



County of Durham, North Carolina

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE
YEAR
ENDED
JUNE 30

2016



Cover:

Durham County's Greatest Human Capital
"The Employees"

2016 Service Award Recipients

Cover Design:

Larry DeWalt II

DCO Finance Department

&

Dawn D. Dudley

DCO Public Information Department

County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016

**George K. Quick,
Chief Financial Officer**

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

Prepared by the Durham County Finance Department

INTRODUCTORY SECTION

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

FINANCIAL SECTION

<i>Independent Auditors’ Report</i>	1
<i>Management’s Discussion and Analysis</i>	3
<i>Basic Financial Statements:</i>	
<i>Government-wide Financial Statements:</i>	
<i>Statement of Net Position</i>	27
<i>Statement of Activities</i>	28
<i>Fund Financial Statements:</i>	
<i>Balance Sheet – Governmental Funds</i>	29
<i>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position</i>	30
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	31
<i>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities</i>	32
<i>Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund</i>	33
<i>Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Health Trust Fund</i>	36
<i>Statement of Net Position – Proprietary Funds</i>	37
<i>Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds</i>	38
<i>Statement of Cash Flows – Proprietary Funds</i>	39
<i>Statement of Fiduciary Net Position – Fiduciary Funds</i>	40
<i>Statement of Changes in Fiduciary Net Position – Fiduciary Funds</i>	41
<i>Notes to the Basic Financial Statements</i>	43

REQUIRED SUPPLEMENTARY INFORMATION

<i>Law Enforcement Officers’ Special Separation Allowance Schedule of Funding Progress</i>	115
--	-----

	PAGE
<i>Law Enforcement Officers' Special Separation Allowance Notes to Required Schedules</i>	116
<i>Other Postemployment Benefits- Schedule of Funding Progress</i>	117
<i>Other Postemployment Benefits- Schedule of Employer Contributions</i>	118
<i>Other Postemployment Benefits Notes to Required Schedules</i>	119
<i>Schedule of the County's Proportionate Share of Net Pension Liability– Local Government Employees' Retirement System</i>	120
<i>Schedule of the County Contributions - Local Government Employees' Retirement System</i>	121
<i>Schedule of the County's Proportionate Share of Net Pension Asset – Register of Deeds' Supplemental Pension</i>	122
<i>Schedule of the County Contributions – Register of Deeds' Supplemental Pension</i>	123
<i>Schedule of the Proportionate Share of the Net Pension Liability – Firefighters' and Rescue Squad Workers' Pension</i>	124

OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Statements and Schedules:

Major Governmental Fund:

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund 127

Schedule of Expenditures Compared with Project Authorizations – Capital Projects Fund 128

Combining Statements – Private-purpose Trust Funds:

Combining Statement of Fiduciary Net Position – Private-purpose Trust Funds 131

Combining Statement of Changes in Fiduciary Net Position – Private-purpose Trust Funds 132

Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Funds:

Combined Balance Sheet – Nonmajor Governmental Funds 135

Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 136

Combining Balance Sheet – Nonmajor Special Revenue Funds 138

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds 140

	PAGE
<i>Schedules of Revenues, Expenditures and Changes in Fund Balances –</i>	
<i>Budget and Actual:</i>	
<i>Bethesda Fire Tax District Fund</i>	142
<i>Lebanon Fire Tax District Fund</i>	143
<i>Parkwood Fire Tax District Fund</i>	144
<i>Redwood Fire Tax District Fund</i>	145
<i>New Hope Fire Tax District Fund</i>	146
<i>Eno Fire Tax District Fund</i>	147
<i>Bahama Fire Tax District Fund</i>	148
<i>Bethesda Service Tax District Fund</i>	149
<i>Durham County Fire and Rescue Service Tax District Fund</i>	150
<i>Butner Safety Tax District Fund</i>	151
<i>Special Park Tax District Fund</i>	152
<i>Major Business-Type Fund:</i>	
<i>Schedule of Revenues and Expenditures – Budget and Actual</i>	
<i>(Non-GAAP Basis) - Enterprise Fund – Sewer Utility Fund</i>	155
<i>Reconciliation of Modified Accrual Basis to Full Accrual Basis –</i>	
<i>Enterprise Fund - Sewer Utility Fund</i>	156
<i>Schedule of Revenues and Expenditures – Budget and Actual</i>	
<i>(Non-GAAP Basis) - Enterprise Fund –</i>	
<i>Rougemont Community Water System Fund</i>	157
<i>Reconciliation of Modified Accrual Basis to Full Accrual Basis –</i>	
<i>Enterprise Fund - Rougemont Community Water System Fund</i>	158
<i>Fiduciary Funds – Agency Funds:</i>	
<i>Combining Statement of Fiduciary Assets and Liabilities – Agency Funds</i>	160
<i>Combining Statement of Changes in Fiduciary Assets and Liabilities –</i>	
<i>Agency Funds</i>	162
<i>Capital Assets, Long-Term Debt and Other Information:</i>	
<i>Capital Assets Used in the Operation of Governmental Funds:</i>	
<i>Schedule by Function and Activity</i>	166
<i>Schedule of Changes by Function and Activity</i>	170
<i>Gross Bonded Debt and Other Long-Term Debt</i>	172
<i>Analysis of Current Tax Levy</i>	176
<i>Schedule of Ad Valorem Taxes Receivable by Fund</i>	177
<i>Schedule of Ad Valorem Taxes Receivable by Levy Year</i>	178

STATISTICAL SECTION

<i>Net Position by Component – Last Ten Fiscal Years</i>	181
<i>Changes in Net Position – Last Ten Fiscal Years</i>	182
<i>Fund Balances, Governmental Funds – Last Ten Fiscal Years</i>	184
<i>Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years</i>	185

	PAGE
<i>Government-wide Expenses by Function – Last Ten Fiscal Years</i>	186
<i>Government-wide Revenues – Last Ten Fiscal Years</i>	188
<i>General Government Expenditures by Function – Last Ten Fiscal Years</i>	190
<i>General Government Revenues by Source – Last Ten Fiscal Years</i>	192
<i>Principal Property Taxpayers Current and Nine Years Ago</i>	197
<i>Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years</i>	198
<i>Property Tax Levies and Collections – Last Ten Fiscal Years</i>	199
<i>Property Tax Levies – Direct and Overlapping Local Government Jurisdictions – Last Ten Fiscal Years</i>	200
<i>Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years</i>	202
<i>Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt per Capita – Last Ten Fiscal Years</i>	204
<i>Legal Debt Margin Information – Last Ten Fiscal Years</i>	206
<i>Direct and Overlapping Governmental Activities Debt</i>	208
<i>Ratio of Annual Debt Service for Bonded Debt to Total General Governmental Expenditures – Last Ten Fiscal Years</i>	209
<i>Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years</i>	210
<i>Ratios of Outstanding Debt by Type – Last Ten Fiscal Years</i>	212
<i>Full-time Equivalent County Government Employees by Function – Last Ten Fiscal Years</i>	216
<i>Operating Indicators by Function – Last Ten Fiscal Years</i>	218
<i>Capital Asset Statistics by Function – Last Ten Fiscal Years</i>	219
<i>Property Value and Construction – Last Ten Fiscal Years</i>	223
<i>Demographic and Economic Statistics – Last Ten Years</i>	224
<i>Principal Employers Current and Nine Years Ago</i>	225
Compliance Section:	
<i>Covenant Compliance:</i>	
<i>Independent Auditors' Report on the Revenue Bond Covenant Compliance</i>	227
<i>Schedule of Debt Covenant Compliance</i>	229

**INTRODUCTORY SECTION
(TAB)**



Letter of Transmittal

October 27, 2016

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, 2016.

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, 2016 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, 2016 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and North Carolina state law for state funds. Information related to this single audit, including the schedule of financial assistance, findings and questioned costs, and the independent auditors' report on the internal control structure and compliance with applicable laws and regulations are presented in a separate document.

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

Profile of the Government

Durham County, incorporated in 1881, is located in the piedmont part of the state, which is considered to be the top growth area in the State, and one of the top growth areas in the country. Durham County currently occupies a land area of 299 square miles and serves a population of 293,647. Durham County is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

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

The annual budget serves as the foundation for Durham County's financial planning and control. All agencies of Durham County are required to submit requests for appropriation to the county manager on or before March 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 33-36 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. In September 2016, *Smart Asset* recognized Durham as the #2 "Best City to be a Nurse". *Black Enterprise*, March 2016, recognized Durham as the #4 "Top City for Black Women to Launch and Operate a Thriving Business". In December 2015, *Kinston.com* recognized Durham as the 13th "Hottest Cities for 2016" based on job growth, population growth, affordability, livability, and health and well-being for its residents.

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 2015 totaled over \$837 million, with plans to create over 3,250 new jobs in the County. In addition, business expansions announced through the third quarter of calendar year 2016 totaled over \$728 million with plans to create another 2,994 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. *Departures*, September 2016, recognized Durham as a "Destination on the Rise". In June 2016, *Vox Technology* recognized Durham as the #6 "Best Metro Area in the Nation where your Paycheck goes the Furthest", and in April 2016, *NerdWallet* recognized Durham as the #6 "Best City for Women in the Workforce in 2016". January 2016, *Martin Prosperity Institute*, ranked Durham as the #4 "Top Metro for Venture Capital Investment per Capita", and in December 2015 Durham Metro was ranked #9 on the list of "Best Market for Industrial Property Investment" by *Situs RERC Value vs. Price Index*.

Research and Development

Durham is located at the pinnacle of North Carolina's famous Research Triangle Park, formed in 1959 by business leaders, government officials and leaders from Duke University of Durham, North Carolina State University in Raleigh and the University of North Carolina at Chapel Hill. The Research Triangle Park (RTP) consists of 7,000 acres of land, 95% of its corporate enterprises are located in Durham County. In its fifty-fifth year, RTP is the longest-operating research park in the country. RTP is also the nation's largest and most successful research and development-oriented business park. There is more than 200 tenant companies and organizations located in the Park that represent some of the world's largest and most prestigious corporate and government organizations in scientific and technological research. Businesses in the Park employ approximately 40,201 full-time employees and an estimated 6,782 contract employees.

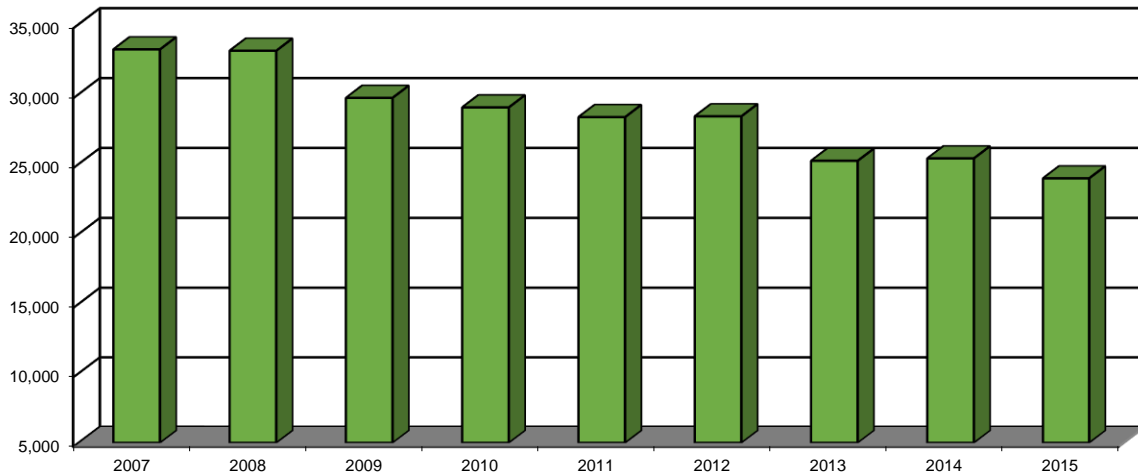
The number of research and development companies in the Park as well as other areas of the County continues to grow. In calendar year 2015, Schulman IRB, an independent institutional review board, announced a new \$329 thousand facility with the creation of 35 new jobs and SilverSky/BAE, a commercial cyber services and compliance provider, invested \$240 thousand in a new facility creating 60 new jobs. In addition to new businesses, current businesses also announced expansions in the Park. Businesses such as Eisai, Cree, United Therapeutics, Fidelity and Premier Research announced expansions in calendar year 2015 with an estimated investment of over \$122 million and over 900 new jobs. Other existing companies, Med-EL, Aurobindo, GI Therapeutics, RTI, Interactive Intelligence, and Peter Millar announced planned expansions through the third quarter of calendar year 2016 with an estimated investment of over \$103 million and the creation of over 700 jobs. In May 2016, a report from *NerdWallet* recognized Durham as the #5 “Best Place for STEM (science, technology, engineering, and math) graduates 2016”.

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 2016, *US News and World Report*, ranked Duke #8 on the list of “Top Colleges in the Nation” and in July 2016, *HBCU Lifestyle*, recognized North Carolina Central University #1 on the list of “Historically Black Colleges and Universities of 2016”.

Health care

The City of Durham is called the City of Medicine because of its vibrant healthcare industry, which includes more than 1,200 medical- and health-related companies that are located in Durham County. There is a wide spectrum of major medical centers in the area, including Duke University Medical Center. In August 2016, *US News & World Report* “Honor Roll List for Hospitals”, ranks them as the 16th best Hospital in the nation with eight specialties ranking in the top 20; the highest being the fifth 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 a decrease in employment from 25,412 in 2014 to 23,982 in 2015. The County experienced a decrease of 1,430 manufacturing jobs in calendar year 2015. Although we experienced a significant decrease of jobs in this sector (4.98%), the local economy continues to rebound with the decreases in the unemployment rates for the Nation, State, and the County. The County will continue to have strong representation in the manufacturing sector with the continuously improving economy.

Telecommunications

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

Quality of Life

Durham is a diverse down-home city, defined by a combination of a growing economy, quality of life, strong community, offering enough to interest big city lovers while maintaining its small town appeal. In December 2015, *Trivago* ranked Durham #31 on its list of "Best Cities to Stay in America". In February 2016, *SmartAsset* recognized Durham as #9 on the list of "10 Cities for Creative People". In addition, Durham boasts nationally acclaimed restaurants. *Mental Floss* named Beyù Caffè "The Best Coffee Shop in North Carolina" and *The Daily Meal* named Duke University the #1 "University for Food in the U.S." in August 2016. In addition, *Grub Hub* recognized Durham as the #1 "City to Order Vegetarian", June 2016. 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 July 2016, *Pollstar*, *Billboard*, and *Venues Today*, recognized the DPAC amongst the "Top 3 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 October 2015, *SmartAsset* recognized Durham Baseball Athletic Park (DBAP) and The Durham Bulls as the #3 “Best Minor League Baseball Towns of 2015”. 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. *Expedia* recognized Durham as #53 on its list of “Most Breathtaking Destinations in the World”, September 2016.

Major Employers

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

Company or Institution
Duke University & Health System
Duke University
International Business Machines (IBM)
Durham Public Schools
Blue Cross Blue Shield of North Carolina
Fidelity Investments
Cree, Inc.
GlaxoSmithKline
Quintiles Transnational Corporation
Durham City Government
Research Triangle Institute (RTI)
Veterans Affairs (VA) Medical Center
AW North Carolina, Inc.
Durham County Government
Merck & Co., Inc
North Carolina Central University
US Environmental Protection Agency (EPA)
Walmart (3)
National Institute of Environmental Health Sciences (NEIHS)

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 2015 were \$837,741,007. Economic development announcements occurring through the third quarter of 2016 amounted to over \$728 million.

Economic Development Statistics

Per Capita Income

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

	2007	2008	2009	2010	2011	2012	2013	2014
Durham MSA	38,923	39,383	40,116	40,597	41,785	40,963	41,376	42,830
Raleigh MSA	38,648	39,580	37,849	39,479	40,631	42,709	43,947	46,636
North Carolina	33,636	34,483	34,719	36,028	36,520	37,910	38,683	39,365
United States	38,564	40,189	39,626	40,163	42,298	45,188	44,765	48,112

Source: Bureau of Economic Analysis

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

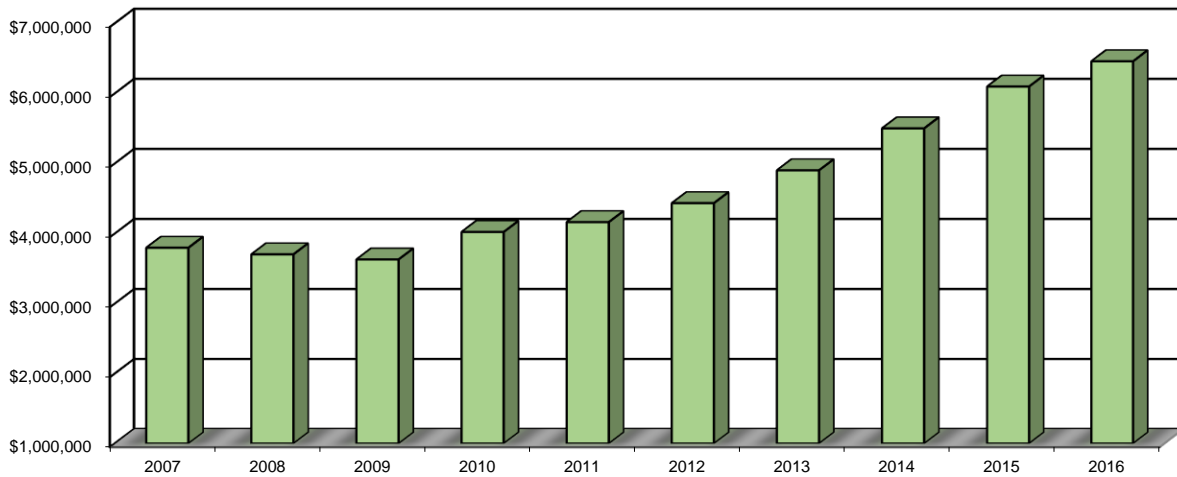
As such, as of fiscal year 2013, the per capital income presented is the calendar year prior to the previous calendar year.

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

Retail Sales

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

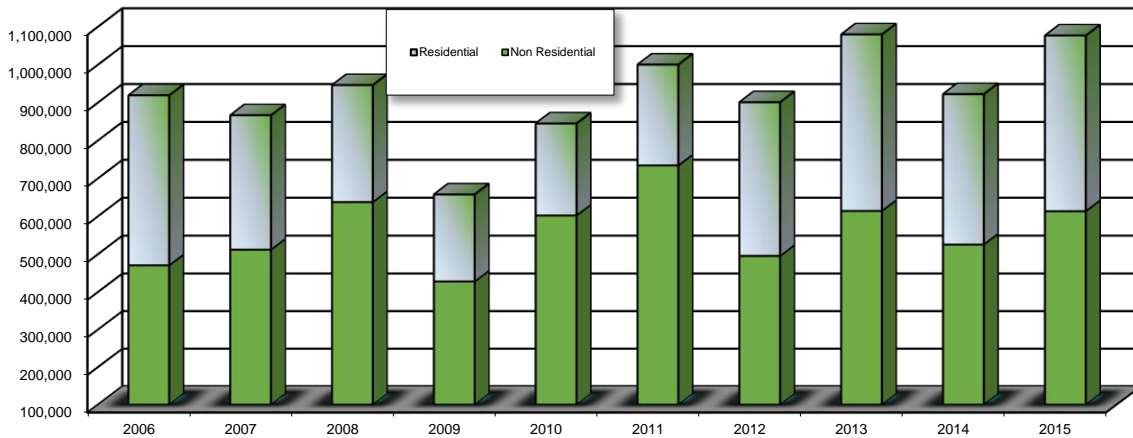
Year Ended June 30,	Total Taxable Sales (000's)	Percent Growth Over Previous Year
2007	\$ 3,796,971	2.36%
2008	3,703,207	-2.50%
2009	3,630,249	-1.97%
2010	4,022,518	10.81%
2011	4,163,246	3.50%
2012	4,434,078	6.51%
2013	4,902,628	10.57%
2014	5,501,325	12.21%
2015	6,097,770	10.84%
2016	6,458,506	5.92%



Since fiscal year 2009 when the economy started to slowly recover, Durham’s retail sales have continued to increase from over \$6.09 billion in fiscal year 2015 to slightly over \$6.45 billion in fiscal year 2016. 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 2016, the total taxable sales reported were over \$6.45 billion, an increase of over \$361 million (5.92 %), 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.

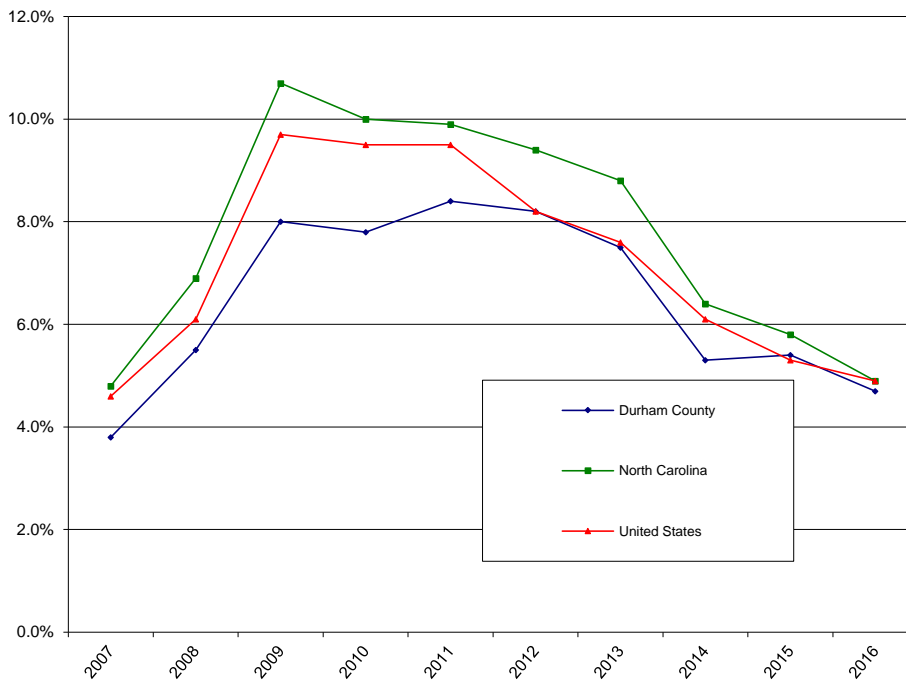


As of June 30, 2016, the total number of occupied dwelling units in Durham County was 121,121. Also, for the first six months of 2016, 1,886 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. From calendar year 2014 to 2015, there was an overall increase in the value of all building permits issued in the County. The increase was in both the value of non-residential construction and residential construction activity. The increase in the value of permits issued as well as increases in the number of permits issued is an indication of the continued economic growth in the County.

Unemployment

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

	Durham County	North Carolina	United States
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%
2016	4.7%	4.9%	4.9%



As of June 2016, the County's unemployment rate was 4.7%, a decrease of .7% from June 2015. The decrease in the County's unemployment rate is a positive indication of continued economic growth. The County's unemployment rate compares favorably to the State's and the Nation's unemployment rates both of which were at 4.9%. The County's primary commitment remains job creation and maintaining a strong economy.

Long-term Financial Planning

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

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

Facility Master Plan

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

Capital Improvement Plan

The County maintains a 10-year Capital Improvement Plan (CIP), which is fully updated every two years. During 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 but are projected in the 10-year plan. Annually, the financing options are reviewed, as well as the projects and their estimated costs.

Accomplishments during the past fiscal year include the completion of the Criminal Justice Resource Multipurpose Room, Criminal Justice Resource Center Water Intrusion Repairs, Urban Ministries Community Shelter Fire Sprinkler Upgrades and the East Main Street Parking Lot ADA Ramp and Stair Installation. Other projects in various stages of design, regulatory approvals and/or construction include the Judicial Building Renovation, Main Library Renovation, Lincoln Community Health Center Phase II Renovation, Downtown Parking Deck and the Public Safety Service Center. It is important to note that the Emergency Medical Services Long Range Space Planning and Analysis and the Update to the Space Needs Analysis and Facility Master Plan were completed and were used as a resource which allowed Durham County to make informed decisions regarding the recently adopted CIP which forecasted 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.

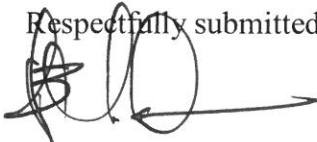
Awards and Acknowledgements

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, 2015. This was the sixteenth 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 M. 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

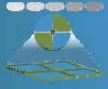
Durham County Administration



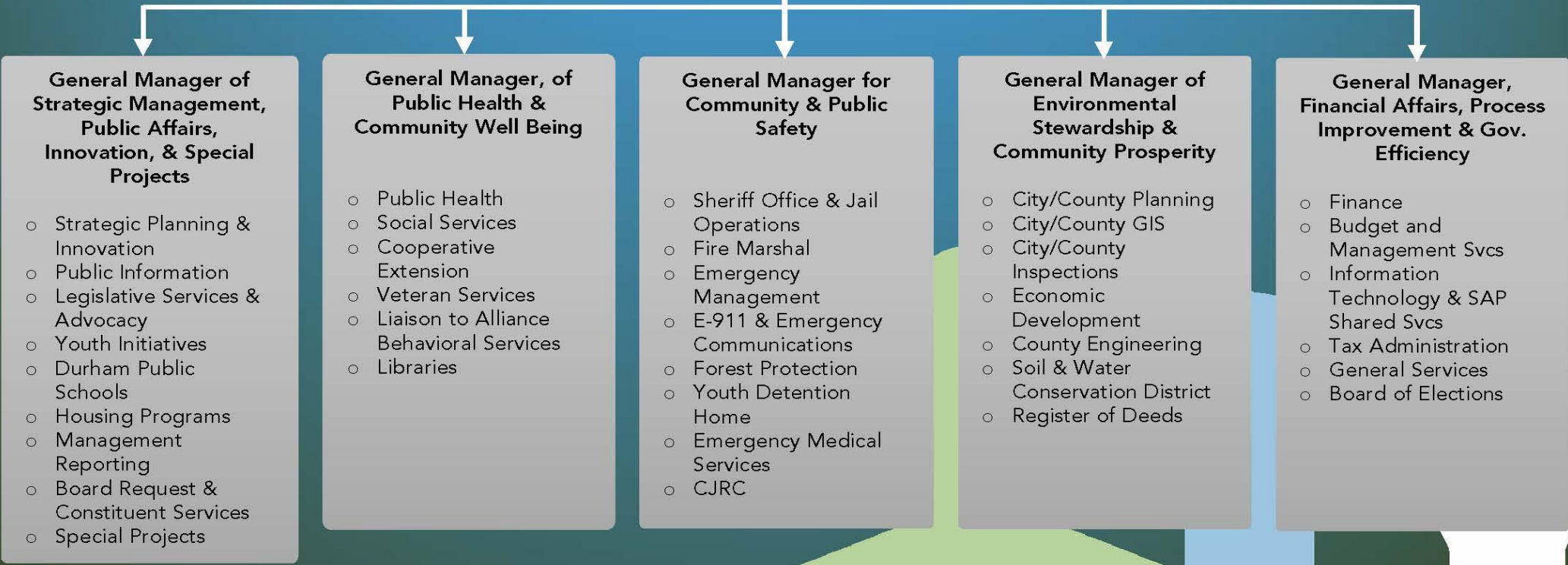
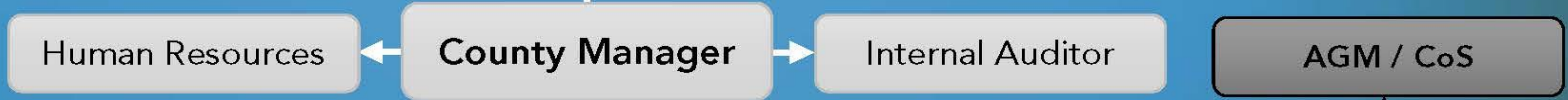
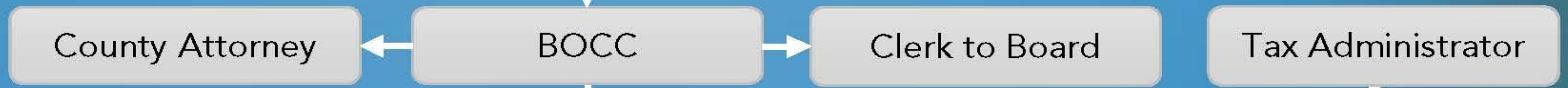
Wendell M. Davis
County Manager



George K. Quick
Chief Financial Officer



CITIZENS





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, 2015

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, 2016 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, 2016, 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 disclosed in Note P of the basic financial statements, the County adopted Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. As a result, net position as of June 30, 2015 of the governmental activities has been restated. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplemental and Other Information

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

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

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2016 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.



Raleigh, North Carolina
October 31, 2016

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, 2016. 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 \$171,407,891 (*net position*). However, of this amount, unrestricted net position has a deficit balance of (\$60,612,445) (*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 \$40,199,996, an increase of 30.64 percent, due to increases in both the governmental activities' net position and the business-type activities' net position of over \$38.07 million and \$2.12 million, respectively.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$226,948,455, an increase of \$10,013,267 in comparison with the prior year. Approximately 19.9 percent of this total amount, or \$45,167,279, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$146,301,297 or 34.15 percent of total general fund expenditures, compared to fiscal year 2015 which was \$138,410,471 or 34.26 percent of total general fund expenditures. The net change in fund balance for fiscal year 2016 was an increase of over \$9.4 million with only a slight decrease in the fund balance available as a percentage of expenditures. The primary reasons for the increases are the revenue collections were 103.02 percent of budget while expenditures were only 94.55 percent of budget. The net change in fund balance decreased by over \$14.8 million in fiscal year 2016 from fiscal year 2015. The primary reasons for the decrease in the net change in fund balance are the decrease in excess of revenues over expenditures of over \$7.8 million, the decrease in transfers in of over \$114 thousand and the increase in transfers out of over \$6.9 million.
- The County's total debt decreased by \$11,823,796 (1.90 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 \$9,550,072 in general obligation bond anticipation notes, the increase in the LGERS pension obligation of \$6,748,264 and the increase in the County's net OPEB obligation of \$4,868,413.
- Durham County continues to maintain its AAA bond rating.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

Following the notes is the required supplementary information.

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include general government, public safety, transportation, economic and physical development, environmental protection, human services, education, cultural and recreational and interest and fiscal charges. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include sewer utility services offered by Durham County and water services for the Rougemont Community 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 27-28 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 29-36 of this report.

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-113 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 115-124 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 127-163 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 \$171,407,891 as of June 30, 2016. 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 \$40,199,996 for the fiscal year ended June 30, 2016. One of the largest portions in the amount of \$174,488,633 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			
	2016	2015	2016	2015	2016	2015
Current and other assets	\$273,612,371	\$273,517,339	\$ 29,802,086	\$ 32,597,730	\$303,414,457	\$306,115,069
Capital assets	403,969,997	402,081,091	74,101,104	71,479,920	478,071,101	473,561,011
Total assets	<u>677,582,368</u>	<u>675,598,430</u>	<u>103,903,190</u>	<u>104,077,650</u>	<u>781,485,558</u>	<u>779,676,080</u>
Total deferred outflows of resource	20,448,481	13,420,065	636,093	717,644	21,084,574	14,137,709
Long-term liabilities outstanding	589,037,454	598,881,552	20,748,583	22,728,281	609,786,037	621,609,833
Other liabilities	16,938,166	20,808,620	349,631	521,686	17,287,797	21,330,306
Total liabilities	<u>605,975,620</u>	<u>619,690,172</u>	<u>21,098,214</u>	<u>23,249,967</u>	<u>627,073,834</u>	<u>642,940,139</u>
Total deferred inflows of resources	4,016,996	20,992,774	71,411	296,972	4,088,407	21,289,746
Net position:						
Net investment in capital assets	120,531,058	34,987,961	53,957,575	49,473,281	174,488,633	84,461,242
Restricted	56,579,115	57,772,872	952,588	5,781,893	57,531,703	63,554,765
Unrestricted	(89,071,940)	(44,425,284)	28,459,495	25,993,181	(60,612,445)	(18,432,103)
Total net position	<u>\$ 88,038,233</u>	<u>\$ 48,335,549</u>	<u>\$ 83,369,658</u>	<u>\$ 81,248,355</u>	<u>\$171,407,891</u>	<u>\$129,583,904</u>

The second portion of the County's net position in the amount of \$57,531,703 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, 2016, the unrestricted net position is a deficit in the amount of (\$60,612,445). The unrestricted deficit is attributable primarily to the general obligation bonds issued by the County for the public schools, Durham Technical Community College and the Museum for Life and Science. Even though the debt has been issued to finance the acquisition, construction and renovation for the public schools, Durham Technical Community College and the Museum of Life and Science, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it is not financing assets owned by the County. Therefore, this debt is reflected within the unrestricted portion of net position rather than as part of the category net investment in capital assets. In addition, as of fiscal year 2008, the unrestricted net position deficit includes pension liabilities for other postemployment benefits per GASB Statements No. 43 and No. 45. Also, as of fiscal year 2011, the restricted net position now includes Stabilization by State Statute per GASB Statement No. 54 which

further increases the unrestricted net position deficit. In addition, as of fiscal year 2015, the County implemented GASB Statements No. 68 and No. 71 reporting the County's proportionate share of the Register of Deeds' Supplemental Pension Fund's net pension asset, Local Government Employees' Retirement System's net pension liability and their respective deferred outflows of resources, deferred inflows of resources and pension expense.

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 (\$89,071,940) 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 \$28,459,495.

DURHAM COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business - type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 34,221,674	\$ 33,465,764	\$ 9,200,098	\$ 11,243,175	\$ 43,421,772	\$ 44,708,939
Operating grants and contributions	57,255,276	56,872,129	-	-	57,255,276	56,872,129
Capital grants and contributions	4,364,682	3,436,039	284,195	600,000	4,648,877	4,036,039
General revenues:						
Taxes	346,840,735	335,201,455	-	-	346,840,735	335,201,455
Investment and interest income	4,684,275	13,472,042	71,355	16,054	4,755,630	13,488,096
Other revenues	953,890	1,300,117	12,841	-	966,731	1,300,117
Total revenues	<u>448,320,532</u>	<u>443,747,546</u>	<u>9,568,489</u>	<u>11,859,229</u>	<u>457,889,021</u>	<u>455,606,775</u>
Expenses:						
General government	60,091,561	57,622,575	-	-	60,091,561	57,622,575
Public safety	69,100,186	63,834,548	-	-	69,100,186	63,834,548
Transportation	205,873	309,017	-	-	205,873	309,017
Economic and physical development	7,343,752	4,773,955	-	-	7,343,752	4,773,955
Environmental Protection	4,303,325	3,860,175	-	-	4,303,325	3,860,175
Human services	92,160,946	87,852,834	-	-	92,160,946	87,852,834
Education	144,524,127	137,832,688	-	-	144,524,127	137,832,688
Cultural and recreational	12,762,810	12,240,868	-	-	12,762,810	12,240,868
Interest and fiscal charges	19,749,259	20,880,870	-	-	19,749,259	20,880,870
Sewer utility	-	-	7,447,186	7,187,975	7,447,186	7,187,975
Total expenses	<u>410,241,839</u>	<u>389,207,530</u>	<u>7,447,186</u>	<u>7,187,975</u>	<u>417,689,025</u>	<u>396,395,505</u>
Increase (decrease) in net position	38,078,693	54,540,016	2,121,303	4,671,254	40,199,996	59,211,270
Net position, beginning, previously reported	48,335,549	3,853,874	81,248,355	76,733,537	129,583,904	80,587,411
Restatement (Note O)	1,623,991	(10,058,341)	-	(156,436)	1,623,991	(10,214,777)
Net position, beginning, restated	<u>49,959,540</u>	<u>(6,204,467)</u>	<u>81,248,355</u>	<u>76,577,101</u>	<u>131,207,895</u>	<u>70,372,634</u>
Net position, ending	<u>\$ 88,038,233</u>	<u>\$ 48,335,549</u>	<u>\$ 83,369,658</u>	<u>\$ 81,248,355</u>	<u>\$ 171,407,891</u>	<u>\$ 129,583,904</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 99.70 percent for the current levy year for governmental activities.
- Planning and management of revenues and expenses through the use of financial models for capital and debt service.
- Continued low cost of bonded debt that is a direct result of the County's high bond rating by the rating agencies of Moody's and Standard and Poor's. The County considers this unique achievement to be a key factor in keeping the interest costs low on the County's outstanding debt.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.
- A multi-year budget forecast (5 years) for the County's general fund and debt service fund.

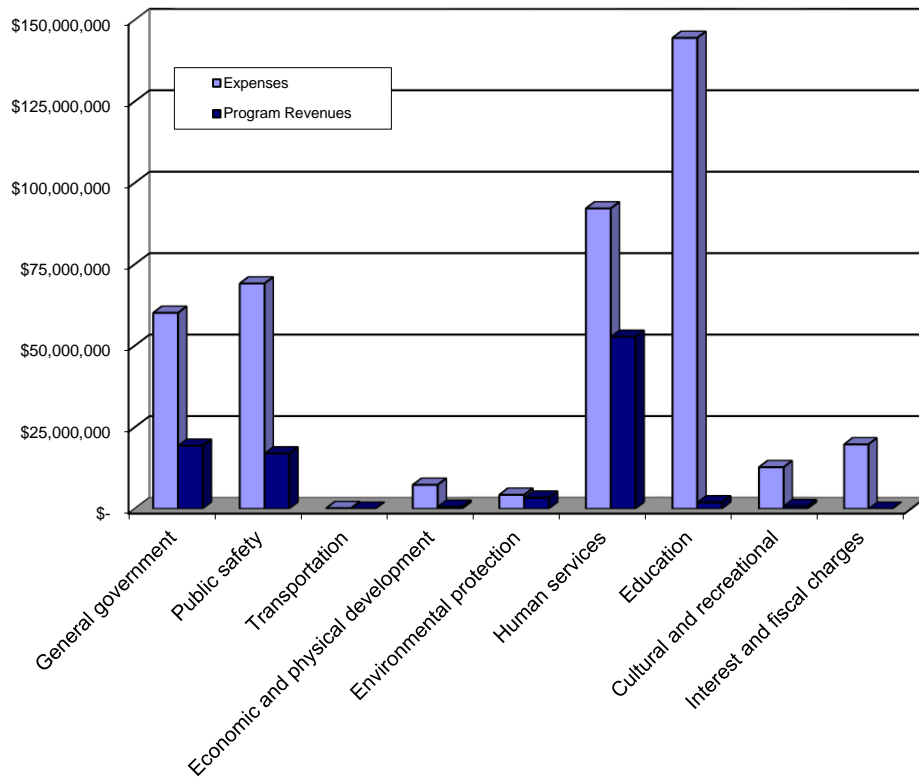
Governmental activities. The governmental activities increased the County's beginning net position by \$38,078,693 or 94.72% of the total increase in the net position of the County. The increase is due primarily because revenues increased in fiscal year 2016 compared to fiscal year 2015 by over \$4.5 million (1.03 percent) while expenses increased by over \$21 million (5.40 percent). This amount is an increase of 76.22 percent of the governmental activities beginning net position. In fiscal year 2016, property taxes levied for general purposes and for fire districts increased by slightly over \$6.69 million (2.65 percent) and \$343 thousand (4.60 percent), respectively. This increase was primarily because of the increased collections for the registered motor vehicles on the North Carolina Vehicle Tax System (NCVTS) also known as the "Tag and Tax Together System" combined with the County's continued collection efforts including participation in the North Carolina Local Government Debt Setoff Clearinghouse Program. In addition, local option sales taxes increased for the sixth consecutive year by over \$3.9 million (5.66 percent) as a result of increased collections. Investments decreased by over \$8.7 million (65.23 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 2016 by slightly over \$439 thousand compared to an increase in value in fiscal year 2015 of over \$4 million combined with a decrease in fair market value of County investments in fiscal year 2016 of slightly over \$255 thousand compared to an increase in fiscal year 2015 in the fair market value of County investments of over \$5 million. Program revenues for charges for services increased by only \$755 thousand (2.26 percent) while operating grants and contributions increased by only \$383 thousand (0.67 percent) combined with an increase in capital grants and contributions of over \$928 thousand (27.03 percent). The slight increases in charges for services and operating grants and contributions was insignificant. Even though the increase in the operating grants and contributions was insignificant, the general government did decrease by over \$1.1 million (25.29 percent) which is a combination of no longer receiving funds from the Managed Care Organization for the loan (e.g., the loan from the County was paid off in fiscal year 2015) and the increase in grant funding of over \$600K and an increase in distributions from the ABC Board. This decrease was offset primarily with

a minor increase in the human services program of over \$1 million (2.31%). The increase in capital grants and contributions in the amount of over \$928 thousand was a combination of a reduction in the value of contributed capital in public safety 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.

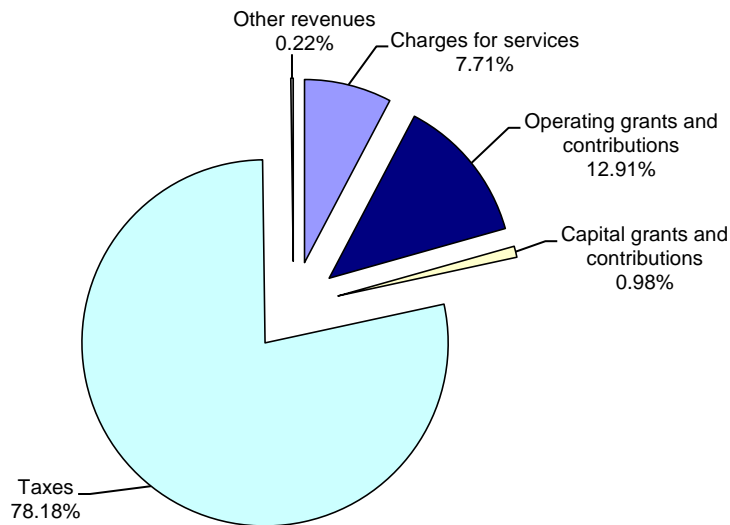
For the most part, increases in governmental activities' expenses closely paralleled inflation and growth in the demand for services. The County's total governmental activities' expenses increased by over \$21 million (5.40 percent). Education expenses increased by over \$6.6 million (4.85 percent) for the most part due to increased operating costs of over \$4.8 million combined with increased construction costs of over \$1.8 million. Public safety expenses increased by over \$5.2 million (8.25 percent) primarily because of increased services in the law enforcement, emergency medical services and County fire protection combined with the increase in pension expense and reduced spending for capital expenses in fiscal year 2016 compared to fiscal year 2015. Human services expenses increased by over \$4.3 million (4.90 percent) due in the most part to an increase in services combined with an increase in pension expense. Economic and physical development increased by over \$2.5 million (53.83 percent) due mainly because of an increase in industrial extension policy payments of over \$1.8 million combined with increased services in soil and water conservation and planning. General government expenses increased by over \$2.4 million (4.28 percent) due to primarily to increased services in information, systems and technology general services, elections and human resources combined with an increase in pension expense and an increase in the capitalization of construction costs in fiscal year 2016 compared to fiscal year 2015. Interest and fiscal charges decreased by over \$1.1 million (5.42 percent) because of reduced interest and fiscal charges paid of over \$1.2 million, increased amortization of bond premium of over \$1 million, increased amortization of loss on refunding of over \$365 thousand and a decrease in the accrued interest payable of over \$233 thousand combined with County contributions for the bond refundings of over \$1 million. In addition, there was a decrease in transportation of over \$103 thousand (33.38 percent) because of reduced 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 \$443 thousand (11.48 percent) and a slight increase in cultural and recreational of over \$521 thousand (4.26 percent).

(The remainder of this page is intentionally left blank)

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

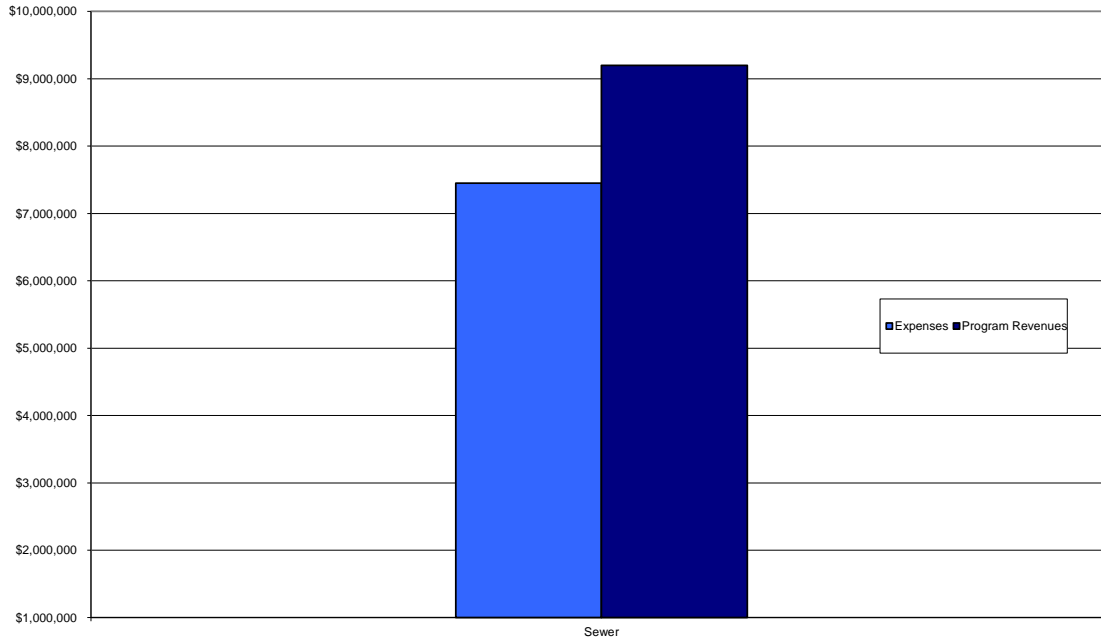


Business-type activities. Business-type activities increased the County's net position by \$2,121,303 accounting for 5.28 percent of the increase of the total growth in the government's net position. Key elements of this are as follows:

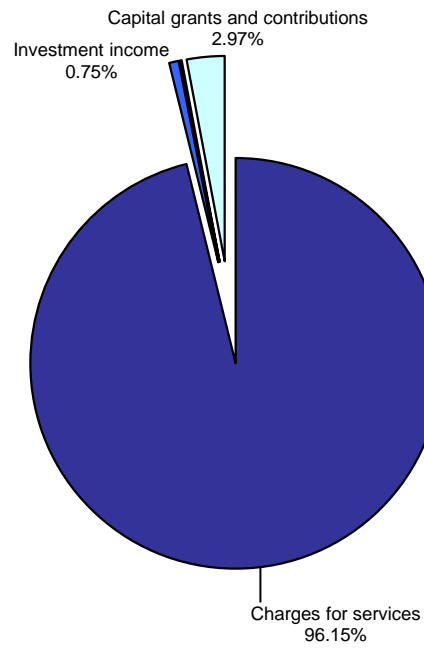
- Expenses increased \$259,211 (3.61 percent) because of increases in operating expenses netted with decreases in interest and fiscal charges. There were no debt issuance costs for fiscal year 2016. Personnel services, utilities and maintenance and other operating expenses decreased in fiscal year 2016 mostly because of decreased services. Depreciation expense increased primarily because it is the first full year of depreciation on the several capital projects that were closed to buildings that were improvements to the waste water treatment plant in fiscal year 2015 combined with depreciation on new capital assets purchased in fiscal year 2016.
- Charges for services decreased by \$2,043,077 (18.17 percent). There was a rate increase of 2.5 percent for all customers, both residential and industrial, effective July 1, 2015 as well as an increase in the capital recovery charges of 1.8 percent. All other sewer utility charges remained the same. Even with the increased rates for 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 in fiscal year 2015, and fiscal year 2016 was the first full fiscal year no sewer services were provided to the Town of Cary.
- Investment and interest income increased by \$55,301 (344.47 percent) primarily because of the increase in the accrued interest receivable at year end combined with a slight increase in annual earnings.
- There was capital contributions (sewer lines) from private developers in fiscal year 2016 of \$284,195 compared to \$600,000 in fiscal year 2015.

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

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the County's Funds

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

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

As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$226,948,455, an increase of \$10,013,267 in comparison with the prior year. Approximately 80.10 percent of this total amount (\$181,781,176) 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 (\$972,635), 2) restricted by revenue source for specific purposes, programs and services (\$2,886,827), or 3) because it is restricted by State Statute (\$41,307,817).

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 \$146,301,297, while total fund balance reached \$182,746,576. 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, 2016, the County has an available fund balance of 34.15 percent of general fund expenditures, while total fund balance represents 42.66 percent of that same amount. The percentage of available fund balance to total general fund expenditures decreased from 34.26 percent for fiscal year 2015 to 34.15 percent for fiscal year 2016, a decrease of 0.11 percent. The net change in fund balance for fiscal 2016 was an increase of over \$9.4 million. The primary reasons for the increases are the revenue collections were 103.02 percent of budget while expenditures were only 94.55 percent of budget.

The fund balance of the County's general fund increased by \$9,447,189 during the current fiscal year. Key factors in the changes are as follows:

- The general fund taxes increased by 3.29 percent or \$10,778,042. This increase is for the most part the result of increased collections in the current year levy collections of \$6,370,619 (2.53 percent) combined with an increase in local option sales tax of \$3,987,147 (5.66 percent) and occupancy tax in the amount of \$495,480 (16.44 percent). The significant increase in current year levy taxes was primarily because of the continued increased collections for the registered motor vehicles on the North Carolina Vehicle Tax System (NCVTS) also known as the "Tag and Tax Together System" combined with the County's continued collection efforts including participation in the North Carolina Debt Setoff Clearinghouse Program. The increase in the local option sales tax was mainly due to increased spending. This is the sixth consecutive year of increased local option sales tax collections which is excellent. The increase in occupancy tax was mainly because of increased visitors to the County during the fiscal year.

- Intergovernmental revenues of the general fund decreased slightly by 3.19 percent or \$1,859,790. The decrease is primarily because of a decrease in human services funding for public health of over \$1.8 million. There was also an increase of funding for social services of over \$923 thousand, a decrease in funding for other intergovernmental revenues of over \$1.2 million, an increase in distribution from the ABC Board of \$200 thousand and an increase in funding for the library of over \$114 thousand.
- Charges for services decreased by an insignificant amount of \$174,984 (0.65 percent). Even though the overall decrease is insignificant, there was a decrease of register of deeds revenues for the year of over \$1.1 million mainly because there was a reclass in fiscal year 2015 from prepaid escrow to revenues as a result of a correction to their month end process. The register of deeds decrease was offset primarily with increases in elections of over \$409 thousand because of it being an election year and slight increases in general government charges of over \$471 thousand and public protection of over \$170 thousand.
- Licenses and permits increased by \$415,205 (37.08 percent) mainly because of a increases in construction permits of \$392,089 (65.66 percent) combined with an increase of \$18,563 (151.97 percent) in other licenses and permits. The increase in other licenses and permits was an increase in gun permits issued during the fiscal year.
- Other revenues decreased by \$346,227 (26.63 percent) primarily because of a decrease in other revenues of over \$411 thousand.
- General government expenditures increased \$2,150,520 (4.46 percent). This is due mainly because of increases in information, systems and technology (\$1,057,994), general services (\$949,629), elections (\$572,592), human resources (\$397,523) and finance (\$290,410) combined with decreases in other general government and the county manager's office in the amounts of \$789,057 and \$440,580, respectively. The increase in information, systems and technology was primarily because of increased operating costs. The increase in general services was mostly because of increased operating costs of almost \$680 thousand, however, there was also an increase in salaries and benefits of almost \$270 thousand. The increase in elections costs was primarily because this is an election year. The human resources and finance increases for the most part were due to increased costs of salaries and benefits. Other general government's decrease was due for the most part because of decreased capital purchases and contracted services. The decrease in the county manager's office was mainly decreased operating costs.
- Public safety increased by \$3,611,494 (5.96 percent). Of this increase, the county jail expenditures increased by over \$1.2 million primarily because of increases in salaries and benefits with slight increases in operating and capital. Emergency medical services increased by over \$849 thousand primarily because of increases in salaries and benefits and operating netted with decreases in capital purchases of over \$583 thousand. The county fire protection increased by over \$613 thousand primarily due to increases in rural fire protection with a slight increase in salaries and benefits for county fire marshal's office. The increase in the sheriff's office of over \$451 thousand was due primarily to increases in salaries and benefits and operations netted with a slight decrease in capital. There were also slight increases in emergency communications center, criminal justice partnership and medical examiner of over \$189 thousand, \$177 thousand and \$75 thousand, respectively.
- Economic and physical development increased by \$2,345,054 (57.50 percent) primarily because of increases in industrial extension which increased by over \$1.8 million (265.32 percent) due to increased payments to enterprises per their performance agreements. In addition, Soil and Water Conservation increased by over \$229 thousand primarily because of increased salaries and benefits

plus over \$50 thousand in capital purchases. Planning increased by over \$211 thousand mainly due to increased services.

- Human services' expenditures increased by \$3,623,737 (4.05 percent). This increase was principally due to the increases in social services of \$1,524,801 (2.57 percent) and public health of \$1,221,429 (5.43 percent) primarily because of increased salaries and benefits combined with slight increases in operating. There was also a slight increase in capital for public health. There was also an increase in mental health in the amount of \$715,213 (11.92 percent) as a result of increased services. There was a slight increase in other human services of over \$162 thousand.
- Education increased by \$4,836,786 (3.82 percent) from the prior fiscal year. Of this increase, Durham Public Schools and Durham Technical Community College received increased funding for operating expenditures of \$4,451,210 and \$393,676, respectively, and other education received a minor decrease in funding of \$8,100.
- Cultural and recreational increased by \$376,495 (3.14 percent) mainly because of decreased salaries and benefits of over \$250 thousand combined with increases in operating of over \$506 thousand and capital costs of over \$31 thousand for the library. There was a slight increase in other cultural and recreational of over \$88 thousand.

The Community Health Trust Fund has a total fund balance of \$6,408,445, 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 \$2,651,942. The decrease in fiscal year 2016 was less than the decrease in fiscal year 2015 by almost \$2.2 million. This was of decreased transfers out of over \$3.3 million combined with decreased investment earnings of over \$1.1 million. The decrease in investment earnings is a result of the reduction of the invested amount due to the transfers out and the market as these funds are managed by investment managers in the market as approved by special legislation.

In fiscal year 2016, the primary revenue activity was the recognition of the annual amount from the lease (\$3,950,000). In addition, there was the recognition of a loss in investment earnings (\$242,341). An operating financing use, transfer out (\$6,359,601) also occurred. The amount transferred was to assist in the funding of health related expenditures in the general fund for emergency management services and public health, 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 2016, 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 2016. Management of these funds is performed by investment managers approved through special legislation, S.L. 1999-101, Senate Bill 653.

The Capital Projects Fund has a total fund balance of \$27,474,990, 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 \$741,621 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 (\$9,550,072) and transfers (\$11,355,555). The fund also recognized intergovernmental revenues (\$4,364,682) and investments (\$67,676). In the expenditures, there was construction activity in the amount of \$23,293,014. In addition, there were other financing uses in the transfer of \$1,303,350. Of this transfer amount, \$1,000,000 was transferred to the debt service fund and \$303,350 was transferred to the general fund. The construction activity was primarily for education, general government, and environmental protection in the amounts of \$13,030,597, \$7,079,160 and \$2,351,981, respectively. The other construction activity occurred in cultural and recreational (\$826,382) and public safety (\$4,894).

The Debt Service Fund has a total fund balance of \$7,371,500, all of which is financing resources to be used for the retirement of the County's general long-term debt other than debt issued for and serviced by proprietary funds. The net increase in fund balance during the current year in the debt service fund was \$1,404,835 due primarily because the revenues and other financing sources was slightly more than the annual retirement of the principal and interest of the County's general long-term debt and other financing uses.

The primary funding activity was the recognition of other financing sources, the issuance of refunding bonds (\$63,930,000), the premium on the issuance of the refinancing (\$13,031,538) and transfers (\$57,428,921). The fund also recognized intergovernmental revenues (\$482,982), charges for services (\$529,721) and investments (\$164,450). In the expenditures, there was principal and interest for the retirement of general long-term debt in the amounts of \$35,596,413 and \$20,599,097, respectively. In addition, there were debt issuance costs for the refunding bonds of \$741,165. The payment to refund the debt was \$77,226,102.

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 \$28,459,480. There was an increase in total net position of \$2,121,288. Other factors concerning the finances of this fund have already been addressed in the discussion of Durham County's business-type activities.

At the end of the fiscal year, unrestricted net position of the Rougemont Community Water System was \$15. This is a new proprietary fund created to account for the water system for the Rougemont Community, a small community in the northern end of the County. The system was expected to be implemented with services being provided in fiscal year 2016. However, the implementation was delayed until September of fiscal year 2017. As such, there was no financial activity as a result of operations for fiscal year 2016.

General Fund Budgetary Highlights

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

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services or initiate new programs where timing is critical. Amendments to the General Fund budget totaled \$20,522,237 and can be summarized briefly as follows:

- \$323,331 in decreases allocated to general administration were largely due to increases to honor commitments from fiscal year 2015 coupled with increases in appropriations primarily for additional self-insured benefits costs, increases for compensation for the implementation of the final phase of the classification and compensation study, increases for the electronic conversion of Register of Deeds' records and increases for maintenance of County facilities.
- \$2,653,363 in increases allocated to public safety were primarily to honor commitments from fiscal year 2015, to appropriate unspent restricted funds in fiscal year 2016, to fund the implementation of the final phase of the classification and compensation study, to appropriate for recognition of new grant awards and for additional self-insured benefit costs. In addition, there was an increase for the Criminal Justice Resource Center for the Governor's Crime Commission Reentry Partnership Program.
- \$967,449 in increases allocated to economic and physical development were primarily to honor commitments from fiscal year 2015, to appropriate unspent restricted funds in fiscal year 2016, for increases in compensation for the implementation of the final phase of the classification and compensation study, to increase appropriations for additional self-insured benefit costs, as well as to increase the appropriation for increased services in cooperative extension due to the receipt of additional grant funding.
- \$897,004 in increases allocated to environmental protection were primarily to honor commitments from fiscal year 2015, for increases in compensation for the implementation of the final phase of the classification and compensation study, to increase appropriations for additional self-insured benefit costs, and to appropriate funding for the purchase of capital.
- \$5,016,603 in increases allocated to human services were primarily because of increases in social services, public health and other human services (Transportation Access). The increases were to honor commitments from fiscal year 2015, to appropriate unspent restricted funds in fiscal year 2016 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 final phase of the classification and compensation study and to recognize additional funding for self-insured benefits costs.
- \$352,978 in increases allocated to cultural and recreational were primarily for the funding of the final phase of the classification and compensation study, to honor commitments from fiscal year 2015, to appropriate unspent restricted funds in fiscal year 2016, to increase appropriations for

additional self-insured benefit costs, and to appropriate for increased services due to the receipt of new grant funding.

- \$1,000,000 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.
- \$1,100,000 in increases in education were primarily for increases in funding operations. Specifically, the operating increase was to support a 1.5 percent salary increase for all Durham Public Schools (DPS) classified employees.
- \$8,211,509 in increases in operating transfers was to support the County's contribution to various capital projects.

Of this net increase, \$1,667,654 was to be funded from intergovernmental revenues, taxes increased \$1,000,000, charges for services increased \$479,325, other revenues increased \$148,750, licenses and permits funding increased \$30,000 and operating transfers in funding increased \$487,434. The remaining \$16,709,074 was to be budgeted from available fund balance. During the year, revenues exceeded budgetary estimates by \$12,597,413 while other financing sources did not exceed budgetary estimates by \$499,835; however, expenditures were far less than budgetary estimates with a positive variance of \$20,923,484, 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, 2016 totals \$478,071,101 (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 \$4,510,090 (0.95 percent). Governmental activities' increased \$1,888,906 (0.47 percent) and business-type activities increased \$2,621,184 (3.67 percent).

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

- Construction continued on the waste water treatment plant land purchase project in the amount of \$4,974,229 and the collection systems rehabilitation in the amount of \$346,011.
- Construction for the Durham Public School Projects continued in fiscal year 2016 in the amount of \$10,337,219. The County did not capitalize this construction activity because the County does not hold title to these properties.
- Construction for the Durham Technical Community College project for campus improvements occurred in fiscal year 2016 in the amount of \$1,939,089. The County did not capitalize this construction activity because the County does not hold title to this property.
- Construction for NCML & Bioquest Projects for the Museum of Life and Science continued in fiscal year 2016 in the amount of \$313,317. The County did not capitalize this construction activity because the County does not hold title to this property.

- Other construction activity for cultural and recreational expenses other than for the Museum occurred in the amount of \$513,064 for the Main Library Upgrade.
- Construction activity for environmental protection occurred in the amount of \$2,351,980 in environmental engineering primarily for the judicial buildings renovation – phase II (\$1,783,819), human services complex (\$330,209) and the Hollow Rock/New Hope (\$195,189). Other activity occurred on the Lincoln Community Health Center (LCHC) phase II renovations, open space and farmland preservation, utility performance and the criminal justice resource center.
- Construction activity for general government occurred in the amount of \$7,079,161. Of this amount the County capitalized \$5,328,173. The remaining amount of \$1,750,988 was not capitalized as the County does not hold title to these properties. Of the construction activity that was capitalized for general government, the major activity was the 12 County IT hardware replacement (\$2,411,186), the Rougemont Community water system (\$1,656,079), the ongoing parking resurfacing (\$515,930), ongoing HVAC replacement (\$234,907), the 16 sheriff technology upgrade (\$116,500), the 13 telecommunications upgrade (\$124,076) and the 16 telecommunications upgrade (\$109,263). Other activity on County owned projects occurred in the major Laserfishe upgrade, ongoing roof replacement, new justice center and the County storage facility. Major activity on projects not owned by the County was the 800 MHz radio system upgrade (\$1,217,222). Other activity occurred on projects not owned by the County in scattered site housing, single family rehabilitation, and the urban ministry sprinkler upgrade.
- Land was purchased for governmental activities in the amount of \$306,147 for governmental activities.
- Major capital asset increases net of disposals occurred in the asset classes of vehicles (\$1,522,724) and machinery and equipment (\$1,102,932) in governmental activities.
- Buildings for governmental activities increased \$484,979 due to the completion of construction on County buildings during the fiscal year.
- There was contributed capital in the amount of \$284,195 for fiscal year 2016 for business-type activities.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental		Business - type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 8,673,131	\$ 8,366,984	\$ 185,226	\$ 185,226	\$ 8,858,357	\$ 8,552,210
Easements	1,857,991	1,862,991	5,000	-	1,862,991	1,862,991
Improvements- water and sewer lines	-	-	13,543,047	13,794,930	13,543,047	13,794,930
Buildings	142,176,515	147,391,599	50,131,834	52,504,269	192,308,349	199,895,868
Office furniture and equipment	951,534	1,365,335	-	-	951,534	1,365,335
Machinery and equipment	2,860,628	2,746,843	249,388	300,384	3,110,016	3,047,227
Computer hardware	163,634	331,715	321	321	163,955	332,036
Computer software	2,222,523	3,612,095	-	-	2,222,523	3,612,095
Vehicles	7,230,713	6,283,335	43,799	72,541	7,274,512	6,355,876
Construction in progress	237,833,328	230,120,194	9,942,489	4,622,249	247,775,817	234,742,443
Total	\$ 403,969,997	\$ 402,081,091	\$ 74,101,104	\$ 71,479,920	\$ 478,071,101	\$ 473,561,011

Additional information on the County's capital assets can be found in Note D on pages 73-75 of this report.

Long-term debt. At the end of the current fiscal year, Durham County had total debt outstanding of \$539,439,361. Of this amount, \$271,894,115 comprises bonded debt backed by the full faith and credit of the government. Also included is \$8,830,000 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 \$218,034,927, installment notes in the amount of \$7,131,737, general obligation bond anticipation notes of \$22,210,610 and other financing agreements in the amount of \$11,337,972. 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			
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 271,397,457	\$ 295,033,765	\$ 496,658	\$ 1,169,318	\$ 271,894,115	\$ 296,203,083
Revenue bonds	-	-	8,830,000	9,520,000	8,830,000	9,520,000
Certificates of participation	218,034,927	224,026,822	-	-	218,034,927	224,026,822
Installment notes payable	29,342,347	21,136,115	-	-	29,342,347	21,136,115
Other financing agreements	67,401	77,359	11,270,571	11,941,717	11,337,972	12,019,076
Total	\$ 518,842,132	\$ 540,274,061	\$ 20,597,229	\$ 22,631,035	\$ 539,439,361	\$ 562,905,096

The County's total debt excluding accrued compensated absences, net OPEB obligation and LGERS pension obligation decreased by \$23,465,735 (4.17 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 \$9,550,072 in general obligation bond anticipation notes. There was a debt refunding that occurred in fiscal year 2016 through the issuance of general obligation bonds; however, they had no significant impact on the carrying value of debt. This is because of the premium that was received on the general obligation bonds refunding.

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 \$2,596,384,013, leaving a legal debt margin of \$2,352,609,013. The net bonded debt per capita is \$830.

Additional information on the County's long-term debt can be found in Note E on pages 76-82 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is 4.7 percent as of June 2016, which is a decrease from a rate of 5.4 percent as of June 2015. The County's unemployment rate is lower than the State's and nation's unemployment rate of 4.9 percent and 4.9 percent, respectively, as of June 2016.
- The construction activity for non-residential and residential construction was over \$1.1 billion for calendar year 2015 compared to over \$922 million for the calendar year 2014.
- The manufacturing sector employment had minor decrease of 5.63 percent (1,430 positions) for calendar year 2015 (23,982) compared to calendar year 2014 (25,412).
- Reported retail sales are reported on total taxable sales based on sales and use tax returns. The total taxable sales for Durham County for 2016 reported were \$6,458,506 compared to \$6,097,770 reported for fiscal year 2015, an increase of \$360,736 (5.92 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 2015 were almost \$838 million, and economic announcements occurring through the third quarter of 2016 amounted to over \$728 million.
- The per capita income for Durham MSA for 2014 is \$42,830, an increase of 3.51 percent over 2013. Raleigh has a per capita income of \$46,636. The per capita for the State increased from 2013 to 2014 to \$39,365, an increase of 1.76 percent, while the per capita for the nation increased to \$48,112, an increase of 7.48 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 2017 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$146,301,297 or 34.15 percent of total general fund expenditures, an increase of \$7,890,826 or 5.70 percent from the previous fiscal year. The County has appropriated \$13,289,584 of this amount for spending in the 2017 fiscal year budget. There was no tax rate increase for the 2017 fiscal year. The County completed a reappraisal that is effective for the 2016 tax year which is levied in the 2017 fiscal year. As a result of the revaluation, overall property valuation increased by 9.71 percent. The tax rate assessed for the 2017 fiscal year is \$0.7404 which is a revenue neutral tax rate. Also, there were various fee adjustments in general fund charges for services for the 2017 fiscal year in the departments of public health and general services. In addition, there were several new charges for services added for the library and public health. Transfers from the special revenue funds are budgeted for the 2017 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2017 fiscal year as a funding source for health related spending.

The sewer rates were increased for the 2017 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, 2016. 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, 2016. The capital recovery charge is fee for existing facility capital reimbursement based on flow allocation to new users. All other sewer utility charges remained the same.

The Rougemont Community Water System water fee schedule and associated ordinances were approved February 8, 2016 for the provision of water to sites with petroleum contaminated private wells in the Rougemont Community which is a small community in the northern part of Durham County. Monthly fees for the water services include usage charges, base facility charges and billing charges. There are other episodic fees related to new connections, including meter installation fees, disconnection fees, reconnection fees, backflow preventer inspection, inspection service charges and service initiation charges. In addition, there is a capital recovery fee for new users for reimbursement of County expenses and are based on flow allocation. The water system began operation on September 1, 2016 in fiscal year 2017. You can visit the County's website at <http://www.dconc.gov/home/rcws> for the fee schedule.

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, 2016

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Assets				
Cash and cash equivalents / investments	\$ 200,155,431	\$ 27,922,434	\$ 228,077,865	\$ 4,816,563
Cash and cash equivalents / investments - restricted	15,271,298	952,588	16,223,886	-
Receivables:				
Accounts receivable	1,700,933	119,167	1,820,100	-
Accrued interest receivable	611,724	51,398	663,122	-
Net property taxes receivable	2,014,053	-	2,014,053	-
Solid waste receivable	23,025	-	23,025	-
Animal taxes receivable	324,009	-	324,009	-
Net emergency medical services receivable	2,409,320	-	2,409,320	-
Inventory	899,445	-	899,445	2,914,619
Due from other governments - federal and state agencies	24,863,705	81,073	24,944,778	-
Due from other governments - local	3,125,361	667,311	3,792,672	-
Due from other agencies - other	16,630	-	16,630	-
Due from Rougemont community water system fund	30,000	-	30,000	-
Prepaid expenses	73,190	8,115	81,305	242,759
Investment in joint venture	11,343,988	-	11,343,988	-
Pension assets - ROD Supplemental Plan	698,462	-	698,462	-
Pension asset - LEOSSA	143,979	-	143,979	-
Derivative financial instrument	9,907,818	-	9,907,818	-
Capital assets:				
Nondepreciable:				
Land	8,673,131	185,226	8,858,357	2,274,417
Easements	1,857,991	5,000	1,862,991	-
Construction in progress	237,833,328	9,942,489	247,775,817	-
Depreciable:				
Land improvements - sewer and water lines	-	27,177,739	27,177,739	-
Buildings	228,805,883	56,854,766	285,660,649	3,578,013
Office furniture and equipment	3,033,616	-	3,033,616	-
Machinery and equipment	7,650,673	755,612	8,406,285	1,577,883
Computer hardware	4,041,253	36,416	4,077,669	-
Computer software	16,431,798	-	16,431,798	-
Vehicles	18,019,348	317,246	18,336,594	228,281
Leasehold improvements	-	-	-	1,543,373
Accumulated depreciation	(122,377,024)	(21,173,390)	(143,550,414)	(3,120,237)
Total assets	677,582,368	103,903,190	781,485,558	14,055,671
Deferred outflows of resources				
Contributions to pension plan in current fiscal year - ROD	25,427	-	25,427	-
Contributions to pension plan in current fiscal year - LGERS	6,522,951	87,436	6,610,387	-
ROD pension deferrals	38,058	-	38,058	138,952
LGERS pension deferrals	1,138,583	16,016	1,154,599	-
Unamortized loss on refundings	12,723,462	532,641	13,256,103	-
Total deferred outflows of resources	20,448,481	636,093	21,084,574	138,952
Liabilities				
Accounts payable	8,996,096	204,806	9,200,902	574,000
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	3,128,554	58,613	3,187,167	-
Accrued payroll and related amounts withheld	3,466,245	43,212	3,509,457	166,190
Due to other governments - federal and state agencies	20,634	-	20,634	778,339
Due to other governments - local	451,417	-	451,417	1,155,278
Due to general fund	-	30,000	30,000	-
Security deposits	512,449	-	512,449	-
Retiree and COBRA prepaid benefit contributions	179,859	-	179,859	-
Escrow - register of deeds	182,912	-	182,912	-
Other liabilities	-	-	-	281,616
Long-term liabilities:				
Accrued compensated absences due within one year	5,071,910	65,430	5,137,340	-
Bonds and other notes payable due within one year	38,873,790	1,508,764	40,382,554	99,723
Net pension liability - LGERS	6,669,323	78,941	6,748,264	142,178
Net OPEB obligation	55,906,565	-	55,906,565	-
Accrued compensated absences	2,547,524	6,983	2,554,507	108,311
Bonds and other notes payable	479,968,342	19,088,465	499,056,807	1,158,610
Total liabilities	605,975,620	21,098,214	627,073,834	4,464,245
Deferred inflows of resources				
Prepaid rent	660	-	660	-
Prepaid taxes	540,542	-	540,542	-
ROD pension deferrals	39,779	-	39,779	-
LGERS pension deferrals	3,436,015	71,411	3,507,426	88,279
Total deferred inflows of resources	4,016,996	71,411	4,088,407	88,279
Net position				
Net investment in capital assets	120,531,058	53,957,575	174,488,633	4,823,397
Restricted for:				
Stabilization by State Statute	41,307,817	-	41,307,817	-
Capital projects	12,385,232	952,588	13,337,820	-
Grants and technology	2,642,538	-	2,642,538	-
Fire services	243,528	-	243,528	-
Working capital	-	-	-	1,001,653
Unrestricted net position	(89,071,940)	28,459,495	(60,612,445)	3,817,049
Total net position	\$ 88,038,233	\$ 83,369,658	\$ 171,407,891	\$ 9,642,099

DURHAM COUNTY, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2016

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	\$ 60,091,561	\$ 13,473,564	\$ 3,499,215	\$ 2,361,838	\$ (40,756,944)	\$ -	\$ (40,756,944)	\$ -
Public safety	69,100,186	11,700,522	5,270,013	-	(52,129,651)	-	(52,129,651)	-
Transportation	205,873	-	-	-	(205,873)	-	(205,873)	-
Economic and physical development	7,343,752	67,361	542,097	-	(6,734,294)	-	(6,734,294)	-
Environmental protection	4,303,325	3,217,315	169,636	24,007	(892,367)	-	(892,367)	-
Human services	92,160,946	5,306,527	47,419,147	-	(39,435,272)	-	(39,435,272)	-
Education	144,524,127	-	-	1,978,837	(142,545,290)	-	(142,545,290)	-
Cultural and recreational	12,762,810	456,385	355,168	-	(11,951,257)	-	(11,951,257)	-
Interest and fiscal charges	19,749,259	-	-	-	(19,749,259)	-	(19,749,259)	-
Total governmental activities	<u>410,241,839</u>	<u>34,221,674</u>	<u>57,255,276</u>	<u>4,364,682</u>	<u>(314,400,207)</u>	<u>-</u>	<u>(314,400,207)</u>	<u>-</u>
Business-type activities:								
Sewer utility	7,447,186	9,200,098	-	284,195	-	2,037,107	2,037,107	-
Total business-type activities	<u>7,447,186</u>	<u>9,200,098</u>	<u>-</u>	<u>284,195</u>	<u>-</u>	<u>2,037,107</u>	<u>2,037,107</u>	<u>-</u>
Total primary government	<u>\$ 417,689,025</u>	<u>\$ 43,421,772</u>	<u>\$ 57,255,276</u>	<u>\$ 4,648,877</u>	<u>(314,400,207)</u>	<u>2,037,107</u>	<u>(312,363,100)</u>	<u>-</u>
Component units:								
Durham County ABC Board	\$ 33,021,710	\$ 34,129,036	\$ -	\$ -	-	-	-	1,107,326
Total component units	<u>\$ 33,021,710</u>	<u>\$ 34,129,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,107,326</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					259,451,036	-	259,451,036	-
Property taxes, levied for fire districts					7,826,322	-	7,826,322	-
Property taxes, levied for other districts purposes					959,142	-	959,142	-
Local option sales tax					74,471,794	-	74,471,794	-
Occupancy tax					3,509,649	-	3,509,649	-
Gross receipts tax					429,419	-	429,419	-
Vehicle registration tax					193,373	-	193,373	-
Investment and interest income					4,684,275	71,355	4,755,630	329
Other revenues					953,890	12,841	966,731	-
Total general revenues					<u>352,478,900</u>	<u>84,196</u>	<u>352,563,096</u>	<u>329</u>
Change in net position					38,078,693	2,121,303	40,199,996	1,107,655
Net position, beginning, previously reported					48,335,549	81,248,355	129,583,904	8,534,444
Adjustments (Note O):								
Restatement					1,623,991	-	1,623,991	-
Net position, beginning, restated					<u>49,959,540</u>	<u>81,248,355</u>	<u>131,207,895</u>	<u>8,534,444</u>
Net position, ending					<u>\$ 88,038,233</u>	<u>\$ 83,369,658</u>	<u>\$ 171,407,891</u>	<u>\$ 9,642,099</u>

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

DURHAM COUNTY, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2016**

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents / investments	\$ 158,666,589	\$ 6,408,445	\$ 20,159,783	\$ 7,375,611	\$ 2,708,279	\$ 195,318,707
Cash and cash equivalents / investments - restricted	2,642,538	-	12,385,232	-	243,528	15,271,298
Receivables:						
Accounts receivable	1,676,187	-	24,007	739	-	1,700,933
Net property taxes receivable	1,965,436	-	-	-	48,617	2,014,053
Solid waste receivable	23,025	-	-	-	-	23,025
Animal taxes receivable	324,009	-	-	-	-	324,009
Net emergency medical services receivable	2,409,320	-	-	-	-	2,409,320
Inventory	899,445	-	-	-	-	899,445
Due from other governments - federal and state agencies	24,288,675	-	542,299	-	32,731	24,863,705
Due from other governments - local	3,125,361	-	-	-	-	3,125,361
Due from agencies - other	16,630	-	-	-	-	16,630
Due from capital project fund	3,047,554	-	-	-	-	3,047,554
Due from Rougemont community water system fund	30,000	-	-	-	-	30,000
Prepaid expenditures	73,190	-	-	-	-	73,190
Total assets	<u>\$ 199,187,959</u>	<u>\$ 6,408,445</u>	<u>\$ 33,111,321</u>	<u>\$ 7,376,350</u>	<u>\$ 3,033,155</u>	<u>\$ 249,117,230</u>
Liabilities						
Accounts payable	\$ 6,369,907	\$ -	\$ 2,588,777	\$ 4,850	\$ 32,562	\$ 8,996,096
Accrued payroll and related amounts withheld	3,466,245	-	-	-	-	3,466,245
Due to other governments - federal and state agencies	20,634	-	-	-	-	20,634
Due to other governments - local	451,417	-	-	-	-	451,417
Due to general fund	-	-	3,047,554	-	-	3,047,554
Security deposits	512,449	-	-	-	-	512,449
Retiree and COBRA prepaid benefit contributions	179,859	-	-	-	-	179,859
Escrow - register of deeds	182,912	-	-	-	-	182,912
Total liabilities	<u>11,183,423</u>	<u>-</u>	<u>5,636,331</u>	<u>4,850</u>	<u>32,562</u>	<u>16,857,166</u>
Deferred inflows of resources						
Prepaid rent	660	-	-	-	-	660
Prepaid taxes	535,510	-	-	-	5,032	540,542
Net property taxes receivable	1,965,436	-	-	-	48,617	2,014,053
Solid waste receivable	23,025	-	-	-	-	23,025
Animal taxes receivable	324,009	-	-	-	-	324,009
Net emergency medical services receivable	2,409,320	-	-	-	-	2,409,320
Total deferred inflows of resources	<u>5,257,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,649</u>	<u>5,311,609</u>
Fund balances						
Non-spendable:						
Inventories	899,445	-	-	-	-	899,445
Prepaid expenditures	73,190	-	-	-	-	73,190
Restricted:						
Stabilization by State Statute	35,472,644	-	5,834,434	739	-	41,307,817
Museum	644,053	-	-	-	-	644,053
Tax technology	280,135	-	-	-	-	280,135
Sheriff	134,069	-	-	-	-	134,069
Fire marshal	177,536	-	-	-	243,528	421,064
Cooperative extension programs	24,701	-	-	-	-	24,701
Public health programs	233,893	-	-	-	-	233,893
Social services programs	287,391	-	-	-	-	287,391
Criminal justice programs	578	-	-	-	-	578
Environmental protection programs	92,838	-	-	-	-	92,838
Register of deeds	758,641	-	-	-	-	758,641
Special butner	8,703	-	-	-	-	8,703
Education	-	-	761	-	-	761
Committed:						
Risk management	5,453,529	-	-	-	-	5,453,529
Public health	151	-	-	-	-	151
Debt service	12,033,111	-	-	-	-	12,033,111
Sheriff inmate	312,818	-	-	-	-	312,818
Education: Article 46	1,319,837	-	-	-	-	1,319,837
OPEB	45,256,319	-	-	-	-	45,256,319
Self-insured health benefits	1,036,294	-	-	-	-	1,036,294
LEO Special Separation Allowance	1,721,300	-	-	-	-	1,721,300
Assigned, reported in:						
General fund	13,289,584	-	-	-	-	13,289,584
Community health trust fund	-	6,408,445	-	-	-	6,408,445
Capital projects fund	-	-	21,639,795	-	-	21,639,795
Debt service	-	-	-	7,370,761	-	7,370,761
Assigned, reported in nonmajor:						
Special revenue	-	-	-	-	2,703,416	2,703,416
Unassigned, general	63,235,816	-	-	-	-	63,235,816
Total fund balances	<u>182,746,576</u>	<u>6,408,445</u>	<u>27,474,990</u>	<u>7,371,500</u>	<u>2,946,944</u>	<u>226,948,455</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 199,187,959</u>	<u>\$ 6,408,445</u>	<u>\$ 33,111,321</u>	<u>\$ 7,376,350</u>	<u>\$ 3,033,155</u>	<u>\$ 249,117,230</u>

DURHAM COUNTY, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2016**

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

Total fund balance - governmental funds	\$ 226,948,455
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	415,313,985
Other long-term assets used in governmental activities are not a current financial resource and, therefore, are not reported in the funds.	10,750,259
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.	20,448,481
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	9,607,131
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.	(3,475,794)
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.	(591,554,284)
Net position of governmental activities	<u>\$ 88,038,233</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, 2016

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 338,547,112	\$ -	\$ -	\$ -	\$ 8,801,823	\$ 347,348,935
Licenses and permits	1,535,091	-	-	-	-	1,535,091
Intergovernmental revenues	56,419,100	-	4,364,682	482,982	353,194	61,619,958
Investments	4,177,788	(242,341)	67,676	164,450	13,617	4,181,190
Rent	988,807	-	-	-	-	988,807
Charges for services	26,555,569	3,950,000	-	529,721	-	31,035,290
Other revenues	953,890	-	-	-	-	953,890
Total revenues	<u>429,177,357</u>	<u>3,707,659</u>	<u>4,432,358</u>	<u>1,177,153</u>	<u>9,168,634</u>	<u>447,663,161</u>
Expenditures						
Current:						
General government	50,412,542	-	7,079,160	-	-	57,491,702
Public safety	64,239,974	-	4,894	-	2,818,185	67,063,053
Transportation	205,873	-	-	-	-	205,873
Economic and physical development	6,423,248	-	-	-	941,324	7,364,572
Environmental protection	4,855,886	-	2,351,981	-	-	7,207,867
Human services	93,140,635	-	-	-	-	93,140,635
Education	131,291,507	-	13,030,597	-	-	144,322,104
Cultural and recreational	12,376,539	-	826,382	-	-	13,202,921
Debt service:						
Principal retirement	-	-	-	35,596,413	-	35,596,413
Interest and fiscal charges	-	-	-	20,599,097	-	20,599,097
Debt issuance costs	-	-	-	741,165	-	741,165
Total expenditures	<u>362,946,204</u>	<u>-</u>	<u>23,293,014</u>	<u>56,936,675</u>	<u>3,759,509</u>	<u>446,935,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66,231,153</u>	<u>3,707,659</u>	<u>(18,860,656)</u>	<u>(55,759,522)</u>	<u>5,409,125</u>	<u>727,759</u>
Other financing sources (uses)						
Transfers in	8,650,512	-	11,355,555	57,428,921	232,084	77,667,072
Transfers out	(65,434,476)	(6,359,601)	(1,303,350)	-	(4,569,645)	(77,667,072)
Issuance of installment purchases	-	-	9,550,072	-	-	9,550,072
Premium on issuance of refinancing	-	-	-	13,031,538	-	13,031,538
Issuance of refunding bonds	-	-	-	63,930,000	-	63,930,000
Payment to refunded debt escrow agent	-	-	-	(77,226,102)	-	(77,226,102)
Total other financing sources (uses)	<u>(56,783,964)</u>	<u>(6,359,601)</u>	<u>19,602,277</u>	<u>57,164,357</u>	<u>(4,337,561)</u>	<u>9,285,508</u>
Net change in fund balances	<u>9,447,189</u>	<u>(2,651,942)</u>	<u>741,621</u>	<u>1,404,835</u>	<u>1,071,564</u>	<u>10,013,267</u>
Fund balance - beginning	<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>
Restatement (Note O)	<u>1,623,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,623,991</u>
Fund balance - beginning, as restated	<u>173,299,387</u>	<u>9,060,387</u>	<u>26,733,369</u>	<u>5,966,665</u>	<u>1,875,380</u>	<u>216,935,188</u>
Fund balance - ending	<u>\$ 182,746,576</u>	<u>\$ 6,408,445</u>	<u>\$ 27,474,990</u>	<u>\$ 7,371,500</u>	<u>\$ 2,946,944</u>	<u>\$ 226,948,455</u>

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, 2016**

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

Net changes in fund balances - total governmental funds	\$ 10,013,267
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.	1,717,093
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.	7,028,416
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,892,456)
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.	16,809,589
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.	10,402,784
Change in net position of governmental activities	<u>\$ 38,078,693</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, 2016**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Taxes				
Current levy	\$ 252,233,298	\$ 252,233,298	\$ 258,101,325	\$ 5,868,027
Prior years' levy	1,286,000	1,286,000	1,085,833	(200,167)
Tax penalties and interest	450,000	450,000	609,396	159,396
Advertising and selling	10,000	10,000	33,315	23,315
Payments in lieu of taxes	45,000	45,000	54,270	9,270
Local option sales tax	69,661,443	69,661,443	74,471,794	4,810,351
Animal tax	-	-	10,210	10,210
Occupancy tax	2,750,000	2,750,000	3,509,649	759,649
Gross receipts tax	350,000	350,000	429,419	79,419
Vehicle registration tax	-	1,000,000	193,373	(806,627)
Solid waste tax	-	-	33,663	33,663
White goods tax	-	-	14,865	14,865
Total taxes	326,785,741	327,785,741	338,547,112	10,761,371
Intergovernmental revenues				
Beer and wine tax	200,000	200,000	192,688	(7,312)
Social services	42,645,333	43,521,638	41,177,469	(2,344,169)
Public health	5,615,234	5,884,999	5,181,059	(703,940)
Library	275,000	395,700	355,168	(40,532)
ABC Board	1,700,000	1,700,000	2,000,000	300,000
Other	7,212,610	7,613,494	7,512,716	(100,778)
Total intergovernmental revenues	57,648,177	59,315,831	56,419,100	(2,896,731)
Charges for services				
Elections registration lists	411,425	411,425	409,076	(2,349)
Register of deeds	1,760,000	1,760,000	4,989,093	3,229,093
General government charges	5,862,429	6,302,429	6,549,827	247,398
Collection fees	1,406,150	1,406,150	1,464,275	58,125
Public protection	1,965,000	1,965,000	2,231,483	266,483
Environmental protection	1,000	1,000	100,072	99,072
Solid waste fees	1,950,894	1,990,219	2,027,096	36,877
Facilities fees	420,000	420,000	356,127	(63,873)
Library fees and charges	264,400	264,400	312,591	48,191
Public health	391,099	391,099	390,270	(829)
Social services	242,107	242,107	38,816	(203,291)
Emergency medical services charges	8,724,035	8,724,035	7,666,786	(1,057,249)
Other charges	25,931	25,931	20,057	(5,874)
Total charges for services	23,424,470	23,903,795	26,555,569	2,651,774
Investment and rental income				
Investment earnings	2,900,000	2,900,000	4,177,788	1,277,788
Rent	1,012,832	1,012,832	988,807	(24,025)
Total investment and rental income	3,912,832	3,912,832	5,166,595	1,253,763
Licenses and permits				
Construction permits	459,000	489,000	989,241	500,241
Cablevision and franchise fees	490,000	490,000	494,066	4,066
Wine and beer licenses	20,000	20,000	21,006	1,006
Other licenses and permits	7,000	7,000	30,778	23,778
Total licenses and permits	976,000	1,006,000	1,535,091	529,091

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, 2016**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues (continued)				
Other revenues				
Miscellaneous	\$ 371,791	\$ 520,541	\$ 500,631	\$ (19,910)
Confiscated property				
federal investigation	-	-	33,524	33,524
Inmate welfare	110,000	110,000	118,477	8,477
Sale of surplus property and materials	-	-	99,401	99,401
Other	25,204	25,204	201,857	176,653
Total other revenues	506,995	655,745	953,890	298,145
Total revenues	413,254,215	416,579,944	429,177,357	12,597,413
Expenditures				
General administration				
Board of county commissioners	702,352	709,660	687,541	22,119
County manager	2,112,436	2,305,134	1,865,470	439,664
Finance	3,434,471	3,710,258	3,181,856	528,402
Tax	7,166,134	7,352,716	6,333,970	1,018,746
Legal	2,228,310	2,352,078	2,177,633	174,445
Court facilities	373,543	373,543	354,022	19,521
Human resources	6,839,152	6,672,536	6,333,932	338,604
Elections	2,682,617	2,185,494	1,622,535	562,959
Risk management and insurance	2,817,763	2,944,849	2,360,669	584,180
General services	12,972,829	13,636,988	11,823,676	1,813,312
Geographic information systems	427,947	427,947	427,947	-
Information systems and technology	7,619,825	8,116,259	7,238,174	878,085
Register of deeds	1,773,436	2,273,841	1,977,866	295,975
Other	7,179,614	5,592,457	4,027,251	1,565,206
Total general administration	58,330,429	58,653,760	50,412,542	8,241,218
Economic and physical development				
Planning	1,073,309	1,073,309	997,009	76,300
Cooperative extension	1,477,902	1,667,160	1,551,398	115,762
Soil and water conservation	500,402	827,919	806,435	21,484
Open space management	77,175	165,910	35,720	130,190
Industrial extension	2,651,888	3,001,888	2,568,079	433,809
Other	457,909	469,848	464,607	5,241
Total economic and physical development	6,238,585	7,206,034	6,423,248	782,786
Human services				
Public health	23,891,413	26,475,999	23,713,369	2,762,630
Mental health	6,728,109	6,728,109	6,714,876	13,233
Social services	63,014,381	64,947,311	60,936,868	4,010,443
Other	1,889,109	2,388,196	1,775,522	612,674
Total human services	95,523,012	100,539,615	93,140,635	7,398,980
Education				
Durham public schools				
Current	122,214,356	123,314,356	123,314,356	-
Capital	1,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	6,234,091	6,234,091	6,234,091	-
Capital	302,500	302,500	302,500	-
Other education	70,560	70,560	70,560	-
Total education	130,191,507	131,291,507	131,291,507	-

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, 2016**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Expenditures (continued)				
Public safety				
Criminal justice partnership	\$ 3,775,586	\$ 4,225,550	\$ 3,708,599	\$ 516,951
County sheriff	18,617,637	19,603,758	18,878,177	725,581
County jail	16,191,440	16,459,902	16,543,973	(84,071)
Youth home	1,395,836	1,439,667	1,304,811	134,856
Animal control	1,904,452	1,916,149	1,694,638	221,511
Emergency communications center	1,271,459	1,271,459	1,220,295	51,164
Emergency medical services	15,001,760	15,600,040	15,340,565	259,475
County fire protection	5,676,788	5,847,976	5,246,951	601,025
Medical examiner	122,500	182,500	180,050	2,450
Other public safety	58,095	121,915	121,915	-
Total public safety	<u>64,015,553</u>	<u>66,668,916</u>	<u>64,239,974</u>	<u>2,428,942</u>
Transportation				
Airport authority	12,500	12,500	12,500	-
Go Triangle	-	1,000,000	193,373	806,627
Total transportation	<u>12,500</u>	<u>1,012,500</u>	<u>205,873</u>	<u>806,627</u>
Environmental protection				
Solid waste	2,173,017	2,249,486	2,138,148	111,338
Environmental engineering	2,039,533	2,860,068	2,681,342	178,726
Other	40,417	40,417	36,396	4,021
Total environmental protection	<u>4,252,967</u>	<u>5,149,971</u>	<u>4,855,886</u>	<u>294,085</u>
Cultural and recreational				
Library	11,122,722	11,475,700	10,571,459	904,241
Other	1,871,685	1,871,685	1,805,080	66,605
Total cultural and recreational	<u>12,994,407</u>	<u>13,347,385</u>	<u>12,376,539</u>	<u>970,846</u>
Total expenditures	<u>371,558,960</u>	<u>383,869,688</u>	<u>362,946,204</u>	<u>20,923,484</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>41,695,255</u>	<u>32,710,256</u>	<u>66,231,153</u>	<u>33,520,897</u>
Other financing sources (uses)				
Transfers in	8,662,913	9,150,347	8,650,512	(499,835)
Appropriated fund balance	6,864,799	23,573,873	-	(23,573,873)
Transfers out	(57,222,967)	(65,434,476)	(65,434,476)	-
Total other financing uses	<u>(41,695,255)</u>	<u>(32,710,256)</u>	<u>(56,783,964)</u>	<u>(24,073,708)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>9,447,189</u>	<u>\$ 9,447,189</u>
FUND BALANCE - BEGINNING OF YEAR			<u>171,675,396</u>	
PRIOR PERIOD ADJUSTMENT (NOTE O)			<u>1,623,991</u>	
FUND BALANCE -BEGINNING OF YEAR, AS RESTATED			<u>173,299,387</u>	
FUND BALANCE - END OF YEAR			<u>\$ 182,746,576</u>	

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

DURHAM COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Community Health Trust Fund
Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ (242,341)	\$ (242,341)
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>3,707,659</u>	<u>(242,341)</u>
Other financing sources (uses)				
Transfers out	(6,359,601)	(6,359,601)	(6,359,601)	-
Appropriated fund balance	2,409,601	2,409,601	-	(2,409,601)
Total other financing uses	<u>(3,950,000)</u>	<u>(3,950,000)</u>	<u>(6,359,601)</u>	<u>(2,409,601)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	(2,651,942)	<u>\$ (2,651,942)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>9,060,387</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,408,445</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Position
 Proprietary Funds
 June 30, 2016

	Enterprise Funds	
	Sewer Utility Fund	Rougemont Community Water System Fund
Assets		
Current assets		
Cash and cash equivalents / investments	\$ 27,892,419	\$ 30,015
Cash and cash equivalents / investments - restricted	952,588	-
Receivables:		
Accounts receivable	119,167	-
Accrued interest receivable	51,398	-
Total receivables	170,565	-
Due from other governments - federal and state agencies	81,073	-
Due from other governments - local	667,311	-
Prepaid expenses	8,115	-
Total current assets	29,772,071	30,015
Noncurrent assets		
Capital assets:		
Land	185,226	-
Easements	5,000	-
Land improvements - sewer and water lines	27,177,739	-
Building treatment plant	56,854,766	-
Machinery and equipment	755,612	-
Vehicles	317,246	-
Computer hardware	36,416	-
Construction in progress	9,942,489	-
Total capital assets	95,274,494	-
Less accumulated depreciation and amortization	(21,173,390)	-
Net capital assets	74,101,104	-
Total noncurrent assets	74,101,104	-
Total assets	103,873,175	30,015
Deferred outflows of resources		
Contributions to pension plan in current fiscal year	87,436	-
Pension deferrals - LGERS	16,016	-
Unamortized loss on refundings	532,641	-
Total deferred outflows of resources	636,093	-
Liabilities		
Current liabilities		
Current portion of accrued compensated absences	65,430	-
Current portion of long-term debt	1,508,764	-
Accounts payable	204,806	-
Arbitrage rebate payable	13,000	-
Accrued interest payable	58,613	-
Accrued payroll and related amounts withheld	43,212	-
Due to general fund	-	30,000
Total current liabilities	1,893,825	30,000
Noncurrent liabilities		
Accrued compensated absences	6,983	-
Net pension liability - LGERS	78,941	-
Long-term debt	19,088,465	-
Total noncurrent liabilities	19,174,389	-
Total liabilities	21,068,214	30,000
Deferred inflows of resources		
Pension deferrals - LGERS	71,411	-
Total deferred inflows of resources	71,411	-
Net position		
Net investment in capital assets	53,957,575	-
Restricted for capital projects	952,588	-
Unrestricted	28,459,480	15
Total net position	\$ 83,369,643	\$ 15

DURHAM COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016**

	Enterprise Funds	
	Sewer Utility Fund	Rougemont Community Water System Fund
Operating revenues		
Charges for services	\$ 8,313,742	\$ -
Total operating revenues	<u>8,313,742</u>	<u>-</u>
Operating expenses		
Personnel services	1,517,285	-
Utilities	588,018	-
Maintenance and other	1,809,840	-
Depreciation	3,017,777	-
Total operating expenses	<u>6,932,920</u>	<u>-</u>
Operating income	<u>1,380,822</u>	<u>-</u>
Nonoperating revenue (expense)		
Investment and interest income	71,340	15
Sewer connection fees	886,356	-
Interest and fiscal charges	(514,266)	-
Miscellaneous	12,841	-
Total nonoperating revenue (expense)	<u>456,271</u>	<u>15</u>
Income before transfers and contributions	<u>1,837,093</u>	<u>15</u>
Capital contributions	<u>284,195</u>	<u>-</u>
Change in net position	<u>2,121,288</u>	<u>15</u>
Beginning net position	<u>81,248,355</u>	<u>-</u>
Total net position, ending	<u>\$ 83,369,643</u>	<u>\$ 15</u>

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2016

	Enterprise Funds	
	Sewer Utility Fund	Rougemont Community Water System Fund
Operating activities		
Cash received from sales	\$ 8,231,220	\$ -
Cash paid to employees	(1,625,529)	-
Cash paid for operating plant	(2,540,431)	-
Prepaid	(3,440)	-
Miscellaneous	12,841	-
Net cash provided (used) by operating activities	4,074,661	-
Noncapital financing activities		
Sewer connection fees received	886,356	-
Net cash provided (used) by noncapital financing activities	886,356	-
Capital and related financing activities		
Principal payments on long-term debt	(1,933,531)	-
Interest paid	(533,834)	-
Acquisition and construction costs of capital assets	(5,354,765)	-
Interfund loan from general fund	-	30,000
Net cash provided (used) by capital and related financing activities	(7,822,130)	30,000
Investing activities		
Investment income and dividends	35,620	15
Net cash provided (used) by investing activities	35,620	15
Net increase (decrease) in cash and cash equivalents/investments	(2,825,493)	30,015
Cash and cash equivalents/investments		
Beginning of year	31,670,500	-
End of year	\$ 28,845,007	\$ 30,015
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 1,380,822	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,017,777	-
Pension expense	52,459	-
Change in assets, deferred outflows of resources, and liabilities:		
Accounts receivable	(110,405)	-
Due from other governments - federal and state agencies	25,423	-
Due from other governments - local	2,460	-
Accounts payable	(142,573)	-
Compensated absences and accrued payroll	(73,267)	-
Deferred outflows of resources for pensions	(87,436)	-
Prepaid expenses	(3,440)	-
Miscellaneous	12,841	-
Total adjustments	2,693,839	-
Net cash provided (used) by operating activities	\$ 4,074,661	\$ -
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Capital contributions	\$ 284,195	\$ -

DURHAM COUNTY, NORTH CAROLINA

Statement of Fiduciary Net Position Fiduciary Funds June 30, 2016

	Private-purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 42,018	\$ 2,508,970
Accounts receivable	-	202,308
Net property taxes receivable	-	1,231,050
Due from governmental agencies	-	1,229,577
Total assets	<u>42,018</u>	<u>\$ 5,171,905</u>
Liabilities		
Accounts payable	250	-
Accrued payroll and related amounts withheld	-	-
Funds held for others	-	717,990
Due to governmental agencies	-	4,453,915
Total liabilities	<u>250</u>	<u>\$ 5,171,905</u>
Net position		
Held in trust for:		
Individuals, organizations, and other governments	41,768	
Total net position	<u>\$ 41,768</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 Fund
Year Ended June 30, 2016**

	Private-purpose Trust Funds
Additions	
Employee contributions	\$ 3,007
Donations	118
Investment income	29
Total additions	<u>3,154</u>
Deductions	
Benefits	<u>1,250</u>
Total deductions	<u>1,250</u>
Change in net position	1,904
Total net position - beginning	<u>39,864</u>
Total net position - ending	<u>\$ 41,768</u>

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

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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, 2016

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, 2016

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. In compliance with GASB Statement No. 73, the Law Enforcement Officers' Separation Allowance (LEOSSA), which in previous years has been reported as a pension trust fund, is being reported in the General Fund because it does not meet the definition of a pension trust fund according to GASB Statements No. 67 and 68.

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

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

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

The County reports the following major enterprise fund:

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following nonmajor enterprise fund:

Rougemont Community Water System Fund. This fund is used to account for and report the revenues and expenses related to the provision of water services for the Rougemont Community.

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

The County also reports *Other Governmental Funds*, which are individually nonmajor, in total. The Bethesda Fire District, Lebanon Fire District, Parkwood Fire District, Redwood Fire District, New Hope Fire District, Eno Fire District, Bahama Fire District, Bethesda Service District, Durham County Fire and Rescue District, Butner Safety District and Special Park District and are all special revenue fund types. Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned for specified purposes other than debt service or capital projects. As the County no longer assesses a tax for the Butner Safety Tax District, this fund no longer meets the definition of a special revenue fund. As such, the County closed this fund in fiscal year 2016 with the balance of funds being transferred to the County's general fund and is reported as restricted fund balance for the Special Butner area. Therefore, these funds do not appear on the Combining Balance Sheet for Nonmajor Special Revenue Funds. However, the activity is shown on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances for Nonmajor Special Revenue Funds.

Fiduciary Funds:

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

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

Vic Pearson Memorial Emergency Medical Services (EMS) Private-purpose Trust Fund. This private-purpose trust fund is used to account for resources legally held in trust for use of assisting 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:

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

4. Budgetary Data Control

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

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

The County Manager is authorized to transfer budgeted amounts within a function up to 15% cumulatively and up to \$20,000 between functions of the same fund with a report to the 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 and nonmajor proprietary funds 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, 2016

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 2016:

	Original Budget	Total Amendments	Revised Budget
General	\$ 428,781,927	\$ 20,522,237	\$ 449,304,164
Community Health Trust	\$ 6,359,601	\$ -	\$ 6,359,601
Debt Service	\$ 58,217,142	\$ 78,227,000	\$ 136,444,142

All annual appropriations lapse at each fiscal year-end.

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

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

Cash and Cash Equivalents

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

Deposits and Investments

All deposits of the County and the ABC Board are made in board-designated official depositories and are secured as required by North Carolina General Statute 159-31. The County and the ABC Board may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the County and the ABC Board may establish 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, 2016

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, 2016, the County's deposits had a carrying amount of \$49,088,060 and a bank balance of \$52,815,787. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$52,065,787 was covered by collateral held under the Pooling Method.

At June 30, 2016, the ABC Board's deposits had a carrying amount of \$4,788,488 and a bank balance of \$5,789,048. Of the bank balance, \$500,000 was covered by federal depository insurance and \$5,289,048 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, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of June 30, 2016, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Valuation Measurement Method</u>	<u>Less Than 6</u>		
			<u>Months</u>	<u>6-12 Months</u>	<u>5 -15 Years</u>
US Government Agencies	\$ 93,442,923	Fair Value-Level 1	\$ 51,991,128	\$ 39,448,335	\$ 2,003,460
NC Capital Management Trust-Cash Portfolio	96,761,542	Amortized Cost	96,761,542	-	-
NC Capital Management Trust-Term Portfolio *	5,035,924	Fair Value-Level 1	5,035,924	-	-
Certificate of Deposit	2,524,290	Fair Value-Level 1	2,524,290	-	-
Total:	<u>\$ 197,764,679</u>		<u>\$ 156,312,884</u>	<u>\$ 39,448,335</u>	<u>\$ 2,003,460</u>

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

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

Because the NC Capital Management Trust Term Portfolio 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, 2016, 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, 2016. 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, 2016

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

Concentration of Credit Risk:

The County places no limit on the amount that the County may invest in any one issuer. More than 66 percent of the County's investments are in the Federal Home Loan Bank and Federal Farm Credit Bank. These investments are 41% and 25% respectively, of the County's total investment portfolio. All securities owned by the County at June 30, 2016 were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank.

Interest rate swap

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value:

As of June 30, 2016, the swap had a positive fair value totaling \$9,907,818, estimated using the zero-coupon method. This method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps. The positive fair value is reported as an asset, derivative financial instrument, with the accumulated increase in the fair value of the hedging derivative reported as deferred inflows of resources in the Statement of Net Position. The fair value increased by \$439,685 in fiscal year 2016. The changes in fair value are reported in investment income in the Statement of Activities.

<u>Associated Bond Issues</u>	(In Thousands)						
	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Variable Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008 A&B 2009 A Certificates of Participation General Obligation Bonds and Certificates of Participation	\$216,051	7/1/11	3/1/31	3.733% + BMA/ * Divisor	1.132% + 6-month LIBOR	\$9,907,818	Aaa/AA

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

Risks:

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

Credit risk:

As of June 30, 2016, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding swap in the amount of \$9,907,818 because the swap had a positive fair value. However, should the relationship between the tax-exempt and taxable interest rates change and the fair values of the swap become negative, the County would not be exposed to credit risk in the amount of the derivative's fair value. Both County and the counterparty's payment obligations under the swap are guaranteed by Aaa/AA/AA rated Bank of New York Mellon.

Basis and tax risk:

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Termination risk:

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

The ABC Board did not have any investments as of June 30, 2016.

6. Receivables

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables at the government-wide level at June 30, 2016, 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	\$ 1,772,888	\$ 561,056	\$ 2,336,721	\$ 23,025	\$ 43,473,147	\$ 382,261	\$ 27,430,666	\$ 75,979,764
Capital projects	24,007	50,668	-	-	-	-	542,299	616,974
Debt Service	739	-	-	-	-	-	-	739
Other governmental	-	-	48,617	-	-	-	32,731	81,348
Total receivables	1,797,634	611,724	2,385,338	23,025	43,473,147	382,261	28,005,696	76,678,825
Allowance for doubtful accounts	(96,701)	-	(47,276)	-	(41,063,827)	(382,261)	-	(41,590,065)
Total governmental activities	<u>\$ 1,700,933</u>	<u>\$ 611,724</u>	<u>\$ 2,338,062</u>	<u>\$ 23,025</u>	<u>\$ 2,409,320</u>	<u>\$ -</u>	<u>\$ 28,005,696</u>	<u>\$ 35,088,760</u>
Business-type activities:								
Sewer utility	\$ 119,167	\$ 51,398	\$ -	\$ -	\$ -	\$ -	\$ 748,384	\$ 918,949
Total receivables	119,167	51,398	-	-	-	-	748,384	918,949
Allowance for doubtful accounts	-	-	-	-	-	-	-	-
Total business-type activities	<u>\$ 119,167</u>	<u>\$ 51,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,384</u>	<u>\$ 918,949</u>

The Community Development Mortgage Loans Receivable consists of certain proceeds from bonds that have been used to make non-interest-bearing loans to qualifying individuals in accordance with the County's Community Development Program. These loans contain various provisions, including deferral periods and forgiveness of indebtedness if certain conditions are met. Due to the uncertainty of collectability, the full amount of the outstanding loans receivable balance as of June 30, 2016 of \$382,261 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Deferred Outflows/Inflows of Resources

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

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 seven items that meet the criterion for this category – prepaid rents, prepaid taxes, net property taxes receivable, solid waste receivable, animal taxes receivable, net emergency medical services receivable and other pension related deferrals (ROD and LGERS).

8. Inventories and Prepaid Items

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

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

9. Capital Assets

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Description	Estimated Useful Lives
Buildings	40 years
Office furniture and equipment	7 years
Machinery and equipment	5 years
Vehicles	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvement	Life of the lease
Sewer system	50 years
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, 2016

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, 2016

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, 2016 amounted to \$7,691,846. Of this amount, \$7,619,434 is recorded as a liability in the government-wide financial statements for governmental activities, and \$72,413 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, 2016 and 2015 amounted to \$108,311 and \$107,018. 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, 2016 amounted to \$27,010,861 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, 2016

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, 2016 are as follows:

	Major Funds			Nonmajor Funds
General Fund	Community Health Trust	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
\$ 3,288,237	\$ -	\$ 5,268,128	\$ -	\$ -

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, 2016

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.
- 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, 2016

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The following schedule presents the assigned fund balances at June 30, 2016:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Special Revenue Funds
Assigned Fund Balance:					
Assigned for subsequent year	\$ 13,289,584	\$ -	\$ -	\$ -	\$ -
Assigned for health related purposes	-	6,408,445	-	-	-
Assigned for capital projects	-	-	21,639,795	-	-
Assigned for fire districts	-	-	-	-	2,664,430
Assigned for economic development purposes	-	-	-	-	38,986
Assigned for debt service	-	-	-	7,370,761	-
	<u>\$ 13,289,584</u>	<u>\$ 6,408,445</u>	<u>\$ 21,639,795</u>	<u>\$ 7,370,761</u>	<u>\$ 2,703,416</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, 2016

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, 2016, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 14.76% and 34.15%, 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, 2016

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 \$(138,910,222) 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)	\$403,969,997
Investment in joint venture	<u>11,343,988</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$415,313,985</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	\$ 9,907,818
Pension asset – LEO	143,979
Pension asset – ROD	<u>698,462</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 10,750,259</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

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	\$ 7,661,534
Pension deferrals – ROD	63,485
Unamortized loss on debt refundings	<u>12,723,462</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 20,448,481</u>
--	----------------------

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)	\$ 2,014,053
Solid waste receivable	23,025
Animal taxes receivable	324,009
Emergency medical services receivable (net)	2,409,320
Investments (fair market value)	<u>4,836,724</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 9,607,131</u>
--	---------------------

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	\$ (3,436,015)
Pension deferrals – ROD	<u>(39,779)</u>

Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ (3,475,794)</u>
--	-----------------------

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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	\$ (38,873,790)
Bonds and other notes payable	(479,968,342)
Net OPEB obligation	(55,906,565)
Net pension liability – LGERS	(6,669,323)
Accrued compensated absences	(7,619,434)
Accrued interest payable	<u>(3,128,554)</u>
 Subtotal	 (592,166,008)
 Less: accrued interest receivable	 <u>611,724</u>
 Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	 <u>\$(591,554,284)</u>

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

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)	\$ (449,462)
Increase in deferred revenue of emergency medical services receivable (net)	623,833
Decrease in deferred revenue of animal tax receivable	(12,534)
Decrease in deferred revenue of solid waste receivable	(7,551)
Increase in derivative financial instrument	439,685
Increase in pension asset – LEO	41,040
Decrease in pension asset – LGERS	(8,314,122)
Increase in pension asset – ROD	41,732
Decrease in investment earnings (fair market value)	<u>(255,077)</u>

Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities \$ (7,892,456)

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

Decrease in pension deferrals – LGERS	\$ 20,741,092
Increase in pension deferrals – ROD	(49,646)
County’s portion of collective pension expense – LGERS	(3,913,563)
County’s portion of collective pension expense – ROD	<u>31,706</u>

Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities \$ 16,809,589

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

C. PROPERTY TAXES

Property Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016. 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.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,366,984	\$ 306,147	\$ -	\$ 8,673,131
Easements	1,862,991	-	(5,000)	1,857,991
Construction in progress	230,120,194	8,198,113	(484,979)	237,833,328
Total nondepreciable capital assets	<u>240,350,169</u>	<u>8,504,260</u>	<u>(489,979)</u>	<u>248,364,450</u>
Depreciable capital assets:				
Buildings	228,320,904	484,979	-	228,805,883
Office furniture and Equipment	3,040,544	7,546	(14,474)	3,033,616
Machinery and Equipment	6,547,741	1,099,068	3,864	7,650,673
Computer Hardware	4,092,121	53,781	(104,649)	4,041,253
Computer Software	16,316,237	132,131	(16,570)	16,431,798
Vehicles	16,496,624	3,293,137	(1,770,413)	18,019,348
Total depreciable capital assets	<u>274,814,171</u>	<u>5,070,642</u>	<u>(1,902,242)</u>	<u>277,982,571</u>
Less accumulated depreciation for:				
Buildings	80,929,305	5,700,063	-	86,629,368
Office furniture and Equipment	1,675,209	408,596	(1,723)	2,082,082
Machinery and Equipment	3,800,898	998,034	(8,887)	4,790,045
Computer Hardware	3,760,406	221,862	(104,649)	3,877,619
Computer Software	12,648,879	1,576,966	(16,570)	14,209,275
Vehicles	10,268,552	2,226,651	(1,706,568)	10,788,635
Total accumulated depreciation	<u>113,083,249</u>	<u>11,132,172</u>	<u>(1,838,397)</u>	<u>122,377,024</u>
Total depreciable capital assets, net	<u>161,730,922</u>	<u>(6,061,530)</u>	<u>(63,845)</u>	<u>155,605,547</u>
Governmental activities capital assets, net	<u>\$ 402,081,091</u>	<u>\$ 2,442,730</u>	<u>\$ (553,824)</u>	<u>\$ 403,969,997</u>

During 2016, the County incurred \$10,337,219 of expenses for public school construction. The County maintains school construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to these Durham County Board of Education properties.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

D. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 6,945,770
Public safety	3,568,682
Environmental protection	41,783
Economic and physical development	6,735
Human Services	192,304
Educational	202,023
Cultural and recreational	174,875
	\$ 11,132,172
Total depreciation expense	\$ 11,132,172

Business-type Activities/Sewer Utility Fund:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 185,226	\$ -	\$ -	\$ 185,226
Easements	-	5,000	-	5,000
Construction In Progress	4,622,249	5,320,240	-	9,942,489
Total nondepreciable capital assets	4,807,475	5,325,240	-	10,132,715
Depreciable capital assets:				
Land Improvements: Water and Sewer Lines	26,898,544	279,195	-	27,177,739
Buildings	56,854,766	-	-	56,854,766
Machinery and Equipment	721,086	34,526	-	755,612
Computer Hardware	45,160	-	(8,744)	36,416
Vehicles	317,246	-	-	317,246
Total depreciable capital assets	84,836,802	313,721	(8,744)	85,141,779
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	13,103,614	531,078	-	13,634,692
Buildings	4,350,497	2,372,435	-	6,722,932
Machinery and Equipment	420,702	85,522	-	506,224
Computer Hardware	44,839	-	(8,744)	36,095
Vehicles	244,705	28,742	-	273,447
Total accumulated depreciation	18,164,357	3,017,777	(8,744)	21,173,390
Total depreciable capital assets, net	66,672,445	(2,704,056)	-	63,968,389
Business-type activities capital assets, net	\$ 71,479,920	\$ 2,621,184	\$ -	\$ 74,101,104

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 2,274,417	\$ -	\$ -	\$ 2,274,417
Total nondepreciable capital assets	<u>2,274,417</u>	<u>-</u>	<u>-</u>	<u>2,274,417</u>
Depreciable capital assets:				
Buildings and improvements	3,578,013	-	-	3,578,013
Leasehold improvements	1,370,258	173,115	-	1,543,373
Vehicles	165,718	62,563	-	228,281
Machinery and equipment	1,490,602	120,483	(33,202)	1,577,883
Total depreciable capital assets	<u>6,604,591</u>	<u>356,161</u>	<u>(33,202)</u>	<u>6,927,550</u>
Less accumulated depreciation for:				
Buildings and improvements	1,109,824	84,774	-	1,194,598
Leasehold improvements	552,695	53,465	-	606,160
Vehicles	50,904	7,444	-	58,348
Machinery and equipment	1,139,462	154,871	(33,202)	1,261,131
Total accumulated depreciation	<u>2,852,885</u>	<u>300,554</u>	<u>(33,202)</u>	<u>3,120,237</u>
Total depreciable capital assets, net	<u>3,751,706</u>	<u>55,607</u>	<u>-</u>	<u>3,807,313</u>
Business-type activities capital assets, net	<u>\$ 6,026,123</u>	<u>\$ 55,607</u>	<u>\$ -</u>	<u>\$ 6,081,730</u>

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 270,300,272	\$ 29,340,000	\$ 55,897,615	\$ 243,742,657	\$ 23,937,657
Certificates of participation	49,470,000	-	40,190,000	9,280,000	3,095,000
Limited obligation bonds	159,185,000	34,590,000	6,940,000	186,835,000	6,940,000
Installment notes payable	21,136,115	9,550,072	1,343,840	29,342,347	1,436,090
Unamortized bond premium	40,105,315	13,031,538	3,562,126	49,574,727	3,455,085
Net OPEB obligation	51,038,152	8,126,441	3,258,028	55,906,565	-
Accrued compensated absences	7,569,339	4,621,663	4,571,568	7,619,434	5,071,910
Net pension liability (LGERS)	-	6,669,323	-	6,669,323	-
Other financing agreements	77,359	-	9,958	67,401	9,958
Total governmental activities	\$ 598,881,552	\$ 105,929,037	\$ 115,773,135	\$ 589,037,454	\$ 43,945,700

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
General obligation bonds	\$ 604,728	\$ -	\$ 572,385	\$ 32,343	\$ 32,343
State revolving loans	11,941,717	-	671,146	11,270,571	671,146
Revenue bonds	9,520,000	-	690,000	8,830,000	705,000
Unamortized bond premium	564,590	-	100,275	464,315	100,275
Accrued compensated absences	97,246	39,765	64,598	72,413	65,430
Net pension liability (LGERS)	-	78,941	-	78,941	-
Total business-type activities	\$ 22,728,281	\$ 118,706	\$ 2,098,404	\$ 20,748,583	\$ 1,574,194

The LGERS plan had a net pension asset as of June 30, 2016; 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, 2016, such statutory limit for the County was \$2,596,384,013 providing a legal debt margin of \$2,352,609,013.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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, 2016, the loss from defeasance (net of amortization) was \$2,069,794. 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, 2016, the loss from defeasance (net of amortization) was \$3,580,621. 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, 2016

E. LONG-TERM OBLIGATIONS (continued)

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

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

In fiscal year 2016, the County defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2016, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$31,690,000. The carrying values of the Refunding Bonds, Series 2016, which refunded 2008A Public Improvement Bonds and 2008B Public Improvement Bonds, were adjusted for the loss from defeasance (net of amortization) of \$3,071,981. As of June 30, 2016, the loss from defeasance (net of amortization) was \$2,795,038. This advance refunding was undertaken to reduce the total debt service payments over the next 11 years by \$3,315,659 and resulted in an economic gain of \$2,543,844.

In fiscal year 2016, the County defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2016, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$37,095,000. The carrying values of the Refunding Bonds, Series 2016, which refunded 2009A Certificate of Participation Bonds were adjusted for the loss from defeasance (net of amortization) of \$4,346,426. As of June 30, 2016, the loss from defeasance (net of amortization) was \$4,278,010. This advance refunding was undertaken to reduce the total debt service payments over the next 15 years by \$4,824,160 and resulted in an economic gain of \$3,777,918.

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 2016.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

E. LONG-TERM OBLIGATIONS (continued)

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 2016.

Certificates of participation

Durham County issues certificates of participation (COPs) for the acquisition and construction of major capital facilities. There were no COPs issued in fiscal year 2016.

Limited Obligation Bonds

Durham County issues limited obligation bonds (LOBs) for the acquisition and construction of major capital facilities. Limited obligation bonds are direct obligations and pledge the full faith and credit of the government. There were no LOBs issued in fiscal year 2016.

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

E. LONG-TERM OBLIGATIONS (continued)

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2016 are as follows:

<u>Purpose:</u>	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Outstanding June 30, 2016
<u>Governmental activities:</u>					
Public improvement, Series 2008A (2/3 Bonds)	3.50% to 5.00%	5/8/2008	4/1/2027	12,100,000	800,000
Public improvement, Series 2008B	3.50% to 5.00%	5/9/2008	4/1/2027	34,090,000	2,100,000
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	43,272,209	31,692,657
Public improvement, Series 2010A	2.00% to 5.00%	11/10/2010	11/1/2018	25,980,000	9,750,000
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	53,975,000
Public improvement, Series 2012	3.00% to 5.00%	4/25/2012	4/1/2032	64,670,000	41,895,000
Public improvement refunding, Series 2014	2.00% to 5.00%	6/3/2014	4/1/2034	44,635,000	40,170,000
Public improvement refunding, Series 2015	3.00% to 5.00%	7/9/2015	10/1/2026	29,340,000	29,340,000
Certificate of participation, Series 2009A	4.00% to 5.00%	4/15/2009	6/1/2031	61,850,000	9,280,000
Limited Obligation Bonds, 2012	2.00% to 5.00%	3/29/2012	6/1/2032	63,780,000	51,020,000
Limited Obligation Bonds, 2013	1.50% to 5.00%	3/28/2013	6/1/2043	112,470,000	101,225,000
Limited Obligation Bonds, 2015 Refunding	4.00% to 5.00%	4/1/2016	12/1/2030	34,590,000	34,590,000
Bond Anticipation Notes	Variable Rate	6/18/2014	6/18/2017	39,900,000	22,210,610
Installment purchase, garage facility	4.415%	8/20/2003	8/20/2018	14,502,000	2,998,752
Installment purchase, utility performance	2.285%	9/18/2012	9/18/2028	4,549,000	4,132,985
Other financing agreements					
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	67,401
Total governmental activities					\$ 469,267,405
<u>Business-type activities:</u>					
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	3,822,791	32,343
Refunding Revenue bonds, 2012					
sewer plant expansion/improvements	2.49%	8/23/2012	6/11/2027	13,985,000	8,830,000
Enterprise State Revolving Loan I	2.22%	10/7/2012	5/1/2032	-	2,222,538
Enterprise State Revolving Loan II	2.22%	1/28/2011	5/1/2033	-	9,048,033
Total business-type activities					20,132,914
Total bonded indebtedness					\$ 489,400,319

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2016 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
2016	\$ 23,937,657	\$ 11,080,357	\$ 3,095,000	\$ 420,075	\$ 6,940,000	\$ 8,055,513	\$ 1,446,048	\$ 134,853	\$ 9,959	\$ -	\$ 35,428,664	\$ 19,690,798
2017	23,800,000	10,002,724	3,095,000	278,300	6,935,000	7,740,413	1,467,934	110,008	9,959	-	35,307,893	18,131,445
2018	23,190,000	8,919,074	3,090,000	154,500	6,940,000	7,556,638	886,158	84,563	9,959	-	34,116,117	16,714,775
2019	23,190,000	13,736,643	-	-	9,905,000	7,217,788	285,770	73,287	9,959	-	33,390,729	21,027,718
2020	23,440,000	6,715,405	-	-	9,875,000	6,897,188	294,826	66,731	9,959	-	33,619,785	13,679,324
2021-2025	77,435,000	20,082,128	-	-	49,150,000	28,273,525	1,696,805	224,696	17,606	-	128,299,411	48,580,349
2026-2030	39,605,000	6,959,535	-	-	48,905,000	17,277,763	1,054,196	34,814	-	-	89,564,196	24,272,112
2031-2046	9,145,000	607,775	-	-	48,185,000	12,894,438	-	-	-	-	57,330,000	13,502,213
	<u>\$ 243,742,657</u>	<u>\$ 78,103,641</u>	<u>\$ 9,280,000</u>	<u>\$ 852,875</u>	<u>\$ 186,835,000</u>	<u>\$ 95,913,266</u>	<u>\$ 7,131,737</u>	<u>\$ 728,952</u>	<u>\$ 67,401</u>	<u>\$ -</u>	<u>\$ 447,056,795</u>	<u>\$ 175,598,734</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
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	-	-	-	-	-	-	3,355,729	804,050	4,105,000	533,607	7,460,729	1,337,657
2021-2025	-	-	-	-	-	-	3,355,729	431,564	1,785,000	66,981	5,140,729	498,545
2026-2030	-	-	-	-	-	-	1,874,529	80,145	-	-	1,874,529	80,145
2031-2046	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 32,343</u>	<u>\$ 1,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,270,571</u>	<u>\$ 2,227,189</u>	<u>\$ 8,830,000</u>	<u>\$ 1,372,738</u>	<u>\$ 20,132,914</u>	<u>\$ 3,601,544</u>

* NOTE: The installment note payable principal amount on the above schedule amortizing outstanding debt as of June 30, 2016 does not include the outstanding bond anticipation notes (BANs) that are included in the summary of transactions affecting the County's long-term obligations for the year ended and in the outstanding debt with interest rates, date of issue, maturity dates, original issue amount and amount outstanding at year end. The BANs are not included in the above schedule because there is no annual payment. The County is authorized to utilize a draw-down program whereby funds are drawn to reimburse the County for capital project expenditures over a three year period. At the end of the three years (or less), the County issues fixed rate debt to pay off this debt. With the current draw program, the County is authorized to borrow up to \$39,900,000. Of the amount, \$22,210,610 is currently outstanding as of June 30, 2016.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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 \$10,202,738. Principal and interest paid for the year and total customer revenues were \$927,048 and \$7,918,436, 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 2016.

The ABC Board's long-term debt was \$1,158,610 as of June 30, 2016.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$340,477 for the year ended June 30, 2016. The future minimum rental payments due under the leases at June 30, 2016 are as follows:

YEAR ENDING JUNE 30,	COUNTY	ABC BOARD
2017	\$ 228,912	\$ 66,120
2018	124,322	67,864
2019	66,528	69,664
2020	59,928	71,528
2021	44,947	48,528
TOTAL	\$ 524,637	\$ 323,704

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, 2016 were \$28,616,700 and \$34,989,160, respectively. Under the terms of the original agreement, annual minimum lease payments to be remitted to the County for use of the facility were \$3,500,000. These funds are accounted for in the Community Health Trust Fund.

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

F. COMMITMENTS (continued)

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

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

Also under the terms of the revised agreement, in support of emergency medical services, an additional \$350,000 payment was paid to the County during fiscal year 2009. In fiscal year 2015 and 2016, the County received \$2,379,310 and \$2,417,855 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 \$3,082,288 and \$3,132,221 for fiscal year 2015 and 2016, 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, 2016

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, 2016 are as follows:

<u>YEAR ENDING JUNE 30,</u>	Governmental activities	
	PRINCIPAL	INTEREST
2017	\$ 6,861,288	\$ -
2018	3,468,896	-
2019	9,356,065	-
2020	2,710,230	-
2021	2,670,230	-
2022-2026	2,329,723	-
2027-2031	1,324,365	-
2032-2036	264,873	-
	\$ 28,985,670	\$ -

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 2016 for these projects was \$10,337,219 while total combined construction in progress since inception was \$185,032,092.

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, 2016

F. COMMITMENTS (continued)

The CIP allocated funding for fiscal year 2016 in the amount of \$38,638,034. Funds provided approximately \$15,633,730 for capital projects of general governmental activities, \$3,000,000 for business-type activities, \$12,099,400 for public safety, \$7,404,904 for cultural and recreational, \$500,000 for environmental protection activities.

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

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

5. Capital commitments

The County had commitments at June 30, 2016 of approximately \$23,562 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, 2016

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, 2016:

Due to:		
General Fund from Capital Projects Fund		
Amount due per BOCC approved interfund loan	\$	<u>3,047,554</u>
General Fund from Rougemont Community Water System Fund		
Amount due per BOCC approved interfund loan		<u>30,000</u>
	\$	<u><u>3,077,554</u></u>
Due from:		
Capital Projects Fund to General Fund		
Amount due per BOCC approved interfund loan	\$	<u>3,047,554</u>
Rougemont Community Water System Fund to General Fund		
Amount due per BOCC approved interfund loan		<u>30,000</u>
	\$	<u><u>3,077,554</u></u>

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

The due to General Fund from Rougemont Community Water System Fund is because of an interfund loan approved by the BOCC for the initial funding for the provision of water services to sites with petroleum contaminated private wells in Rougemont Community, a small community in the northern part of Durham County. The General fund will be repaid when the system becomes self-sufficient and the cost of providing services are recovered primarily through user charges.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

G. INTERFUND BALANCES AND ACTIVITIES (continued)

Transfers:

The following is a summary of transfers for the year ended June 30, 2016:

	Transfers in:				Total
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfers out:					
General fund	\$ -	\$ 11,355,555	\$ 54,078,921	\$ -	\$ 65,434,476
Community health trust fund	4,009,601	-	2,350,000	-	6,359,601
Capital projects fund	303,350	-	1,000,000	-	1,303,350
Nonmajor governmental funds	4,337,561	-	-	232,084	4,569,645
Total transfers	\$ 8,650,512	\$ 11,355,555	\$ 57,428,921	\$ 232,084	\$ 77,667,072

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

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

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

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

Transfers from Nonmajor Governmental Funds to Nonmajor Governmental Funds occurred as a result of merging two districts, Bethesda Service and Parkwood Fire, into one fire district, Durham County Fire and Rescue District, for the provision of fire services. In doing so, the Firefighter Relief Funds (FRFs) had to be transferred from the Bethesda Service Tax District Fund and the Parkwood Fire Tax District Fund to the Durham Fire and Rescue Tax District Fund.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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, 2016, was 7.15% of compensation for law enforcement officers and 6.74% 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 \$6,610,387 for the year ended June 30, 2016. The ABC Board's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.78% 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 \$130,609 for the year ended June 30, 2016.

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, 2016, the County reported a liability of \$6,748,264 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County's proportion was 1.503%, which was an increase of .07% from its proportion measured as of June 30, 2014.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

For the year ended June 30, 2016, the County recognized pension expense of \$3,966,022. At June 30, 2016, 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	\$ -	\$ 1,586,222
Net difference between projected and actual earnings on pension plan investments	-	1,921,204
Changes in proportion and differences between County contributions and proportionate share of contributions	1,154,599	-
County contributions subsequent to the measurement date	6,610,387	-
Total	\$ 7,764,986	\$ 3,507,426

\$6,610,387 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:	
2017	\$ (1,902,979)
2018	(1,902,979)
2019	(1,902,084)
2020	3,355,215
2021	-
Thereafter	-
	\$ (2,352,827)

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, includes 3.5% inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 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, 2015 are summarized in the following table:

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2015 to be effective July 1, 2015. 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
 June 30, 2016

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)	\$ 47,056,460	\$ 6,748,246	\$ (27,210,532)

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, 2015, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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 \$476,243 or 4.88% 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, 2016 was determined as part of the December 31, 2014 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, 2014 was sixteen years.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

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	\$ 431,304
Interest on net pension obligation	(5,147)
Adjustment to annual required contribution	<u>9,046</u>
Annual pension cost	435,203
Employer contributions made for fiscal year ending 6/30/2015	<u>476,243</u>
Increase (decrease) in net pension (asset)	(41,040)
Net pension (asset), beginning of fiscal year	<u>(102,939)</u>
Net pension (asset), end of fiscal year	<u>\$ (143,979)</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, 2016	\$ 435,203	109.43%	\$ (143,979)
June 30, 2015	399,172	107.58%	(102,939)
June 30, 2014	341,463	107.26%	(72,675)

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was 27.33 percent funded. The actuarial accrued liability for benefits was \$6,160,911 and the actuarial value of assets was \$1,684,065, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,476,846. The covered payroll (annual payroll of active employees covered by the plan) was \$9,604,677 and the ratio of the UAAL to the covered payroll was 46.61%.

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

3. Supplemental Retirement Income Plan for Law Enforcement Officers

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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, 2016 were \$693,249, which consisted of \$487,808 from the County and \$205,441 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, 2016 totaled \$30,068 which consisted of \$5,666 from the ABC Board and \$24,402 from the law enforcement officers employed by the ABC Board. The County's required contributions and the officers' voluntary contributions represented 5% and 2.11%, respectively, of the covered payroll.

4. Registers of Deeds' Supplemental Pension Fund

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

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 \$25,427 for the year ended June 30, 2016.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

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, 2016, the County reported an asset of \$698,462 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County's proportion was 3.013%, which was an increase of .116% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$(31,706). At June 30, 2016, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 3,420	\$ 11,562
Net difference between projected and actual earnings on pension plan investments	34,638	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	-
County contributions subsequent to the measurement date	25,427	28,215
Total	<u>\$ 63,485</u>	<u>\$ 39,777</u>

\$25,427 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, 2017. 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
 June 30, 2016

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Year End June 30:

2017	\$ (10,582)
2018	(6,207)
2019	5,721
2020	9,349
2021	-
Thereafter	-
	<u>\$ (1,719)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2014 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 2.2%:

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

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)	\$ (630,148)	\$ (698,462)	\$ (757,215)

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
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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, 2016, the County made no contributions. The State, a non-employer contributor, funds the plan through appropriations. The County does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2015, the State contributed \$13,900,000 to the plan. The County of Durham's proportionate share of the State's contribution is \$26,131.

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, 2016, 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 \$26,131. The net pension liability was measured as of June 30, 2015.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015 and at June 30, 2014 was 0%.

For the year ended June 30, 2016, the County recognized pension expense of \$9,990 and revenue of \$9,990 for support provided by the State. At June 30, 2016, 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, 2014 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 expense, includes 3.5% inflation

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

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
June 30, 2016

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 \$87,724,197. The County's total payroll was \$100,127,970. Total contributions for the year ended June 30, 2016 were \$6,872,067, which consisted of \$4,398,855 from the County and \$2,473,212 from the non-law enforcement personnel. The County's required contribution and the non-law enforcement personnel's voluntary contribution represented 6.86% 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, 2016

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 \$0 for the Core option, \$0 for the Basic option; for family dependent coverage, the monthly rates are \$1,102.75 for the Core option and \$820.62 for the Basic option; for the spouse only coverage, the monthly rates are \$612.39 for the Core option and \$489.24 for the Basic option; and for the child only coverage, the monthly rates are \$410.87 for the Core option and \$354.89 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 \$598.97 for the Core option, \$556.41 for the Basic option; for retiree/family dependent coverage, the monthly rates are \$1,701.72 for the Core option and \$1,419.59 for the Basic option; for the retiree/spouse only coverage, the monthly rates are \$1,211.36 for the Core option and \$11,088.21 for the Basic option; and for the retiree/child only coverage, the monthly rates are \$1,009.84 for the Core option and \$953.86 for the Basic option. Retirees with ten or more years of service can participate in the County's dental plan at the County's group rates for themselves and dependents. For retiree only, the monthly rate is \$48.60; for retiree/family dependent coverage, the monthly rate is \$137.70; for retiree/spouse only coverage, the monthly rate is \$109.80; and for the retiree/child coverage, the monthly rate was \$100.80. Retirees with ten or more years of service can also participate in the County's vision plan at the County's group rates for themselves and dependents. For retiree only, the monthly rate is \$10.16; for retiree/family dependent coverage, the monthly rate is \$24.60; for retiree/spouse only coverage, the monthly rate is \$15.67; and for the retiree/child coverage, the monthly rate was \$16.42. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The County at this time has chosen to fund the healthcare benefits on a pay as you go basis.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The current ARC rate is 8.34% of annual covered payroll. For the current year, the County contributed \$3,258,028 or 3.34% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 3.09% and .25% 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 \$2,337,470 which represents 29.09% of ARC. The total committed fund balance for OPEB as of fiscal year end for the General Fund was \$45,256,319. Currently, 567 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	2,041,526
Amortization Factor	26.1695
Adjustment to annual required contribution	<u>(1,950,291)</u>
Annual OPEB cost (expense)	\$ 8,126,441
Employer contributions made	<u>3,258,028</u>
Increase (decrease) in net OPEB obligation	\$ 4,868,413
Net OPEB obligation, beginning of year	<u>51,038,152</u>
Net OPEB obligation, end of year	<u><u>\$ 55,906,565</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

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>
2016	\$ 8,126,441	40.09%	\$55,906,565
2015	8,118,446	44.90%	51,038,152
2014	8,075,269	30.90%	46,565,314

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, 2016

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

8. Other Employment Benefits

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

All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. Contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. For the fiscal year ended June 30, 2016 the County made contributions to the State for death benefits of \$75,070. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% and 0.14% of covered payroll, respectively.

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

I. RISK MANAGEMENT

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

Benefits Plan – The County has a partially self-funded benefits plan. The County funds a core plan (health, dental, vision, life insurance and dependent coverage). The County's health and dental are fully self-funded. The County reports claims expenditures and liabilities in the General Fund. During fiscal year 2016, a total of \$24,102,190 was incurred for benefits and administrative costs of the County's benefit plan. As of June 30, 2016, the incurred but not reported liability for health and dental was \$1,780,000.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

I. RISK MANAGEMENT (continued)

The following is a reconciliation of changes in liabilities for self-insured claims from amounts reported June 30, 2014 to the current fiscal year ended June 30, 2016:

	<u>Dental Claims</u>	<u>Health Claims</u>
Balance June 30, 2014	\$ 160,000	\$ 1,200,000
Claims reported and changes in estimates for FY 2015	1,521,447	13,541,650
Claims paid in FY 2015	<u>(1,531,447)</u>	<u>(13,141,650)</u>
Balance June 30, 2015	150,000	1,600,000
Claims reported and changes in estimates for FY 2016	1,654,311	13,996,625
Claims paid in FY 2016	<u>(1,699,311)</u>	<u>(13,921,625)</u>
Balance June 30, 2016	<u>\$ 105,000</u>	<u>\$ 1,675,000</u>

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

J. LITIGATION

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

K. JOINTLY GOVERNED ORGANIZATIONS

Triangle J Council of Governments

Durham County, in conjunction with five other counties and thirty municipalities, established the Triangle J Council of Governments (“Council”). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council’s governing board. The County paid membership fees of \$66,667 to the Council during the fiscal year ended June 30, 2016. There is no on-going financial interest or responsibility by the County.

Triangle Transit Authority

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

L. JOINT VENTURES WITHOUT EQUITY INTEREST

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

The Durham and Wake Counties Research and Production Service District Advisory Committee is a special taxing district governed by a ten-member board of which the individuals must be recommended by the Research Triangle Park and Tenants Association. The function of the Board is to make recommendations to the County Commissioners concerning the budget and tax rate to be set for the Special District/Research Triangle Park area. The District is a joint venture of the two Boards of County Commissioners; however, the County does not have an equity interest in the District. The District may issue bonds or other obligations pursuant to the provisions of the Local Government Bond Act of the North Carolina General Statutes and is empowered to cause taxes to be levied upon all taxable property within its district in Durham and Wake Counties sufficient to meet financial obligations. The County does not approve the budget of the District, nor does the County control the collection or disbursement of District funds. Complete financial statements may be obtained at the Durham and Wake Counties Research and Production Service District Advisory Committee, Post Office Box 12255, Research Triangle Park, North Carolina 27709.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)

Raleigh-Durham Airport Authority

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

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

Durham Technical Community College

Durham County provides funds to Durham Technical Community College, primarily for capital improvement and maintenance of facilities. In accordance with State law, the County appoints four of the thirteen Board of Trustee members. The County does not designate management or significantly influence operations, and the College is not accountable to the County for its fiscal matters beyond the County’s appropriation to the College. The County’s fiscal year 2016 appropriation of approximately \$6.234 million to the College represents approximately 18.00% 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 12.00%. 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, 2016. Complete financial statements for the College may be obtained at their administrative offices at 1637 Lawson Street, Durham, North Carolina 27703.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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, 2016, the County recorded an equity interest in the Bureau of \$993,500 which is included in the investment in joint venture in the statement of net position. Complete financial statements may be obtained at the administrative offices at 101 East Morgan Street, Durham, North Carolina 27701.

Durham Civic Center Authority

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

M. JOINT VENTURES WITH EQUITY INTEREST (continued)

In January 2004, the City of Durham refunded debt that included the Civic Center Authority's long-term debt. Therefore, the Civic Center Authority's long-term debt consists of \$1,110,123 in general obligation bonds issued by the City of Durham, maturing in varying installments from 1997 to 2008 with interest at 2.00% to 4.00%. The debt is being serviced from property tax revenues of the City and amounts for additional equity purchases made by the County. The County's net investment in the Authority is reported in the investment in joint venture in the statement of net position. At June 30, 2016, the County's equity interest in the Authority was \$10,350,488.

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 2016, 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, 2016 is \$11,343,988.

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.

	<u>Federal</u>	<u>State</u>
Medicaid Title XIX	\$ 208,218,332	\$ 111,195,397
Children Health Insurance Program	5,901,104	280,999
Food Stamp	67,574,575	-
Temporary Assistance for Needy Families	947,230	-
Special Assistance to Adult	-	1,991,272
Title IV-E Adoption Assistance	947,998	226,179
IV-B Adoption Assistance	-	661,824
Refugee Assistance	21,323	-
Total Direct Federal and State Awards	<u>\$ 283,610,562</u>	<u>\$ 114,355,671</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

O. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The County implemented Governmental Accounting Standards Board (GASB) Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. In accordance with GASB Statement No. 73, the County reclassified the Law Enforcement Officers' Special Separation Allowance Trust Fund to the General Fund. As a result, both the net position for the governmental activities and the fund balance for the general fund increased \$1,623,991, and the County no longer reports the Law Enforcement Officers' Special Separation Allowance Trust Fund as a pension trust fund.

P. SUBSEQUENT EVENTS

On, September 29, 2016, the County closed on the sale of General Obligation Refunding Bonds, Series 2016 in the amount of \$103,895,000 for the refunding of General Obligation Bonds, Refunded Series 2012 Bonds, Refunded Series 2014 Bonds, BABs Series 2010B Bonds and BAN Note Series 2014.

THIS PAGE LEFT INTENTIONALLY BLANK

**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, 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	27.85%
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%
December 31, 2015	1,684,065	6,160,911	4,476,846	27.33%	9,604,677	46.61%

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, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases	3.50% to 7.35%
*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

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

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 Three Fiscal Years*

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

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

Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA

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

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

DURHAM COUNTY, NORTH CAROLINA

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

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

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

Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA

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

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

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 Two Fiscal Year***

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

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

Information is not available for years prior to 2015.

**OTHER SUPPLEMENTARY INFORMATION
(TAB)**

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

MAJOR GOVERNMENTAL FUNDS

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

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

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Debt Service Fund
 Year Ended June 30, 2016

	Budget		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Investments	\$ 20,000	\$ 20,000	\$ 164,450	\$ 144,450
Intergovernmental revenues	368,221	368,221	482,982	114,761
Charges for services	400,000	400,000	529,721	129,721
Total revenues	<u>788,221</u>	<u>788,221</u>	<u>1,177,153</u>	<u>388,932</u>
Expenditures				
Debt service:				
Principal retirement	35,659,384	35,659,384	35,596,413	62,971
Interest and fiscal charges	22,427,758	22,376,758	20,599,097	1,777,661
Debt issuance costs	130,000	940,000	741,165	198,835
Total expenditures	<u>58,217,142</u>	<u>58,976,142</u>	<u>56,936,675</u>	<u>2,039,467</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,428,921)</u>	<u>(58,187,921)</u>	<u>(55,759,522)</u>	<u>2,428,399</u>
Other financing sources (uses)				
Transfers in	57,428,921	57,428,921	57,428,921	-
Premium on issuance of refinancing	-	-	13,031,538	13,031,538
Issuance of refunding bonds	-	78,227,000	63,930,000	(14,297,000)
Payment to refunded debt escrow agent	-	(77,468,000)	(77,226,102)	241,898
Total other financing sources (uses)	<u>57,428,921</u>	<u>58,187,921</u>	<u>57,164,357</u>	<u>(1,023,564)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,404,835</u>	<u>\$ 1,404,835</u>
Fund balance - beginning			<u>5,966,665</u>	
Fund balance - ending			<u>\$ 7,371,500</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, 2016**

PROJECT	EXPENDITURES		SPENT TO DATE	REMAINING COMMITMENT
	CURRENT YEAR	PRIOR YEARS		
Durham Public School Projects	\$ 10,337,219	\$ 174,894,874	\$ 185,232,093	\$ 203,277,395
Whitted School	754,290	-	754,290	3,795,710
Justice Center	6,076	113,418,218	113,424,294	372,161
NCML & Bioquest	313,317	14,793,022	15,106,339	34,473
NCMLS New Exhibits Project	-	500,000	500,000	-
County Storage Facility	2,555	3,076,911	3,079,466	20,534
Human Services Complex	330,209	88,934,515	89,264,724	984,135
County Stadium New Signage Project	-	122,488	122,488	102,512
Judicial Building Renovation Phase II	1,783,819	643,911	2,427,730	1,281,399
Ongoing Parking Resurfacing Project	515,930	78,230	594,160	415,165
Ongoing HVAC Replacement Project	234,907	44,667	279,574	1,181,557
Crim Justice Resource Center	328	4,184,888	4,185,216	98,958
Open Space/Farmland Preservation	16,019	7,338,379	7,354,398	4,685,163
DTCC Campus Improvements	1,939,089	8,474,126	10,413,215	1,666,785
DTCC Newton Building	-	-	-	320,000
DTCC Northern Durham	-	-	-	1,000,000
DTCC Main Campus Extension	-	1,800,000	1,800,000	-
Scattered Site Housing Project III	121,613	181,072	302,685	97,315
EMS Station #1 Renovations	4,894	221,843	226,737	1,471,762
Fiber Optic Network	-	780,582	780,582	418
Rougemont Community Water System	1,656,079	238,435	1,894,514	742,373
Urban Ministry Sprinkler Upgrade Project	822	335,577	336,399	138,601
12 County IT Hardware Replacement	2,601,750	5,116,125	7,717,875	194,038
2014 800 MHZ Radio System Upgrade Project	1,217,222	5,147,450	6,364,672	-
12 Sheriff Technology Upgrade	-	598,898	598,898	1,002
13 Telecommunications Upgrade	124,076	175,790	299,866	134
Utility Performance Contract Project	1,258	4,498,246	4,499,504	49,496
Single Family Rehabilitation Program	-	292,828	292,828	1,972
Single Family Rehabilitation 13	46,069	89,824	135,893	34,107
Main Library Upgrade	513,064	35,479	548,543	2,240,727
Hollow Rock/New Hope	195,189	24,251	219,440	446,497
Ongoing Roof Replacement	71,750	100,360	172,110	2,401,951
Major Laserfische Upgrade	79,850	3,000	82,850	217,150
HCM SAP Software Upgrade	174,698	-	174,698	263,723
16 Telecommunications Upgrade	109,263	-	109,263	468,737
16 Sheriff Technology Upgrade	116,500	-	116,500	482,900
LCHC Phase II Renovations	25,159	-	25,159	974,841
	<u>\$ 23,293,014</u>	<u>\$ 436,143,989</u>	<u>\$ 459,437,003</u>	<u>\$ 229,463,691</u>

FIDUCIARY FUNDS

Private-purpose Trust Funds

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

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

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Net Position
Private-purpose Trust Funds
June 30, 2016**

	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	\$ 5,798	\$ 36,220	\$ 42,018
Total assets	<u>5,798</u>	<u>36,220</u>	<u>42,018</u>
Liabilities			
Accounts payable	-	250	250
Total liabilities	<u>-</u>	<u>250</u>	<u>250</u>
Net position			
Held in trust for:			
Individuals, organizations, and other governments	5,798	35,970	41,768
Total net position	<u>\$ 5,798</u>	<u>\$ 35,970</u>	<u>\$ 41,768</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Net Position
Private-purpose Trust Funds
Year Ended June 30, 2016**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Additions			
Employee contributions	\$ -	\$ 3,007	\$ 3,007
Donations	-	118	118
Investment income	11	18	29
Total additions	<u>11</u>	<u>3,143</u>	<u>3,154</u>
Deductions			
Benefits	-	1,250	1,250
Total deductions	<u>-</u>	<u>1,250</u>	<u>1,250</u>
Change in net position	11	1,893	1,904
Total net position - beginning	<u>5,787</u>	<u>34,077</u>	<u>39,864</u>
Total net position - ending	<u>\$ 5,798</u>	<u>\$ 35,970</u>	<u>\$ 41,768</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, Redwood, New Hope, Eno, and Bahama Volunteer Fire Departments. Payments of the amounts appropriated for the six fire districts are distributed to the volunteer fire departments during the fiscal year. Effective June 1, 2015, the County began providing the fire services for Parkwood Rural Fire District. Effective, July 1, 2015, the Parkwood Rural Fire District was merged into the Durham County Fire and Rescue Rural Fire District.

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

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

Butner Safety Tax 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. Taxes are no longer assessed in this district for this purpose. As such, this fund was closed in fiscal year 2016.

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

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA

Combined Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue Funds
Assets	
Cash and cash equivalents / investments	\$ 2,708,279
Cash and cash equivalents / investments - restricted	243,528
Net property taxes receivable	48,617
Due from other governments - federal and state agencies	32,731
Total assets	\$ 3,033,155
Liabilities	
Accounts payable	\$ 32,562
Total liabilities	<u>32,562</u>
Deferred inflows of resources	
Prepaid taxes	5,032
Net property taxes receivable	48,617
Total deferred inflows of resources	<u>53,649</u>
Fund balances	
Restricted:	
Firefighters' relief funds	243,528
Assigned	2,703,416
Total fund balances	<u>2,946,944</u>
Total liabilities, deferred inflow of resources and fund balances	\$ 3,033,155

DURHAM COUNTY, NORTH CAROLINA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2016

	Special Revenue Funds
Revenues	
Taxes	\$ 8,801,823
Intergovernmental revenues	353,194
Investments	13,617
Total revenues	<u>9,168,634</u>
Expenditures	
Current:	
Public safety	2,818,185
Economic and physical development	941,324
Total expenditures	<u>3,759,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,409,125</u>
Other financing sources (uses)	
Transfers in	232,084
Transfers out	<u>(4,569,645)</u>
Total other financing sources (uses)	<u>(4,337,561)</u>
Net change in fund balances	1,071,564
Fund balance - beginning	<u>1,875,380</u>
Fund balance - ending	<u>\$ 2,946,944</u>

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2016

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Assets				
Cash and cash equivalents / investments	\$ 11,185	\$ 588,593	\$ 162,703	\$ 155,420
Cash and cash equivalents / investments - restricted	-	-	-	-
Net property taxes receivable	2,482	8,439	1,482	17,863
Due from other governments - federal and state agencies	-	9,855	-	7,545
Total assets	\$ 13,667	\$ 606,887	\$ 164,185	\$ 180,828
Liabilities				
Accounts payable	\$ -	\$ 93	\$ -	\$ 64
Total liabilities	-	93	-	64
Deferred inflows of resources				
Prepaid taxes	-	59	-	773
Net property taxes receivable	2,482	8,439	1,482	17,863
Total deferred inflows of resources	2,482	8,498	1,482	18,636
Fund balances				
Restricted:				
Firefighters' relief funds	-	-	-	-
Assigned	11,185	598,296	162,703	162,128
Total fund balances	11,185	598,296	162,703	162,128
Total liabilities , deferred inflows of resources and fund balances	\$ 13,667	\$ 606,887	\$ 164,185	\$ 180,828

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<u>Bethesda Service Tax District</u>	<u>Durham County Fire and Rescue Service Tax District</u>	<u>Special Park Tax District</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 36,539	\$ 66,559	\$ 342,175	\$ 436,673	\$ 869,513	\$ 38,919	\$ 2,708,279
-	-	-	-	243,528	-	243,528
58	1,546	5,499	5,067	5,846	335	48,617
407	191	3,998	-	10,668	67	32,731
<u>\$ 37,004</u>	<u>\$ 68,296</u>	<u>\$ 351,672</u>	<u>\$ 441,740</u>	<u>\$ 1,129,555</u>	<u>\$ 39,321</u>	<u>\$ 3,033,155</u>
\$ 22	\$ 32,114	\$ 151	\$ -	\$ 118	\$ -	\$ 32,562
22	32,114	151	-	118	-	32,562
-	-	3,658	-	542	-	5,032
58	1,546	5,499	5,067	5,846	335	48,617
58	1,546	9,157	5,067	6,388	335	53,649
-	-	-	-	243,528	-	243,528
36,924	34,636	342,364	436,673	879,521	38,986	2,703,416
36,924	34,636	342,364	436,673	1,123,049	38,986	2,946,944
<u>\$ 37,004</u>	<u>\$ 68,296</u>	<u>\$ 351,672</u>	<u>\$ 441,740</u>	<u>\$ 1,129,555</u>	<u>\$ 39,321</u>	<u>\$ 3,033,155</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2016

	FIRE TAX DISTRICTS				
	Bethesda	Lebanon	Parkwood	Redwood	New Hope
Revenues					
Taxes	\$ 1,154	\$ 1,158,772	\$ 2,199	\$ 981,250	\$ 92,714
Intergovernmental revenues	-	-	10,544	-	-
Investments	23	2,261	3,298	2,263	100
Total revenues	<u>1,177</u>	<u>1,161,033</u>	<u>16,041</u>	<u>983,513</u>	<u>92,814</u>
Expenditures					
Current:					
Public safety	-	415,441	-	920,162	88,902
Economic and physical development	-	-	-	-	-
Total expenditures	<u>-</u>	<u>415,441</u>	<u>-</u>	<u>920,162</u>	<u>88,902</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,177</u>	<u>745,592</u>	<u>16,041</u>	<u>63,351</u>	<u>3,912</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(659,212)	(188,875)	(5,200)	-
Total other financing sources (uses)	<u>-</u>	<u>(659,212)</u>	<u>(188,875)</u>	<u>(5,200)</u>	<u>-</u>
Net change in fund balances	1,177	86,380	(172,834)	58,151	3,912
Fund balance - beginning	<u>10,008</u>	<u>511,916</u>	<u>335,537</u>	<u>103,977</u>	<u>33,012</u>
Fund balance - ending	<u>\$ 11,185</u>	<u>\$ 598,296</u>	<u>\$ 162,703</u>	<u>\$ 162,128</u>	<u>\$ 36,924</u>

<u>Eno</u>	<u>Bahama</u>	<u>Bethesda Service Tax District</u>	<u>Durham County Fire and Rescue Service Tax District</u>	<u>Butner Safety Tax District</u>	<u>Special Park Tax District</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 32,976	\$ 1,469,549	\$ 11,755	\$ 4,092,442	\$ (12,629)	\$ 971,641	\$ 8,801,823
-	-	-	342,650	-	-	353,194
110	1,209	916	2,190	44	1,203	13,617
<u>33,086</u>	<u>1,470,758</u>	<u>12,671</u>	<u>4,437,282</u>	<u>(12,585)</u>	<u>972,844</u>	<u>9,168,634</u>
32,182	1,359,102	-	2,396	-	-	2,818,185
-	-	-	-	-	941,324	941,324
<u>32,182</u>	<u>1,359,102</u>	<u>-</u>	<u>2,396</u>	<u>-</u>	<u>941,324</u>	<u>3,759,509</u>
904	111,656	12,671	4,434,886	(12,585)	31,520	5,409,125
-	-	-	232,084	-	-	232,084
-	(13,916)	(149,818)	(3,543,921)	(8,703)	-	(4,569,645)
-	(13,916)	(149,818)	(3,311,837)	(8,703)	-	(4,337,561)
904	97,740	(137,147)	1,123,049	(21,288)	31,520	1,071,564
33,732	244,624	573,820	-	21,288	7,466	1,875,380
<u>\$ 34,636</u>	<u>\$ 342,364</u>	<u>\$ 436,673</u>	<u>\$ 1,123,049</u>	<u>\$ -</u>	<u>\$ 38,986</u>	<u>\$ 2,946,944</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, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ 1,154	\$ 1,154
Investments	-	-	23	23
Total revenues	<u>-</u>	<u>-</u>	<u>1,177</u>	<u>1,177</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 1,177	 <u>\$ 1,177</u>
 Fund balance - beginning			 <u>10,008</u>	
 Fund balance - ending			 <u>\$ 11,185</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, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,132,014	\$ 1,132,014	\$ 1,158,772	\$ 26,758
Investments	-	-	2,261	2,261
Total revenues	<u>1,132,014</u>	<u>1,132,014</u>	<u>1,161,033</u>	<u>29,019</u>
Expenditures				
Public safety	415,602	415,602	415,441	161
Total expenditures	<u>415,602</u>	<u>415,602</u>	<u>415,441</u>	<u>161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>716,412</u>	<u>716,412</u>	<u>745,592</u>	<u>29,180</u>
Other financing sources (uses)				
Transfers out	(716,412)	(729,717)	(659,212)	70,505
Appropriated fund balance	-	13,305	-	(13,305)
Total other financing sources (uses)	<u>(716,412)</u>	<u>(716,412)</u>	<u>(659,212)</u>	<u>57,200</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	86,380	<u>\$ 86,380</u>
Fund balance - beginning			<u>511,916</u>	
Fund balance - ending			<u>\$ 598,296</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, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ 2,199	\$ 2,199
Intergovernmental revenues	-	-	10,544	10,544
Investments	-	-	3,298	3,298
Total revenues	<u>-</u>	<u>-</u>	<u>16,041</u>	<u>16,041</u>
Other financing sources (uses)				
Transfers out	-	(191,609)	(188,875)	2,734
Appropriated fund balance	-	191,609	-	(191,609)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(188,875)</u>	<u>(188,875)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(172,834)	<u>\$ (172,834)</u>
Fund balance - beginning			<u>335,537</u>	
Fund balance - ending			<u>\$ 162,703</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, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 920,274	\$ 920,274	\$ 981,250	\$ 60,976
Investments	-	-	2,263	2,263
Total revenues	<u>920,274</u>	<u>920,274</u>	<u>983,513</u>	<u>63,239</u>
Expenditures				
Public safety	920,274	920,274	920,162	112
Total expenditures	<u>920,274</u>	<u>920,274</u>	<u>920,162</u>	<u>112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>63,351</u>	<u>63,351</u>
Other financing sources (uses)				
Transfers out	-	(5,200)	(5,200)	-
Appropriated fund balance	-	5,200	-	(5,200)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(5,200)</u>	<u>(5,200)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	58,151	<u>\$ 58,151</u>
Fund balance - beginning			<u>103,977</u>	
Fund balance - ending			<u>\$ 162,128</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, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 88,902	\$ 88,902	\$ 92,714	\$ 3,812
Investments	-	-	100	100
Total revenues	<u>88,902</u>	<u>88,902</u>	<u>92,814</u>	<u>3,912</u>
Expenditures				
Public safety	<u>88,902</u>	<u>88,902</u>	<u>88,902</u>	-
Total expenditures	<u>88,902</u>	<u>88,902</u>	<u>88,902</u>	-
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>3,912</u>	<u>3,912</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 3,912	 <u>\$ 3,912</u>
 Fund balance - beginning			 <u>33,012</u>	
 Fund balance - ending			 <u>\$ 36,924</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, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 32,184	\$ 32,184	\$ 32,976	\$ 792
Investments	-	-	110	110
Total revenues	<u>32,184</u>	<u>32,184</u>	<u>33,086</u>	<u>902</u>
Expenditures				
Public safety	32,184	32,184	32,182	2
Total expenditures	<u>32,184</u>	<u>32,184</u>	<u>32,182</u>	<u>2</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>904</u>	<u>904</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	904	<u>\$ 904</u>
Fund balance - beginning			<u>33,732</u>	
Fund balance - ending			<u>\$ 34,636</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, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,359,145	\$ 1,359,145	\$ 1,469,549	\$ 110,404
Investments	-	-	1,209	1,209
Total revenues	<u>1,359,145</u>	<u>1,359,145</u>	<u>1,470,758</u>	<u>111,613</u>
Expenditures				
Public safety	<u>1,359,145</u>	<u>1,359,145</u>	<u>1,359,102</u>	<u>43</u>
Total expenditures	<u>1,359,145</u>	<u>1,359,145</u>	<u>1,359,102</u>	<u>43</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>111,656</u>	<u>111,656</u>
Other financing sources (uses)				
Transfers out	-	(13,916)	(13,916)	-
Appropriated fund balance	-	13,916	-	(13,916)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(13,916)</u>	<u>(13,916)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>97,740</u>	<u>\$ 97,740</u>
Fund balance - beginning			<u>244,624</u>	
Fund balance - ending			<u>\$ 342,364</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, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ 11,755	\$ 11,755
Investments	-	-	916	916
Total revenues	<u>-</u>	<u>-</u>	<u>12,671</u>	<u>12,671</u>
Other financing sources (uses)				
Transfers out	-	(170,000)	(149,818)	20,182
Appropriated fund balance	-	170,000	-	(170,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(149,818)</u>	<u>(149,818)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(137,147)	<u>\$ (137,147)</u>
Fund balance - beginning			<u>573,820</u>	
Fund balance - ending			<u>\$ 436,673</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Durham County Fire and Rescue Service Tax District
Special Revenue Fund
Year Ended June 30, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 3,939,141	\$ 3,939,141	\$ 4,092,442	\$ 153,301
Intergovernmental revenues	-	-	342,650	342,650
Investments	-	-	2,190	2,190
Total revenues	<u>3,939,141</u>	<u>3,939,141</u>	<u>4,437,282</u>	<u>498,141</u>
Expenditures				
Public safety	2,241	257,241	2,396	254,845
Total expenditures	<u>2,241</u>	<u>257,241</u>	<u>2,396</u>	<u>254,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,936,900</u>	<u>3,681,900</u>	<u>4,434,886</u>	<u>752,986</u>
Other financing sources (uses)				
Transfers in	-	255,000	232,084	(22,916)
Transfers out	(3,936,900)	(3,960,604)	(3,543,921)	416,683
Appropriated fund balance	-	23,704	-	(23,704)
Total other financing sources (uses)	<u>(3,936,900)</u>	<u>(3,681,900)</u>	<u>(3,311,837)</u>	<u>370,063</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,123,049	<u>\$ 1,123,049</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ 1,123,049</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, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ (12,629)	\$ (12,629)
Investments	-	-	44	44
Total revenues	<u>-</u>	<u>-</u>	<u>(12,585)</u>	<u>(12,585)</u>
Other financing sources (uses)				
Transfers out	-	(21,350)	(8,703)	12,647
Appropriated fund balance	-	21,350	-	(21,350)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(8,703)</u>	<u>(8,703)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(21,288)	<u>\$ (21,288)</u>
Fund balance - beginning			<u>21,288</u>	
Fund balance - ending			<u>\$ -</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Special Park District Special Revenue Fund
Year Ended June 30, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 941,327	\$ 941,327	\$ 971,641	\$ 30,314
Investments	-	-	1,203	1,203
Total revenues	<u>941,327</u>	<u>941,327</u>	<u>972,844</u>	<u>31,517</u>
Expenditures				
Economic and physical development	<u>941,327</u>	<u>941,327</u>	<u>941,324</u>	<u>3</u>
Total expenditures	<u>941,327</u>	<u>941,327</u>	<u>941,324</u>	<u>3</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>31,520</u>	<u>31,520</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	31,520	<u>\$ 31,520</u>
Fund balance - beginning			<u>7,466</u>	
Fund balance - ending			<u>\$ 38,986</u>	

ENTERPRISE FUND

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

Rougemont Community Water System Fund – to account for the provision of water services in the Rougemont Community which are financed in a manner similar to private business enterprises – where the intent is that costs of providing services be recovered primarily through user charges.

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual -
(Non-GAAP Basis) Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 7,327,020	\$ 8,203,337	\$ 876,317
Expenditures:			
Operating	4,878,204	3,831,237	1,046,967
Repairs and maintenance	320,156	192,150	128,006
Excess (deficiency) of revenues over (under) expenditures	2,128,660	4,179,950	2,051,290
Other Financing Sources (Uses):			
Capital expenses	(5,440,240)	(5,354,765)	85,475
Debt service	(2,467,365)	(2,467,365)	-
Investment income	20,500	35,620	15,120
Sewer connection fees	511,020	886,356	375,336
Miscellaneous	-	12,841	12,841
Total other financing sources (uses)	(7,376,085)	(6,887,313)	488,772
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,247,425)	(2,707,363)	2,540,062
Fund balance appropriated	5,247,425	-	5,247,425
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (2,707,363)</u>	<u>\$ (2,707,363)</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2016**

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$ (2,707,363)
RECONCILING ITEMS:	
Capital outlay	5,354,765
Capital contributions	284,195
Debt principal payments	1,933,531
Decrease in accrued interest payable	11,048
Decrease in accrued payroll	48,434
Decrease in accrued vacation	24,833
Increase in accrued interest receivable	35,720
Increase in accounts receivable	110,405
Depreciation	(3,017,777)
Pension expense	(52,459)
Deferred outflows of resources for pensions, current fiscal year contributions	87,436
Amortization of loss on refundings	(91,755)
Amortization of bond premium	100,275
CHANGE IN NET POSITION (GAAP BASIS)	<u>\$ 2,121,288</u>

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual -
(Non-GAAP Basis) Enterprise Fund - Rougemont Community Water System Fund
Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ -	\$ -	\$ -
Expenditures:			
Operating	-	-	-
Repairs and maintenance	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Other Financing Sources (Uses):			
Capital expenses	-	-	-
Investment income	-	15	15
Total other financing sources (uses)	-	15	15
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	15	15
Fund balance appropriated	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2016**

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$	15
RECONCILING ITEMS:		-
CHANGE IN NET POSITION (GAAP BASIS)	\$	15

FIDUCIARY FUNDS

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

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016**

	Child Support Trust Fund	Sheriff's Evidence Trust Fund	Jail Inmate Trust Fund	Sheriff's Trust Fund
Assets				
Cash and cash equivalents	\$ 257,041	\$ 316,373	\$ 62,181	\$ 82,395
Accounts receivable	-	-	-	-
Net property taxes receivable	-	-	-	-
Due from governmental agencies	-	-	-	-
Total assets	<u>\$ 257,041</u>	<u>\$ 316,373</u>	<u>\$ 62,181</u>	<u>\$ 82,395</u>
Liabilities				
Funds held for others	\$ 257,041	\$ 316,373	\$ 62,181	\$ 82,395
Due to governmental agencies	-	-	-	-
Total liabilities	<u>\$ 257,041</u>	<u>\$ 316,373</u>	<u>\$ 62,181</u>	<u>\$ 82,395</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
\$ 15,598	\$ 73,791	\$ 1,681,534	\$ 17,337	\$ 2,720	\$ 2,508,970
129,645	503	71,990	170	-	202,308
-	7,042	1,223,176	832	-	1,231,050
-	17,776	1,201,347	10,454	-	1,229,577
<u>\$ 145,243</u>	<u>\$ 99,112</u>	<u>\$ 4,178,047</u>	<u>\$ 28,793</u>	<u>\$ 2,720</u>	<u>\$ 5,171,905</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 717,990
145,243	99,112	4,178,047	28,793	2,720	4,453,915
<u>\$ 145,243</u>	<u>\$ 99,112</u>	<u>\$ 4,178,047</u>	<u>\$ 28,793</u>	<u>\$ 2,720</u>	<u>\$ 5,171,905</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2016

	July 1, 2015	Additions	Deductions	June 30, 2016
<u>Child Support Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 323,785	\$ 1,211,985	\$ 1,278,729	\$ 257,041
Liabilities				
Funds held for others	\$ 323,785	\$ 1,211,985	\$ 1,278,729	\$ 257,041
<u>Sheriff's Evidence Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 322,558	\$ 87,526	\$ 93,711	\$ 316,373
Liabilities				
Funds held for others	\$ 322,558	\$ 87,526	\$ 93,711	\$ 316,373
<u>Jail Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 71,424	\$ 1,000,146	\$ 1,009,389	\$ 62,181
Liabilities				
Funds held for others	\$ 71,424	\$ 1,000,146	\$ 1,009,389	\$ 62,181
<u>Sheriff's Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 122,869	\$ 1,137,324	\$ 1,177,798	\$ 82,395
Liabilities				
Funds held for others	\$ 122,869	\$ 1,137,324	\$ 1,177,798	\$ 82,395
<u>Durham Public School Fund</u>				
Assets				
Cash and cash equivalents	\$ 39,989	\$ 1,189,037	\$ 1,213,428	\$ 15,598
Accounts receivable	126,598	1,425,221	1,422,174	129,645
Total assets	\$ 166,587	\$ 2,614,258	\$ 2,635,602	\$ 145,243
Liabilities				
Due to governmental agencies	\$ 166,587	\$ 2,614,258	\$ 2,635,602	\$ 145,243

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2016**

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>
<u>Town of Chapel Hill Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 68,915	\$ 6,938,590	\$ 6,933,714	\$ 73,791
Accounts receivable	713	-	210	503
Net property taxes receivable	2,518	2,695,230	2,690,706	7,042
Due from governmental agencies	15,132	17,776	15,132	17,776
Total assets	<u>\$ 87,278</u>	<u>\$ 9,651,596</u>	<u>\$ 9,639,762</u>	<u>\$ 99,112</u>
Liabilities				
Due to governmental agencies	<u>\$ 87,278</u>	<u>\$ 9,651,596</u>	<u>\$ 9,639,762</u>	<u>\$ 99,112</u>
<u>City of Durham Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 1,611,181	\$ 334,401,806	\$ 334,331,453	\$ 1,681,534
Accounts receivable	104,475	14,805	47,290	71,990
Net property taxes receivable	1,497,620	141,483,951	141,758,395	1,223,176
Due from governmental agencies	1,082,224	1,201,347	1,082,224	1,201,347
Total assets	<u>\$ 4,295,500</u>	<u>\$ 477,101,909</u>	<u>\$ 477,219,362</u>	<u>\$ 4,178,047</u>
Liabilities				
Due to governmental agencies	<u>\$ 4,295,500</u>	<u>\$ 477,101,909</u>	<u>\$ 477,219,362</u>	<u>\$ 4,178,047</u>
<u>City of Raleigh Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 13,959	\$ 2,211,563	\$ 2,208,185	\$ 17,337
Accounts receivable	255	-	85	170
Net property taxes receivable	753	725,885	725,806	832
Due from governmental agencies	8,493	10,454	8,493	10,454
Total assets	<u>\$ 23,460</u>	<u>\$ 2,947,902</u>	<u>\$ 2,942,569</u>	<u>\$ 28,793</u>
Liabilities				
Due to governmental agencies	<u>\$ 23,460</u>	<u>\$ 2,947,902</u>	<u>\$ 2,942,569</u>	<u>\$ 28,793</u>
<u>Town of Morrisville Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 48	\$ 100,567	\$ 97,895	\$ 2,720
Net property taxes receivable	-	27,682	27,682	-
Due from governmental agencies	98	-	98	-
Total assets	<u>\$ 146</u>	<u>\$ 128,249</u>	<u>\$ 125,675</u>	<u>\$ 2,720</u>
Liabilities				
Due to governmental agencies	<u>\$ 146</u>	<u>\$ 128,249</u>	<u>\$ 125,675</u>	<u>\$ 2,720</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 2,574,728	\$ 348,278,544	\$ 348,344,302	\$ 2,508,970
Accounts receivable	232,041	1,440,026	1,469,759	202,308
Net property taxes receivable	1,500,891	144,932,748	145,202,589	1,231,050
Due from governmental agencies	1,105,947	1,229,577	1,105,947	1,229,577
Total assets	<u>\$ 5,413,607</u>	<u>\$ 495,880,895</u>	<u>\$ 496,122,597</u>	<u>\$ 5,171,905</u>
Liabilities				
Funds held for others	\$ 840,636	\$ 3,436,981	\$ 3,559,627	\$ 717,990
Due to governmental agencies	4,572,971	492,443,914	492,562,970	4,453,915
Total liabilities	<u>\$ 5,413,607</u>	<u>\$ 495,880,895</u>	<u>\$ 496,122,597</u>	<u>\$ 5,171,905</u>

THIS PAGE LEFT INTENTIONALLY BLANK

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

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹ as of June 30, 2016**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
General Government:					
County commissioners	\$ 948,128	\$ -	\$ -	\$ -	\$ -
Finance	3,435,726	-	-	-	-
Tax administration	3,418,104	-	-	-	24,345
County Attorney	12,380	-	-	-	-
Court facilities	14,545,503	-	-	14,545,503	-
Register of deeds	2,464,807	-	-	-	944,572
General services	156,327,642	4,790,491	-	148,625,435	380,347
Information Technology	9,109,207	-	-	-	1,530,253
Human resources	22,350	-	-	-	11,530
Budget	10,897	-	-	-	-
Total general government	190,294,744	4,790,491	-	163,170,938	2,891,047
Public Safety:					
Sheriff	51,274,629	1,398,962	-	39,455,838	43,824
County fire protection	2,774,493	-	-	1,244,463	6,744
Emergency Management	1,962,620	-	-	1,144,636	45,635
Animal control	3,717,332	-	-	3,259,400	20,704
Criminal Justice Partnership	931,967	-	-	844,521	-
Youth home	439,449	-	-	367,000	-
Emergency medical services	11,081,536	-	-	1,947,348	-
Total public safety	72,182,026	1,398,962	-	48,263,206	116,907
Environmental Protection:					
Environmental engineering	1,873,539	1,523,280	-	77,873	7,315
Open Space and Real Estate	2,811,889	953,898	1,857,991	-	-
Total Environmental Protection	4,685,428	2,477,178	1,857,991	77,873	7,315
Economic and Physical Development:					
Cooperative extension	34,495	-	-	-	-
Planning	6,500	6,500	-	-	-
Soil and Erosion	76,683	-	-	-	-
Total Economic and Physical Development	117,678	6,500	-	-	-
Human Services:					
Public health	1,030,479	-	-	-	-
Mental health	713,710	-	-	-	-
Social services	3,881,736	-	-	3,101,314	-
Other human services	492,739	-	-	-	-
Total human services	6,118,664	-	-	3,101,314	-

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Construction in Progress
\$ 948,128	\$ -	\$ -	\$ -	\$ -
43,381	-	-	3,392,345	-
117,954	9,473	287,615	2,978,717	-
-	12,380	-	-	-
-	-	-	-	-
44,365	110,272	-	1,365,598	-
1,317,263	39,959	1,131,811	42,336	-
147,904	3,213,970	-	4,217,080	-
-	10,820	-	-	-
-	10,897	-	-	-
<u>2,618,995</u>	<u>3,407,771</u>	<u>1,419,426</u>	<u>11,996,076</u>	<u>-</u>
1,560,882	435,196	6,613,150	1,766,777	-
66,811	-	1,390,386	66,089	-
573,673	15,183	106,493	77,000	-
104,964	-	294,241	38,023	-
-	-	87,446	-	-
6,195	-	66,254	-	-
<u>2,285,039</u>	<u>51,227</u>	<u>5,800,941</u>	<u>996,981</u>	<u>-</u>
<u>4,597,564</u>	<u>501,606</u>	<u>14,358,911</u>	<u>2,944,870</u>	<u>-</u>
15,795	8,998	240,278	-	-
-	-	-	-	-
<u>15,795</u>	<u>8,998</u>	<u>240,278</u>	<u>-</u>	<u>-</u>
-	-	34,495	-	-
-	-	-	-	-
-	-	48,967	27,716	-
<u>-</u>	<u>-</u>	<u>83,462</u>	<u>27,716</u>	<u>-</u>
127,263	13,666	686,322	203,228	-
42,324	6,165	-	665,221	-
39,757	79,125	445,629	215,911	-
-	-	492,739	-	-
<u>209,344</u>	<u>98,956</u>	<u>1,624,690</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, 2016**

	<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	7,034,211	-	-	6,111,610	18,347
Capital Projects:					
Construction in progress	237,833,328	-	-	-	-
Total Capital Assets	<u>\$ 526,347,021</u>	<u>\$ 8,673,131</u>	<u>\$ 1,857,991</u>	<u>\$ 228,805,883</u>	<u>\$ 3,033,616</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
\$ -	\$ -	\$ -	\$ -	\$ -
208,975	23,922	292,581	378,776	-
-	-	-	-	237,833,328
<u>\$7,650,673</u>	<u>\$ 4,041,253</u>	<u>\$ 18,019,348</u>	<u>\$ 16,431,798</u>	<u>\$ 237,833,328</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, 2016

	Capital Assets July 1, 2015	Additions	Transfers and Deletions	Capital Assets June 30, 2016
General Government:				
Board of county commissioners	\$ 948,128	\$ -	\$ -	\$ 948,128
Finance	3,435,726	-	-	3,435,726
Tax administration	3,412,010	6,094	-	3,418,104
County attorney	12,380	-	-	12,380
Court facilities	14,545,503	-	-	14,545,503
Register of deeds	2,452,092	12,715	-	2,464,807
General services	155,324,747	1,080,295	(63,400)	156,341,642
Information Technology	9,130,551	85,875	(121,219)	9,095,207
Human Resources	22,350	-	-	22,350
Budget	10,897	-	-	10,897
Total general government	<u>189,294,384</u>	<u>1,184,979</u>	<u>(184,619)</u>	<u>190,294,744</u>
Public Safety:				
County sheriff	51,269,205	1,089,699	(1,084,275)	51,274,629
Fire marshal	4,001,449	-	-	4,001,449
Emergency management	716,136	26,028	(6,500)	735,664
Criminal justice partnership	935,318	-	(3,351)	931,967
Animal control	3,769,671	39,089	(91,428)	3,717,332
Youth home	439,449	-	-	439,449
Emergency medical services	9,315,422	2,212,991	(446,877)	11,081,536
Total public safety	<u>70,446,650</u>	<u>3,367,807</u>	<u>(1,632,431)</u>	<u>72,182,026</u>
Environmental Protection:				
Environmental engineering	1,817,314	78,982	(22,757)	1,873,539
Open Space	2,510,742	306,147	(5,000)	2,811,889
Total Environmental Protection	<u>4,328,056</u>	<u>385,129</u>	<u>(27,757)</u>	<u>4,685,428</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, 2016

	Capital Assets July 1, 2015	Additions	Transfers and Deletions	Capital Assets June 30, 2016
Economic and Physical Development:				
Cooperative extension	\$ 34,495	\$ -	\$ -	\$ 34,495
Planning	6,500	-	-	6,500
Soil and Erosion	29,732	46,951	-	76,683
Total Economic and Physical Development	<u>70,727</u>	<u>46,951</u>	<u>-</u>	<u>117,678</u>
Human Services:				
Public health	760,050	270,429	-	1,030,479
Mental health	713,710	-	-	713,710
Social services	3,853,773	27,963	-	3,881,736
Other human services	535,692	-	(42,953)	492,739
Total human services	<u>5,863,225</u>	<u>298,392</u>	<u>(42,953)</u>	<u>6,118,664</u>
Education:				
DPS Building	<u>8,080,942</u>	<u>-</u>	<u>-</u>	<u>8,080,942</u>
Cultural and Recreational:				
Library	<u>6,960,162</u>	<u>93,531</u>	<u>(19,482)</u>	<u>7,034,211</u>
Capital Projects:				
Construction in progress	<u>230,120,194</u>	<u>8,198,113</u>	<u>(484,979)</u>	<u>237,833,328</u>
Total Capital Assets	<u><u>\$ 515,164,340</u></u>	<u><u>\$ 13,574,902</u></u>	<u><u>\$ (2,392,221)</u></u>	<u><u>\$ 526,347,021</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, 2016

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-15	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	\$ 1,000,000	\$ -	\$ -	\$ -
PUBLIC IMPROVEMENT,SERIES 2006B	4.00%-5.00%	5/1/06	4,000,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2008A	3.50%-5.00%	5/1/08	9,300,000	-	-	8,100,000
PUBLIC IMPROVEMENT,SERIES 2008B	3.50%-5.00%	5/1/08	26,740,000	-	-	23,590,000
REFUNDING, SERIES 2009	2.00%-5.00%	11/3/09	37,205,272	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010A	2.00%-5.00%	11/10/10	12,975,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010B	3.51%-5.23%	11/10/10	34,020,000	-	-	-
REFUNDING, SERIES 2011	3.00%-5.00%	6/08/11	57,845,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2012	3.00%-5.00%	04/25/12	44,810,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING,SERIES 2014	2.00%-5.00%	06/3/14	42,405,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING,SERIES 2015	3.00%-5.00%	07/09/15	-	29,340,000	-	-
UNAMORTIZED BOND PREMIUM			24,733,493	5,748,933	-	482,269
Total Bonded Debt			<u>295,033,765</u>	<u>35,088,933</u>	<u>-</u>	<u>32,172,269</u>
Other Long-Term Debt						
Installment Purchase Agreements:						
Certificates of Participation						
COPs 2009 FIXED			49,470,000	-	-	37,095,000
LOBS 2012	2.00%-5.00%	03/29/12	54,210,000	-	-	-
LOBS 2013	1.50%-5.00%	03/28/13	104,975,000	-	-	-
LOBS 2016	4.00%-5.00%	04/01/16	-	34,590,000	-	-
UNAMORTIZED BOND PREMIUM			15,371,822	7,282,605	-	-
Total Certificates Of Participation			<u>224,026,822</u>	<u>41,872,605</u>	<u>-</u>	<u>37,095,000</u>
Other Financing Agreements						
Total Installment Purchase Agreements			<u>21,213,474</u>	<u>9,550,072</u>	<u>-</u>	<u>-</u>
Earned Vacation Pay			7,569,339	-	4,621,663	-
Net Pension Liability (LGRS)			-	-	6,669,323	-
Net OPEB Obligation			51,038,152	-	8,126,441	-
Total Other Long-Term Debt			<u>303,847,787</u>	<u>51,422,677</u>	<u>19,417,427</u>	<u>37,095,000</u>
Total General Long-Term Debt			<u>\$ 598,881,552</u>	<u>\$ 86,511,610</u>	<u>\$ 19,417,427</u>	<u>\$ 69,267,269</u>

Due Fiscal Year 2015-2016		Amount Outstanding 6-30-16	Due Fiscal Year 2016 - 2017		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 1,000,000	\$ 40,000	\$ -	\$ -	\$ -	\$ -
4,000,000	170,000	-	-	-	-
400,000	52,000	800,000	400,000	36,000	400,000
1,050,000	122,063	2,100,000	1,050,000	84,000	1,050,000
5,512,615	1,859,371	31,692,657	5,357,657	1,584,633	26,335,000
3,225,000	568,125	9,750,000	3,240,000	406,500	6,510,000
-	1,480,631	34,020,000	-	1,480,631	34,020,000
3,870,000	2,538,150	53,975,000	8,750,000	2,305,750	45,225,000
2,915,000	1,976,119	41,895,000	2,905,000	1,859,519	38,990,000
2,235,000	1,991,933	40,170,000	2,235,000	1,924,875	37,935,000
-	1,017,761	29,340,000	-	1,398,450	29,340,000
2,345,357	-	27,654,800	2,349,712	-	25,305,088
26,552,972	11,816,153	271,397,457	26,287,369	11,080,358	245,110,088
3,095,000	1,446,416	9,280,000	3,095,000	420,075	6,185,000
3,190,000	2,141,675	51,020,000	3,190,000	2,014,075	47,830,000
3,750,000	4,602,488	101,225,000	3,750,000	4,414,988	97,475,000
-	248,485	34,590,000	-	1,626,450	34,590,000
734,500	-	21,919,927	1,105,373	-	20,814,554
10,769,500	8,439,064	218,034,927	11,140,373	8,475,588	206,894,554
1,353,798	222,102	29,409,748	1,446,048	134,853	27,963,700
12,123,298	8,661,166	247,444,675	12,586,421	8,610,441	234,858,254
4,571,568	-	7,619,434	5,071,910	-	2,547,524
0	-	6,669,323	-	-	6,669,323
3,258,028	-	55,906,565	-	-	55,906,565
19,952,894	8,661,166	317,639,997	17,658,331	8,610,441	299,981,666
\$ 46,505,866	\$ 20,477,319	\$ 589,037,454	\$ 43,945,700	\$ 19,690,799	\$ 545,091,754

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2016 (continued)

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-15	Issued During Year	Adjusted During Year	Defeased During Year
Proprietary Debt						
Enterprise Fund:						
Refunding, Series 2009	3.00%-4.75%	12/1/02	\$ 604,728	\$ -	\$ -	\$ -
Enterprise Revolving Loan	2.22%	7/1/10	2,361,447	-	-	-
Enterprise Revolving Loan II	2.22%	7/1/10	9,580,270	-	-	-
Revenue Bonds Refunding, Series 2012	2.49%	08/23/12	9,520,000	-	-	-
Unamortized Bond Premium			564,590	-	-	-
Total Enterprise Fund Bonded Debt			<u>22,631,035</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earned Vacation Pay			97,246	-	39,765	-
Net Pension Liability (LGERS)			-	-	78,941	-
Total Proprietary Debt			<u>\$ 22,728,281</u>	<u>\$ -</u>	<u>\$ 118,706</u>	<u>\$ -</u>
Total General Long-Term and Proprietary Debt			<u>\$ 621,609,833</u>	<u>\$ 86,511,610</u>	<u>\$ 19,536,133</u>	<u>\$ 69,267,269</u>

Due Fiscal Year 2015-2016		Amount Outstanding 6-30-16	Due Fiscal Year 2016-2017		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 572,385	\$ 31,130	\$ 32,343	\$ 32,343	\$ 1,617	\$ -
138,909	52,424	2,222,538	138,909	49,340	2,083,629
532,237	212,682	9,048,033	532,237	200,866	8,515,796
690,000	237,048	8,830,000	705,000	219,867	8,125,000
100,275	-	464,315	100,275	-	364,040
<u>2,033,806</u>	<u>533,284</u>	<u>20,597,229</u>	<u>1,508,764</u>	<u>471,690</u>	<u>19,088,465</u>
64,598	-	72,413	65,430	-	6,983
-	-	78,941	-	-	78,941
<u>\$ 2,098,404</u>	<u>\$ 533,284</u>	<u>\$ 20,748,583</u>	<u>\$ 1,574,194</u>	<u>\$ 471,690</u>	<u>\$ 19,174,389</u>
<u>\$ 48,604,270</u>	<u>\$ 21,010,603</u>	<u>\$ 609,786,037</u>	<u>\$ 45,519,894</u>	<u>\$ 20,162,489</u>	<u>\$ 564,266,143</u>

DURHAM COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy Year Ended June 30, 2016

Property Valuations	
Real property	\$ 26,213,161,494
Personal property	3,524,686,233
Public service	553,248,101
DMV-registered vehicles	<u>2,163,704,337</u>
Total subject to tax	<u>\$ 32,454,800,165</u>
Real property/personal property/corporate excess levy	\$ 383,645,654
DMV -registered vehicles levy	<u>28,030,956</u>
Gross Levy	\$ 411,676,610
Abatements/discoveries	<u>1,001,471</u>
Net Levy	412,678,081
Uncollected at June 30, 2016	<u>1,230,790</u>
Current year taxes collected	<u>\$ 411,447,291</u>
Percent of current taxes collected	<u>99.70%</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, 2016**

Year of Levy	Uncollected Balance July 1, 2015	Current Year Gross Levy	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2016
2015	\$ -	\$ 411,676,610	\$ 411,447,291	\$ 1,001,471	\$ 1,230,790
2014	1,567,655	-	1,181,131	(74,752)	311,772
2013	722,143	-	313,963	(12,063)	396,117
2012	444,004	-	114,069	(12,165)	317,770
2011	191,612	-	57,037	(8,333)	126,242
2010	470,000	-	23,626	(62,208)	384,166
2009 and prior	554,253	-	34,154	(14,624)	505,475
	<u>\$ 3,949,667</u>	<u>\$ 411,676,610</u>	<u>\$ 413,171,271</u>	<u>\$ 817,326</u>	<u>3,272,332</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(75,846)</u>
Ad valorem taxes receivable (net)					<u>\$ 3,196,486</u>
Receivable by fund, net:					
General Fund			\$ 1,777,243		
Capital financing			<u>188,193</u>		
General Fund					1,965,436
City of Durham			1,223,176		
City of Chapel Hill			7,042		
City of Raleigh			<u>832</u>		
Agency funds					<u>1,231,050</u>
					<u>\$ 3,196,486</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, 2016

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 411,676,610	\$ 411,447,291	\$ 1,001,471	\$ 1,230,790
2014-2015	1,567,655	-	1,181,131	(74,752)	311,772
2013-2014	722,143	-	313,963	(12,063)	396,117
2012-2013	444,004	-	114,069	(12,165)	317,770
2011-2012	191,612	-	57,037	(8,333)	126,242
2010-2011	470,000	-	23,626	(62,208)	384,166
2009 and prior	554,253	-	34,154	(14,624)	505,475
	<u>\$ 3,949,667</u>	<u>\$ 411,676,610</u>	<u>\$ 413,171,271</u>	<u>\$ 817,326</u>	3,272,332
Less allowance for uncollectible ad valorem taxes receivable					<u>(75,846)</u>
Ad valorem taxes receivable (net)					<u>\$ 3,196,486</u>
Reconciliation with revenues:					
Taxes - ad valorem - governmental funds					\$ 259,187,158
Taxes - ad valorem - agency funds					<u>153,984,113</u>
Total collections and credits					<u>\$ 413,171,271</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.

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 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	\$ 120,531,058
Restricted	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	56,579,115
Unrestricted	(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)	(89,071,940)
Total governmental activities net position	<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>	<u>\$ 88,038,233</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 53,957,575
Restricted	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	952,588
Unrestricted	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	28,459,495
Total business-type activities net position	<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>	<u>\$ 83,369,658</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 174,488,633
Restricted	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	57,531,703
Unrestricted	(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)	(60,612,445)
Total primary government net position	<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>	<u>\$ 171,407,891</u>

DURHAM COUNTY, NORTH CAROLINA

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 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	\$ 60,091,561
Public safety	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	69,100,186
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	309,017	205,873
Economic and physical development	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	7,343,752
Environmental protection	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	4,303,325
Human services	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	92,160,946
Education	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	144,524,127
Cultural and recreational	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	12,762,810
Interest and fiscal charges	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	19,749,259
Total governmental activities	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	410,241,839
Business-type activities:										
Sewer utility	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	7,447,186
Total primary government expenses	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	417,689,025
Program Revenues										
Governmental activities:										
Charges for services:										
General government	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	13,473,564
Public safety	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	11,700,522
Economic and physical development	5,956	15,523	25,867	47,284	21,352	13,564	24,524	18,654	68,673	67,361
Environmental protection	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	3,217,315
Human services	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	5,306,527
Cultural and recreational	289,708	233,515	236,530	234,076	270,157	284,754	298,180	299,711	473,764	456,385
Operating grants and contributions:										
General government	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	3,499,215
Public safety	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	5,270,013
Economic and physical development	551,745	711,079	1,685,798	1,453,149	1,086,038	857,200	732,984	588,110	618,300	542,097
Environmental protection	-	10,476	45,221	45,083	41,268	103,703	62,078	52,678	193,511	169,636
Human services	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	47,419,147
Cultural and recreational	297,356	263,204	362,201	322,150	268,013	246,509	223,253	266,690	240,335	355,168
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	2,361,838
Public safety	-	-	-	-	-	-	257,499	1,341,125	655,147	-
Environmental protection	419,511	500,000	501,087	250,691	1,390,353	3,191,675	-	-	233,750	24,007
Education	8,083,680	26,352,299	13,481,375	1,063,268	1,086,766	172,946	102,473	1,469,322	907,707	1,978,837
Cultural and recreational	-	-	-	-	-	-	96,181	-	-	-
Total governmental activities program revenues	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	95,841,632
Business-type activities:										
Charges for services: sewer utility	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	9,200,098
Capital grants and contributions: sewer utility	-	126,416	164,857	32,330	1,784,691	6,260,051	471,600	780,802	600,000	284,195
Total business-type activities program revenues	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	9,484,293
Total primary government program revenues	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	105,325,925

DURHAM COUNTY, NORTH CAROLINA

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (314,400,207)
Business-type activities	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	2,037,107
Total primary government net expense	<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>	<u>(312,363,100)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	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	259,451,036
Property taxes, levied for fire districts	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	7,826,322
Property taxes, levied for other districts purposes	323,940	671,192	656,807	714,072	723,815	713,502	739,049	736,793	754,365	959,142
Local option sales tax	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	74,471,794
Occupancy tax	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	3,509,649
Animal tax	437,639	405,546	938,241	907,395	1,184,766	915,504	540,618	(1,277,314)	-	-
Gross receipts tax	204,714	220,678	230,687	329,430	333,207	345,126	347,226	406,605	410,964	429,419
Vehicle registration tax	-	-	-	-	-	-	-	-	296,517	193,373
Investment and interest income	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	4,684,275
Other revenues	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	953,890
Amortization of bond premium	247,770	251,141	280,133	-	-	-	-	-	-	-
Total governmental activities	<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>	<u>352,478,900</u>
Business-type activities:										
Investment and interest income	603,131	847,304	306,961	52,902	5,121	(7,981)	29,074	42,036	16,054	71,355
Other revenues	100	62,716	-	3,792	940	-	493	25,889	-	12,841
Amortization of bond premium	33,834	33,834	33,834	-	-	-	-	-	-	-
Total business-type activities	<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>	<u>84,196</u>
Total primary government	<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>	<u>352,563,096</u>
Change in Net Position										
Government activities	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	38,078,693
Business-type activities	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	2,121,303
Total primary government	<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>	<u>\$ 40,199,996</u>

Notes:

- (1) As of Fiscal Year 2010, the amortization of the bond premium is no longer reported under "General Revenues and Other Changes in Net Position" but rather as a component of interest and fiscal charges expense.
- (2) As of Fiscal Year 2015, the County no longer reports animal tax revenues in a separate line item. Effective Fiscal Year 2014, the County no longer assesses an animal tax. As such, the revenues collected are the decrease in the accounts receivable. These revenues are now reported in the function they pertain to, public safety.

DURHAM COUNTY, NORTH CAROLINA

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

June 30	General Fund						All Other Governmental Funds						All Governmental Funds
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Total
2016	\$ 972,635	\$ 38,115,182	\$ 67,133,359	\$ 13,289,584	\$ 63,235,816	\$ 182,746,576	\$ -	\$ 6,079,462	\$ -	\$ 38,122,417	\$ -	\$ 44,201,879	\$ 226,948,455
2015	995,989	34,787,668	66,909,089	11,521,144	57,461,506	171,675,396	-	7,438,733	-	36,197,068	-	43,635,801	215,311,197
2014	1,015,631	30,579,201	59,573,800	13,961,475	42,228,729	147,358,836	5,000	3,720,664	-	45,814,049	-	49,539,713	196,898,549
2013	1,002,364	30,539,412	51,109,294	16,348,230	35,630,010	134,629,310	-	10,529,068	-	56,003,778	(232,519)	66,300,327	200,929,637
2012	1,055,346	30,431,788	47,694,892	11,612,648	45,477,059	136,271,733	-	21,048,123	-	46,976,875	-	68,024,998	204,296,731
2011	869,092	25,392,181	33,904,565	8,148,653	49,205,996	117,520,487	-	33,189,054	-	51,139,509	-	84,328,563	201,849,050
2010	810,373	27,702,979	26,675,483	6,203,505	40,241,722	101,634,062	-	41,636,490	-	76,976,301	-	118,612,791	220,246,853
2009	790,316	27,353,153	18,151,896	7,592,000	38,300,379	92,187,744	33,922	82,039,274	-	93,713,294	-	175,786,490	267,974,234
2008	802,015	32,479,932	12,053,302	17,548,466	32,229,265	95,112,980	-	20,341,463	-	98,329,236	-	118,670,699	213,783,679
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

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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 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	\$ 347,348,935
Licenses and permits	880,944	1,049,599	744,881	688,093	703,439	794,976	826,580	1,357,467	1,119,886	1,535,091
Intergovernmental	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	61,619,958
Investments	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	4,181,190
Rent	1,985,592	2,088,862	607,818	507,071	555,648	591,285	824,104	1,077,167	1,058,153	988,807
Charges for services	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	31,035,290
Other revenues	14,127,991	659,642	943,020	753,316	5,519,764	8,282,993	4,372,836	4,563,275	1,300,117	953,890
Total revenues	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	447,663,161
Expenditures										
General government	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	57,491,702
Public safety	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	67,063,053
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	309,017	205,873
Economic and physical development	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	7,364,572
Environmental protection	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	7,207,867
Human services	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	93,140,635
Education	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	144,322,104
Cultural and recreational	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	13,202,921
Capital projects	23,050,573	-	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	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	35,596,413
Interest and fiscal charges	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	20,599,097
Debt issuance costs	123,167	83,939	1,546,769	994,584	1,060,066	1,115,755	818,130	644,769	23,000	741,165
Amortization of lease discount	1,150,000	1,150,000	-	-	-	-	-	-	-	-
Total expenditures	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	446,935,402
Excess of revenues over (under) expenditures	(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	727,759
Other Financing Sources (Uses)										
Transfers in	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	77,667,072
Transfers out	(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)	(77,667,072)
Premium on issuance of debt	-	404,574	1,207,038	-	3,738,451	7,299,951	-	-	-	-
Issuance of bonds	-	46,190,000	-	-	60,000,000	49,105,000	-	-	-	-
Premium on issuance of refinancing	-	-	-	-	-	-	-	7,025,669	-	13,031,538
Issuance of refunding bonds	-	-	-	49,171,920	71,955,824	73,276,601	125,002,399	44,635,000	-	63,930,000
Payment to refunded debt escrow agent	-	-	-	(48,776,331)	(71,425,002)	(72,630,409)	(124,462,399)	(51,200,000)	-	(77,226,102)
Issuance of installment purchases	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	9,550,072
Total other financing sources (uses)	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	9,285,508
Net change in fund balances	\$ (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	\$ 10,013,267

Debt service as a percentage of noncapital expenditures	9.75%	9.69%	9.80%	9.95%	15.00%	24.92%	13.08%	14.02%	14.11%	13.12%
---	-------	-------	-------	-------	--------	--------	--------	--------	--------	--------

Notes:

- As of Fiscal Year 2008, the County no longer reports "Capital projects" expenditures separately in one line item. These expenditures are now reported in the functional areas they pertain to.
- 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
2007	\$ 61,082,121	\$ 49,069,987	\$ 12,500	\$ 10,262,137	\$ 3,022,401
2008	53,369,519	51,025,747	12,500	4,483,362	3,261,121
2009	47,393,464	52,889,080	12,500	6,746,267	3,800,698
2010	12,365,748	55,255,454	12,500	28,751,080	2,456,029
2011	45,989,651	53,964,797	12,500	5,272,311	3,542,985
2012	50,482,000	54,806,448	12,500	4,616,413	3,694,850
2013	57,034,487	57,767,228	12,500	4,916,125	3,632,359
2014	55,772,804	61,569,018	12,500	5,490,387	3,657,826
2015	57,622,575	63,834,548	309,017	4,773,955	3,860,175
2016	60,091,561	69,100,186	205,873	7,343,752	4,303,325

Notes:

- (1) As of Fiscal Year 2010, the County no longer reports direct costs in the statement of activities' expenses with full note disclosure. The direct costs are now only disclosed in the notes to the financial statements.

Human Services	Education	Cultural and Recreational	Interest and Fiscal Charges	Sewer Utility	Total
\$ 371,034,045	\$ 106,234,157	\$ 12,136,121	\$ 15,535,909	\$ 5,124,493	\$ 633,513,871
405,376,336	117,349,760	10,909,020	14,218,611	5,870,964	665,876,940
437,677,600	143,520,618	11,998,176	14,785,542	5,277,448	724,101,393
108,607,392	176,005,516	25,220,574	11,499,010	5,061,620	425,234,923
109,093,936	185,533,592	12,510,214	17,368,443	5,356,000	438,644,429
115,743,251	159,834,958	12,075,639	17,226,788	5,563,907	424,056,754
88,141,193	151,919,349	11,688,669	19,814,600	5,761,082	400,687,592
85,440,041	148,666,331	12,671,110	22,953,477	6,387,907	402,621,401
87,852,834	137,832,688	12,240,868	20,880,870	7,187,975	396,395,505
92,160,946	144,524,127	12,762,810	19,749,259	7,447,186	417,689,025

DURHAM COUNTY, NORTH CAROLINA

Government-wide Revenues Last Ten Fiscal Years

Fiscal Year Ended	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment and Interest Income
2007	\$ 33,719,456	\$ 336,366,486	\$ 6,204,903	\$ 243,105,448	\$ 13,924,591
2008	36,589,771	358,162,525	27,092,519	262,135,339	8,497,838
2009	23,812,915	399,272,928	19,467,166	261,187,855	3,430,288
2010	33,011,220	80,230,451	2,346,289	260,127,663	3,269,464
2011	33,012,519	75,904,360	10,341,180	277,147,169	7,340,490
2012	35,305,268	80,009,239	10,838,181	285,582,919	9,878,576
2013	36,890,689	53,016,379	1,972,602	299,029,295	2,007,036
2014	38,149,807	50,005,628	4,714,711	315,456,947	5,128,291
2015	44,708,939	56,872,129	4,036,039	335,201,455	13,488,096
2016	43,421,772	57,255,276	4,648,877	346,840,735	4,755,630

Notes:

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

	Other Revenues	Amortization of Bond Premium	Total
\$	14,128,091	\$ 281,604	\$ 647,730,579
	876,596	284,975	693,639,563
	1,096,491	313,967	708,581,610
	1,051,192	-	380,036,279
	5,775,344	-	409,521,062
	8,604,913	-	430,219,096
	4,709,920	-	397,625,921
	4,600,630	-	418,056,014
	1,300,117	-	455,606,775
	966,731	-	457,889,021

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
2007	\$ 53,083,781	\$ 48,084,025	\$ 12,500	\$ 2,991,804	\$ 96,175,984
2008	40,055,970	49,037,837	12,500	10,742,700	135,475,191
2009	43,642,897	51,260,744	12,500	8,853,660	154,707,374
2010	47,288,312	51,139,790	12,500	30,505,276	143,481,659
2011	85,546,409	52,050,280	12,500	26,494,114	185,338,838
2012	74,378,948	53,832,256	12,500	20,700,688	159,632,934
2013	69,537,969	56,386,531	12,500	20,301,762	151,717,325
2014	51,067,380	60,700,087	12,500	13,469,306	148,464,307
2015	54,099,981	64,652,305	309,017	5,771,300	137,630,665
2016	57,491,702	67,063,053	205,873	7,207,867	144,322,104

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 2008, the County no longer reports capital project expenditures separately but rather in the functional area in which they were expended.
- (3) 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.

Human Services	Economic and Physical Development	Cultural and Recreational	General Debt Service	Capital Projects	Total
\$ 156,237,699	\$ 3,250,610	\$ 9,894,487	\$ 40,775,924	\$ 23,050,573	\$ 433,557,387
172,690,598	4,468,630	11,508,607	39,740,391	-	463,732,424
162,360,553	6,726,068	14,618,455	43,190,003	-	485,372,254
107,552,239	5,378,982	20,714,654	42,994,034	-	449,067,446
108,524,800	5,158,399	13,687,066	70,696,046	-	547,508,452
109,066,287	4,606,868	12,032,600	128,288,778	-	562,551,859
91,592,879	4,914,778	11,454,684	54,807,703	-	460,726,131
85,339,186	5,479,543	12,348,532	58,260,746	-	435,141,587
89,516,898	4,841,896	12,197,724	58,755,929	-	427,775,715
93,140,635	7,364,572	13,202,921	56,936,675	-	446,935,402

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
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
2016	268,685,962	78,662,973	1,535,091	61,619,958

Notes:

- (1) General government revenues include all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.
- (2) As of Fiscal Year 2010, the County no longer reports revenues from direct costs in the basic financial statements with full note disclosure. These revenues are now only disclosed in the notes to the financial statements.

Rental Income	Investment Income	Charges for Services	Other Revenues	Total
\$ 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
988,807	4,181,190	31,035,290	953,890	447,663,161

THIS PAGE LEFT INTENTIONALLY BLANK

REVENUE CAPACITY INFORMATION

Principal Property Taxpayers

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

Schedule of Assessed Value and Actual Value of Taxable Property

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

Property Tax Levies and Collections

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

Property Tax Levies Direct and Overlapping Local Government Jurisdictions

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

Direct and Overlapping Property Tax Rates

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

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA

**Principal Property Taxpayers
June 30, 2016
Current Year and Nine Years Ago**

Taxpayer	Fiscal Year 2016			Fiscal Year 2007		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
AW North Carolina Inc.	\$371,468,918	1	1.14%	\$225,328,878	3	1.02%
Cree, Inc.	364,286,386	2	1.12%	211,159,290	5	0.96%
GlaxoSmithKline	323,395,804	3	1.00%	583,897,512	1	2.65%
International Business Machine	252,536,540	4	0.78%	518,494,206	2	2.35%
IBM Corporation	240,952,214	5	0.74%			
Duke Energy Carolinas LLC	224,336,436	6	0.69%	183,322,363	6	0.83%
Merck Sharp & Dohme Corp	210,390,774	7	0.65%			
EMC Corporation	205,466,123	8	0.63%			
Southpoint Mall LLC	172,275,439	9	0.53%	82,926,624	10	0.38%
GlaxoSmithKline LLC	116,806,226	10	0.36%			
Verizon South Inc.	-		-	218,669,860	4	0.99%
Highwoods/Forsyth Limited Part	-		-	83,664,715	8	0.38%
State Street Bank & Trust	-		-	83,584,221	9	0.38%
Blue Cross & Blue Shield of NC	-		-	<u>83,859,264</u>	7	<u>0.39%</u>
	<u>\$2,481,914,860</u>		<u>7.64%</u>	<u>\$2,274,906,933</u>		<u>10.33%</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
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	0.7931	0.0799-0.1514	0.8073
2016	26,213,161,494	3,524,686,233	553,248,101	2,163,704,337	32,454,800,165	0.7931	0.0799-0.1779	0.8276

Notes:

- (1) All taxable property is subject to the County direct rate. Most property in unincorporated areas is subject to one of the seven fire district taxes. The County's property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the County except for certain registered motor vehicles which are assessed and collected throughout the year. Assessed valuations are established by the Board of County Commissioners at 100% of estimated market value for real property and 100% of estimated actual value for personal property. Public service company property is certified by the State of North Carolina at 100% of actual value, with no distinction between real and personal property values.
- (2) A revaluation of real property is required by N.C. General Statutes at least every eight years. The last revaluation was occurred on January 1, 2016.
- (3) Per \$100 of assessed value.

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year	Taxes Levied for the Fiscal Year			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments	Total Adjusted Levy	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
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%	1,181,131	402,425,804	99.90%
2016	411,676,610	1,001,471	412,678,081	411,447,291	99.70%	-	411,447,291	99.70%

Notes:

- (1) Amounts included above for fiscal years 2004 through 2011 represent taxes in the General Fund, the Special Tax District Funds and the Agency Funds.
- (2) Amounts included above for fiscal year 2012 represent taxes in the General Fund and the Agency Funds.

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	Durham County	Fire Tax Districts						
		Bethesda	Lebanon	Parkwood	Redwood	Eno	New Hope	Bahama
2007	\$180,373,799	\$1,005,468	\$ 735,683	\$ 1,124,990	\$ 593,633	\$ 16,905	\$ 42,190	\$ 545,082
2008	198,126,081	1,412,365	945,480	1,126,263	672,045	17,304	43,986	696,347
2009	205,500,231	1,563,641	1,078,805	1,399,989	744,154	23,125	52,735	662,490
2010	209,323,910	1,602,205	1,071,167	1,472,700	738,849	23,983	44,825	714,101
2011	223,648,890	1,502,509	1,070,918	1,550,213	728,283	24,035	57,296	749,909
2012	224,310,246	1,603,344	1,073,640	1,461,650	766,788	24,336	74,677	806,759
2013	229,802,881	1,760,488	1,075,946	1,522,095	764,284	24,325	76,341	854,020
2014	234,323,543	2,220,189	1,033,842	1,546,613	733,673	30,882	82,004	802,114
2015	236,807,235	4,945	1,034,889	1,544,137	864,854	85,484	29,930	1,341,389
2016	241,808,196	-	1,037,940	-	883,358	30,246	87,109	1,414,475

Notes

Effective July 1, 1988, the County collects all the County, City of Durham, and Fire Districts taxes levied within Durham County. Effective July 1, 1995, the County collects Town of Chapel Hill taxes levied within Durham County. Effective July 1, 2002, the County collects City of Raleigh taxes levied within Durham County. Effective July 1, 2011, the County collects Town of Morrisville taxes levied within Durham County. Effective July 1, 2015, Durham County Fire & Rescue replaced both the Bethesda Service and Parkwood Tax Districts.

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

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

RTP Special District	Butner Safety District	Durham County Fire & Rescue	City of Durham	City of Raleigh	Town of Chapel Hill	Town of Morrisville	Total Tax Levies
\$ 306,857	\$ 16,189	\$ -	\$ 102,559,123	\$ 323,866	\$ 1,512,542	\$ -	\$ 289,156,326
657,705	16,203	-	110,402,329	351,249	2,946,132	-	317,413,489
666,263	20,319	-	122,039,098	419,553	3,054,312	-	337,224,715
722,154	17,585	-	124,304,979	452,134	2,631,582	-	343,120,175
709,205	17,631	-	12,983,774	485,766	2,636,459	-	246,164,888
696,499	17,059	-	129,390,469	550,646	2,614,275	10,440	363,400,828
746,927	315	-	135,132,373	595,878	2,619,338	11,738	374,986,949
735,854	3	-	132,998,548	623,283	2,689,258	16,747	377,836,553
760,735	-	-	136,753,317	679,966	2,675,644	46,487	382,629,012
970,743	-	3,932,013	139,621,148	724,895	2,686,409	25,475	393,222,007

DURHAM COUNTY, NORTH CAROLINA

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

(rate per \$100 of assessed value)

	2007	2008 ²	2009	2010	2011	2012	2013	2014	2015	2016
County direct rate										
Operating rate	\$ 0.7536	\$ 0.7801	\$ 0.6594	0.6604	\$ 0.6911	\$ 0.6865	\$ 0.6850	\$ 0.6850	\$ 0.6951	\$ 0.7078
Capital rate	0.0554	0.0539	0.0487	0.0477	0.0548	0.0594	0.0594	0.0894	0.0980	0.0853
Total general fund direct rate	0.8090	0.8340	0.7081	0.7081	0.7459	0.7459	0.7444	0.7744	0.7931	0.7931
Fire district rates	0.0570-0.1100	0.0570-0.1100	0.0570-0.1150	0.0570-0.1100	0.0599-0.1100	0.0599-0.1125	0.0599-0.1150	0.0600-0.1300	0.0799-0.1386	0.0799-0.1386
Other special district rates	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	0.0000-0.1779
Municipality Rates										
City of Durham	0.6030	0.6180	0.5400	0.5400	0.5519	0.5575	0.5675	0.5675	0.5912	0.5912
City of Durham BID	-	-	-	-	-	-	0.6375	0.6375	0.6612	0.6612
Town of Chapel Hill	0.5220	0.5220	0.5810	0.4940	0.4940	0.4940	0.4940	0.5140	0.5240	0.5240
City of Raleigh	0.4350	0.4350	0.3735	0.3735	0.3735	0.3735	0.3826	0.3826	0.4038	0.4210
Town of Morrisville	-	-	-	-	-	0.3665	0.3665	0.3900	0.3900	0.4100

Notes:

- (1) All taxable property is subject to the County direct rate. Most property in unincorporated areas is also subject to one of the seven fire district taxes.
- (2) A revaluation of real property is required by N. C. General Statutes at least every eight years. Revaluation of taxable property occurred on January 1, 2016.

DEBT CAPACITY INFORMATION

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

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

Legal Debt Margin Information

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

Direct and Overlapping Governmental Activities Debt

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

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

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

Ratios of General Bonded Debt Outstanding

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

Ratios of Outstanding Debt by Type

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

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	Population Estimate (1)	Taxable Property Assessed Value	Debt Limit	Gross Bonded Debt
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
2016	293,647 (1)	32,454,800,165	243,775,000	243,775,000

NOTE:

(1) Estimate from Durham City/County Planning Department

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Taxable Property Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ 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
243,775,000	0.75	830

DURHAM COUNTY, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Years**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Assessed Value of Property	\$ 22,035,372,134	\$ 23,136,584,132	\$ 28,540,855,952	\$ 29,032,891,346	\$ 29,460,598,354
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,762,829,771	1,850,926,731	2,283,268,476	2,322,631,308	2,356,847,868
Amount of Debt Applicable to Limit General Obligation Bonds	<u>247,445,003</u>	<u>275,570,002</u>	<u>255,335,002</u>	<u>233,930,000</u>	<u>272,680,000</u>
Total net debt applicable to limit	<u>247,445,003</u>	<u>275,570,002</u>	<u>255,335,002</u>	<u>233,930,000</u>	<u>272,680,000</u>
Legal Debt Margin	<u>\$ 1,515,384,768</u>	<u>\$ 1,575,356,729</u>	<u>\$ 2,027,933,474</u>	<u>\$ 2,088,701,308</u>	<u>\$ 2,084,167,868</u>
Total net debt applicable to limit as a percentage of debt limit	<u>14.04%</u>	<u>14.89%</u>	<u>11.18%</u>	<u>10.07%</u>	<u>11.57%</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					
2012	2013	2014	2015	2016	
\$ 29,842,363,341	\$ 30,446,750,204	\$ 32,025,003,772	\$ 31,736,178,319	\$ 32,454,800,165	
2,387,389,067	2,435,740,016	2,562,000,302	2,538,894,266	2,596,384,013	
<u>298,585,000</u>	<u>273,900,000</u>	<u>295,905,000</u>	<u>270,905,000</u>	<u>243,775,000</u>	
<u>298,585,000</u>	<u>273,900,000</u>	<u>295,905,000</u>	<u>270,905,000</u>	<u>243,775,000</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>\$ 2,352,609,013</u>	
<u>12.51%</u>	<u>11.25%</u>	<u>11.55%</u>	<u>10.67%</u>	<u>9.39%</u>	

DURHAM COUNTY, NORTH CAROLINA

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2016**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Municipality:			
City of Durham	\$ 212,108,273	100%	\$ 212,108,273
Town of Chapel Hill	23,472,000	0%	-
City of Raleigh	974,246,569	0%	-
Overlapping debt	<u>1,209,826,842</u>		<u>212,108,273</u>
Direct debt	518,842,132		518,842,132
Total direct and overlapping debt	<u><u>\$ 1,728,668,974</u></u>		<u><u>\$ 730,950,405</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			
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	7,003	58,739,932	427,775,715	13.73%
2016	35,596,413	20,599,097	741,165	56,936,675	446,935,402	12.74%

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
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
2016	243,775,000	0.75%	830.16

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

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

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

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Certificates of Participation	Limited Obligation Bonds	Installment Purchases	Total Governmental Activities
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
2016	271,397,457	9,280,000	208,754,927	29,409,748	518,842,132

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
\$ 5,279,734	\$ 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
32,343	9,294,315	11,270,571	20,597,229	539,439,361	4.28%	1,935.22

THIS PAGE LEFT INTENTIONALLY BLANK

OPERATING INFORMATION

Full-time Equivalent County Government Employees by Function

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

Operating Indicators by Function

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

Capital Asset Statistics by Function

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

DURHAM COUNTY, NORTH CAROLINA

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	243	252	248	245
Public safety	590	600	624	599
Economic and physical development	30	33	31	32
Environmental protection	11	13	14	18
Human services	651	677	692	700
Cultural and recreational	90	99	98	105
Utilities	4	6	21	18
Total	<u>1,619</u>	<u>1,680</u>	<u>1,728</u>	<u>1,717</u>

Source: Durham County Human Resources Department

2011	2012	2013	2014	2015	2016
247	253	264	258	263	267
610	616	644	673	696	687
30	30	30	29	32	29
18	16	16	19	20	21
681	700	610	624	628	639
101	105	105	104	106	100
20	21	21	20	20	20
1,707	1,741	1,690	1,727	1,765	1,763

DURHAM COUNTY, NORTH CAROLINA

Operating Indicators By Function Last Ten Fiscal Years

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Administration										
Registered voters (6)	22,782	210,644	201,880	199,756	195,050	182,192	180,403	181,012	156,879	146,097
Taxable real estate parcels (7)	105,588	103,976	104,350	103,757	102,556	86,008	87,245	105,618	104,548	100,427
Tax bills (7)**	144,540	146,193	143,659	377,327	317,556	240,597	237,229	271,331	300,886	267,305
Human Services										
Adult care home residents served through on-site inspections (8)	982	994	941	885	875	845	853	826	811	889
Persons testing for HIV/STD (9)	15,577	37,280	38,482	52,251	43,265	53,584	66,169	65,924	67,765	60,122
Food assistance individuals (8)	40,358	43,745	43,289	49,281	44,238	42,034	34,178	29,727	23,730	22,527
Education										
Students attending public school (1)	33,501	33,626	33,295	32,484	32,671	32,566	32,551	31,938	31,732	32,749
Public school teachers (2)	2,358	2,329	2,318	2,247	2,300	2,245	2,671	2,326	2,368	2,419
Community college students-average semester (3)	19,027	22,341	20,470	22,974	24,416	24,769	25,561	25,810	25,509	25,444
Community college faculty (3)	355	333	328	322	337	162	161	150	154	148
Community Development and Cultural (5)										
Residential permits issued ***	1,927	1,426	1,270	1,141	856	997	993	883	1,713	2,153
Commercial permits issued ***	158	132	135	83	109	93	73	81	209	274
Building permits - additional, alterations ***	2,592	2,451	2,320	2,362	2,533	2,368	2,212	2,230	1,694	1,705
Inspections performed	38,946	38,481	38,801	31,589	27,635	26,086	26,295	25,183	*	*
Environmental Services										
Animal control service calls (10)	12,889	12,568	11,859	11,111	15,682	13,911	15,628	18,152	16,213	12,390
Animals impounded (10)	2,869	2,166	3,025	3,361	6,315	6,397	6,921	7,148	6,755	6,684
Sanitation inspections (9)	6,417	6,146	7,243	5,841	7,040	6,876	7,462	6,860	7,606	8,130
Public Safety										
Detention intake (11)	9,893	11,838	11,967	12,350	12,457	12,267	11,926	12,219	12,395	12,456
Civil processes served (11)	25,718	26,407	28,482	35,842	33,181	32,472	35,210	33,727	33,643	32,967
Pistol permits processed (11)	4,562	2,486	1,446	1,715	1,938	1,923	1,726	1,774	1,687	1,051
Average daily jail population (11)	510	520	521	560	551	554	582	598	629	597
Fire/medical incidents responded to by contracting fire departments (6)	2,587	4,544	9,152	11,096	11,870	12,402	11,733	12,344	11,925	10,000
Durham EMS incidents (4)	44,222	44,388	32,882	28,337	27,742	26,696	27,405	26,260	25,111	23,132

* Information not available.

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

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

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

(2) Durham County Public Schools.

(3) Durham Technical Community College.

(4) Durham County Emergency Management Department.

(5) Durham City/County Planning Department.

(6) Durham County Board of Elections. Durham County took over the EMS program from Parkwood, fiscal year 2015, this would reduce Parkwood's medical incident responses.

Durham County EMS implemented a new response continuum that cut Fire Department first responder units from "Alpha" and "Bravo" calls - calls triaged as minor and not needing fire responses. As of fiscal year 2016, there are three contracting fire departments; two of the original five departments are now Durham County Fire & Rescue.

(7) Durham County Tax Department.

(8) Durham County Department of Social Services.

(9) Durham County Public Health Department.

(10) Durham County Animal Control.

(11) Durham County Sheriff Department.

DURHAM COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government (1)										
Rentable square footage	767,932	767,652	767,652	767,652	766,682	733,361	733,361	744,461	726,461	726,461
Human Services (2)										
Number of centers	2	2	2	4	4	4	4	4	6	6
Education (3)										
Number of schools	54	54	56	56	56	55	53	53	46	46
Number of higher education institutions	4	4	4	4	4	4	4	4	4	4
Community Development and Cultural (4)										
Libraries - branches	7	7	7	8	8	8	8	8	8	8
Volume of library books	692,526	694,145	704,947	698,715	704,093	661,687	603,930	565,245	609,544	584,299
Number of County parks	2	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	16	15	15	15	15	15
Fire protection - Volunteer Stations (6)	12	12	12	12	12	11	11	11	11	11
EMS - Stations (7)	9	12	11	9	6	6	6	6	6	6

(1) Durham County Open Space Department

(2) Durham County Public Health and Social Services Departments

(3) Durham Public Schools

(4) Durham County Public Library

(5) Durham County Sheriff's Department

(6) Durham County Fire Department

(7) Durham County Emergency Medical Services

THIS PAGE LEFT INTENTIONALLY BLANK

DEMOGRAPHIC & ECONOMIC INFORMATION

Property Value and Construction

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

Demographic and Economic Statistics

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

Principal Employers

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

THIS PAGE LEFT INTENTIONALLY BLANK

DURHAM COUNTY, NORTH CAROLINA

Property Value and Construction Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Building Value of Permits Issued (1)</u>	<u>Assessed Valuation (2)</u>
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
2016	1,194,358,281	32,454,800,165

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
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	12,611,613	42,930	33,296	5.3%
2015	290,874	*	*	33,626	5.4%
2016	293,647	*	*	33,144	4.7%

* Information not yet available

- (1) The 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 19, 2015.
- (4) Durham County Public Schools, 2007-2016 Final Average Daily Membership.
- (5) North Carolina Employment Security Commission.

DURHAM COUNTY, NORTH CAROLINA

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

Employer	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Duke University & Health System	27,624	1	14.35%	30,551	1	16.68%
Duke University	8,380	2	4.35%			
International Business Machines (IBM)	5,000	3	2.60%	11,530	2	6.29%
Durham Public Schools	4,600	4	2.39%	5,489	3	3.00%
GlaxoSmithKline	2,600	8	1.35%	5,272	4	2.88%
Blue Cross Blue Shield of North Carolina	4,000	5	2.08%	2,745	5	1.50%
Durham City Government	2,457	10	1.28%	2,336	7	1.28%
Cree, Inc.	2,600	7	1.35%			
Fidelity Investments	3,100	6	1.61%			
Quintiles Transnational Corp.	2,500	9	1.30%			
Lenovo Group, Ltd.				2,300	8	1.26%
Veterans Affairs (VA) Medical Center				2,162	9	1.18%
NORTEL Networks				2,600	6	1.42%
Research Triangle Institute(RTI)				2,117	10	1.16%
	<u>62,861</u>		<u>32.66%</u>	<u>67,102</u>		<u>36.64%</u>

Source: Durham Chamber of Commerce and Bureau of Labor Statistics

THIS PAGE LEFT INTENTIONALLY BLANK

**COMPLIANCE SECTION
(DIVIDER)**

Report of Independent Auditor on the Revenue Bond Covenant Compliance

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

Report on the Schedule

We have audited the accompanying schedule of debt covenant compliance (the “schedule”) of Durham County, North Carolina (the “County”), as of and for the year ended June 30, 2016 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, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2016 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

Restricted Use

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

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

Raleigh, North Carolina
October 31, 2016

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Debt Covenant Compliance
Year Ended June 30, 2016**

	Enterprise Fund Sewer Utility Fund
Operating revenues	
Charges for services	\$ 8,313,742
Total operating revenues	<u>8,313,742</u>
Operating expenses	
Personnel services	1,552,262
Utilities	588,018
Maintenance and other	1,809,840
Depreciation	3,017,777
Total operating expenses	<u>6,967,897</u>
Operating income (loss)	<u>1,345,845</u>
Add:	
Depreciation expense	<u>3,017,777</u>
Income available for debt service	<u>\$ 4,363,622</u>
Fiscal year revenue bond debt payments	\$ 927,048
Fiscal year total debt payments	\$ 2,466,815
Senior lien debt service coverage	4.71
Total debt service coverage	1.77
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

Crystally Wright, Compliance Manager

Tiffany Long, Senior Accountant

Sarah Hill, Accountant

Chrystal Thomas, Accountant

Kimerly Mann, Accountant

Kimberly Thompson, Accountant

