	Percentage of Annual <u>OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
2015	\$ 8,118,446	44.90%	\$51,038,152
2014	8,075,269	30.90%	46,565,314
2013	8,065,601	32.90%	40,984,987

Funding Status and Funding Progress. As of December 31, 2014, 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 \$107,313,006. The covered payroll (annual payroll of active employees covered by the plan) was \$88,889,420 and the ratio of the UAAL to the covered payroll was 120.70%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past progress, presented as required supplementary information following the notes to the financial statements and presented as multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return, representative values of the annual rates of separation, deaths after retirement according to the 1994 Group Annuity Mortality table with Projection Scale AA, asset valuation method of market value, annual medical cost trend rates, pre-medicare 7.50 to 5.00 percent and post-medicare 5.50 to 5.00 percent annually, ultimate trend rate year is 2020 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, 2014 was 30 years.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

8. Other Employment Benefits

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

All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. Contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Due to a surplus, the State temporarily stopped employer contributions to the LGERS Death Benefit Plan effective for the fiscal year ended June 30, 2015. Because the County has contributed to the death benefit plan for more than twenty years, the County is not required to contribute to the plan for three fiscal years. Because of the State's decision, the County did not make contributions for employees not engaged in law enforcement and for law enforcement officers for the fiscal year ended June 30, 2015.

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

I. RISK MANAGEMENT

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 2015, a total of \$22,089,332 was incurred for benefits and administrative costs of the plan. As of June 30, 2015, the incurred but not reported liability was \$1,750,000.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

I. RISK MANAGEMENT (continued)

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 \$1,752,500 was incurred for benefits during the fiscal year 2015.

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 committed fund balance for risk management.

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

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

In accordance with G.S. 18B-700(I), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

J. LITIGATION

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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 \$60,450 to the Council during the fiscal year ended June 30, 2015. There is no on-going financial interest or responsibility by the County.

Triangle Transit Authority

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

L. JOINT VENTURES WITHOUT EQUITY INTEREST

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

The Durham and Wake Counties Research and Production Service District Advisory Committee is a special taxing district governed by a ten-member board of which the individuals must be recommended by the Research Triangle Park and Tenants Association. The function of the Board is to make recommendations to the County Commissioners concerning the budget and tax rate to be set for the Special District/Research Triangle Park area. The District is a joint venture of the two Boards of County Commissioners; however, the County does not have an equity interest in the District.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015:

Total assets	\$ 1,527,989
Total liabilities	<u>(122,174)</u>
Total equity	<u>\$ 1,405,815</u>
Total revenues	\$ 1,425,675
Total expenditures	<u>(1,756,231)</u>
Decrease in fund balance	<u>\$ (330,556)</u>

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

Raleigh-Durham Airport Authority

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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 2015 appropriation of approximately \$5.840 million to the College represents approximately 12.00% of its total current non-operating revenues, with the majority of funding being provided by the State of North Carolina Department of Community Colleges. In addition, the County contributed \$302,500 to capital outlay bringing the County's contribution to Durham Technical Community College capital outlay to 17.00%. The County does not have an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2015. 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, 2015, the County recorded an equity interest in the Bureau of \$808,400 which is included in the investment in joint venture in the statement of net position. Complete financial statements may be obtained at the administrative offices at 101 East Morgan Street, Durham, North Carolina 27701.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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 position. At June 30, 2015, the County’s equity interest in the Authority was \$10,707,401.

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 2015, the amount funded by the County was approximately \$133,395. Complete financial statements for the Authority may be obtained from the City of Durham’s administrative offices at 101 City Hall Plaza, Durham, North Carolina 27701.

The total investment in joint venture for Durham County recorded in the statement of net position for governmental activities for the above two ventures at June 30, 2015 is \$11,515,801.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

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	\$ 201,645,276	\$ 108,938,869
Children Health Insurance Program	5,074,089	1,594,815
Food Stamp	68,224,871	-
Temporary Assistance for Needy Families	1,439,572	-
Special Assistance to Adult	-	1,960,425
Title IV-E Adoption Assistance	904,064	237,274
IV-B Adoption Assistance	-	787,361
Refugee Assistance	53,690	-
Total Direct Federal and State Awards	\$ 277,341,562	\$ 113,518,744

O. SUBSEQUENT EVENTS

On, July 9, 2015, the County closed on the sale of General Obligation Refunding Bonds, Series 2015 in the amount of \$31,690,000 for the refunding of General Obligation Bonds, Series 2008 A&B.

P. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The County implemented the Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No.27)*, and GASB Statement 71, *Pension Transition for Contributions made Subsequent to the Measurement Date (an amendment to GASB Statement No.68)*, in the fiscal year ending June 30, 2015. The implementation of these statements required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$10,058,341 and \$156,436, respectively.

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, 2005	\$ 917,145	\$1,584,272	\$ 667,127	57.89%	\$7,001,821	9.53%
December 31, 2006	990,493	1,780,366	789,873	55.63%	7,264,791	10.87%
December 31, 2007	947,134	2,184,572	1,237,438	43.36%	7,612,751	16.25%
December 31, 2008	1,050,679	2,504,144	1,453,465	41.96%	7,893,250	18.41%
December 31, 2009	1,114,755	3,512,206	2,397,451	31.74%	7,717,626	31.06%
December 31, 2010	1,284,867	3,439,501	2,154,634	37.36%	7,735,575	27.86%
December 31, 2011	1,342,095	3,579,234	2,237,139	37.50%	7,545,748	29.65%
December 31, 2012	1,372,152	4,000,318	2,628,166	34.30%	7,986,429	32.91%
December 31, 2013	1,448,309	4,011,770	2,563,461	36.10%	8,289,920	30.92%
December 31, 2014	1,572,116	4,376,707	2,804,591	35.92%	8,838,882	31.73%

DURHAM COUNTY, NORTH CAROLINA

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2006	\$ 162,469	106.14%
2007	143,800	0.00%
2008	162,267	102.15%
2009	198,118	104.91%
2010	217,461	99.46%
2011	300,964	99.74%
2012	284,465	99.91%
2013	292,799	107.40%
2014	339,956	107.74%
2015	396,667	108.26%

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, 2014
Actuarial cost method	Project unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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%
December 31, 2012	-	95,709,409	95,709,409	0.00%	79,334,694	120.60%
December 31, 2014	-	107,313,006	107,313,006	0.00%	88,889,420	120.70%

DURHAM COUNTY, NORTH CAROLINA

Other Postemployment Benefits Schedule of Employer Contributions

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

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, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Amortization factor	26.1695
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	7.50% to 5.00%
Post-Medicare	5.50% to 5.00%
Year of ultimate trend rate	2020

*Includes inflation at: 3.00%

DURHAM COUNTY, NORTH CAROLINA

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

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	1.430%	1.397%
County's proportion of the net pension pension liability (asset) \$	\$ (8,435,963)	\$ 16,834,393
County's covered-employee payroll	\$ 89,938,408	\$ 84,777,497
County's proportion of the net pension pension liability (asset) as a percentage of its covered-employee payroll	(9.38%)	19.86%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA

Local Governmental Employees' Retirement System Schedule of County Contributions, Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,377,809	\$ 6,003,706
Contributions in relation to the contractually required contribution	<u>6,377,809</u>	<u>6,003,706</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 89,938,408	\$ 84,777,497
Contributions as a percentage of covered-employee payroll	7.09%	7.08%

Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA

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

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	2.897%	2.772%
County's proportion of the net pension pension liability (asset) \$	\$ (656,716)	\$ (592,253)
County's covered-employee payroll	\$ 133,745	\$ 129,736
County's proportion of the net pension pension liability (asset) as a percentage of its covered-employee payroll	(491.02%)	(456.51%)
Plan fiduciary net position as a percentage of the total pension liability	193.88%	190.50%

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

Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA

Register of Deeds' Supplemental Pension Fund Schedule of County Contributions, Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 24,117	\$ 23,656
Contributions in relation to the contractually required contribution	<u>24,117</u>	<u>23,656</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 133,745	\$ 129,736
Contributions as a percentage of covered-employee payroll	18.03%	18.23%

Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA

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

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

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

Information is not available for years prior to 2015.

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**OTHER SUPPLEMENTARY INFORMATION
(TAB)**

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

MAJOR GOVERNMENTAL FUNDS

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

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

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DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Debt Service Fund
 Year Ended June 30, 2015

	Budget		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Investments	\$ 15,000	\$ 15,000	\$ 36,743	\$ 21,743
Intergovernmental revenues	368,221	368,221	480,391	112,170
Charges for services	400,000	400,000	412,310	12,310
Total revenues	<u>783,221</u>	<u>783,221</u>	<u>929,444</u>	<u>146,223</u>
Expenditures				
Debt service:				
Principal retirement	36,787,439	36,787,439	36,159,495	627,944
Interest and fiscal charges	23,250,247	23,250,247	22,573,434	676,813
Debt issuance costs	-	-	23,000	(23,000)
Total expenditures	<u>60,037,686</u>	<u>60,037,686</u>	<u>58,755,929</u>	<u>1,281,757</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(59,254,465)</u>	<u>(59,254,465)</u>	<u>(57,826,485)</u>	<u>1,427,980</u>
Other financing sources (uses)				
Transfers in	59,782,947	59,782,947	59,778,637	(4,310)
Transfers out	-	(4,192,785)	(4,192,785)	-
Appropriated fund balance	(528,482)	3,664,303	-	(3,664,303)
Total other financing sources (uses)	<u>59,254,465</u>	<u>59,254,465</u>	<u>55,585,852</u>	<u>(3,668,613)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(2,240,633)</u>	<u>\$ (2,240,633)</u>
Fund balance - beginning			<u>8,207,298</u>	
Fund balance - ending			<u>\$ 5,966,665</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Expenditures Compared with Project Authorizations
Capital Projects Fund
From Project Inception and for the Fiscal Years Ended June 30, 2015**

<u>PROJECT</u>	<u>EXPENDITURES</u>		<u>SPENT TO DATE</u>	<u>REMAINING COMMITMENT</u>
	<u>CURRENT YEAR</u>	<u>PRIOR YEARS</u>		
Durham Public School Projects	\$ 10,009,317	\$ 164,685,557	\$ 174,694,874	\$ 206,494,726
Justice Center	93,343	113,324,875	113,418,218	378,237
NCML & Bioquest	52,186	14,740,836	14,793,022	347,790
NCMLS New Exhibits Project	110,015	389,985	500,000	-
County Storage Facility	566	3,076,345	3,076,911	23,089
Human Services Complex	348,718	88,585,797	88,934,515	1,314,344
County Stadium New Signage Project	114,238	8,250	122,488	102,512
Administrative Building Elevator Renovation	249,124	235,854	484,978	136,222
Judicial Building Renovation Phase II	643,152	759	643,911	3,065,218
Ongoing Parking Resurfacing Project	70,640	7,590	78,230	407,045
Ongoing HVAC Replacement Project	12,974	31,693	44,667	982,233
Crim Justice Resource Center	498,349	3,686,539	4,184,888	99,286
Open Space/Farmland Preservation	28,202	7,310,177	7,338,379	4,504,532
DTCC Campus Improvements	1,166,627	7,307,499	8,474,126	925,874
DTCC Newton Building	-	-	-	3,000,000
DTCC Northern Durham	-	-	-	1
DTCC Main Campus Extension	-	1,800,000	1,800,000	-
Scattered Site Housing Project III	121,440	59,632	181,072	218,929
EMS Station #1 Renovations	-	221,843	221,843	1,476,656
Fiber Optic Network	210,962	569,620	780,582	418
Rougemont Community Water System	166,207	72,228	238,435	1,031,565
Urban Ministry Sprinkler Upgrade Project	334,977	600	335,577	139,423
12 County IT Hardware Replacement	1,925,335	3,190,790	5,116,125	2,795,788
2014 800 MHZ Radio System Upgrade Project	2,247,450	2,900,000	5,147,450	-
12 Sheriff Technology Upgrade	10,480	588,418	598,898	1,002
13 Telecommunications Upgrade	87,038	88,752	175,790	424,210
Utility Performance Contract Project	22,686	4,475,560	4,498,246	50,754
Single Family Rehabilitation Program	-	292,828	292,828	1,973
Single Family Rehabilitation 13	89,824	-	89,824	80,176
Main Library Upgrade	35,479	-	35,479	2,753,791
Hollow Rock/New Hope	24,251	-	24,251	476,469
Ongoing Roof Replacement	100,360	-	100,360	1,877,936
Major Laserfische Upgrade	3,000	-	3,000	147,000
	<u>\$ 18,776,940</u>	<u>\$ 417,652,027</u>	<u>\$ 436,428,967</u>	<u>\$ 233,257,199</u>

FIDUCIARY FUNDS

Private-purpose Trust Funds

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

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

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DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Net Position
Private-purpose Trust Funds
June 30, 2015**

	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	\$ 5,787	\$ 34,077	\$ 39,864
Total assets	<u>5,787</u>	<u>34,077</u>	<u>39,864</u>
Net position			
Held in trust for:			
Individuals, organizations, and other governments	5,787	34,077	39,864
Total net position	<u>\$ 5,787</u>	<u>\$ 34,077</u>	<u>\$ 39,864</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Net Position
Private-purpose Trust Funds
Year Ended June 30, 2015**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Additions			
Employee contributions	\$ -	\$ 3,429	\$ 3,429
Investment income	6	9	15
Total additions	<u>6</u>	<u>3,438</u>	<u>3,444</u>
Deductions			
Benefits	-	1,000	1,000
Total deductions	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Change in net position	6	2,438	2,444
Total net position - beginning	<u>5,781</u>	<u>31,639</u>	<u>37,420</u>
Total net position - ending	<u>\$ 5,787</u>	<u>\$ 34,077</u>	<u>\$ 39,864</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Fire Tax District Funds – to account for and report the proceeds of special district 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.

Bethesda Service Tax District Fund – to account for and report the proceeds of special service district taxes for providing fire protection to the Bethesda Rural Fire District. As of July 1, 2013, the County provides the fire services to this district. Funding is transferred from this fund to the County's general fund as a funding source for the cost of providing these fire services.

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

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DURHAM COUNTY, NORTH CAROLINA

Combined Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue Funds
Assets	
Cash and cash equivalents / investments	\$ 1,693,016
Cash and cash equivalents / investments - restricted	114,818
Net property taxes receivable	64,976
Due from other governments - federal and state agencies	29,498
Due from agencies - other	106,722
Total assets	\$ 2,009,030
Liabilities	
Accounts payable	\$ 43,344
Total liabilities	43,344
Deferred inflows of resources	
Prepaid taxes	25,330
Net property taxes receivable	64,976
Total deferred inflows of resources	90,306
Fund balances	
Restricted:	
Firefighters' relief funds	114,818
Assigned	1,760,562
Total fund balances	1,875,380
Total liabilities, deferred inflow of resources and fund balances	\$ 2,009,030

DURHAM COUNTY, NORTH CAROLINA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2015

	Special Revenue Funds
Revenues	
Taxes	\$ 8,242,034
Intergovernmental revenues	117,188
Investments	4,365
Total revenues	<u>8,363,587</u>
Expenditures	
Current:	
Public safety	4,023,825
Economic and physical development	763,702
Total expenditures	<u>4,787,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,576,060</u>
Other financing sources (uses)	
Transfers out	(2,990,282)
Total other financing sources (uses)	<u>(2,990,282)</u>
Net change in fund balances	585,778
Fund balance - beginning	<u>1,289,602</u>
Fund balance - ending	<u>\$ 1,875,380</u>

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DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2015

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Assets				
Cash and cash equivalents / investments	\$ 10,008	\$ 502,720	\$ 238,368	\$ 97,073
Cash and cash equivalents / investments - restricted	-	-	-	-
Net property taxes receivable	3,659	9,524	2,766	26,108
Due from other governments - federal and state agencies	-	9,316	3,038	7,258
Due from agencies - other	-	-	106,722	-
Total assets	\$ 13,667	\$ 521,560	\$ 350,894	\$ 130,439
Liabilities				
Accounts payable	\$ -	\$ 91	\$ 10	\$ 72
Total liabilities	-	91	10	72
Deferred inflows of resources				
Prepaid taxes	-	29	12,581	282
Net property taxes receivable	3,659	9,524	2,766	26,108
Total deferred inflows of resources	3,659	9,553	15,347	26,390
Fund balances				
Restricted:				
Firefighters' relief funds	-	-	-	-
Assigned	10,008	511,916	335,537	103,977
Total fund balances	10,008	511,916	335,537	103,977
Total liabilities , deferred inflows of resources and fund balances	\$ 13,667	\$ 521,560	\$ 350,894	\$ 130,439

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<u>Bethesda Service Tax District</u>	<u>Butner Safety District Fund</u>	<u>Special Park District Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 44,521	\$ 64,774	\$ 241,097	\$ 460,494	\$ 21,288	\$ 12,673	\$ 1,693,016
-	-	-	114,818	-	-	114,818
334	1,105	5,802	15,473	139	66	64,976
339	261	3,706	5,507	-	73	29,498
-	-	-	-	-	-	106,722
<u>\$ 45,194</u>	<u>\$ 66,140</u>	<u>\$ 250,605</u>	<u>\$ 596,292</u>	<u>\$ 21,427</u>	<u>\$ 12,812</u>	<u>\$ 2,009,030</u>
\$ 11,848	\$ 31,303	\$ 4	\$ 16	\$ -	\$ -	\$ 43,344
<u>11,848</u>	<u>31,303</u>	<u>4</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>43,344</u>
-	-	175	6,983	-	5,280	25,330
334	1,105	5,802	15,473	139	66	64,976
<u>334</u>	<u>1,105</u>	<u>5,977</u>	<u>22,456</u>	<u>139</u>	<u>5,346</u>	<u>90,306</u>
-	-	-	114,818	-	-	114,818
33,012	33,732	244,624	459,002	21,288	7,466	1,760,562
<u>33,012</u>	<u>33,732</u>	<u>244,624</u>	<u>573,820</u>	<u>21,288</u>	<u>7,466</u>	<u>1,875,380</u>
<u>\$ 45,194</u>	<u>\$ 66,140</u>	<u>\$ 250,605</u>	<u>\$ 596,292</u>	<u>\$ 21,427</u>	<u>\$ 12,812</u>	<u>\$ 2,009,030</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2015**

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Revenues				
Taxes	\$ 3,237	\$ 1,151,674	\$ 1,583,473	\$ 941,069
Intergovernmental revenues	-	-	106,720	-
Investments	8	852	1,222	542
Total revenues	<u>3,245</u>	<u>1,152,526</u>	<u>1,691,415</u>	<u>941,611</u>
Expenditures				
Current:				
Public safety	-	477,268	1,136,684	908,303
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>477,268</u>	<u>1,136,684</u>	<u>908,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,245</u>	<u>675,258</u>	<u>554,731</u>	<u>33,308</u>
Other financing sources (uses)				
Transfers out	-	(648,653)	(280,268)	-
Total other financing sources (uses)	<u>-</u>	<u>(648,653)</u>	<u>(280,268)</u>	<u>-</u>
Net change in fund balances	3,245	26,605	274,463	33,308
Fund balance - beginning	<u>6,763</u>	<u>485,311</u>	<u>61,074</u>	<u>70,669</u>
Fund balance - ending	<u>\$ 10,008</u>	<u>\$ 511,916</u>	<u>\$ 335,537</u>	<u>\$ 103,977</u>

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<u>Bethesda Service Tax District</u>	<u>Butner Safety District Fund</u>	<u>Special Park District Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 91,022	\$ 32,459	\$ 1,387,364	\$ 2,294,462	\$ -	\$ 757,274	\$ 8,242,034
-	-	-	10,468	-	-	117,188
57	55	539	961	24	105	4,365
<u>91,079</u>	<u>32,514</u>	<u>1,387,903</u>	<u>2,305,891</u>	<u>24</u>	<u>757,379</u>	<u>8,363,587</u>
86,962	31,370	1,308,487	74,751	-	-	4,023,825
-	-	-	-	-	763,702	763,702
<u>86,962</u>	<u>31,370</u>	<u>1,308,487</u>	<u>74,751</u>	<u>-</u>	<u>763,702</u>	<u>4,787,527</u>
4,117	1,144	79,416	2,231,140	24	(6,323)	3,576,060
-	-	-	(2,061,361)	-	-	(2,990,282)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,061,361)</u>	<u>-</u>	<u>-</u>	<u>(2,990,282)</u>
4,117	1,144	79,416	169,779	24	(6,323)	585,778
28,895	32,588	165,208	404,041	21,264	13,789	1,289,602
<u>\$ 33,012</u>	<u>\$ 33,732</u>	<u>\$ 244,624</u>	<u>\$ 573,820</u>	<u>\$ 21,288</u>	<u>\$ 7,466</u>	<u>\$ 1,875,380</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, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ 3,237	\$ 3,237
Investments	-	-	8	8
Total revenues	<u>-</u>	<u>-</u>	<u>3,245</u>	<u>3,245</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 3,245	 <u>\$ 3,245</u>
 Fund balance - beginning			 <u>6,763</u>	
 Fund balance - ending			 <u>\$ 10,008</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, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,116,723	\$ 1,116,723	\$ 1,151,674	\$ 34,951
Investments	-	-	852	852
Total revenues	<u>1,116,723</u>	<u>1,116,723</u>	<u>1,152,526</u>	<u>35,803</u>
Expenditures				
Public safety	469,121	478,752	477,268	1,484
Total expenditures	<u>469,121</u>	<u>478,752</u>	<u>477,268</u>	<u>1,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>647,602</u>	<u>637,971</u>	<u>675,258</u>	<u>37,287</u>
Other financing sources (uses)				
Transfers in	-	9,631	-	(9,631)
Transfers out	(702,805)	(702,805)	(648,653)	54,152
Appropriated fund balance	55,203	55,203	-	(55,203)
Total other financing sources (uses)	<u>(647,602)</u>	<u>(637,971)</u>	<u>(648,653)</u>	<u>(10,682)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	26,605	<u>\$ 26,605</u>
Fund balance - beginning			<u>485,311</u>	
Fund balance - ending			<u>\$ 511,916</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, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,515,932	\$ 1,515,932	\$ 1,583,473	\$ 67,541
Intergovernmental revenues	-	-	106,720	106,720
Investments	-	-	1,222	1,222
Total revenues	<u>1,515,932</u>	<u>1,515,932</u>	<u>1,691,415</u>	<u>175,483</u>
Expenditures				
Public safety	<u>1,503,664</u>	<u>1,237,248</u>	<u>1,136,684</u>	<u>100,564</u>
Total expenditures	<u>1,503,664</u>	<u>1,237,248</u>	<u>1,136,684</u>	<u>100,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,268</u>	<u>278,684</u>	<u>554,731</u>	<u>276,047</u>
Other financing sources (uses)				
Transfers out	(12,268)	(280,268)	(280,268)	-
Appropriated fund balance	-	1,584	-	(1,584)
Total other financing sources (uses)	<u>(12,268)</u>	<u>(278,684)</u>	<u>(280,268)</u>	<u>(1,584)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>274,463</u>	<u>\$ 274,463</u>
Fund balance - beginning			<u>61,074</u>	
Fund balance - ending			<u>\$ 335,537</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, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ 909,085	\$ 909,085	\$ 941,069	\$ 31,984
Investments	-	-	542	542
Total revenues	<u>909,085</u>	<u>909,085</u>	<u>941,611</u>	<u>32,526</u>
Expenditures				
Public safety	903,036	909,085	908,303	782
Total expenditures	<u>903,036</u>	<u>909,085</u>	<u>908,303</u>	<u>782</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,049</u>	<u>-</u>	<u>33,308</u>	<u>33,308</u>
Other financing sources (uses)				
Transfers in	-	6,049	-	(6,049)
Transfers out	(6,049)	(6,049)	-	6,049
Total other financing sources (uses)	<u>(6,049)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	33,308	<u>\$ 33,308</u>
Fund balance - beginning			<u>70,669</u>	
Fund balance - ending			<u>\$ 103,977</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, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 86,915	\$ 86,915	\$ 91,022	\$ 4,107
Investments	-	-	57	57
Total revenues	<u>86,915</u>	<u>86,915</u>	<u>91,079</u>	<u>4,164</u>
Expenditures				
Public safety	86,113	86,915	86,962	(47)
Total expenditures	<u>86,113</u>	<u>86,915</u>	<u>86,962</u>	<u>(47)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>802</u>	<u>-</u>	<u>4,117</u>	<u>4,117</u>
Other financing sources (uses)				
Transfers in	-	802	-	(802)
Transfers out	(802)	(802)	-	802
Total other financing sources (uses)	<u>(802)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	4,117	<u>\$ 4,117</u>
Fund balance - beginning			<u>28,895</u>	
Fund balance - ending			<u>\$ 33,012</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, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 31,391	\$ 31,391	\$ 32,459	\$ 1,068
Investments	-	-	55	55
Total revenues	<u>31,391</u>	<u>31,391</u>	<u>32,514</u>	<u>1,123</u>
Expenditures				
Public safety	31,029	31,391	31,370	21
Total expenditures	<u>31,029</u>	<u>31,391</u>	<u>31,370</u>	<u>21</u>
Excess (deficiency) of revenues over (under) expenditures	<u>362</u>	<u>-</u>	<u>1,144</u>	<u>1,144</u>
Other financing sources (uses)				
Transfers in	-	362	-	(362)
Transfers out	(362)	(362)	-	362
Total other financing sources (uses)	<u>(362)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,144	<u>\$ 1,144</u>
Fund balance - beginning			<u>32,588</u>	
Fund balance - ending			<u>\$ 33,732</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, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,316,775	\$ 1,316,775	\$ 1,387,364	\$ 70,589
Investments	-	-	539	539
Total revenues	<u>1,316,775</u>	<u>1,316,775</u>	<u>1,387,903</u>	<u>71,128</u>
Expenditures				
Public safety	<u>1,309,023</u>	<u>1,321,275</u>	<u>1,308,487</u>	<u>12,788</u>
Total expenditures	<u>1,309,023</u>	<u>1,321,275</u>	<u>1,308,487</u>	<u>12,788</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,752</u>	<u>(4,500)</u>	<u>79,416</u>	<u>83,916</u>
Other financing sources (uses)				
Transfers in	-	12,252	-	(12,252)
Transfers out	(12,252)	(12,252)	-	12,252
Appropriated fund balance	4,500	4,500	-	(4,500)
Total other financing sources (uses)	<u>(7,752)</u>	<u>4,500</u>	<u>-</u>	<u>(4,500)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>79,416</u>	<u>\$ 79,416</u>
Fund balance - beginning			<u>165,208</u>	
Fund balance - ending			<u>\$ 244,624</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Bethesda Service Tax District Special Revenue Fund
Year Ended June 30, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 2,242,393	\$ 2,242,393	\$ 2,294,462	\$ 52,069
Intergovernmental revenues	-	-	10,468	10,468
Investments	-	-	961	961
Total revenues	<u>2,242,393</u>	<u>2,242,393</u>	<u>2,305,891</u>	<u>63,498</u>
Expenditures				
Public safety	<u>70,812</u>	<u>70,812</u>	<u>74,751</u>	<u>(3,939)</u>
Total expenditures	<u>70,812</u>	<u>70,812</u>	<u>74,751</u>	<u>(3,939)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,171,581</u>	<u>2,171,581</u>	<u>2,231,140</u>	<u>59,559</u>
Other financing sources (uses)				
Transfers out	(2,171,581)	(2,272,049)	(2,061,361)	210,688
Appropriated fund balance	-	100,468	-	(100,468)
Total other financing sources (uses)	<u>(2,171,581)</u>	<u>(2,171,581)</u>	<u>(2,061,361)</u>	<u>110,220</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	169,779	<u>\$ 169,779</u>
Fund balance - beginning			<u>404,041</u>	
Fund balance - ending			<u>\$ 573,820</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, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Investments	-	-	24	24
Total revenues	-	-	24	24
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	24	<u>\$ 24</u>
Fund balance - beginning			<u>21,264</u>	
Fund balance - ending			<u>\$ 21,288</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, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ 710,883	\$ 765,883	\$ 757,274	\$ (8,609)
Investments	-	-	105	105
Total revenues	<u>710,883</u>	<u>765,883</u>	<u>757,379</u>	<u>(8,504)</u>
Expenditures				
Economic and physical development	<u>710,883</u>	<u>765,883</u>	<u>763,702</u>	<u>2,181</u>
Total expenditures	<u>710,883</u>	<u>765,883</u>	<u>763,702</u>	<u>2,181</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(6,323)</u>	<u>(6,323)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(6,323)	<u>\$ (6,323)</u>
Fund balance - beginning			<u>13,789</u>	
Fund balance - ending			<u>\$ 7,466</u>	

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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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 7,742,749	\$ 9,694,097	\$ 1,951,348
Expenditures:			
Operating	4,899,568	4,193,035	706,533
Repairs and maintenance	305,000	174,444	130,556
Excess (deficiency) of revenues over (under) expenditures	2,538,181	5,326,618	2,788,437
Other Financing Sources (Uses):			
Capital expenses	(1,294,090)	(1,269,200)	24,890
Debt service	(2,675,000)	(2,639,769)	35,231
Investment income	17,500	28,935	11,435
Sewer connection fees	261,020	1,573,402	1,312,382
Total other financing sources (uses)	(3,690,570)	(2,306,632)	1,383,938
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,152,389)	3,019,986	4,172,375
Fund balance appropriated	1,152,389	-	1,152,389
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,019,986</u>	<u>\$ 3,019,986</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2015**

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$ 3,019,986
RECONCILING ITEMS:	
Capital outlay	1,269,200
Capital contributions	600,000
Debt principal payments	2,040,549
State revolving loan proceeds	-
Decrease in accrued interest payable	10,631
Increase in accrued payroll	(6,533)
Decrease in accrued vacation	7,135
Decrease in accrued interest receivable	(12,881)
Decrease in accounts receivable	(24,324)
Depreciation	(2,315,589)
Pension expense	(9,853)
Deferred outflows of resources for pensions, current fiscal year contributions	84,413
Amortization of loss on refundings	(91,755)
Amortization of bond premium	100,275
CHANGE IN NET POSITION (GAAP BASIS)	<u>\$ 4,671,254</u>

FIDUCIARY FUNDS

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

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015**

	Child Support Trust Fund	Sheriff's Evidence Trust Fund	Jail Inmate Trust Fund	Sheriff's Trust Fund
Assets				
Cash and cash equivalents	\$ 323,785	\$ 322,558	\$ 71,424	\$ 122,869
Accounts receivable	-	-	-	-
Net property taxes receivable	-	-	-	-
Due from governmental agencies	-	-	-	-
Total assets	<u>\$ 323,785</u>	<u>\$ 322,558</u>	<u>\$ 71,424</u>	<u>\$ 122,869</u>
Liabilities				
Funds held for others	\$ 323,785	\$ 322,558	\$ 71,424	\$ 122,869
Due to governmental agencies	-	-	-	-
Total liabilities	<u>\$ 323,785</u>	<u>\$ 322,558</u>	<u>\$ 71,424</u>	<u>\$ 122,869</u>

Durham Public School Fund	Town of Chapel Hill Tax Fund	City of Durham Tax Fund	City of Raleigh Tax Fund	Town of Morrisville Tax Fund	Totals
\$ 39,989	\$ 68,915	\$ 1,611,181	\$ 13,959	\$ 48	\$ 2,574,728
126,598	713	104,475	255	-	232,041
-	2,518	1,497,620	753	-	1,500,891
-	15,132	1,082,224	8,493	98	1,105,947
<u>\$ 166,587</u>	<u>\$ 87,278</u>	<u>\$ 4,295,500</u>	<u>\$ 23,460</u>	<u>\$ 146</u>	<u>\$ 5,413,607</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 840,636
166,587	87,278	4,295,500	23,460	146	4,572,971
<u>\$ 166,587</u>	<u>\$ 87,278</u>	<u>\$ 4,295,500</u>	<u>\$ 23,460</u>	<u>\$ 146</u>	<u>\$ 5,413,607</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2015

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
<u>Child Support Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 256,160	\$ 1,183,937	\$ 1,116,312	\$ 323,785
Liabilities				
Funds held for others	\$ 256,160	\$ 1,183,937	\$ 1,116,312	\$ 323,785
<u>Sheriff's Evidence Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 289,672	\$ 125,074	\$ 92,188	\$ 322,558
Liabilities				
Funds held for others	\$ 289,672	\$ 125,074	\$ 92,188	\$ 322,558
<u>Jail Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 43,596	\$ 750,947	\$ 723,119	\$ 71,424
Liabilities				
Funds held for others	\$ 43,596	\$ 750,947	\$ 723,119	\$ 71,424
<u>Sheriff's Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 94,496	\$ 690,131	\$ 661,758	\$ 122,869
Liabilities				
Funds held for others	\$ 94,496	\$ 690,131	\$ 661,758	\$ 122,869
<u>Durham Public School Fund</u>				
Assets				
Cash and cash equivalents	\$ 31,422	\$ 1,249,441	\$ 1,240,874	\$ 39,989
Accounts receivable	138,416	750,289	762,107	126,598
Total assets	\$ 169,838	\$ 1,999,730	\$ 2,002,981	\$ 166,587
Liabilities				
Due to governmental agencies	\$ 169,838	\$ 1,999,730	\$ 2,002,981	\$ 166,587

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2015

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
<u>Town of Chapel Hill Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 54,126	\$ 4,581,294	\$ 4,566,505	\$ 68,915
Accounts receivable	1,631	210	1,128	713
Net property taxes receivable	19,931	2,704,915	2,722,328	2,518
Due from governmental agencies	15,394	15,132	15,394	15,132
Total assets	<u>\$ 91,082</u>	<u>\$ 7,301,551</u>	<u>\$ 7,305,355</u>	<u>\$ 87,278</u>
Liabilities				
Due to governmental agencies	<u>\$ 91,082</u>	<u>\$ 7,301,551</u>	<u>\$ 7,305,355</u>	<u>\$ 87,278</u>
<u>City of Durham Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 491,004	\$ 278,715,140	\$ 277,594,963	\$ 1,611,181
Accounts receivable	230,074	40,005	165,604	104,475
Net property taxes receivable	1,949,726	138,871,893	139,323,999	1,497,620
Due from governmental agencies	1,004,460	1,082,224	1,004,460	1,082,224
Total assets	<u>\$ 3,675,264</u>	<u>\$ 418,709,262</u>	<u>\$ 418,089,026</u>	<u>\$ 4,295,500</u>
Liabilities				
Due to governmental agencies	<u>\$ 3,675,264</u>	<u>\$ 418,709,262</u>	<u>\$ 418,089,026</u>	<u>\$ 4,295,500</u>
<u>City of Raleigh Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 7,047	\$ 905,931	\$ 899,019	\$ 13,959
Accounts receivable	795	60	600	255
Net property taxes receivable	3,454	679,892	682,593	753
Due from governmental agencies	7,780	8,493	7,780	8,493
Total assets	<u>\$ 19,076</u>	<u>\$ 1,594,376</u>	<u>\$ 1,589,992</u>	<u>\$ 23,460</u>
Liabilities				
Due to governmental agencies	<u>\$ 19,076</u>	<u>\$ 1,594,376</u>	<u>\$ 1,589,992</u>	<u>\$ 23,460</u>
<u>Town of Morrisville Tax Fund</u>				
Cash and cash equivalents	\$ -	\$ 54,298	\$ 54,250	\$ 48
Accounts receivable	14	-	14	-
Net property taxes receivable	-	46,515	46,515	-
Due from governmental agencies	96	98	96	98
Total assets	<u>\$ 110</u>	<u>\$ 100,911</u>	<u>\$ 100,875</u>	<u>\$ 146</u>
Liabilities				
Due to governmental agencies	<u>\$ 110</u>	<u>\$ 100,911</u>	<u>\$ 100,875</u>	<u>\$ 146</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 1,267,523	\$ 288,256,193	\$ 286,948,988	\$ 2,574,728
Accounts receivable	370,930	790,564	929,453	232,041
Net property taxes receivable	1,973,111	142,303,215	142,775,435	1,500,891
Due from governmental agencies	1,027,730	1,105,947	1,027,730	1,105,947
Total assets	<u>\$ 4,639,294</u>	<u>\$ 432,455,919</u>	<u>\$ 431,681,606</u>	<u>\$ 5,413,607</u>
Liabilities				
Funds held for others	\$ 683,924	\$ 2,750,089	\$ 2,593,377	\$ 840,636
Due to governmental agencies	3,955,370	429,705,830	429,088,229	4,572,971
Total liabilities	<u>\$ 4,639,294</u>	<u>\$ 432,455,919</u>	<u>\$ 431,681,606</u>	<u>\$ 5,413,607</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, 2015**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
General Government:					
County commissioners	\$ 948,128	\$ -	\$ -	\$ -	\$ -
Finance	3,435,726	-	-	-	-
Tax administration	3,412,010	-	-	-	24,345
County Attorney	12,380	-	-	-	-
Court facilities	14,545,503	-	-	14,545,503	-
Register of deeds	2,452,092	-	-	-	944,572
General services	155,324,747	4,790,491	-	148,140,456	372,801
Information Technology	9,130,551	-	-	-	1,530,253
Human resources	22,350	-	-	-	11,530
Budget	10,897	-	-	-	-
Total general government	189,294,384	4,790,491	-	162,685,959	2,883,501
Public Safety:					
Sheriff	51,269,205	1,398,962	-	39,455,838	43,824
County fire protection	2,774,493	-	-	1,244,463	6,744
Emergency Management	1,943,092	-	-	1,144,636	45,635
Animal control	3,769,671	-	-	3,259,400	20,704
Criminal Justice Partnership	935,318	-	-	844,521	-
Youth home	439,449	-	-	367,000	-
Emergency medical services	9,315,422	-	-	1,947,348	14,474
Total public safety	70,446,650	1,398,962	-	48,263,206	131,381
Environmental Protection:					
Environmental engineering	1,817,314	1,523,280	-	77,873	7,315
Open Space and Real Estate	2,510,742	647,751	1,862,991	-	-
Total Environmental Protection	4,328,056	2,171,031	1,862,991	77,873	7,315
Economic and Physical Development:					
Cooperative extension	34,495	-	-	-	-
Planning	6,500	6,500	-	-	-
Soil and Erosion	29,732	-	-	-	-
Total Economic and Physical Development	70,727	6,500	-	-	-
Human Services:					
Public health	760,050	-	-	-	-
Mental health	713,710	-	-	-	-
Social services	3,853,773	-	-	3,101,314	-
Other human services	535,692	-	-	-	-
Total human services	5,863,225	-	-	3,101,314	-

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ 948,128	\$ -	\$ -	\$ -	\$ -
43,381	-	-	3,392,345	-
111,860	9,473	287,615	2,978,717	-
-	12,380	-	-	-
-	-	-	-	-
31,650	110,272	-	1,365,598	-
976,348	39,959	985,366	19,326	-
133,904	3,291,649	-	4,174,745	-
-	10,820	-	-	-
-	10,897	-	-	-
<u>2,245,271</u>	<u>3,485,450</u>	<u>1,272,981</u>	<u>11,930,731</u>	<u>-</u>
1,231,681	435,196	6,936,927	1,766,777	-
66,811	-	1,390,386	66,089	-
557,492	5,336	112,993	77,000	-
100,324	-	351,220	38,023	-
-	-	90,797	-	-
6,195	-	66,254	-	-
<u>1,982,133</u>	<u>51,227</u>	<u>4,345,759</u>	<u>974,481</u>	<u>-</u>
<u>3,944,636</u>	<u>491,759</u>	<u>13,294,336</u>	<u>2,922,370</u>	<u>-</u>
15,795	-	193,051	-	-
-	-	-	-	-
<u>15,795</u>	<u>-</u>	<u>193,051</u>	<u>-</u>	<u>-</u>
-	-	34,495	-	-
-	-	-	-	-
-	-	29,732	-	-
<u>-</u>	<u>-</u>	<u>64,227</u>	<u>-</u>	<u>-</u>
89,367	5,700	461,755	203,228	-
42,324	6,165	-	665,221	-
39,757	79,125	417,666	215,911	-
-	-	535,692	-	-
<u>171,448</u>	<u>90,990</u>	<u>1,415,113</u>	<u>1,084,360</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, 2015**

	<u>Total Assets</u>	<u>Land</u>	<u>Easements</u>	<u>Buildings</u>	<u>Office Furniture and Equipment</u>
Education:					
Public school building	\$ 8,080,942	\$ -	\$ -	\$ 8,080,942	\$ -
Cultural and Recreational:					
Library	6,960,162	-	-	6,111,610	18,347
Capital Projects:					
Construction in progress	230,120,194	-	-	-	-
Total Capital Assets	<u>\$ 515,164,340</u>	<u>\$ 8,366,984</u>	<u>\$ 1,862,991</u>	<u>\$ 228,320,904</u>	<u>\$ 3,040,544</u>

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

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ -	\$ -	\$ -	\$ -	\$ -
170,591	23,922	256,916	378,776	-
-	-	-	-	230,120,194
<u>\$6,547,741</u>	<u>\$ 4,092,121</u>	<u>\$ 16,496,624</u>	<u>\$ 16,316,237</u>	<u>\$ 230,120,194</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, 2015

	Capital Assets July 1, 2014	Additions	Transfers and Deletions	Capital Assets June 30, 2015
General Government:				
Board of county commissioners	\$ 948,128	\$ -	\$ -	\$ 948,128
Finance	3,435,726	-	-	3,435,726
Tax administration	3,412,010	-	-	3,412,010
County attorney	12,380	-	-	12,380
Court facilities	14,441,523	103,980	-	14,545,503
Register of deeds	2,452,092	-	-	2,452,092
General services	139,465,172	15,937,138	(77,563)	155,324,747
Information Technology	6,771,766	2,358,785	-	9,130,551
Human Resources	22,350	-	-	22,350
Budget	10,897	-	-	10,897
Total general government	<u>170,972,044</u>	<u>18,399,903</u>	<u>(77,563)</u>	<u>189,294,384</u>
Public Safety:				
County sheriff	50,781,841	991,427	(504,063)	51,269,205
Fire marshal	2,742,798	1,258,651	-	4,001,449
Emergency management	699,136	17,000	-	716,136
Criminal justice partnership	935,318	-	-	935,318
Animal control	3,792,044	-	(22,373)	3,769,671
Youth home	439,449	-	-	439,449
Emergency medical services	6,573,785	3,421,683	(680,046)	9,315,422
Total public safety	<u>65,964,371</u>	<u>5,688,761</u>	<u>(1,206,482)</u>	<u>70,446,650</u>
Environmental Protection:				
Environmental engineering	1,817,314	-	-	1,817,314
Open Space	1,999,515	511,227	-	2,510,742
Total Environmental Protection	<u>3,816,829</u>	<u>511,227</u>	<u>-</u>	<u>4,328,056</u>

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

DURHAM COUNTY, NORTH CAROLINA

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

Year Ended June 30, 2015

	Capital Assets July 1, 2014	Additions	Transfers and Deletions	Capital Assets June 30, 2015
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	747,888	12,162	-	760,050
Mental health	713,710	-	-	713,710
Social services	3,801,913	51,860	-	3,853,773
Other human services	601,832	-	(66,140)	535,692
Total human services	<u>5,865,343</u>	<u>64,022</u>	<u>(66,140)</u>	<u>5,863,225</u>
Education:				
DPS Building	8,080,942	-	-	8,080,942
Cultural and Recreational:				
Library	6,877,064	83,098	-	6,960,162
Capital Projects:				
Construction in progress	243,406,669	4,646,857	(17,933,332)	230,120,194
Total Capital Assets	<u><u>\$ 505,053,989</u></u>	<u><u>\$ 29,393,868</u></u>	<u><u>\$ (19,283,517)</u></u>	<u><u>\$ 515,164,340</u></u>

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

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2015

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-14	Issued During Year	Adjusted During Year	Defeased During Year
General Long-Term Debt						
Bonded Debt:						
PUBLIC IMPROVEMENT,SERIES 2006A	4.00%-5.00%	5/1/06	\$ 2,000,000	\$ -	\$ -	\$ -
PUBLIC IMPROVEMENT,SERIES 2006B	4.00%-5.00%	5/1/06	8,000,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2008A	3.50%-5.00%	5/1/08	9,700,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2008B	3.50%-5.00%	5/1/08	27,790,000	-	-	-
REFUNDING, SERIES 2009	2.00%-5.00%	11/3/09	42,785,869	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010A	2.00%-5.00%	11/10/10	16,190,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010B	3.51%-5.23%	11/10/10	34,020,000	-	-	-
REFUNDING, SERIES 2011	3.00%-5.00%	6/08/11	61,750,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2012	3.00%-5.00%	04/25/12	47,730,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING,SERIES 2014	2.00%-5.00%	06/3/14	44,635,000	-	-	-
UNAMORTIZED BOND PREMIUM			26,658,361	-	-	-
Total Bonded Debt			<u>321,259,230</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Long-Term Debt						
Installment Purchase Agreements:						
Certificates of Participation						
COPs 2009 FIXED			52,565,000	-	-	-
LOBS 2012	2.00%-5.00%	03/29/12	57,400,000	-	-	-
LOBS 2013	1.50%-5.00%	03/28/13	108,720,000	-	-	-
UNAMORTIZED BOND PREMIUM			15,998,853	-	-	-
Total Certificates Of Participation			<u>234,683,853</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Agreements						
Total Installment Purchase Agreements			13,321,654	9,720,717	-	-
Earned Vacation Pay			248,005,507	9,720,717	-	-
Net Pension Liability (LRS)			7,059,653	-	4,958,446	-
Net OPEB Obligation			16,591,240	-	-	-
Total Other Long-Term Debt			<u>46,565,314</u>	<u>9,720,717</u>	<u>8,118,446</u>	<u>-</u>
Total General Long-Term Debt			<u>\$ 639,480,944</u>	<u>\$ 9,720,717</u>	<u>\$ 13,076,892</u>	<u>\$ -</u>

Due Fiscal Year 2014-2015		Amount Outstanding 6-30-15	Due Fiscal Year 2015 - 2016		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 1,000,000	\$ 90,000	\$ 1,000,000	\$ 1,000,000	\$ 40,000	\$ -
4,000,000	330,000	4,000,000	4,000,000	170,000	-
400,000	427,250	9,300,000	400,000	411,250	8,900,000
1,050,000	1,254,000	26,740,000	1,050,000	1,217,250	25,690,000
5,580,597	2,082,594	37,205,272	5,512,615	1,859,371	31,692,657
3,215,000	729,125	12,975,000	3,225,000	667,125	9,750,000
-	1,480,630	34,020,000	-	1,480,630	34,020,000
3,905,000	2,673,650	57,845,000	3,870,000	2,538,150	53,975,000
2,920,000	2,122,119	44,810,000	2,915,000	1,976,119	41,895,000
2,230,000	1,685,790	42,405,000	2,235,000	1,991,925	40,170,000
1,924,868	-	24,733,493	1,924,868	-	22,808,625
<u>26,225,465</u>	<u>12,875,158</u>	<u>295,033,765</u>	<u>26,132,483</u>	<u>12,351,820</u>	<u>268,901,282</u>
3,095,000	2,483,806	49,470,000	3,095,000	2,348,956	46,375,000
3,190,000	2,237,375	54,210,000	3,190,000	2,141,675	51,020,000
3,745,000	4,752,288	104,975,000	3,750,000	4,602,488	101,225,000
627,031	-	15,371,822	627,031	-	14,744,791
<u>10,657,031</u>	<u>9,473,469</u>	<u>224,026,822</u>	<u>10,662,031</u>	<u>9,093,119</u>	<u>213,364,791</u>
1,828,897	217,804	21,213,474	1,416,768	159,131	19,796,706
12,485,928	9,691,273	245,240,296	12,078,799	9,252,250	233,161,497
4,448,760	-	7,569,339	4,571,568	-	2,997,771
16,591,240	-	-	-	-	-
3,645,608	-	51,038,152	-	-	51,038,152
<u>37,171,536</u>	<u>9,691,273</u>	<u>303,847,787</u>	<u>16,650,367</u>	<u>9,252,250</u>	<u>287,197,420</u>
<u>\$ 63,397,001</u>	<u>\$ 22,566,431</u>	<u>\$ 598,881,552</u>	<u>\$ 42,782,850</u>	<u>\$ 21,604,070</u>	<u>\$ 556,098,702</u>

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2015 (continued)

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-14	Issued During Year	Adjusted During Year	Defeased During Year
Proprietary Debt						
Enterprise Fund:						
Refunding, Series 2009	3.00%-4.75%	12/1/02	\$ 1,304,131	\$ -	\$ -	\$ -
Enterprise Revolving Loan	2.22%	7/1/10	2,500,357	-	-	-
Enterprise Revolving Loan II	2.22%	7/1/10	10,112,507	-	-	-
Revenue Bonds Refunding, Series 2012	2.49%	08/23/12	10,190,000	-	-	-
Unamortized Bond Premium			664,865	-	-	-
Total Enterprise Fund Bonded Debt			<u>24,771,860</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earned Vacation Pay			104,381	-	56,801	-
Net Pension Liability (LGERS)			243,153	-	-	-
Total Proprietary Debt			<u>\$ 25,119,394</u>	<u>\$ -</u>	<u>\$ 56,801</u>	<u>\$ -</u>
Total General Long-Term and Proprietary Debt			<u>\$ 664,600,338</u>	<u>\$ 9,720,717</u>	<u>\$ 13,133,693</u>	<u>\$ -</u>

Due Fiscal Year 2014-2015		Amount Outstanding 6-30-15	Due Fiscal Year 2015-2016		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 699,403	\$ 59,106	\$ 604,728	\$ 572,385	\$ 31,170	\$ 32,343
138,910	55,507	2,361,447	138,909	52,424	2,222,538
532,237	224,497	9,580,270	532,237	212,682	9,048,033
670,000	253,731	9,520,000	690,000	237,048	8,830,000
100,275	-	564,590	100,275	-	464,315
<u>2,140,825</u>	<u>592,841</u>	<u>22,631,035</u>	<u>2,033,806</u>	<u>533,324</u>	<u>20,597,229</u>
63,936	-	97,246	64,598	-	32,648
243,153	-	-	-	-	-
<u>\$ 2,447,914</u>	<u>\$ 592,841</u>	<u>\$ 22,728,281</u>	<u>\$ 2,098,404</u>	<u>\$ 533,324</u>	<u>\$ 20,629,877</u>
<u>\$ 65,844,915</u>	<u>\$ 23,159,272</u>	<u>\$ 621,609,833</u>	<u>\$ 44,881,254</u>	<u>\$ 22,137,394</u>	<u>\$ 576,728,579</u>

DURHAM COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy Year Ended June 30, 2015

Property Valuations	
Real property	\$ 25,730,862,172
Personal property	3,462,350,676
Public service	510,732,429
DMV-registered vehicles	<u>2,032,233,042</u>
Total subject to tax	<u>\$ 31,736,178,319</u>
Real property/personal property/corporate excess levy	\$ 376,410,814
DMV -registered vehicles levy	<u>26,028,078</u>
Gross Levy	\$ 402,438,892
Abatements/discoveries	<u>373,436</u>
Net Levy	402,812,328
Uncollected at June 30, 2015	<u>1,567,655</u>
Current year taxes collected	<u>\$ 401,244,673</u>
Percent of current taxes collected	<u>99.61%</u>

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

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable By Fund
Year Ended June 30, 2015**

Year of Levy	Uncollected Balance July 1, 2014	Current Year Gross Levy	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2015
2014	\$ -	\$ 402,438,892	\$ 401,244,673	\$ 373,436	\$ 1,567,655
2013	2,564,474	-	1,273,755	(568,576)	722,143
2012	1,059,720	-	212,358	(403,358)	444,004
2011	340,459	-	96,744	(52,104)	191,611
2010	557,356	-	81,992	(5,364)	470,000
2009	209,782	-	15,231	(1,017)	193,534
2008 and prior	399,071	-	23,286	(15,066)	360,719
	<u>\$ 5,130,862</u>	<u>\$ 402,438,892</u>	<u>\$ 402,948,039</u>	<u>\$ (672,049)</u>	<u>3,949,666</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(50,236)</u>
Ad valorem taxes receivable (net)					<u>\$ 3,899,430</u>
Receivable by fund, net:					
General Fund			\$ 2,156,275		
Capital financing			<u>242,264</u>		
General Fund					2,398,539
City of Durham			1,497,620		
City of Chapel Hill			2,518		
City of Raleigh			<u>753</u>		
Agency funds					<u>1,500,891</u>
					<u>\$ 3,899,430</u>

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

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable by Levy Year
Year Ended June 30, 2015**

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 402,438,892	\$ 401,244,673	\$ 373,436	\$ 1,567,655
2013-2014	2,564,474	-	1,273,755	(568,576)	722,143
2012-2013	1,059,720	-	212,358	(403,358)	444,004
2011-2012	340,459	-	96,744	(52,104)	191,611
2010-2011	557,356	-	81,992	(5,364)	470,000
2009-2010	209,782	-	15,231	(1,017)	193,534
2008 and prior	399,071	-	23,286	(15,066)	360,719
	<u>\$ 5,130,862</u>	<u>\$ 402,438,892</u>	<u>\$ 402,948,039</u>	<u>\$ (672,049)</u>	<u>3,949,666</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(50,236)</u>
Ad valorem taxes receivable (net)					<u>\$ 3,899,430</u>
Reconcilement with revenues:					
Taxes - ad valorem - governmental funds					\$ 252,772,689
Taxes - ad valorem - agency funds					<u>150,175,350</u>
Total collections and credits					<u>\$ 402,948,039</u>

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

STATISTICAL SECTION
(TAB)

FINANCIAL TRENDS INFORMATON

Schedule of Net Position by Component

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

Schedule of Changes in Net Position

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

Schedule of Fund Balances, Governmental Funds

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

Schedule of Changes in Fund Balances of Governmental Funds

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

Government-wide Expenses by Function

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

Government-wide Revenues

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

General Government Expenditures by Function

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

General Government Revenues by Source

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

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DURHAM COUNTY, NORTH CAROLINA

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 63,614,759	\$ 80,186,886	\$ 126,736,015	\$ 50,531,593	\$ 34,361,023	\$ 70,418,094	\$ 20,244,058	\$ 7,789,264	\$ 20,701,314	\$ 34,987,961
Restricted	130,208,539	110,473,407	148,287,555	268,604,489	176,971,865	122,052,513	95,772,487	81,325,452	52,415,572	57,772,872
Unrestricted	(98,865,832)	(82,503,842)	(134,159,338)	(197,614,990)	(141,958,766)	(159,248,940)	(109,675,884)	(94,227,528)	(69,263,012)	(44,425,284)
Total governmental activities net position	<u>\$ 94,957,466</u>	<u>\$ 108,156,451</u>	<u>\$ 140,864,232</u>	<u>\$ 121,521,092</u>	<u>\$ 69,374,122</u>	<u>\$ 33,221,667</u>	<u>\$ 6,340,661</u>	<u>\$ (5,112,812)</u>	<u>\$ 3,853,874</u>	<u>\$ 48,335,549</u>
Business-type activities										
Net investment in capital assets	\$ 24,680,549	\$ 27,357,125	\$ 28,475,844	\$ 31,884,317	\$ 34,304,997	\$ 37,969,224	\$ 46,827,067	\$ 44,714,405	\$ 47,154,452	\$ 49,473,281
Restricted	963,121	2,180,110	6,217,552	6,263,697	6,303,037	7,635,822	8,650,213	6,232,518	7,854,486	5,781,893
Unrestricted	10,636,796	10,104,513	8,481,270	8,850,009	10,980,746	13,012,822	15,010,061	19,318,687	21,724,599	25,993,181
Total business-type activities net position	<u>\$ 36,280,466</u>	<u>\$ 39,641,748</u>	<u>\$ 43,174,666</u>	<u>\$ 46,998,023</u>	<u>\$ 51,588,780</u>	<u>\$ 58,617,868</u>	<u>\$ 70,487,341</u>	<u>\$ 70,265,610</u>	<u>\$ 76,733,537</u>	<u>\$ 81,248,355</u>
Primary government										
Net investment in capital assets	\$ 88,295,308	\$ 107,544,011	\$ 155,211,859	\$ 82,415,910	\$ 68,666,020	\$ 108,387,318	\$ 67,071,125	\$ 52,503,669	\$ 67,855,766	\$ 84,461,242
Restricted	131,171,660	112,653,517	154,505,107	274,868,186	183,274,902	129,688,335	104,422,700	87,557,970	60,270,058	63,554,765
Unrestricted	(88,229,036)	(72,399,329)	(125,678,068)	(188,764,981)	(130,978,020)	(146,236,118)	(94,665,823)	(74,908,841)	(47,538,413)	(18,432,103)
Total primary government net position	<u>\$ 131,237,932</u>	<u>\$ 147,798,199</u>	<u>\$ 184,038,898</u>	<u>\$ 168,519,115</u>	<u>\$ 120,962,902</u>	<u>\$ 91,839,535</u>	<u>\$ 76,828,002</u>	<u>\$ 65,152,798</u>	<u>\$ 80,587,411</u>	<u>\$ 129,583,904</u>

DURHAM COUNTY, NORTH CAROLINA

**Changes in Net Position
Last Ten Fiscal Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 28,142,742	\$ 61,082,121	\$ 53,369,519	\$ 47,393,464	\$ 12,365,748	\$ 45,989,651	\$ 50,482,000	\$ 57,034,487	\$ 55,772,804	\$ 57,622,575
Public safety	52,182,047	49,069,987	51,025,747	52,889,080	55,255,454	53,964,797	54,806,448	57,767,228	61,569,018	63,834,548
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	309,017
Economic and physical development	3,246,027	10,262,137	4,483,362	6,746,267	28,751,080	5,272,311	4,616,413	4,916,125	5,490,387	4,773,955
Environmental protection	2,817,714	3,022,401	3,261,121	3,800,698	2,456,029	3,542,985	3,694,850	3,632,359	3,657,826	3,860,175
Human services	344,328,289	371,034,045	405,376,336	437,677,600	108,607,392	109,093,936	115,743,251	88,141,193	85,440,041	87,852,834
Education	105,485,526	106,234,157	117,349,760	143,520,618	176,005,516	185,533,592	159,834,958	151,919,349	148,666,331	137,832,688
Cultural and recreational	11,569,884	12,136,121	10,909,020	11,998,176	25,220,574	12,510,214	12,075,639	11,688,669	12,671,110	12,240,868
Nondepartmental	15,342,913	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	11,422,405	15,535,909	14,218,611	14,785,542	11,499,010	17,368,443	17,226,788	19,814,600	22,953,477	20,880,870
Total governmental activities	574,550,047	628,389,378	660,005,976	718,823,945	420,173,303	433,288,429	418,492,847	394,926,510	396,233,494	389,207,530
Business-type activities:										
Sewer utility	4,210,944	5,124,493	5,870,964	5,277,448	5,061,620	5,356,000	5,563,907	5,761,082	6,387,907	7,187,975
Total primary government expenses	578,760,991	633,513,871	665,876,940	724,101,393	425,234,923	438,644,429	424,056,754	400,687,592	402,621,401	396,395,505
Program Revenues										
Governmental activities:										
Charges for services:										
General government	8,427,778	8,787,807	9,670,581	8,052,809	8,835,568	8,399,578	9,276,517	9,250,904	9,710,327	13,672,364
Public safety	7,958,685	9,458,116	9,205,688	(272,050)	7,062,164	6,608,128	7,873,528	8,376,150	8,861,551	11,029,058
Economic and physical development	10,588	5,956	15,523	25,867	47,284	21,352	13,564	24,524	18,654	68,673
Environmental protection	7,183,222	2,858,342	2,652,468	2,279,440	2,464,213	2,228,883	2,095,494	2,441,809	2,898,313	2,862,153
Human services	27,649,080	4,470,817	6,478,384	4,895,166	4,804,562	4,890,085	4,580,101	4,750,608	4,354,144	5,359,752
Cultural and recreational	260,841	289,708	233,515	236,530	234,076	270,157	284,754	298,180	299,711	473,764
Operating grants and contributions:										
General government	2,590,512	2,505,275	2,240,883	1,795,706	3,160,839	3,524,446	3,349,194	2,807,583	4,464,142	4,683,445
Public safety	3,231,746	4,262,803	2,604,222	4,970,328	5,445,725	4,522,824	4,544,100	4,483,911	4,549,651	4,789,575
Economic and physical development	440,969	551,745	711,079	1,685,798	1,453,149	1,086,038	857,200	732,984	588,110	618,300
Environmental protection	-	-	10,476	45,221	45,083	41,268	103,703	62,078	52,678	193,511
Human services	275,404,044	328,749,307	352,332,661	390,413,674	69,803,505	66,461,771	70,908,533	44,706,570	40,084,357	46,346,963
Cultural and recreational	386,952	297,356	263,204	362,201	322,150	268,013	246,509	223,253	266,690	240,335
Capital grants and contributions:										
General government	-	45,271	113,804	5,319,847	1,000,000	6,079,370	1,213,509	1,044,849	1,123,462	1,639,435
Public safety	-	-	-	-	-	-	-	257,499	1,341,125	655,147
Environmental protection	335,000	419,511	500,000	501,087	250,691	1,390,353	3,191,675	-	-	233,750
Education	2,565,712	8,083,680	26,352,299	13,481,375	1,063,268	1,086,766	172,946	102,473	1,469,322	907,707
Cultural and recreational	-	-	-	-	-	-	-	96,181	-	-
Total governmental activities program revenues	336,445,129	370,785,694	413,384,787	433,792,999	105,992,277	106,879,032	108,711,327	79,659,556	80,082,237	93,773,932
Business-type activities:										
Charges for services: sewer utility	7,650,033	7,848,710	8,333,612	8,595,153	9,563,353	10,594,336	11,181,310	11,748,514	12,007,107	11,243,175
Capital grants and contributions: sewer utility	159,600	-	126,416	164,857	32,330	1,784,691	6,260,051	471,600	780,802	600,000
Total business-type activities program revenues	7,809,633	7,848,710	8,460,028	8,760,010	9,595,683	12,379,027	17,441,361	12,220,114	12,787,909	11,843,175
Total primary government program revenues	344,254,762	378,634,404	421,844,815	442,553,009	115,587,960	119,258,059	126,152,688	91,879,670	92,870,146	105,617,107

DURHAM COUNTY, NORTH CAROLINA

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental activities	\$ (238,104,918)	\$ (257,603,684)	\$ (246,621,189)	\$ (285,030,946)	\$ (314,181,026)	\$ (326,409,397)	\$ (309,781,520)	\$ (315,266,954)	\$ (316,151,257)	\$ (295,433,598)
Business-type activities	3,598,689	2,724,217	2,589,064	3,482,562	4,534,063	7,023,027	11,877,454	6,459,032	6,400,002	4,655,200
Total primary government net expense	<u>(234,506,229)</u>	<u>(254,879,467)</u>	<u>(244,032,125)</u>	<u>(281,548,384)</u>	<u>(309,646,963)</u>	<u>(319,386,370)</u>	<u>(297,904,066)</u>	<u>(308,807,922)</u>	<u>(309,751,255)</u>	<u>(290,778,398)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	174,904,779	180,257,334	197,270,197	204,580,914	208,903,551	222,573,221	224,187,284	229,853,877	244,922,483	252,758,385
Property taxes, levied for fire districts	3,985,570	4,067,755	4,857,931	5,461,784	5,664,512	5,669,812	5,803,682	6,064,378	6,661,282	7,482,408
Property taxes, levied for other districts purposes	327,758	323,940	671,192	656,807	714,072	723,815	713,502	739,049	736,793	754,365
Local option sales tax	49,624,207	55,347,250	56,069,488	47,108,208	41,675,831	44,546,245	51,371,060	59,047,561	61,414,402	70,484,647
Occupancy tax	2,210,411	2,466,816	2,640,307	2,211,214	1,932,872	2,116,103	2,246,761	2,436,586	2,592,696	3,014,169
Animal tax	443,996	437,639	405,546	938,241	907,395	1,184,766	915,504	540,618	(1,277,314)	-
Gross receipts tax	199,465	204,714	220,678	230,687	329,430	333,207	345,126	347,226	406,605	410,964
Vehicle registration tax	-	-	-	-	-	-	-	-	-	296,517
Investment and interest income	10,141,571	13,321,460	7,650,534	3,123,327	3,216,562	7,335,369	9,886,557	1,977,962	5,086,255	13,472,042
Other revenues	12,923,685	14,127,991	813,880	1,096,491	1,047,400	5,774,404	8,604,913	4,709,427	4,574,741	1,300,117
Amortization of bond premium	202,273	247,770	251,141	280,133	-	-	-	-	-	-
Total governmental activities	<u>254,963,715</u>	<u>270,802,669</u>	<u>270,850,894</u>	<u>265,687,806</u>	<u>264,391,625</u>	<u>290,256,942</u>	<u>304,074,389</u>	<u>305,716,684</u>	<u>325,117,943</u>	<u>349,973,614</u>
Business-type activities:										
Investment and interest income	611,070	603,131	847,304	306,961	52,902	5,121	(7,981)	29,074	42,036	16,054
Other revenues	2,940	100	62,716	-	3,792	940	-	493	25,889	-
Amortization of bond premium	33,834	33,834	33,834	33,834	-	-	-	-	-	-
Total business-type activities	<u>647,844</u>	<u>637,065</u>	<u>943,854</u>	<u>340,795</u>	<u>56,694</u>	<u>6,061</u>	<u>(7,981)</u>	<u>29,567</u>	<u>67,925</u>	<u>16,054</u>
Total primary government	<u>255,611,559</u>	<u>271,439,734</u>	<u>271,794,748</u>	<u>266,028,601</u>	<u>264,448,319</u>	<u>290,263,003</u>	<u>304,066,408</u>	<u>305,746,251</u>	<u>325,185,868</u>	<u>349,989,668</u>
Change in Net Position										
Government activities	16,858,797	13,198,985	24,229,705	(19,343,140)	(49,789,401)	(36,152,455)	(5,707,131)	(9,550,270)	8,966,686	54,540,016
Business-type activities	4,246,533	3,361,282	3,532,918	3,823,357	4,590,757	7,029,088	11,869,473	6,488,599	6,467,927	4,671,254
Total primary government	<u>\$ 21,105,330</u>	<u>\$ 16,560,267</u>	<u>\$ 27,762,623</u>	<u>\$ (15,519,783)</u>	<u>\$ (45,198,644)</u>	<u>\$ (29,123,367)</u>	<u>\$ 6,162,342</u>	<u>\$ (3,061,671)</u>	<u>\$ 15,434,613</u>	<u>\$ 59,211,270</u>

Notes:

- (1) Investment and rental income were combined and reported until Fiscal Year 2007. Therefore, the amounts in "Investments" for Fiscal Years 2005 and 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
	Nondspendable	Restricted	Committed	Assigned	Unassigned	Total	Nondspendable	Restricted	Committed	Assigned	Unassigned	Total	Total
2015	\$ 995,989	\$ 34,787,668	\$ 66,909,089	\$ 11,521,144	\$ 57,461,506	\$ 171,675,396	\$ -	\$ 7,438,733	\$ -	\$ 36,197,068	\$ -	\$ 43,635,801	\$ 215,311,197
2014	1,015,631	30,579,201	59,573,800	13,961,475	42,228,729	147,358,836	5,000	3,720,664	-	45,814,049	-	49,539,713	196,898,549
2013	1,002,364	30,539,412	51,109,294	16,348,230	35,630,010	134,629,310	-	10,529,068	-	56,003,778	(232,519)	66,300,327	200,929,637
2012	1,055,346	30,431,788	47,694,892	11,612,648	45,477,059	136,271,733	-	21,048,123	-	46,976,875	-	68,024,998	204,296,731
2011	869,092	25,392,181	33,904,565	8,148,653	49,205,996	117,520,487	-	33,189,054	-	51,139,509	-	84,328,563	201,849,050
2010	810,373	27,702,979	26,675,483	6,203,505	40,241,722	101,634,062	-	41,636,490	-	76,976,301	-	118,612,791	220,246,853
2009	790,316	27,353,153	18,151,896	7,592,000	38,300,379	92,187,744	33,922	82,039,274	-	93,713,294	-	175,786,490	267,974,234
2008	802,015	32,479,932	12,053,302	17,548,466	32,229,265	95,112,980	-	20,341,463	-	98,329,236	-	118,670,699	213,783,679
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

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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 231,888,087	\$ 243,726,551	\$ 262,694,951	\$ 259,542,906	\$ 260,158,664	\$ 277,130,082	\$ 285,218,594	\$ 299,126,290	\$ 317,692,860	\$ 336,011,104
Licenses and permits	5,312,774	880,944	1,049,599	744,881	688,093	703,439	794,976	826,580	1,357,467	1,119,886
Intergovernmental	97,702,568	126,958,857	132,739,075	129,353,073	82,439,834	84,463,129	84,587,369	54,163,701	54,190,412	61,652,361
Investments	10,073,093	12,776,308	7,764,319	3,039,158	5,021,717	3,617,037	2,543,564	4,637,119	4,600,076	4,233,162
Rent	-	1,985,592	2,088,862	607,818	507,071	555,648	591,285	824,104	1,077,167	1,058,153
Charges for services	44,676,761	21,906,991	23,815,640	20,891,632	22,062,286	21,226,569	22,667,005	23,350,074	23,450,422	31,092,863
Other revenues	12,923,685	14,127,991	659,642	943,020	753,316	5,519,764	8,282,993	4,372,836	4,563,275	1,300,117
Total revenues	402,576,968	422,363,234	430,812,088	415,122,488	371,630,981	393,215,668	404,685,786	387,300,704	406,931,679	436,467,646
Expenditures										
General government	25,873,688	53,083,781	40,055,970	43,642,897	47,288,312	85,546,409	74,378,948	69,537,969	51,067,380	54,099,981
Public safety	45,997,598	48,084,025	49,037,837	51,260,744	51,139,790	52,050,280	53,832,256	56,386,531	60,700,087	64,652,305
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	309,017
Economic and physical development	2,725,118	3,250,610	4,468,630	6,726,068	5,378,982	5,158,399	4,606,868	4,914,778	5,479,543	4,841,896
Environmental protection	2,821,303	2,991,804	10,742,700	8,853,660	30,505,276	26,494,114	20,700,688	20,301,762	13,469,306	5,771,300
Human services	158,201,370	156,237,699	172,690,598	162,360,553	107,552,239	108,524,800	109,066,287	91,592,879	85,339,186	89,516,898
Education	89,560,342	96,175,984	135,475,191	154,707,374	143,481,659	185,338,838	159,632,934	151,717,325	148,464,307	137,630,665
Cultural and recreational	8,188,661	9,894,487	11,508,607	14,618,455	20,714,654	13,687,066	12,032,600	11,454,684	12,348,532	12,197,724
Nondepartmental	15,342,913	-	-	-	-	-	-	-	-	-
Capital projects	37,337,665	23,050,573	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	23,163,537	25,140,527	25,249,056	27,266,955	25,431,125	53,158,145	109,738,119	34,520,922	34,261,816	36,159,495
Interest and fiscal charges	12,771,432	14,362,230	13,257,396	14,376,279	16,568,325	16,477,835	17,434,904	19,468,651	23,354,161	22,573,434
Debt issuance costs	-	123,167	83,939	1,546,769	994,584	1,060,066	1,115,755	818,130	644,769	23,000
Amortization of lease discount	1,150,000	1,150,000	1,150,000	-	-	-	-	-	-	-
Total expenditures	423,146,127	433,557,387	463,732,424	485,372,254	449,067,446	547,508,452	562,551,859	460,726,131	435,141,587	427,775,715
Excess of revenues over (under) expenditures	(20,569,159)	(11,194,153)	(32,920,336)	(70,249,766)	(77,436,465)	(154,292,784)	(157,866,073)	(73,425,427)	(28,209,908)	8,691,931
Other Financing Sources (Uses)										
Transfers in	43,462,928	49,535,192	54,831,910	50,509,388	52,852,625	52,214,136	114,501,549	61,645,051	73,181,182	76,982,606
Transfers out	(43,462,928)	(49,493,211)	(54,677,672)	(50,349,388)	(52,558,541)	(51,959,497)	(114,179,629)	(61,308,460)	(73,169,716)	(76,982,606)
Costs on issuance of debt	(1,000)	-	-	-	-	-	-	-	-	-
Premium on issuance of debt	982,737	-	404,574	1,207,038	-	3,738,451	7,299,951	-	-	-
Issuance of bonds	60,605,000	-	46,190,000	-	-	60,000,000	49,105,000	-	-	-
Premium on issuance of refinancing	-	-	-	-	-	-	-	-	7,025,669	-
Issuance of refunding bonds	-	-	-	-	49,171,920	71,955,824	73,276,601	125,002,399	44,635,000	-
Payment to refunded debt escrow agent	-	-	-	-	(48,776,331)	(71,425,002)	(72,630,409)	(124,462,399)	(51,200,000)	-
Issuance of installment purchases	5,830,000	2,160,000	1,700,000	123,073,283	29,019,411	71,371,069	102,940,691	66,114,555	23,706,685	9,720,717
Total other financing sources (uses)	67,416,737	2,201,981	48,448,812	124,440,321	29,709,084	135,894,981	160,313,754	66,991,146	24,178,820	9,720,717
Net change in fund balances	\$ 46,847,578	\$ (8,992,172)	\$ 15,528,476	\$ 54,190,555	\$ (47,727,381)	\$ (18,397,803)	\$ 2,447,681	\$ (6,434,281)	\$ (4,031,088)	\$ 18,412,648

Debt service as a percentage of noncapital expenditures	9.20%	9.75%	9.69%	9.80%	9.95%	15.00%	24.92%	13.08%	14.02%	14.11%
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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.
- (4) As of Fiscal Year 2014, the County reports the premium on the issuance of refunding bonds in a separate line item. Prior to fiscal year 2014 they were included in the "issuance of refunding bonds" with the new refunding debt issued.

DURHAM COUNTY, NORTH CAROLINA

Government-wide Expenses by Function Last Ten Fiscal Years

Fiscal Year Ended	General Government	Public Safety	Transportation	Economic and Physical Development	Environmental Protection	Human Services
2006	\$ 28,142,742	\$ 52,182,047	\$ 12,500	\$ 3,246,027	\$ 2,817,714	\$ 344,328,289
2007	61,082,121	49,069,987	12,500	10,262,137	3,022,401	371,034,045
2008	53,369,519	51,025,747	12,500	4,483,362	3,261,121	405,376,336
2009	47,393,464	52,889,080	12,500	6,746,267	3,800,698	437,677,600
2010	12,365,748	55,255,454	12,500	28,751,080	2,456,029	108,607,392
2011	45,989,651	53,964,797	12,500	5,272,311	3,542,985	109,093,936
2012	50,482,000	54,806,448	12,500	4,616,413	3,694,850	115,743,251
2013	57,034,487	57,767,228	12,500	4,916,125	3,632,359	88,141,193
2014	55,772,804	61,569,018	12,500	5,490,387	3,657,826	85,440,041
2015	57,622,575	63,834,548	309,017	4,773,955	3,860,175	87,852,834

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
\$ 105,485,526	\$ 11,569,884	\$ 15,342,913	\$ 11,422,405	\$ 4,210,944	\$ 578,760,991
106,234,157	12,136,121	-	15,535,909	5,124,493	633,513,871
117,349,760	10,909,020	-	14,218,611	5,870,964	665,876,940
143,520,618	11,998,176	-	14,785,542	5,277,448	724,101,393
176,005,516	25,220,574	-	11,499,010	5,061,620	425,234,923
185,533,592	12,510,214	-	17,368,443	5,356,000	438,644,429
159,834,958	12,075,639	-	17,226,788	5,563,907	424,056,754
151,919,349	11,688,669	-	19,814,600	5,761,082	400,687,592
148,666,331	12,671,110	-	22,953,477	6,387,907	402,621,401
137,832,688	12,240,868	-	20,880,870	7,187,975	396,395,505

DURHAM COUNTY, NORTH CAROLINA

Government-wide Revenues Last Ten Fiscal Years

Fiscal Year Ended	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment and Rental Income
2006	\$ 59,140,227	\$ 282,054,223	\$ 3,060,312	\$ 231,696,186	\$ 10,752,641
2007	33,719,456	336,366,486	6,204,903	243,105,448	-
2008	36,589,771	358,162,525	27,092,519	262,135,339	-
2009	23,812,915	399,272,928	19,467,166	261,187,855	-
2010	33,011,220	80,230,451	2,346,289	260,127,663	-
2011	33,012,519	75,904,360	10,341,180	277,147,169	-
2012	35,305,268	80,009,239	10,838,181	285,582,919	-
2013	36,890,689	53,016,379	1,972,602	299,029,295	-
2014	38,149,807	50,005,628	4,714,711	315,456,947	-
2015	44,708,939	56,872,129	4,036,039	335,201,455	-

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	Other Revenues	Amortization of Bond Premium	Total
\$ -	\$ 12,926,625	\$ 236,107	\$ 599,866,321
13,924,591	14,128,091	281,604	647,730,579
8,497,838	876,596	284,975	693,639,563
3,430,288	1,096,491	313,967	708,581,610
3,269,464	1,051,192	-	380,036,279
7,340,490	5,775,344	-	409,521,062
9,878,576	8,604,913	-	430,219,096
2,007,036	4,709,920	-	397,625,921
5,128,291	4,600,630	-	418,056,014
13,488,096	1,300,117	-	455,606,775

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
2006	\$ 25,873,688	\$ 45,997,598	\$ 12,500	\$ 2,821,303	\$ 89,560,342	\$ 158,201,370
2007	53,083,781	48,084,025	12,500	2,991,804	96,175,984	156,237,699
2008	40,055,970	49,037,837	12,500	10,742,700	135,475,191	172,690,598
2009	43,642,897	51,260,744	12,500	8,853,660	154,707,374	162,360,553
2010	47,288,312	51,139,790	12,500	30,505,276	143,481,659	107,552,239
2011	85,546,409	52,050,280	12,500	26,494,114	185,338,838	108,524,800
2012	74,378,948	53,832,256	12,500	20,700,688	159,632,934	109,066,287
2013	69,537,969	56,386,531	12,500	20,301,762	151,717,325	91,592,879
2014	51,067,380	60,700,087	12,500	13,469,306	148,464,307	85,339,186
2015	54,099,981	64,652,305	309,017	5,771,300	137,630,665	89,516,898

Notes:

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

Economic and Physical Development	Non- Departmental Charges	Cultural and Recreational	General Debt Service	Capital Projects	Total
\$ 2,725,118	\$ 15,342,913	\$ 8,188,661	\$ 37,084,969	\$ 37,337,665	\$ 423,146,127
3,250,610	-	9,894,487	40,775,924	23,050,573	433,557,387
4,468,630	-	11,508,607	39,740,391	-	463,732,424
6,726,068	-	14,618,455	43,190,003	-	485,372,254
5,378,982	-	20,714,654	42,994,034	-	449,067,446
5,158,399	-	13,687,066	70,696,046	-	547,508,452
4,606,868	-	12,032,600	128,288,778	-	562,551,859
4,914,778	-	11,454,684	54,807,703	-	460,726,131
5,479,543	-	12,348,532	58,260,746	-	435,141,587
4,841,896	-	12,197,724	58,755,929	-	427,775,715

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
2006	\$ 175,025,932	\$ 56,862,155	\$ 5,312,774	\$ 97,702,568
2007	180,787,796	62,938,755	880,944	126,958,857
2008	197,270,197	65,424,754	1,049,599	132,739,075
2009	203,361,955	56,180,951	744,881	129,353,073
2010	209,175,709	50,982,955	688,093	82,439,834
2011	223,069,172	54,060,910	703,439	84,463,129
2012	223,996,640	61,221,954	794,976	84,587,369
2013	236,671,981	62,454,309	826,580	54,163,701
2014	253,158,020	64,534,840	1,357,467	54,190,412
2015	261,746,652	74,264,452	1,119,886	61,652,361

Notes:

- (1) General government revenues include all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.
- (2) 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
\$ -	\$ 10,073,095	\$ 44,676,760	\$ 12,923,685	\$ 402,576,969
1,985,592	12,776,308	21,906,991	14,127,991	422,363,234
2,088,862	7,764,319	23,815,640	659,642	430,812,088
607,818	3,039,158	20,891,632	943,020	415,122,488
507,071	5,021,717	22,062,286	753,316	371,630,981
555,648	3,617,037	21,226,569	5,519,764	393,215,668
591,285	2,543,564	22,667,005	8,282,993	404,685,786
824,104	4,637,119	23,350,074	4,372,836	387,300,704
1,077,167	4,600,076	23,450,422	4,563,275	406,931,679
1,058,153	4,233,162	31,092,863	1,300,117	436,467,646

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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, 2015
Current Year and Nine Years Ago**

Taxpayer	Fiscal Year 2015			Fiscal Year 2006		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
GlaxoSmithKline	\$350,547,835	1	1.11%	\$582,333,643	1	2.74%
AW North Carolina Inc	320,581,925	2	1.01%	216,864,869	3	1.02%
Cree, Inc	314,729,615	3	0.99%	210,957,826	4	0.99%
IBM Corporation	301,481,023	4	0.95%	540,306,892	2	2.54%
International Business Machine	261,198,906	5	0.83%			
Merck Sharp & Dohme Corp	246,229,825	6	0.78%			
Duke Energy Corp	216,575,643	7	0.68%	170,016,249	6	0.80%
EMC Corporation	182,375,517	8	0.58%			
Southpoint Mall LLC	171,969,004	9	0.54%	82,926,624	9	0.39%
Highwoods/Forsyth Limited Part	106,397,876	10	0.34%	100,592,617	7	0.47%
Verizon South Inc	-		-	199,482,382	5	0.94%
State Street Bank & Trust	-		-	83,584,221	8	0.39%
Vac Ltd Partnership	-		-	<u>66,579,533</u>	10	<u>0.31%</u>
	<u>\$2,472,087,169</u>		<u>7.81%</u>	<u>\$2,253,644,856</u>		<u>10.59%</u>

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year	Real Property	Personal Property	Public Service Companies	Registered Vehicles	Total	County Direct Tax Rate³	Special Tax Districts Tax Rate³	Average County Tax Rate³
2006	\$ 16,769,216,308	\$ 2,465,434,636	\$ 515,456,602	\$ 1,530,608,393	\$ 21,280,715,939	0.8090	0.0570-0.2500	0.7990
2007	17,319,467,597	2,518,003,626	517,286,245	1,680,614,666	22,035,372,134	0.8090	0.0570-0.2500	0.8765
2008	18,068,249,108	2,837,548,386	514,897,106	1,715,889,532	23,136,584,132	0.8340	0.0570-0.2500	0.9190
2009	23,508,752,957	2,824,338,529	517,202,960	1,690,561,506	28,540,855,952	0.7081	0.0570-0.2500	0.7981
2010	23,976,021,000	2,905,267,206	524,524,630	1,627,078,510	29,032,891,346	0.7081	0.0570-0.2500	0.8359
2011	24,353,954,146	3,074,419,178	501,907,483	1,530,317,547	29,460,598,354	0.7459	0.0599-0.2500	0.7981
2012	24,580,465,174	3,166,306,877	471,720,126	1,623,871,164	29,842,363,341	0.7459	0.0599-0.2500	0.7745
2013	24,909,554,030	3,304,053,564	494,110,311	1,739,032,299	30,446,750,204	0.7444	0.0599-0.1524	0.7734
2014	25,254,108,336	3,300,458,222	489,915,862	2,980,521,352	32,025,003,772	0.7744	0.0600-0.1518	0.8047
2015	25,730,862,172	2,462,350,676	510,732,429	2,032,233,042	30,736,178,319	0.7744	0.0799-0.1514	0.8073

Notes:

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

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year	Taxes Levied for the Fiscal Year			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
2006	\$ 268,261,053	\$ 7,235,630	\$ 275,496,683	\$ 271,744,257	98.64%	\$ 3,528,401	\$ 275,272,658	99.92%
2007	279,649,301	9,638,188	289,287,489	285,179,105	98.58%	3,097,327	288,276,432	99.65%
2008	300,961,051	16,452,438	317,413,489	313,396,710	98.73%	2,984,489	316,381,199	99.67%
2009	331,748,220	5,476,495	337,224,715	331,357,242	98.26%	4,796,649	336,153,891	99.68%
2010	329,213,965	13,906,211	343,120,176	338,558,945	98.67%	3,839,537	342,398,482	99.79%
2011	358,766,287	4,398,601	363,164,888	358,623,043	98.75%	2,953,608	361,576,651	99.56%
2012	353,038,243	3,837,833	356,876,076	352,704,112	98.83%	3,051,031	355,755,143	99.69%
2013	360,277,056	7,885,151	368,162,207	364,152,559	98.91%	2,669,340	366,821,899	99.64%
2014	387,365,732	267,700	387,633,332	385,068,858	99.34%	1,273,755	386,342,613	99.67%
2015	402,438,892	373,436	402,812,328	401,244,673	99.61%	-	401,244,673	99.61%

Notes:

(1) Amounts included above for fiscal years 2004 through 2011 represent taxes in the General Fund, the Special Tax District Funds and the Agency Funds.

(2) Amounts included above for fiscal year 2012 represent taxes in the General Fund and the Agency Funds.

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	Durham County	Fire Tax Districts					
		Bethesda	Lebanon	Parkwood	Redwood	Eno	New Hope
2006	\$174,366,392	\$1,005,133	\$ 711,260	\$ 1,123,278	\$ 581,169	\$ 16,126	\$ 38,913
2007	180,373,799	1,005,468	735,683	1,124,990	593,633	16,905	42,190
2008	198,126,081	1,412,365	945,480	1,126,263	672,045	17,304	43,986
2009	205,500,231	1,563,641	1,078,805	1,399,989	744,154	23,125	52,735
2010	209,323,910	1,602,205	1,071,167	1,472,700	738,849	23,983	44,825
2011	223,648,890	1,502,509	1,070,918	1,550,213	728,283	24,035	57,296
2012	224,310,246	1,603,344	1,073,640	1,461,650	766,788	24,336	74,677
2013	229,802,881	1,760,488	1,075,946	1,522,095	764,284	24,325	76,341
2014	234,323,543	2,220,189	1,033,842	1,546,613	733,673	30,882	82,004
2015	236,807,235	4,945	1,034,889	1,544,137	864,854	85,484	29,930

Notes

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

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

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

Bahama	Special Park District	Butner Safety District	City of Durham	City of Raleigh	Town of Chapel Hill	Town of Morrisville	Total Tax Levies
\$ 495,685	\$ 312,622	\$ 15,152	\$ 95,880,460	\$ 249,910	\$ 1,458,824	\$ -	\$ 276,254,924
545,082	306,857	16,189	102,559,123	323,866	1,512,542	-	289,156,326
696,347	657,705	16,203	110,402,329	351,249	2,946,132	-	317,413,489
662,490	666,263	20,319	122,039,098	419,553	3,054,312	-	337,224,715
714,101	722,154	17,585	124,304,979	452,134	2,631,582	-	343,120,175
749,909	709,205	17,631	12,983,774	485,766	2,636,459	-	246,164,888
806,759	696,499	17,059	129,390,469	550,646	2,614,275	10,440	363,400,828
854,020	746,927	315	135,132,373	595,878	2,619,338	11,738	374,986,949
802,114	735,854	3	132,998,548	623,283	2,689,258	16,747	377,836,553
1,341,389	760,735	-	136,753,317	679,966	2,675,644	46,487	382,629,012

DURHAM COUNTY, NORTH CAROLINA

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

(rate per \$100 of assessed value)

	2006	2007	2008 ²	2009	2010	2011	2012	2013	2014	2015
County direct rate										
Operating rate	\$ 0.7144	\$ 0.7536	\$ 0.7801	\$ 0.6594	\$ 0.6604	\$ 0.6911	\$ 0.6865	\$ 0.6850	\$ 0.6850	\$ 0.6951
Capital rate	0.0946	0.0554	0.0539	0.0487	0.0477	0.0548	0.0594	0.0594	0.0894	0.0980
Total general fund direct rate	0.8090	0.8090	0.8340	0.7081	0.7081	0.7459	0.7459	0.7444	0.7744	0.7931
Fire district rates	0.0570-0.1100	0.0570-0.1100	0.0570-0.1150	0.0570-0.1100	0.0570-0.1100	0.0599-0.1100	0.0599-0.1125	0.0599-0.1150	0.0600-0.1300	0.0799-0.1386
Other special district rates	0.1287-0.2500	0.1287-0.2500	0.1474-0.2500	0.1461-0.2500	0.1461-0.2500	0.1460-0.2500	0.1474-0.2500	0.1374-0.1524	0.1518-0.1668	0.1514-0.1729
Municipality Rates										
City of Durham	0.5830	0.6030	0.6180	0.5400	0.5400	0.5519	0.5575	0.5675	0.5675	0.5912
City of Durham BID	-	-	-	-	-	-	-	0.6375	0.6375	0.6612
Town of Chapel Hill	0.5220	0.5220	0.5220	0.5810	0.4940	0.4940	0.4940	0.4940	0.5140	0.5240
City of Raleigh	0.3950	0.4350	0.4350	0.3735	0.3735	0.3735	0.3735	0.3826	0.3826	0.4038
Town of Morrisville	-	-	-	-	-	-	0.3665	0.3665	0.3900	0.3900

Notes:

- (1) All taxable property is subject to the County direct rate. Most property in unincorporated areas is also subject to one of the seven fire district taxes.
- (2) A revaluation of real property is required by N. C. General Statutes at least every eight years. Revaluation of taxable property occurred on January 1, 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
2006	249,654 (1)	\$ 21,280,715,939	\$ 1,702,457,275	\$ 265,660,004
2007	254,902 (1)	22,035,372,134	1,762,829,771	247,445,003
2008	261,206 (1)	23,136,584,132	1,850,926,731	275,570,001
2009	265,670 (1)	28,540,855,952	2,283,268,476	255,335,000
2010	267,849 (1)	29,032,891,346	2,322,631,308	233,930,000
2011	272,156 (1)	29,460,598,354	2,356,847,868	272,680,000
2012	275,960 (1)	29,842,363,341	2,387,389,067	298,585,000
2013	277,588 (1)	30,446,750,204	2,435,740,016	273,900,000
2014	284,437 (1)	32,025,003,772	2,562,000,302	295,905,000
2015	290,874 (1)	31,736,178,319	2,538,894,266	270,905,000

NOTE:

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

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Taxable Property Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ 265,660,004	1.2	1,041
247,445,003	1.1	950
275,570,001	1.2	1,037
255,335,000	0.89	961
233,930,000	0.81	873
272,680,000	0.93	1,002
298,585,000	1.00	1,082
273,900,000	0.90	987
295,905,000	0.92	1,040
270,905,000	0.85	931

DURHAM COUNTY, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Years**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assessed Value of Property	\$ 21,280,715,939	\$ 22,035,372,134	\$ 23,136,584,132	\$ 28,540,855,952	\$ 29,032,891,346
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,702,457,275	1,762,829,771	1,850,926,731	2,283,268,476	2,322,631,308
Amount of Debt Applicable to Limit General Obligation Bonds	<u>265,660,003</u>	<u>247,445,003</u>	<u>275,570,002</u>	<u>255,335,002</u>	<u>233,930,000</u>
Total net debt applicable to limit	<u>265,660,003</u>	<u>247,445,003</u>	<u>275,570,002</u>	<u>255,335,002</u>	<u>233,930,000</u>
Legal Debt Margin	<u>\$ 1,436,797,272</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>
Total net debt applicable to limit as a percentage of debt limit	<u>15.60%</u>	<u>14.04%</u>	<u>14.89%</u>	<u>11.18%</u>	<u>10.07%</u>

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

Fiscal Year 2011	2012	2013	2014	2015
\$ 29,460,598,354	\$ 29,842,363,341	\$ 30,446,750,204	\$ 32,025,003,772	\$ 31,736,178,319
2,356,847,868	2,387,389,067	2,435,740,016	2,562,000,302	2,538,894,266
<u>272,680,000</u>	<u>298,585,000</u>	<u>273,900,000</u>	<u>295,905,000</u>	<u>270,905,000</u>
<u>272,680,000</u>	<u>298,585,000</u>	<u>273,900,000</u>	<u>295,905,000</u>	<u>270,905,000</u>
<u>\$ 2,084,167,868</u>	<u>\$ 2,088,804,067</u>	<u>\$ 2,161,840,016</u>	<u>\$ 2,266,095,302</u>	<u>\$ 2,267,989,266</u>
<u>11.57%</u>	<u>12.51%</u>	<u>11.25%</u>	<u>11.55%</u>	<u>10.67%</u>

DURHAM COUNTY, NORTH CAROLINA

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2015**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Municipality:			
City of Durham	\$ 211,774,447	100%	\$ 211,774,447
Town of Chapel Hill	25,662,000	0%	-
City of Raleigh	963,955,290	0%	-
Overlapping debt	<u>1,201,391,737</u>		<u>211,774,447</u>
Direct debt	540,274,061		540,274,061
Total direct and overlapping debt	<u><u>\$ 1,741,665,798</u></u>		<u><u>\$ 752,048,508</u></u>

Source: Overlapping debt provided by each municipality.

Note: Percentage of overlap based on assessed property values.

DURHAM COUNTY, NORTH CAROLINA

Ratio of Annual Debt Service for Debt to Total Expenditures - Governmental Funds Last Ten Fiscal Years

Fiscal Year Ended June 30,	Debt Service Expenditures			Total Debt Service Expenditures	Total Governmental Expenditures	Ratio of Total Debt Service to Total Governmental Expenditures
	Principal	Interest and Fiscal Charges	Other Expenditures			
2006	\$ 23,163,537	\$ 12,771,432	\$ 1,150,000	\$ 37,084,969	\$ 423,146,127	8.76%
2007	25,140,527	14,362,230	1,273,167	40,775,924	433,557,387	9.40%
2008	25,249,056	13,257,396	1,233,939	39,740,391	463,732,424	8.57%
2009	27,266,955	14,376,279	1,546,769	43,190,003	485,372,254	8.90%
2010	25,431,125	16,568,325	994,584	42,994,034	449,067,446	9.57%
2011	53,158,145	16,477,835	1,060,066	70,696,046	547,508,452	12.91%
2012	109,738,119	17,434,904	1,115,755	128,288,778	562,551,859	22.80%
2013	34,520,922	19,468,651	818,130	54,807,703	460,726,131	11.90%
2014	34,261,816	23,354,161	644,769	58,260,746	435,141,587	13.39%
2015	36,159,495	22,573,434	23,000	58,755,929	427,775,715	13.74%

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
2006	\$ 265,660,003	1.25%	1,064.11
2007	247,445,003	1.12%	970.75
2008	275,570,002	1.19%	1,054.99
2009	255,335,002	0.89%	961.10
2010	233,930,000	0.82%	873.37
2011	272,680,000	0.93%	1,001.93
2012	298,585,000	1.00%	1,081.99
2013	273,900,000	0.90%	986.71
2014	295,905,000	0.96%	1,040.32
2015	270,905,000	0.85%	931.35

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

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

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

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DURHAM COUNTY, NORTH CAROLINA

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities					Total Governmental Activities
	General Obligation Bonds	Certificates of Participation	Limited Obligation Bonds	Installment Purchases		
2006	\$ 261,832,322	\$ 22,325,000	\$ -	\$ 30,123,804	\$	314,281,126
2007	250,643,354	19,985,000	-	27,018,746		297,647,100
2008	270,784,681	17,525,000	-	23,506,871		311,816,552
2009	251,040,046	132,775,000	-	23,806,105		407,621,151
2010	228,692,055	132,724,828	-	46,985,373		408,402,256
2011	274,834,584	175,502,889	-	41,513,714		491,851,187
2012	309,594,156	146,886,804	67,752,814	17,613,939		541,847,713
2013	293,099,857	55,660,000	189,366,572	43,123,317		581,249,746
2014	321,259,230	52,565,000	182,118,853	13,321,654		569,264,737
2015	295,033,765	49,470,000	174,556,822	21,213,474		540,274,061

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	Refunding Revenue Bonds	State Revolving Loans	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income¹	Per Capita¹
\$ 5,778,015	\$ 21,935,000	\$ -	\$ 27,713,015	\$ 341,994,141	4.35%	1,362.06
5,279,734	20,580,000	-	25,859,734	323,506,834	3.86%	1,235.88
4,785,321	19,155,000	-	23,940,321	335,756,873	3.82%	1,285.41
4,294,956	17,660,000	-	21,954,956	429,576,107	4.51%	1,616.95
4,010,321	16,641,908	-	20,652,229	429,054,485	4.20%	1,601.85
3,671,868	14,926,976	-	18,598,844	510,450,031	4.89%	1,875.58
2,911,318	14,315,087	-	17,226,405	559,074,118	5.49%	2,025.92
2,357,603	11,268,200	13,408,267	27,034,070	608,283,816	5.76%	2,191.32
1,304,131	10,854,865	12,612,864	24,771,860	594,036,597	5.19%	2,088.46
604,728	10,084,590	11,941,717	22,631,035	562,905,096	4.72%	1,935.22

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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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government	216	243	252	248
Public safety	585	590	600	624
Economic and physical development	8	30	33	31
Environmental protection	28	11	13	14
Human services	644	651	677	692
Cultural and recreational	73	90	99	98
Utilities	5	4	6	21
Total	<u>1,559</u>	<u>1,619</u>	<u>1,680</u>	<u>1,728</u>

Source: Durham County Human Resources Department

2010	2011	2012	2013	2014	2015
245	247	253	264	258	263
599	610	616	644	673	696
32	30	30	30	29	32
18	18	16	16	19	20
700	681	700	610	624	628
105	101	105	105	104	106
18	20	21	21	20	20
1,717	1,707	1,741	1,690	1,727	1,765

DURHAM COUNTY, NORTH CAROLINA

Operating Indicators By Function Last Ten Fiscal Years

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Administration										
Registered voters (6)	210,644	201,880	199,756	195,050	182,192	180,403	181,012	156,879	146,097	161,350
Taxable real estate parcels (7)	103,976	104,350	103,757	102,556	86,008	87,245	105,618	104,548	100,427	92,600
Tax bills (7)**	146,193	143,659	377,327	317,556	240,597	237,229	271,331	300,886	267,305	327,282
Human Services										
Adult care home residents served through on-site inspections (8)	994	941	885	875	845	853	826	811	889	886
Persons testing for HIV/STD (9)	37,280	38,482	52,251	43,265	53,584	66,169	65,924	67,765	60,122	62,013
Food assistance individuals (8)	43,745	43,289	49,281	44,238	42,034	34,178	29,727	23,730	22,527	21,706
Education										
Students attending public school (1)	33,626	33,295	32,484	32,671	32,566	32,551	31,938	31,732	32,749	31,981
Public school teachers (2)	2,329	2,318	2,247	2,300	2,245	2,671	2,326	2,368	2,419	2,368
Community college students-average semester (3)	22,341	20,470	22,974	24,416	24,769	25,561	25,810	25,509	25,444	24,849
Community college faculty (3)	333	328	322	337	162	161	150	154	148	139
Community Development and Cultural (5)										
Residential permits issued - new ***	1,426	1,270	1,141	856	997	993	883	1,713	2,153	2,284
Commercial permits issued - new ***	132	135	83	109	93	73	81	209	274	229
Building permits - additional, alterations ***	2,451	2,320	2,362	2,533	2,368	2,212	2,230	1,694	1,705	1,739
Inspections performed	38,481	38,801	31,589	27,635	26,086	26,295	25,183	*	*	*
Environmental Services										
Animal control service calls (10)	12,568	11,859	11,111	15,682	13,911	15,628	18,152	16,213	12,390	12,526
Animals impounded (10)	2,166	3,025	3,361	6,315	6,397	6,921	7,148	6,755	6,684	6,613
Sanitation inspections (9)	6,146	7,243	5,841	7,040	6,876	7,462	6,860	7,606	8,130	8,419
Public Safety										
Detention intake (11)	11,838	11,967	12,350	12,457	12,267	11,926	12,219	12,395	12,456	12,743
Civil processes served (11)	26,407	28,482	35,842	33,181	32,472	35,210	33,727	33,643	32,967	33,174
Pistol permits processed (11)	2,486	1,446	1,715	1,938	1,923	1,726	1,774	1,687	1,051	1,261
Average daily jail population (11)	520	521	560	551	554	582	598	629	597	549
Fire/medical incidents responded to by contracting fire departments (6)	4,544	9,152	11,096	11,870	12,402	11,733	12,344	11,925	10,000	6,239
Durham EMS trips (4)	44,388	32,882	28,337	27,742	26,696	27,405	26,260	25,111	23,132	21,766

* 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government (1)										
Rentable square footage	767,652	767,652	767,652	766,682	733,361	733,361	744,461	726,461	726,461	721,454
Human Services (2)										
Number of centers	2	2	4	4	4	4	4	6	6	6
Education (3)										
Number of schools	54	56	56	56	55	53	53	46	46	46
Number of higher education institutions	4	4	4	4	4	4	4	4	4	5
Community Development and Cultural (4)										
Libraries - branches	7	7	8	8	8	8	8	8	8	9
Volume of library books	694,145	704,947	698,715	704,093	661,687	603,930	565,245	609,544	584,299	514,958
Number of County parks	2	2	2	2	2	2	2	2	2	
Public Safety										
Sheriff - Stations (5)	5	5	5	5	5	5	5	5	5	5
Detention capacity (5)	736	736	736	736	736	736	736	736	736	736
Fire protection - City Stations (6)	16	16	16	16	15	15	15	15	15	14
Fire protection - Volunteer Stations (6)	12	12	12	12	11	11	11	11	11	11
EMS - Stations (7)	12	11	9	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

<u>Fiscal Year Ended June 30,</u>	<u>Building Value of Permits Issued (1)</u>	<u>Assessed Valuation (2)</u>
2006	\$ 833,845,052	\$ 21,280,715,939
2007	908,064,082	22,035,372,939
2008	937,163,464	23,136,584,132
2009	832,707,556	28,540,855,952
2010	854,185,593	29,032,891,346
2011	918,447,009	29,460,598,354
2012	782,358,521	29,842,363,341
2013	912,531,665	30,444,978,195
2014	1,107,015,215	30,796,658,950
2015	1,117,161,089	31,736,178,319

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
2006	249,654	\$ 8,784,739	\$ 37,262	31,719	3.9%
2007	254,902	9,526,901	36,388	31,981	3.8%
2008	261,206	10,204,867	38,923	32,749	5.5%
2009	265,670	10,435,368	39,383	32,854	8.0%
2010	267,849	10,190,008	38,795	32,551	7.8%
2011	271,238	10,567,605	38,654	32,566	8.4%
2012	275,960	11,454,941	40,963	32,671	8.2%
2013	277,588	11,921,155	41,376	32,484	7.6%
2014	284,437	*	*	33,296	5.3%
2015	290,874	*	*	33,626	5.4%

* Information not yet available

- (1) The 2001-2004 and 2009-2014 estimates are from the Durham City/County Planning Department. 2005-2008 estimates are provided by the North Carolina Department of Administration, Division of Management and Budget, Research and Planning Service.
- (2) All personal income data is estimates for the calendar year ended in each fiscal year are provided by Bureau of Analysis.
- (3) All per capita income data is for the calendar year ended in each fiscal year. 2007-2015 is actual per capita income provided by Bureau of Economic Analysis, last update November 20, 2014. 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, 2006-2014 Final Average Daily Membership.
- (5) North Carolina Employment Security Commission.

DURHAM COUNTY, NORTH CAROLINA

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

Employer	2015			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Duke University & Health System	35,998	1	19.01%	29,911	1	16.93%
International Business Machines (IBM)	7,000	2	3.70%	11,527	2	6.53%
Durham Public Schools	4,600	3	2.43%	5,060	4	2.86%
GlaxoSmithKline	3,400	5	1.80%	5,179	3	2.93%
Blue Cross Blue Shield of North Carolina	4,000	4	2.11%			
Durham City Government	2,437	8	1.29%	2,289	7	1.30%
Cree, Inc.	2,600	6	1.37%			
Fidelity Investments	2,400	9	1.27%			
Quintiles Transnational Corp.	2,500	7	1.32%			
Lenovo Group, Ltd.				2,300	6	1.30%
Veterans Affairs (VA) Medical Center	2,162	10	1.14%	2,086	8	1.18%
NORTEL Networks				2,600	5	1.47%
Research Triangle Institute (RTI)				2,003	9	1.13%
Durham County Government				1,737	10	0.98%
	<u>67,097</u>		<u>35.44%</u>	<u>64,692</u>		<u>36.61%</u>

Source: Durham Chamber of Commerce and Bureau of Labor Statistics

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**COMPLIANCE SECTION
(DIVIDER)**

Report of Independent Auditor on the Revenue Bond Covenant Compliance

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

Report on the Schedule

We have audited the accompanying schedule of debt covenant compliance (the "schedule") of Durham County, North Carolina (the "County"), as of and for the year ended June 30, 2015 as defined in the official statement for the Trust Agreement, dated December 1, 2002, with First-Citizens Bank & Trust Company.

Management's Responsibility for the Schedule

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

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the schedule referred to above is presented fairly, in all material respects as, described in the Trust Agreement referred to in the first paragraph, of the County as of and for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2015 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance. 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.

Restricted Use

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Berkant CP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
October 30, 2015

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Debt Covenant Compliance
Year Ended June 30, 2015**

	Enterprise Fund Sewer Utility Fund
Operating revenues	
Charges for services	\$ 9,669,773
Total operating revenues	<u>9,669,773</u>
Operating expenses	
Personnel services	1,659,458
Utilities	537,363
Maintenance and other	2,170,055
Depreciation	2,315,589
Total operating expenses	<u>6,682,465</u>
Operating income (loss)	<u>2,987,308</u>
Add:	
Depreciation expense	<u>2,315,589</u>
Income available for debt service	<u><u>\$ 5,302,897</u></u>
Fiscal year revenue bond debt payments	\$ 923,731
Fiscal year total debt payments	\$ 2,633,391
Senior lien debt service coverage	5.74
Total debt service coverage	2.01
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, Accounting and Financial Systems Manager, under the guidance and direction of Susan F. Tezai, CPA, Deputy Chief Financial Officer.

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

Jessica Brown-Linton, Assistant Chief Financial Officer

Dennis Roberts, Senior Accountant

Sarah Hill, Accountant

Chrystal Thomas, Accountant

Kimerly Mann, Accountant

Kimberly Thompson, Accountant

Tiffany Long, Accountant

