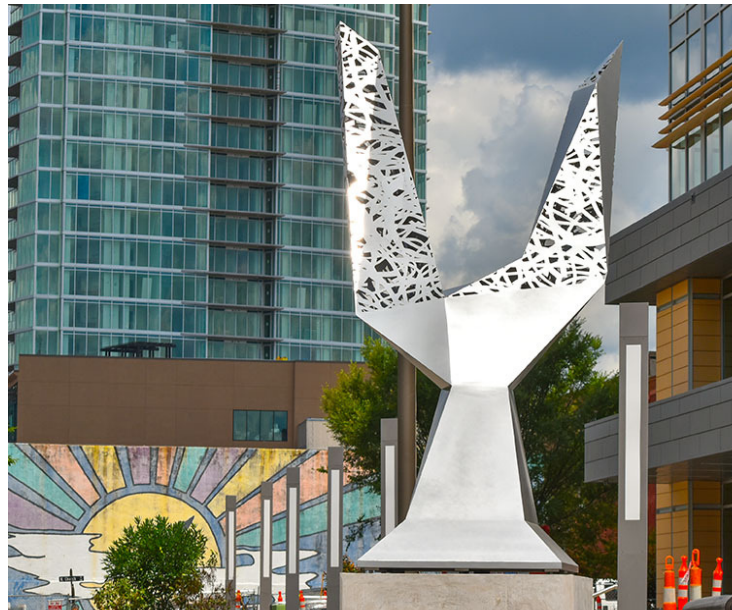




COUNTY OF DURHAM, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2018

Cover:

Durham County Administration Building II
& Taurus Sculpture

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County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018

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Chief Financial Officer**

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Prepared by the Durham County Finance Department

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**INTRODUCTORY SECTION
(TAB)**



Letter of Transmittal

October 31, 2018

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, 2018.

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, 2018 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, 2018 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 308,194. 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 35-38 as part of the basic financial statements for the governmental funds. For other major funds and nonmajor governmental funds, with appropriated annual budgets, this comparison is presented in the other supplementary section of this report, which starts on page 133.

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 July 2018 at the *National Association of Counties (NACo)* annual convention, Durham County leaped to 5th (originally 10th) place in the latest Digital Counties Survey. This award identifies the best technology practices amount U.S. Counties. *Livability*, September 2018, recognized Durham as one of the 5 up-and-coming tech hotspots that depicted the Durham area as one of the unexpected regions that's emerging as America's brightest, affordable, and inclusive tech hubs. Also, in April 2018, *Business Insider* recognized Durham as #16th "The 35 cities in the US with the biggest influx of people, the most work opportunities, and the hottest business growth".

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 2017 totaled over \$738.6 million, with plans to create over 2,480 new jobs in the County. In addition, business expansions announced through the third quarter of calendar year 2018 totaled over \$542 million with plans to create another 2,592 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. *Money Tips*, July 2018, ranked Durham #1 for the "Best place to Live When You're in Debt", *CBS This Morning News* ranked Durham #3 in "Top Emerging Travel Hot Spots", and *Wallet Hub* ranked Durham #4 in the "Most Educated Cities in America". In July 2018 Durham was ranked #1 on *Triangle Business Journal* "Top 5 Big Cities in NC with Healthiest Housing Market" and *National Center for Arts Research* ranked Durham #7 "Top 10 Arts-Vibrant Medium Communities". In February of 2018 GoBanking ranked Durham #5 Cities with High Salaries and Low Cost of Living and in March 2018 *Livability* ranked Durham #4 Up-and-Coming Tech Hotspots. In March 2018 *Growella* ranked Durham #1 best Cities for Millennials in the U.S and December 2017, *Equities* ranked Durham #4 for "5 Cities That Are Great for Women's Careers.

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-eighth 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 300 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 55,000 full-time employees and an estimated 8,000 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 2017, Power Secure, a power supply research and development and manufacturing company, announced a new \$35 million facility with the creation of 300 new jobs and Intuitive Surgical, a surgical robot provider, invested \$12 million in a new facility creating 180 new jobs. In addition to new businesses, current businesses also announced expansions in Durham County and the Park. Businesses such as Croasdaile Village, Duke Genomics, Fidelity, Freudenberg IT and Aerie Pharma announced expansions in calendar year 2017 with an estimated investment of over \$194 million and over 326 new jobs. Other existing companies, Delta, Dova Pharmaceuticals, Validix, Aviista, Duke Medical, LabCorp, KBI BioPharma and Guardian Logistics announced planned expansions through the second quarter of calendar year 2018 with an estimated investment of over \$41 million and the creation of over 1,717 jobs. In July 2018, a report from *Business Facilities* recognized Durham Metro as the #5 "Economic Growth Potential".

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 2018, *U.S. News*, ranked Duke #10 in "*Best Undergraduate Teaching*" and April 2018 College Consensus, recognized North Carolina Central University #9 on the list of "*Best Historically Black Colleges & Universities*".

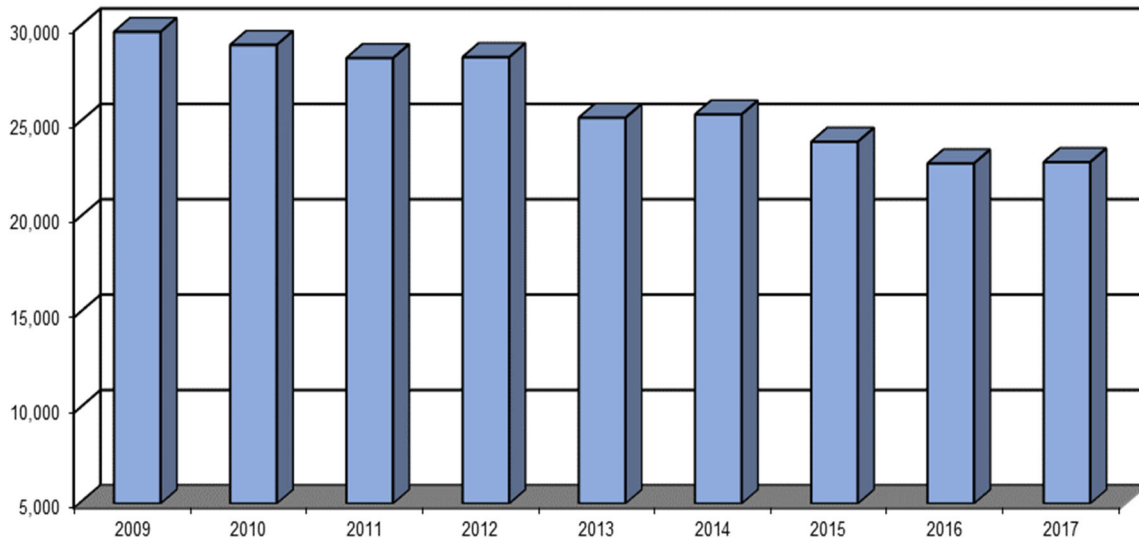
Health care

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 2018, *US News & World Report*

"Honor Roll List for Best Hospitals", ranks Duke as the 19th best Hospital in the nation with five specialties ranking in the top 20; the highest ranking being #6 for high performance in Ophthalmology in the US, and the #1 Hospital in the State; a world class academic and health care system; transforming medicine locally and globally through innovative medical research; and educating future clinical and scientific leaders.

The result is that Durham County has four times the national average of physicians, three times the national average of nurses, and nearly one third of all workers in the labor force works in a health or medical related industry.

Manufacturing



Source: Employment Security Commission (ESC)

Durham County is a strong manufacturing center in the region. The manufacturing sector experienced a slight increase in employment from 22,845 in 2016 to 22,911 in 2017. The County experienced a slight increase of 66 manufacturing jobs in calendar year 2017. With the slight increase of jobs in this sector (.29%), 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 July 2018, *U.S. News & World Reports* ranked

Durham #13 on its list of “125 Best Places to Live in the USA” and *Forbes*, ranked Durham #16 for “Best Places for Business and Careers”. In June 2018, *Best Cities* recognized Durham as #16 on the list of “America’s Best Small Cities” notating Durham as “one of America’s top college towns poised to meet the demands of its ambitious growth by growing from within while welcoming the world”. In addition, Durham boasts nationally acclaimed restaurants. *USA Today* recognized Saltbox Seafood Joint as one of America’s famous seafood shacks in June 2017 and in November 2017 *Culture Cheat Sheet* recognized Durham was recognized as #4 “Underrated Foodie City That’s Actually Worth Visiting”. 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 2018, *Broadway World*, stated that DPAC had a record-high 130 sellout performances in its successful 2017/18 season and ranked 3rd amount theaters as tracked by national entertainment trade magazine Pollstar. 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 May 2018, *Havelock News* recognized the Durham Bulls Athletic Park as #3 “Top 10 minor league parks” and in March 2018, *Wallet Hub* recognized Durham once again as the #4 “Best City for College Basketball Fans”. Durham County has a distinctive history and culture. Its advantageous location, climate and lifestyle draw people from around the world to a place that has a dynamic business environment and a beautiful setting in the Piedmont region of North Carolina. April 2018, *GQ* magazine recognized Durham: “Where to Drink, Eat, Sleep, and Chill with Lemurs in the South’s Best Second City.”

Major Employers

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

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

Source: Durham Chamber of Commerce

Capital Investment

Many companies are either locating to Durham County or expanding their already existing operations in the County. Economic development announcements for 2017 were over \$738 million. Economic development announcements occurring through the second quarter of 2018 amounted to over \$198 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:

	2009	2010	2011	2012	2013	2014	2015	2016
Durham MSA	40,116	40,597	41,785	40,963	41,376	46,584	48,389	49,315
Raleigh MSA	37,849	39,479	40,631	42,709	43,947	47,346	49,714	50,444
North Carolina	34,719	36,028	36,520	37,910	38,683	39,365	40,759	42,244
United States	39,626	40,163	42,298	45,188	44,765	46,494	48,451	49,246

Source: Bureau of Economic Analysis

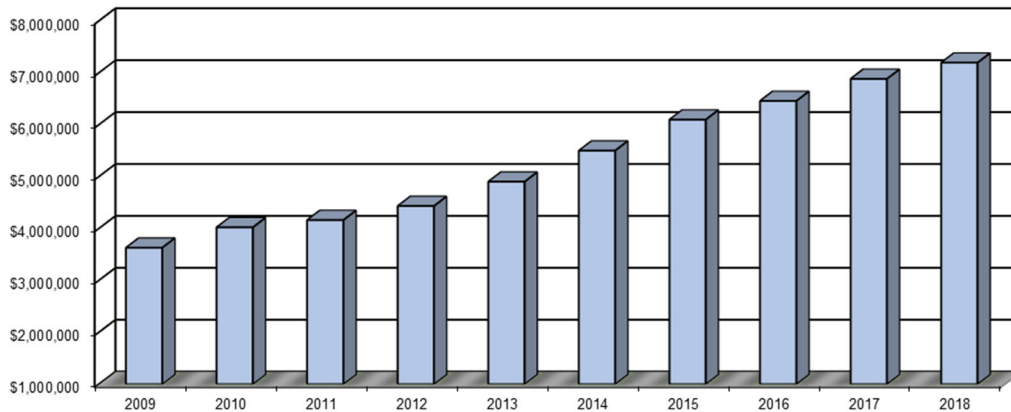
Note: Effective for fiscal year 2012's report, the Bureau of Economic Analysis announced that they would no longer release advance estimates of personal income for metropolitan areas (formerly released in August of each year) and that these estimates for all local areas would be released eleven months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

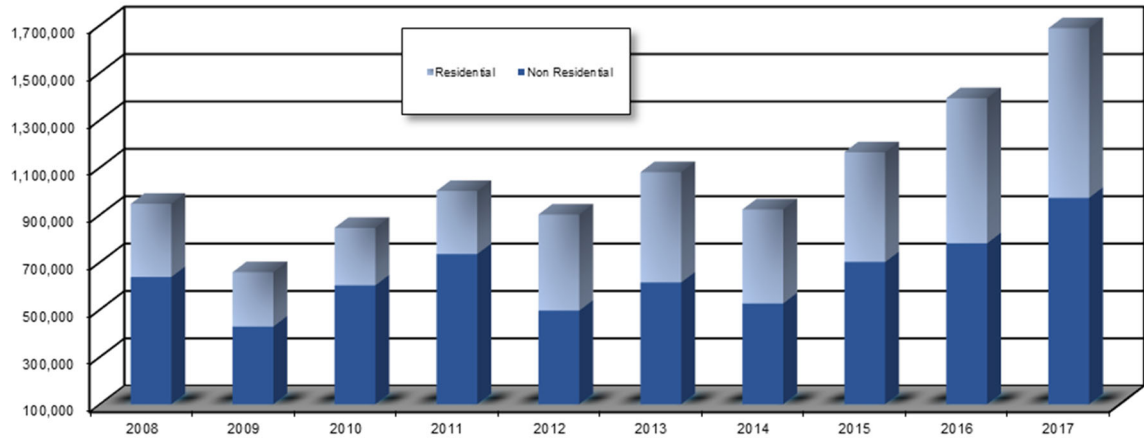
Year Ended June 30,	Total Taxable Sales (000's)	Percent Growth Over Previous Year
2009	\$ 3,630,249	-1.97%
2010	4,022,518	10.81%
2011	4,163,246	3.50%
2012	4,434,078	6.51%
2013	4,902,628	10.57%
2014	5,501,325	12.21%
2015	6,097,770	10.84%
2016	6,458,506	5.92%
2017	6,884,030	6.59%
2018	7,195,550	4.53%



Since fiscal year 2009 when the economy started to slowly recover, Durham's retail sales have continued to increase from over \$6.88 billion in fiscal year 2017 to slightly over \$7.19 billion in fiscal year 2018. 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 2018, the total taxable sales reported were over \$7.19 billion, an increase of over \$311 million (4.53 %), 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.



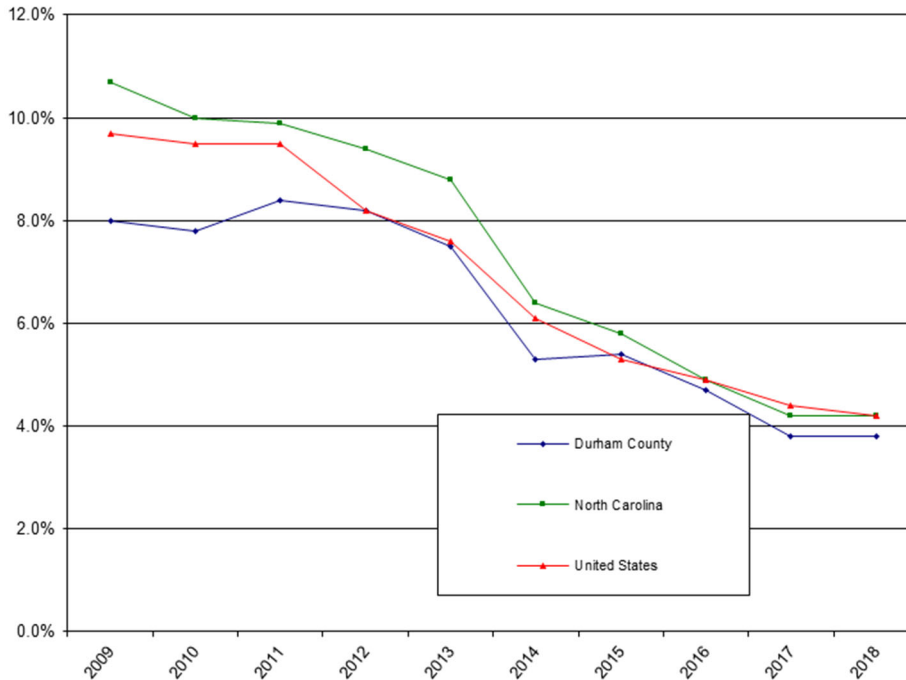
As of June 30, 2018, the total number of occupied dwelling units in Durham County was 126,300. Also, for the first six months of 2018, 2,106 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. From calendar year 2016 to 2017, there 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
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%
2017	3.8%	4.2%	4.4%
2018	3.8%	4.2%	4.2%

The trending unemployment rate for the County, State, and the United States as follows:



As of June 2018, the County's unemployment rate was 3.8%, with no change from June 2017. This is a continual encouraging indication of continued economic stability. The County's unemployment rate compares favorably to the State's and the Nation's unemployment rates which were at 4.2% respectively. The County's primary commitment remains job creation and maintaining a strong economy.

Long-term Financial Planning

The Board of County Commissioners continues to reaffirm the County's financial stability as one of its highest priorities. The Board recognizes that it is difficult to execute short- and long-term plans if the focus is on day-to-day viability. Consequently, the County's annual budget and financial decisions made throughout the fiscal year support an underlying philosophy to maintain a strong fund balance and the planned expansion of programs and services. In addition, the County has implemented a multi-year budget forecast (5 years) for the County's general fund and debt service fund. Listed below are several of the County's major accomplishments for the year.

Facility Master Plan

The Facility Master Plan that was originally approved in fiscal year 2000 and laid the groundwork for the future building needs of the County and was centered on sound planning and solid financial research. As of fiscal year 2013, the County no longer provides mental health services; as a result, the County had no facility needs for Mental Health. However, the County is currently renting the Human Services Complex space planned for use to provide mental health services to the MCO contracted to provide

mental health services, Alliance Behavioral Healthcare, Inc. The most recent Master Plan, amended in fiscal year 2016, reflects the changes in facility needs and options for the County. The Facility Master Plan as currently amended serves as the basis for the facility projects included in the Capital Improvement Plan.

Capital Improvement Plan

The County maintains a 10-year Capital Improvement Plan (CIP), which is fully updated every two years. During 2017-2018 fiscal year, the Board of County Commissioners (BOCC) adopted the 2018-2027 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 following construction projects: Administrative Building II Renovation (former Judicial Building), Lincoln Community Health Center Phase II Renovation, Fire Station #17 (EMS and City Fire Department Co-location), the Criminal Justice Resource Center Alley Drainage Improvements and the BOCC Audiovisual Technology Upgrades. Other projects in various stages of design, bidding, preliminary activities and/or regulatory approvals include the Administrative Building Renovation, Judicial Building Annex Renovation (old First Union), EMS Station #1, Detention Center Officers Station Improvements, Detention Center HVAC Grill and Bunk Bed Replacement and the Downtown Parking Decks/300 and 500 Block Mixed-use Development. The Main Library Renovation GMP #2 which includes all remaining packages required for construction is currently underway with an anticipated completion in January 2020. It is also important to note that the recently completed Emergency Medical Services Long Range Space Planning and Analysis and the Update to the Space Needs Analysis and Facility Master Plan has been refreshed and will be used as a resource to allow Durham County to make informed decisions regarding the upcoming CIP which will forecast new projects over the upcoming years.

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

which will be identified in the upcoming CIP will also be designed using sustainable design guidelines.

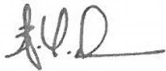
Awards and Acknowledgments

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, 2017. This was the seventeenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

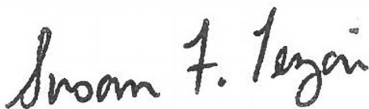
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Wendell M. Davis
County Manager



Susan F. Tezai, CPA
Chief Financial Officer

Durham County Board of County Commissioners



Wendy Jacobs
Chair



James Hill
Vice Chair



Heidi Carter



Brenda A. Howerton



Ellen W. Reckhow

Durham County Administration



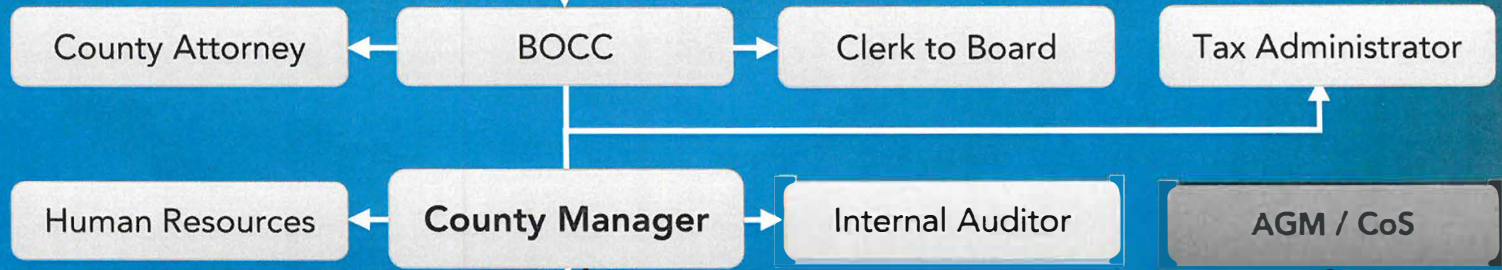
Wendell M. Davis
County Manager



Susan F. Tezai, CPA
Chief Financial Officer



CITIZENS



Goal 1: Community & Family Prosperity

Goal 2: Health & Well-being for All

Goal 3: Safe & Secure Community

Goal 4: Environmental Stewardship

Goal 5: Accountable, Efficient & Visionary Government

General Manager of Strategic Management, Public Affairs, Innovation, & Special Projects

- Strategic Planning & Innovation
- Public Information
- Legislative Services & Advocacy
- Youth Initiatives
- Durham Public Schools
- Housing Programs
- Management Reporting
- Board Request & Constituent Services
- Special Projects

General Manager, of Public Health & Community Well Being

- Public Health
- Social Services
- Cooperative Extension
- Veteran Services
- Liaison to Alliance Behavioral Services
- Libraries

General Manager for Community & Public Safety

- Sheriff Office & Jail Operations
- Fire Marshal
- Emergency Management
- E-911 & Emergency Communications
- Forest Protection
- Youth Detention Home
- Emergency Medical Services
- CJRC

General Manager of Environmental Stewardship & Community Prosperity

- City/County Planning
- City/County GIS
- City/County Inspections
- Economic Development
- County Engineering
- Soil & Water Conservation District
- Register of Deeds

General Manager, Financial Affairs, Process Improvement & Gov. Efficiency

- Finance
- Budget and Management Svcs
- Information Technology & SAP Shared Svcs
- Tax Administration
- General Services
- Board of Elections



Government Finance Officers Association

**Certificate of
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Reporting**

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**County of Durham
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

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, 2018 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, 2018, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the community health trust fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note O to the basic financial statements, the County adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended June 30, 2018. As a result, governmental type activities' net position as of June 30, 2017 has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, the other supplementary information, and the statistical section as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used 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, 2018 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, 2018

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, 2018. 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-xix.

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 \$114,938,940 (*net position*). However, of this amount, unrestricted net position has a deficit balance of \$(59,279,612) (*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 decreased by \$83,887,775, a decrease of 42.19 percent, due mainly to the recognition of the restated total OPEB liability as required by the implementation of GASB 75. The governmental activities' net position decreased by \$87,057,073 and the business-type activities' net position increased by \$3,169,298.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$251,966,924, an increase of \$13,382,629 in comparison with the prior year. Approximately 20.46 percent of this total amount, or \$51,550,686, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$166,040,841 or 36.99 percent of total general fund expenditures, compared to fiscal year 2017 which was \$159,274,677 or 36.61 percent of total general fund expenditures. The net change in fund balance for fiscal year 2018 in the general fund was an increase of \$12,604,567 with a 0.38 percent increase in the fund balance available as a percentage of expenditures. The primary reasons for the increases are the revenue collections were 102.89 percent of budget while expenditures were 94.23 percent of budget. The net change in fund balance increased by 552,253 in fiscal year 2018 from fiscal year 2017. The primary reasons for the increase in the net change in fund balance are the increase in excess of revenues over expenditures of 8,405,211, the increase in transfers in of \$1,999,322, offset by the decrease in transfers out of \$9,852,280.
- The County's total debt increased by \$103,937,912 (16.10 percent) during the current fiscal year. The key factor in this increase was the recognition of the restated total OPEB liability, an increase of 106,870,936 over the previously recorded net OPEB obligation, offset in part by the decrease in the LGERS pension obligation of \$9,869,024, and the increase in bonds and notes payable of \$6,489,617, offset by the annual retirement of governmental and business-type activities debt.
- Durham County continues to maintain its AAA bond rating.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

Following the notes is the required supplementary information.

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

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

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

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

The government-wide financial statements can be found on pages 27-29 of this report.

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

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

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

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

Board; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-122 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 post-employment benefits to its employees. Required supplementary information can be found on pages 123-130 of this report.

Following the required supplementary information, combining statements referred to earlier are provided to show details in connection with non-major governmental funds. Budgetary information for each fund as required by the North Carolina General Statutes and detailed comparative statements, including annually budgeted funds, can also be found in this section. Combining and individual fund statements and schedules can be found on pages 133-166 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 \$114,938,940 as of June 30, 2018. Net position is reported in three categories: net investment in capital assets, restricted net position and unrestricted net position.

The County's net position decreased by \$83,887,775 for the fiscal year ended June 30, 2018. One of the largest portions in the amount of \$115,696,567 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 Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 300,972,373	\$ 284,642,037	\$ 37,898,194	\$ 35,527,336	\$ 338,870,567	\$ 320,169,373
Capital assets	448,987,111	423,403,851	71,153,750	71,864,837	520,140,861	495,268,688
Total assets	749,959,484	708,045,888	109,051,944	107,392,173	859,011,428	815,438,061
Total deferred outflows of resources	43,358,417	51,969,120	620,414	797,007	43,978,831	52,766,127
Long-term liabilities outstanding	731,676,016	626,185,848	17,989,430	19,541,686	749,665,446	645,727,534
Other liabilities	19,059,575	20,648,711	589,426	719,271	19,649,001	21,367,982
Total liabilities	750,735,591	646,834,559	18,578,856	20,260,957	769,314,447	667,095,516
Total deferred inflows of resources	18,697,005	2,238,071	39,867	43,886	18,736,872	2,281,957
Net position:						
Net investment in capital assets	62,072,041	171,070,634	53,624,526	53,217,258	115,696,567	224,287,892
Restricted	57,833,938	52,646,580	688,047	1,332,847	58,521,985	53,979,427
Unrestricted	(96,020,674)	(112,774,836)	36,741,062	33,334,232	(59,279,612)	(79,440,604)
Total net position	\$ 23,885,305	\$ 110,942,378	\$ 91,053,635	\$ 87,884,337	\$ 114,938,940	\$ 198,826,715

The second portion of the County's net position in the amount of \$58,521,985 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, 2018, the unrestricted net position is a deficit in the amount of \$(59,279,612). 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. Also, as of fiscal year 2011, the restricted net position now includes Stabilization by State Statute per GASB Statement No. 54 which further increases the unrestricted net position deficit. In addition, as of fiscal year 2015, the County implemented GASB Statements No. 68 and No. 71 reporting the County's proportionate share of the Register of Deeds' Supplemental Pension Fund's net pension asset, Local Government Employees' Retirement System's net pension liability and their respective deferred outflows of resources, deferred inflows of resources and pension expense. As of fiscal year 2017, the County also implemented GASB Statement No. 73 reporting the County's total pension liability for LEOSSA and its respective deferred outflows of resources, deferred inflows of resources and pension expense. As of fiscal year 2018, the County implemented GASB Statement No. 75 reporting the County's total OPEB liability and its respective deferred outflows of resources, deferred inflows of resources and OPEB expense. At the end of the current fiscal year, the County was not able to report positive balances in all three categories of net position for the government as a whole. However, the same did not hold true for the separate governmental and business-type activities. The unrestricted net position for the governmental activities had a deficit balance of \$(96,020,674) 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 \$36,741,062.

DURHAM COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business - type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 37,243,427	\$ 34,332,811	\$ 10,199,023	\$ 12,331,995	\$ 47,442,450	\$ 46,664,806
Operating grants and contributions	46,909,595	59,791,850	-	-	46,909,595	59,791,850
Capital grants and contributions	2,535,388	5,086,832	959,110	42,925	3,494,498	5,129,757
General revenues:						
Taxes	376,177,338	353,613,376	-	-	376,177,338	353,613,376
Investment and interest income	7,430,012	(1,149,566)	320,391	110,656	7,750,403	(1,038,910)
Other revenues	1,062,967	1,090,502	(6,957)	-	1,056,010	1,090,502
Total revenues	<u>471,358,727</u>	<u>452,765,805</u>	<u>11,471,567</u>	<u>12,485,576</u>	<u>482,830,294</u>	<u>465,251,381</u>
Expenses:						
General government	67,278,145	64,194,870	-	-	67,278,145	64,194,870
Public safety	83,743,115	75,533,420	-	-	83,743,115	75,533,420
Transportation	238,948	353,001	-	-	238,948	353,001
Economic and physical development	5,761,844	7,368,799	-	-	5,761,844	7,368,799
Environmental Protection	5,997,974	5,966,371	-	-	5,997,974	5,966,371
Human services	86,632,504	93,649,136	-	-	86,632,504	93,649,136
Education	155,678,995	149,192,760	-	-	155,678,995	149,192,760
Cultural and recreational	20,693,870	14,802,765	-	-	20,693,870	14,802,765
Interest and fiscal charges	16,547,326	12,999,003	-	-	16,547,326	12,999,003
Sewer utility	-	-	8,302,269	7,970,882	8,302,269	7,970,882
Total expenses	<u>442,572,721</u>	<u>424,060,125</u>	<u>8,302,269</u>	<u>7,970,882</u>	<u>450,874,990</u>	<u>432,031,007</u>
Increase (decrease) in net position	28,786,006	28,705,680	3,169,298	4,514,694	31,955,304	33,220,374
Net position, beginning, previously reported	110,942,378	88,038,233	87,884,337	83,369,643	198,826,715	171,407,876
Restatement (Note O)	(115,843,079)	(5,801,535)	-	-	(115,843,079)	(5,801,535)
Net position, beginning, restated	(4,900,701)	82,236,698	87,884,337	83,369,643	82,983,636	165,606,341
Net position, ending	<u>\$ 23,885,305</u>	<u>\$ 110,942,378</u>	<u>\$ 91,053,635</u>	<u>\$ 87,884,337</u>	<u>\$ 114,938,940</u>	<u>\$ 198,826,715</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 a collection percentage of 99.60 percent for governmental activities.
- Planning and management of revenues and expenses through the use of financial models for capital and debt service.
- Continued low cost of bonded debt that is a direct result of the County's high bond rating by the rating agencies of Moody's and Standard and Poor's. The County considers this unique achievement to be a key factor in keeping the interest costs low on the County's outstanding debt.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.
- A multi-year budget forecast (5 years) for the County's general fund and debt service fund.

Governmental activities. The governmental activities increased the County's beginning net position by 28,786,006 or 90.08% of the total increase in the net position of the County. This amount is an increase of 25.95 percent of the pre-restatement governmental activities beginning net position. This is up from a prior year increase of \$28,705,680 or 86.41 percent of the total increase in the net position of the County. Revenues increased in fiscal year 2018 compared to fiscal year 2017 by almost \$18.6 million (4.11 percent). Expenses increased as well, by just over \$18.5 million (4.37 percent). In fiscal year 2018, property taxes levied for general purposes and for fire districts increased by over \$15.8 million (6.02 percent) and decreased by almost \$47 thousand (0.59 percent), respectively. This increase was primarily because of the increased collections rate and increased County tax rate 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 eighth consecutive year by over \$6.9 million (9.05 percent) as a result of increased spending and collections, an indicator of a healthy economic climate. Investments experienced a net increase by over \$8.5 million (746.33 percent) after a loss of over \$1.1 million in fiscal year 2017. The increase is primarily because of the increase in the fair market value of over \$3.5 million compared to a decrease in fair market value of County investments in fiscal year 2017 of slightly over \$274 thousand and an increase of over \$289 thousand in accrued interest receivable whereas in fiscal year 2017 there was a decrease in accrued interest receivable of slightly over \$151 thousand. Furthermore, there was a decrease of \$1 million in the value of the financial derivative instrument for the County's SWAP Agreement per GASB Statement No. 53 compared to a decrease in fiscal year 2017 by slightly over \$4.7 million. The remaining balance of the decrease is due to an increase in investment earnings of over \$695 thousand.

Program revenues for charges for services increased by \$2.9 million (8.48 percent) while operating

grants and contributions decreased by almost \$12.9 million (21.55 percent). Capital grants and contributions also decreased by over \$2.5 million (50.16 percent). Charges for services program revenues for the general government function increased by over \$1.3 million (10.09 percent), mainly due to increased services in register of deeds of over \$813 thousand, elections registration lists of almost \$400 as it is an election year, with the balance due to rental income and increased services. Charges for services program revenues for public safety increased by almost \$889 thousand (7.23%) due in part to increased EMS services of almost \$571 thousand and an increase in the EMS receivable of almost \$155 thousand over the prior year with the balance due to increased Sheriff services. Charges for services for environmental protection increased by \$532 thousand (16.13 percent), of which \$264 thousand relates to increased license and permit fees due to increased construction and economic activity.

The operating grant program revenues for the human services function decreased by over \$12 million primarily due to the fact that the State has begun making payment directly to providers for child care subsidies, whereas in prior fiscal years, these payments were pass-through funds for the County. Public health also decreased by over \$402 thousand due to a reduction in grant funding. The operating grant program revenues for the public safety and general government functions decreased by over \$590 thousand (12.20 percent) and \$426 thousand (7.5 percent), respectively, due to decreased grant funding, offset by an increase in economic and physical development of almost \$257 thousand (76.81 percent), mainly due to increased funding for the NC ONE Fund grant.

The capital grant program revenues for the environmental protection function decreased by over \$1.5 million due to a decrease in funding for the Lincoln Community Health Center Phase II renovation project of almost \$1.1 million, Open Space and Farmland Preservation project (\$300 thousand), and the Hollow Rock nature park project (almost \$165 thousand). Capital grants for education decreased by almost \$733 thousand due to reduced funding for Durham Public Schools projects. General government function decreased by close to \$261 thousand (20.70 percent) due to decreased funding of the Scatter Site and Single-Family Housing projects.

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 \$18.5 million (4.37 percent). Public safety expenses increased by over \$8.2 million (10.87 percent) primarily because of increased services, salaries, and benefits regarding the county jail, criminal justice, County fire protection, and youth home services, combined with an increase in construction costs of over \$4.2 million, offset by a decrease in net pension expense and related deferred inflows and outflows of resources compared to prior year. Education expenses increased by over \$6.4 million (4.35 percent) for the most part due to Durham Public Schools and Durham Technical Community College receiving increased funding for operating expenditures of almost \$6.06 million and just over \$260 thousand, respectively. Other education increased by over \$1.67 million in contracted services for the DPS Whitted School operating costs (\$1.5 million). In addition, over \$2.3 million of the net increase relates to recognizing the WSR loan receivable in prior year. This increase was partially offset by reductions in capital project spending of over \$3.8 million during the year.

Cultural and recreational increased by almost \$5.9 million (39.80 percent) mainly due to increases in construction of over \$10.4 million primarily for the main library renovation project and increased operating costs of \$527 thousand, offset by greater than \$4.2 million in fluctuations in pension deferrals between current and prior years as well as a change in the decrease from current year to prior year in the investment of joint venture of \$644 thousand.

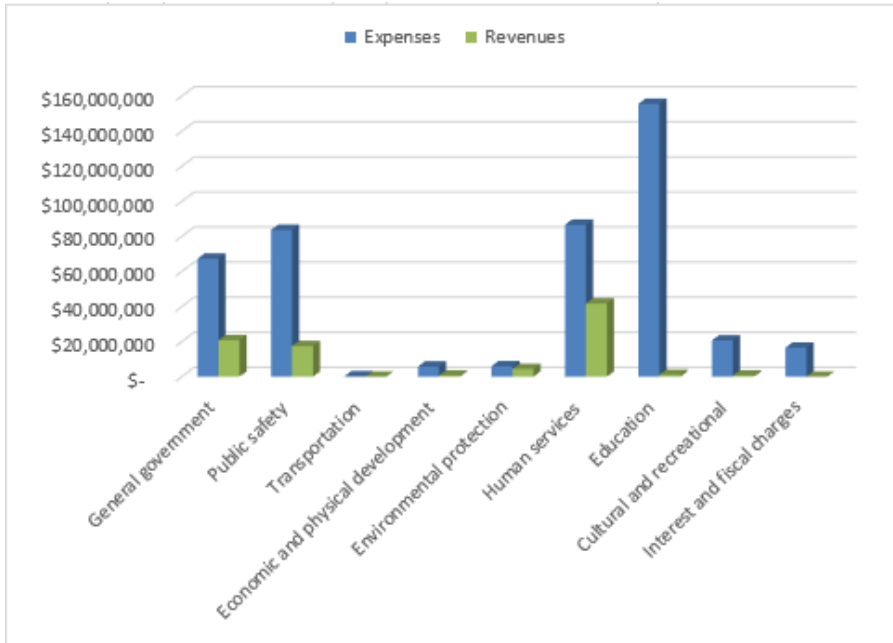
Interest and fiscal charges increased by over \$3.5 million (27.30 percent) due to the reduction of the decrease in the amortization of the bond premium of practically \$6.5 million between prior and current year, offset by a \$1 million difference in the accrued interest payable change year over year combined with County contributions for the bond refundings of \$2 million.

General government expenses increased by over \$3 million (4.80 percent) primarily in information systems and technology, general services, human resources, tax, risk management and insurance, board of county commissioners, and finance due mainly to increases in services, salaries, and benefits. This increase was partially offset by decreases in other general government, legal, elections, and county manager. In addition, the over \$10.5 million net increase in net pension and OPEB expense and the associated deferred inflows and outflows of resources over the prior year change was in part offset by an almost \$10.4 million net decrease from the prior year change in capital asset-related expense.

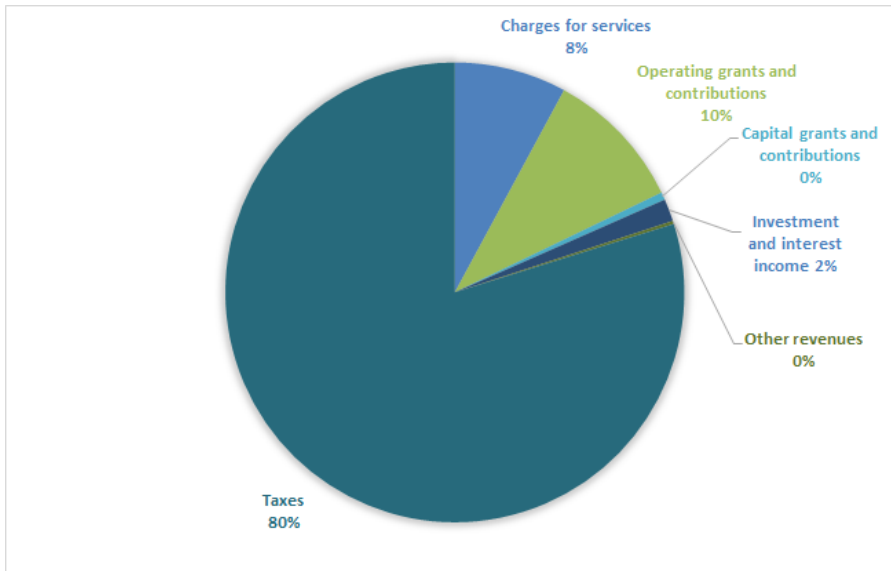
Human services expenses decreased by over \$7 million (7.49 percent) due for the most part to a decrease of over \$11.4 million in general fund related to no longer administering the child care subsidy pass-through program netted against an increase in public health of over \$2.3 million related to an increased level of services and a \$2.2 million increase in net pension expense combined with deferred inflows and outflows as compared to that in prior year. Economic and physical development decreased by \$1.6 million (21.81 percent) due to a reduction of over \$1 million in construction since prior year for the RTP Triangle Foundation Park Center project as well as a net decrease of \$567 thousand in general fund expenses primarily because of decreased payouts of public funds for local economic development agreements offset by an increase in other expenditures for contracted services.

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Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

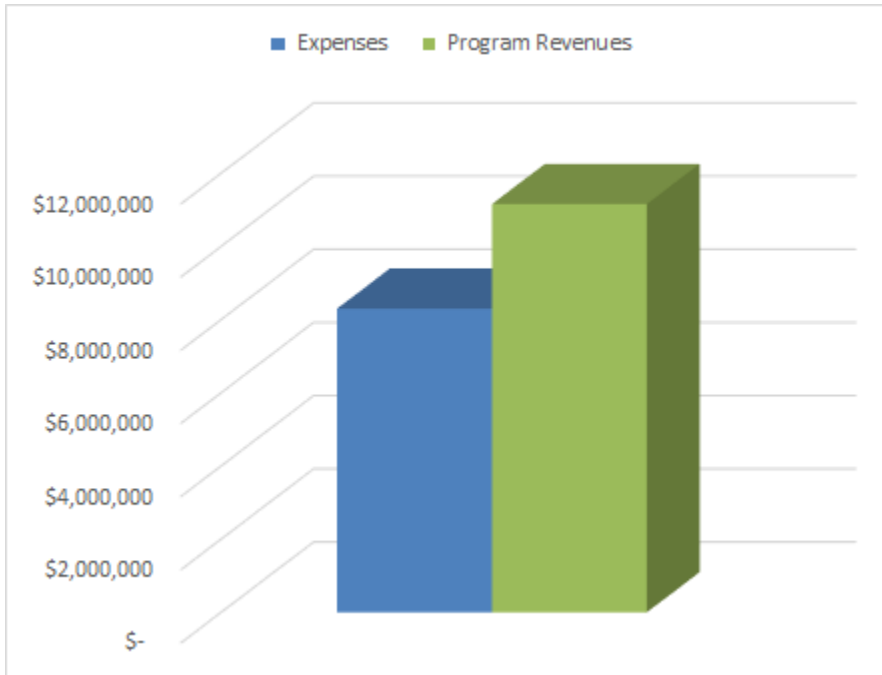


Business-type activities. Business-type activities increased the County's net position by \$3,169,298 accounting for 9.92 percent of the increase of the total growth in the government's net position. Key elements of this are as follows:

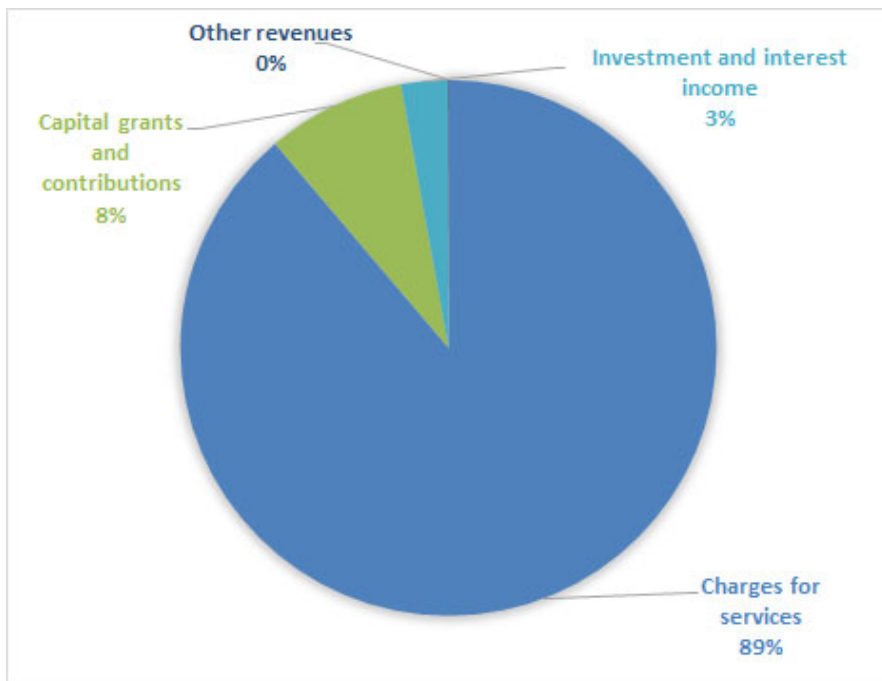
- Expenses increased \$331,389 (4.16 percent) because of increases in operating expenses including personnel services and maintenance and other, due to the increases in services delivered, as demonstrated by a consistent operating margin year over year. There were no debt issuance costs for fiscal year 2018. Depreciation expense remained consistent in fiscal year 2018.
- Charges for services decreased by \$2,132,972 (17.30 percent). There was a rate increase of 2.5 percent for all customers, both residential and industrial, effective July 1, 2017 as well as an increase in the capital recovery charges of 1.8 percent. The monitoring charge for BOD5 was increased by \$2.00 and the monitoring charge for gallium and indium was increased by \$6.00. All other sewer utility charges remained the same. More than offsetting this rate increase during fiscal year 2018, no sewer services were provided to the Town of Cary, services which had been provided by the County during several months in fiscal year 2017 when Durham County entered into an agreement with the Town of Cary to take on wastewater due to a force main rehabilitation project. Also, capital recovery fees decreased by over \$1 million due to fluctuations in development in Durham County year over year. Sewer inspection fees decreased by over \$115 thousand in fiscal year 2018 also because of reduced development.
- Investment and interest income increased by \$209,735 (189.54 percent) primarily because of an increase in annual earnings, along with an increase in the accrued interest receivable at year end of \$27 thousand.
- There was a capital contribution of sewer lines in fiscal year 2018 of \$959,110 compared to \$42,925 in fiscal year 2017.

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Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the County's Funds

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

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

As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$251,966,924, an increase of \$13,382,629 in comparison with the prior year. Approximately 79.54 percent of this total amount (\$200,416,238) constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it is 1) non-spendable (\$1,013,215), 2) restricted by revenue source for specific purposes, programs and services (\$3,254,874), or 3) because it is restricted by State Statute (\$47,282,597).

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 \$166,040,841, while total fund balance reached \$207,403,457. The Board of County Commissioners of Durham County has determined that the County should maintain an available fund balance of 35 percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the County. As of June 30, 2018, the County had an available fund balance of 36.99 percent of general fund expenditures, while total fund balance represents 46.20 percent of that same amount. The percentage of available fund balance to total general fund expenditures increased from 36.61 percent for fiscal year 2017 to 36.99 percent for fiscal year 2018, an increase of 0.38 percent. The net change in fund balance for fiscal 2018 was an increase of over \$12.6 million. The primary reasons for the increases are that revenue collections were 102.89 percent of budget while expenditures were only 94.23 percent of budget.

The fund balance of the County's general fund increased by \$12,604,567 during the current fiscal year. Key factors in the changes are as follows:

- The general fund taxes increased by 6.50 percent or \$22,435,662. This increase is for the most part the result of increased collections in the current year levy collections of \$16,347,062 (6.24 percent) combined with an increase in local option sales tax of \$6,953,675 (9.05 percent), offset by a decrease in prior year's levy collections of \$829,892 (113.09 percent). The increase in current year levy taxes was primarily because of the increased collection rate and an increase in the County tax rate of \$2.75 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 eighth consecutive year of increased local option sales tax collections which is excellent.
- Intergovernmental revenues of the general fund decreased by 21.92 percent or \$12,923,885. The decrease of almost \$11.5 million is primarily because of the cessation of child care subsidy pass-

through payments to the County which the State is now sending directly to providers. There was also a decrease in funding for other intergovernmental revenues of just over \$1.08 million with a decrease in funding for public health of over \$402 thousand, offset by an increase in distribution from the ABC Board of \$100 thousand.

- Charges for services increased by \$2,329,900 (8.52 percent). This is in part due to an increase of over \$813 thousand in register of deeds charges and an almost \$571 thousand increase in emergency medical service charges. Election registration list charges increased by almost \$400 thousand from the prior fiscal year as the current year is an election year. There was an increase in general government charges of over \$221 thousand as well as increases in collection fees and public protection charges of just over \$171 thousand and \$108 thousand, respectively.
- Investments and rent increased by 197,516 (5.29 percent) and \$161,718 (16.63 percent), respectively.
- Licenses and permits increased by \$245,519 (17.62 percent) mainly because of an increase in construction permits of over \$264 thousand (31.15 percent) due to more construction in the current year.
- Other revenues decreased by \$27,535 (2.52 percent) primarily because of increases in confiscated property and inmate welfare of over \$43 thousand and \$42 thousand, respectively, being more than offset by decreases in miscellaneous, sale of surplus property, and other revenues of just over \$113 thousand, combined.
- General government expenditures increased by \$2,971,495 (5.46 percent). This is due mainly to increases in information systems and technology (\$1,574,776), general services (\$775,207), human resources (\$741,755), tax (\$449,146). Other increases in expenditures occurred in risk management and insurance (\$328,677), board of county commissioners (\$209,412), and finance (\$146,309). These increases were partially offset by decreases in other (\$594,646), legal (\$277,764), elections (\$224,450), and county manager (198,297).
- The increase in information systems and technology expenditures was related primarily to an over \$985 thousand increase in capital software expenditures related to the purchase of Microsoft Enterprise (\$792 thousand) and Varonis Datadvantage software (\$233 thousand), over \$390 thousand in increased operating costs, and over \$207 thousand in salaries and benefits. The increase in general services related to a \$394 thousand increase in salaries and benefits as well as an over \$289 thousand increase in machinery, equipment, and vehicle capital expenditures. Almost \$92 thousand in increased operating costs accounts for the remaining increase. The increase in human resources is mainly due to an over \$926 thousand increase in salaries and benefits (comprised of \$704 thousand in increased retiree benefits), offset in part by a decrease in contracted services of over \$101 thousand and other operating costs of almost \$58 thousand. The increase in tax is due to \$403 thousand in salaries and benefits, \$110 thousand in operating costs, offset by a greater than \$64 thousand decrease in capital expenditures for vehicles, machinery, and computer equipment. Risk management and insurance expenditures increased due to an increase in contracted services by \$236 thousand for emergency management and contract personnel services, and claims settled by over \$75 thousand. The board of county commissioners increased mainly due to salaries and benefits of \$227 thousand, mostly related to health insurance costs. This increase was partially offset by a decrease in operating costs. Finance increased due to almost \$370 thousand in salaries and benefits because of new hires and over \$138 thousand in contracted services primarily for business consulting and temporary employment services, and over \$45 thousand in operating costs, offset by a decrease in capital expenditures of over \$407 thousand due to a reduction in spending on the OpenText and Fiscal

Technologies software implementation, offset by spending on travel expense reporting software. These increases net with decreases in several general administration areas. Other general administration decreased due to \$436 thousand in vehicle and equipment capital expenditures and \$246 thousand in operating costs, mainly related to vehicle supplies and the My Brother's Keeper program, offset with an \$88 thousand increase in veteran services. Legal decreased due to almost \$165 thousand in operating costs, the bulk of which relates to litigation and contracted services and almost \$113 thousand in salaries and benefits. Elections decreases by part-time salaries (\$189 thousand) and operating expenditures (\$195 thousand), of which computer operating expenditures (over \$143 thousand) make up the majority, with a partial offset increase to election poll salary (\$141 thousand) and other payroll-related expenditures. County manager expenditures decreased by \$280 thousand of contracted services offset by an over \$58 thousand increase in salaries and benefits and with the balance to other operating costs.

- Public safety increased by \$2,365,076 (3.57 percent). Of this increase, the county jail expenditures increased by over \$1.77 million mainly due to increases in salaries and benefits, the criminal justice partnership increased by just over \$471 thousand due to a \$177 thousand increase in salaries and benefits, of which \$86 thousand is for re-entry and employment services and \$91 thousand for court services. County fire protection increased by over \$292 thousand primarily due to a \$381 thousand increase in salaries and benefits netted with a \$108 thousand decrease in capital expenditures. The remaining difference relates to fluctuations in operating costs. In addition, youth home increased by \$176 thousand due to increases in salaries, benefits, and operating costs, netted with decreases in capital expenditures. The increases were partially netted with reductions in county sheriff (\$122 thousand), emergency communications center (\$106 thousand), and emergency medical services (\$89 thousand), among others.
- Transportation expenditures decreased by 114,053 (32.31 percent) due to decreased funding to the Go Triangle transit program.
- Economic and physical development decreased by \$567,399 (11.03 percent) primarily because of decreased payouts of public funds for local economic development agreements of over \$1.5 million and a decrease in cooperative extension of \$127 thousand, offset by an increase in other expenditures of over \$924 thousand for contracted services (almost \$665 thousand) for funding for the Durham County Visitors Bureau, Research Triangle Foundation, Triangle Projects, LLC, the Museum of Durham History, and Durham Literacy Center. Funding for the NC One Fund grant of \$250 thousand contributed to the increase, as did increases in planning (\$158 thousand) for contracted services, and soil and water conservation (\$43 thousand). Cooperative extension decreased by over \$127 thousand mainly due to decreases in salaries, benefits, and contracted services.
- Human services' expenditures decreased by \$9,675,040 (10.41 percent). This decrease is due to the decrease in social services by almost \$11.5 million due to the State now making direct payment of child care subsidies to the providers whereas before these would be pass-through payments made by the County. This decrease is offset by an increase in public health of almost \$2.4 million, of which almost \$1.9 million relates to increased salaries and benefits and almost \$479 thousand relates to increases in various contracted services. In addition, other expenditures decreased by over \$482 thousand and mental health decreased by \$86 thousand.
- Education increased by \$7,993,846 (5.93 percent) from the prior fiscal year. Of this increase, Durham Public Schools and Durham Technical Community College received increased funding for operating expenditures of almost \$6.06 million and just over \$260 thousand, respectively. Other education increased by over \$1.67 million in contracted services for the DPS Whitted

School operating costs (\$1.5 million) with the balance of the increase being for child care and literacy programs.

- Cultural and recreational increased by \$527,673 (4.05 percent), with almost \$193 thousand of this increase for library book purchases, almost \$207 thousand for technology management including over \$122 thousand in salary increases, \$49 thousand for contracted services, and \$37 thousand for capital equipment expenditures. Contracted services for facilities administration increased by \$81 thousand while capital expenditures for equipment and vehicles increased by over \$67 thousand, with the net due to fluctuation in operating costs.
- Environmental protection increased by \$512,086 (11.41 percent) primarily due to an increase of \$343 thousand in salaries and benefits across the functional area, but mainly concentrated in solid waste services and environmental engineering project management. Capital expenditures increased by over \$254 thousand with over \$157 thousand in vehicles for solid waste and almost \$97 thousand in easements for open space and real estate. These increases are offset by a \$91 thousand net decrease in contracted services.

The Community Health Trust Fund has a total fund balance of \$3,597,778, all of which is financing resources to be used for health-related operating and capital expenditures as directed and approved by the Board of County Commissioners. The net decrease in fund balance during the current year in the community health trust fund was \$1,590,228. The decrease in fiscal year 2018 was more than the decrease in fiscal year 2017 by over \$369 thousand. This was due to an increase in transfers out of over \$388 thousand and combined with increased investment earnings of over \$18 thousand. The increase in investment earnings is a result of market increases since these funds are managed by investment managers in the market as approved by special legislation.

In fiscal year 2018, the primary revenue activity was the recognition of the annual amount from the lease (\$3,950,000). In addition, there was the recognition of a gain in investment earnings (\$37,938). Operating financing uses, transfers out of (\$5,578,166) also occurred. This amount was a transfer into the general fund as a funding source for health-related expenditures for emergency medical services and pre-k expansion. 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 2018, 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 2018. 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 \$17,847,901, all of which is financing resources to be used for the acquisition, construction or improvement of major capital facilities other than those financed by proprietary funds. The net decrease in fund balance during the current year in the capital projects' fund was \$9,881,350 as funding for the fiscal year in the form of intergovernmental revenues, transfers in, and the issuance of installment purchases were not greater 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 (\$49,627,948) and transfers in (\$6,936,925). The fund also recognized intergovernmental revenues (\$2,535,388) and investment earnings (\$365,651). For expenditures, there was construction activity in the amount of \$67,997,237. In addition, there were other financing uses in the transfer of \$1,350,025 out of the capital projects fund with \$1,253,000 to the debt service fund and \$97,025 to the general fund. The construction activity was primarily for environmental protection (\$21,247,128), cultural and recreational (\$18,738,289) education (\$12,603,402), public safety (\$8,765,524), and general government (\$6,701,472).

The Debt Service Fund has a total fund balance of \$20,299,814, 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 \$12,248,243 and was primarily because the revenues (\$1,311,976) and other financing sources (\$67,865,918) were greater than the annual retirement of the principal (\$37,322,892) and interest (\$19,606,512) of the County's general long-term debt. There were no other financing uses during the year.

The primary funding activity was the recognition of other financing sources of transfers in for \$67,865,918. The fund also recognized charges for services (\$565,369), intergovernmental revenues (\$483,239), and investments (\$263,368). In the expenditures, there was principal and interest for the retirement of general long-term debt in the amounts of \$37,322,892 and \$19,606,512, respectively.

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 \$36,741,062. There was an increase in total net position of \$3,169,298. Other factors concerning the finances of this fund have already been addressed in the discussion of Durham County's business-type activities.

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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 amounted to a reduction of \$3,958,909 and can be summarized briefly as follows:

- \$1,109,302 in net increases allocated to general administration were largely due to increases to honor commitments from fiscal year 2017 coupled with increases primarily to purchase software to implement an automated travel and expense management solution to save time and provide more control over travel expense spending by integrating travel booking and expense tracking into a single service that simplifies the travel process, while also helping manage compliance while reducing the risk of fraud and/or misuse. Additionally, appropriations increased to pay plan adjustments for compensation leave payouts and benefits.
- \$4,417,753 in increases allocated to public safety were primarily to honor commitments from fiscal year 2017, to appropriate unspent restricted funds in fiscal year 2018, to fund additional contracted services to support the purchase of 3 fire apparatus for the Durham County Fire & Rescue (DCFR) special district and other unanticipated expenditures for DCFR such as overtime and maintenance, to provide funding from the Homeland Security Grant Program to the Sheriff's Office for bomb technician equipment, and fund pay plan adjustments for compensation leave payouts and benefits primarily in EMS and the Sheriff's Office.
- \$712,954 in increases allocated to economic and physical development were to support a Delta Airlines potential revenue loss for the newly established flight to Paris' Charles De Gaulle Airport in the amount of \$137,500, \$250,000 in pass-through funds from the North Carolina Biotechnology Center for Local Economic Development Funds awarded to Aurobindo, Braeburn and Novozymes, and \$80,000 from the Duke Endowment Fund to support the Incredible Years Program at Durham County Cooperative Extension, as well as to honor commitments from fiscal year 2017.
- \$504,360 in increases allocated to environmental protection were primarily to honor commitments from fiscal year 2017 and provide funding for the purchase of land for the Douglas Daye Farm easement and additional contracted services for the purchase of a Mack roll off truck for the solid waste division to haul roll off containers and solid waste compactors to various Durham County sites.
- \$12,097,934 in decreases allocated to human services were primarily because of decreases in pass-through revenue to the Department of Social Services. Durham County has now been fully integrated into the State NC FAST system for child care subsidy payments and therefore, moving forward, Durham County will no longer issue child care payments directly to providers. The State of North Carolina will take on the function of making payments directly to providers. Several increases that partially offset this decrease include increases to honor commitments from

fiscal year 2017 and increases to appropriate unspent restricted funds in fiscal year 2018. Funds were also appropriated to provide a variety of increased services in the Department of Social Services, Public Health and Durham County ACCESS to support Project BUILD, the Refugee Health Program, for diabetes prevention and Home and Community Care Block Grant (HCCBG) Funds that enable recipients to stay at home longer and receive the care and services they need in their own homes, thus reducing the necessity for out of home placement. Services provided through the HCCBG are Adult Day Care Services, Congregate Meals, Senior Center Operations, Information and Case Assistance, Transportation, Home Delivered Meals and In-Home Aide Services. The services were funded for the most part through the recognition of new grants, donations and additional federal and state awards.

- \$463,316 in increases allocated to cultural and recreational were primarily to honor commitments from fiscal year 2017 and for a grant funding award from the State Library of North Carolina (LSTA EZ Edge grant) to purchase hardware that will make the Library's public computers accessible to customers with motor and dexterity impairments and will help the Durham County public library system better serve the community through improved public technology services.
- \$931,340 in increases in operating transfers was to support the County's contribution to various capital projects such as the Duke Fiber collaborative agreement with Duke University for the construction and maintenance of fiber optic spurs to connect fourteen (14) County facilities to a shared fiber backbone that will connect to the County fiber network, and to the Rougemont Community Water System pH Control System Project to meet the requirements set by the North Carolina Department of Environmental Quality (NCDEQ). Additionally, a reduction was made to the Junction Road Project for land acquisition that did not occur.

With this net decrease, fewer funds from funding sources were required to support amendments made during the year. A decrease of \$14,560,280 in intergovernmental revenues was due to the removal of the child care subsidy program while charges for services increased \$264,000 and other revenues increased \$10,000, proceeds from issuance of installment purchases were \$1,023,830, and operating transfers in funding increased by \$578,707. The remaining \$8,998,834 decrease was to be budgeted from available fund balance. During the year, revenues exceeded budgetary estimates by \$12,645,438 while other financing sources did not exceed budgetary estimates by \$1,871,154; however, expenditures were far less than budgetary estimates with a positive variance of \$22,998,036, 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, 2018 totals \$520,140,861 (net of accumulated depreciation). These assets include land, easements, buildings, water systems, improvements, office furniture and equipment, machinery and equipment, computer hardware, computer software, vehicles and construction in progress. The total increase in the County's net capital assets for the current fiscal year was \$24,872,173 (5.02 percent). Governmental activities increased \$25,583,260 (6.69 percent) and business-type activities decreased by \$711,087 (0.99 percent).

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

- Construction for the Durham Public School Projects continued in fiscal year 2018 in the amount of \$11,039,847. The County did not capitalize this construction activity because the County does not hold title to these properties.
- Construction for Durham Technical Community College projects for campus improvements, expansion, and building renovations occurred in fiscal year 2018 in the amount of \$1,409,116. The County did not capitalize this construction activity because the County does not hold title to this property.
- Construction for the Museum of Life and Science occurred in fiscal year 2018 in the amount of \$6,328,328, mainly for the museum parking deck project in the amount of \$6,073,893, with the balance for renovations and expansion to the museum and exhibits. The County did not capitalize this construction activity because the County does not hold title to this property.
- Construction activity for cultural and recreational occurred via the Main Library Upgrade project which continued in fiscal year 2018 in the amount of \$12,409,961.
- Construction activity for environmental protection occurred in the amount of \$21,247,128 in environmental engineering primarily for the administration II building (\$19,343,149), and the Lincoln Community Health Center (LCHC) phase II renovations project (\$1,498,674). Other activity occurred on the judicial building annex, downtown parking deck project, administration building refurbishment project, open space and farmland preservation, and the New Junction Road industrial project.
- Construction activity for general government occurred in the amount of \$6,698,649. Of this amount, the County capitalized \$4,112,169. The remaining amount of \$2,586,480 was not capitalized as the County does not hold title to these properties. Of the construction activity that was capitalized for general government, the major activity was the 16 County IT hardware upgrade (\$745,304), Jail Elevator upgrade (\$645,595), computer hardware (\$468,434), 16 telecommunications upgrade (\$457,652), ongoing HVAC replacement (\$429,431), County building elevator upgrades (\$380,956), BOCC chambers AV upgrade (\$370,322). Other activity on County owned projects occurred regarding the County security improvements, ongoing parking resurfacing project, ongoing roof replacement project, Laserfishe upgrade project, Sheriff technology upgrade, HCM SAP software upgrade project, and Duke fiber project. Major activity on projects not owned by the County was for the W.G. Pearson/Student U renovation (\$2,586,330).
- Construction activity for public safety occurred in the amount of \$6,305,977. Of this amount, the County capitalized \$4,381,534 which was for the emergency responded radio upgrade (\$3,447,805) EMS Station #17 co-location project (\$793,036), the EMS Station #1 renovations in the amount of \$71,750, and Detention Center security modifications (\$68,944). The remaining amount of \$1,924,443 is for the County's share of the E911 Facility Project not capitalized, as the County does not hold title to this property.

- Major capital asset increases net of disposals occurred in the asset classes of buildings (\$203,749,522), computer hardware (\$7,026,306), and vehicles (\$1,700,272), in governmental activities. The increase in buildings was due to the completion of construction on County buildings during the fiscal year, including the Human Services Complex.
- There was contributed capital in the amount of \$959,110 for fiscal year 2018 for business-type activities.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business - type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 8,673,131	\$ 8,673,131	\$ 185,226	\$ 185,226	\$ 8,858,357	\$ 8,858,357
Easements	1,954,981	1,857,991	5,000	5,000	1,959,981	1,862,991
Improvements- water and sewer lines	-	-	13,474,145	13,052,496	13,474,145	13,052,496
Buildings	334,436,384	140,401,567	45,386,965	47,759,399	379,823,349	188,160,966
Water systems	2,354,779	2,402,917	-	-	2,354,779	2,402,917
Office furniture and equipment	543,641	739,255	-	-	543,641	739,255
Machinery and equipment	5,856,534	7,044,456	571,071	265,794	6,427,605	7,310,250
Computer hardware	6,390,487	1,753,833	321	321	6,390,808	1,754,154
Computer software	1,377,183	1,144,662	30,949	39,335	1,408,132	1,183,997
Vehicles	7,622,985	7,883,643	82,140	81,009	7,705,125	7,964,652
Construction in progress	79,777,006	251,502,396	11,417,933	10,476,257	91,194,939	261,978,653
Total	\$ 448,987,111	\$ 423,403,851	\$ 71,153,750	\$ 71,864,837	\$ 520,140,861	\$ 495,268,688

Additional information on the County's capital assets can be found in Note D on pages 76-78 of this report.

Long-term debt. At the end of the current fiscal year, Durham County had total debt outstanding of \$542,719,596. Of this amount, \$258,989,288 comprises bonded debt backed by the full faith and credit of the government. Also included is \$7,732,153 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 \$195,759,181, limited obligation bonds of \$36,475,149, general obligation bond anticipation notes of \$29,623,318, installment notes in the amount of \$4,164,742, and other financing agreements in the amount of \$9,975,765. The general obligation bond anticipation notes are also backed by the full faith and credit of the government.

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

	Governmental Activities		Business - type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 258,989,288	\$ 288,086,321	-	-	\$ 258,989,288	\$ 288,086,321
Revenue bonds	-	-	7,732,153	8,489,040	7,732,153	8,489,040
Certificates of participation	195,759,181	206,894,554	-	-	195,759,181	206,894,554
Installment notes payable	70,263,209	22,103,195	-	-	70,263,209	22,103,195
Other financing agreements	47,485	57,443	9,928,280	10,599,426	9,975,765	10,656,869
Total	\$ 525,059,163	\$ 517,141,513	\$ 17,660,433	\$ 19,088,466	\$ 542,719,596	\$ 536,229,979

The County's total debt excluding accrued compensated absences, total OPEB liability, net LGERS pension obligation, and LEOSSA total pension obligation increased by \$6,489,617 (1.21 percent) during the current fiscal year. The key factors in this increase were the annual retirement of governmental and business-type activities debt and the issuance of \$49,627,948 in installment purchases.

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 up to 8 percent of its total assessed valuation. The current debt limitation for the County is \$2,892,737,734, leaving a legal debt margin of \$2,666,282,734. The net bonded debt per capita is \$840.

Additional information on the County's long-term debt can be found in Note E on pages 79-86 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is 3.8 percent as of June 2018, which is consistent with the rate of 3.8 percent as of June 2017. The County's unemployment rate is lower than the state's and nation's unemployment rate of 4.2 percent and 4.0 percent, respectively, as of June 2018.
- The construction activity for non-residential and residential construction was over \$1.31 billion for calendar year 2017 compared to over \$1.39 billion for the calendar year 2016.
- The manufacturing sector employment had a slight increase of 0.28 percent (66 positions) for calendar year 2017 (22,911) compared to calendar year 2016 (22,845).
- Reported retail sales are reported on total taxable sales based on sales and use tax returns. The total taxable sales for Durham County for 2018 reported were \$7,195,550 compared to \$6,884,030 reported for fiscal year 2017, an increase of \$311,520 (4.53 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 2017 were over \$738 million, and economic announcements occurring through the third quarter of 2018 amounted to over \$541 million.

- The per capita income for Durham MSA for 2016 is \$45,931, an increase of 3.19 percent over 2015. Raleigh has a per capita income of \$48,411. The per capita for the State increased from \$40,759 in 2015 to \$42,244 in 2016, an increase of 3.64 percent, while the per capita for the nation decreased to \$49,246, a decrease of 1.16 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 2019 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$166,040,841 or 36.99 percent of total general fund expenditures, an increase of \$6,766,164 or 4.25 percent from the previous fiscal year. The County has appropriated \$19,497,586 of this amount for spending in the 2019 fiscal year budget. For fiscal year 2018, the property tax collection percentage established by the revaluation remains consistent at 99.60%, with the overall property valuation increasing by only 3.97 percent. The tax rate assessed for the 2019 fiscal year is \$0.7779, an increase of \$0.01 from the prior fiscal year. Also, there were various fee adjustments in general fund charges for services for the 2019 fiscal year in the departments of public health, board of elections, and engineering (water system). A transfer from the community health trust fund to the general fund is budgeted for the 2019 fiscal year as a funding source for health-related spending.

The sewer rates were increased for the 2019 budget year in the sewer utility fund. The sewer rates were increased by 5.0 percent for all customers, both residential and industrial, effective July 1, 2018. These rate increases were necessary to maintain operations and sufficient funds to service debt. Other various services charges were increased, and fees also were adjusted. The monitoring charge for BOD5 was increased by \$2.00 and the monitoring charge for gallium and indium was increased by \$6.00. The increase in monitoring charges are to match the charges received from the contract laboratory used. As of July 1, 2018, the County no longer charges capital recovery fees. Effective July 1, 2018, per House Bill 406, Durham County charges system development fees so that new development shares in the cost of the emplacement, maintenance, and upkeep of existing sewer capacity.

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.dconnc.gov>.

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**BASIC FINANCIAL STATEMENTS
(DIVIDER)**

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Position
June 30, 2018

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Assets				
Cash and cash equivalents / investments	\$ 232,651,037	\$ 36,283,156	\$ 268,934,193	\$ 5,679,661
Cash and cash equivalents / investments - restricted	10,551,340	688,047	11,239,387	-
Receivables:				
Accounts receivable	1,683,471	14,921	1,698,392	-
Accrued interest receivable	749,992	65,680	815,672	-
Net property taxes receivable	1,637,399	-	1,637,399	-
Solid waste receivable	28,019	-	28,019	-
Animal taxes receivable	313,005	-	313,005	-
Water services receivable	508	-	508	-
Net emergency medical services receivable	2,679,148	-	2,679,148	-
WSR loan receivable	2,376,169	-	2,376,169	-
Inventory	905,403	-	905,403	3,097,613
Due from other governments - federal and state agencies	28,947,221	161,584	29,108,805	-
Due from other governments - local	3,657,796	676,405	4,334,201	-
Prepaid expenses	107,812	8,401	116,213	240,140
Investment in joint venture	9,957,962	-	9,957,962	-
Pension assets - ROD Supplemental Plan	535,035	-	535,035	-
Derivative financial instrument	4,191,056	-	4,191,056	-
Capital assets:				
Nondepreciable:				
Land	8,673,131	185,226	8,858,357	2,255,345
Easements	1,954,981	5,000	1,959,981	-
Construction in progress	79,777,006	11,417,933	91,194,939	-
Depreciable:				
Land improvements - sewer lines and systems	-	28,179,774	28,179,774	-
Buildings	435,212,323	56,854,766	492,067,089	5,618,468
Water systems	2,406,929	-	2,406,929	-
Office furniture and equipment	1,443,270	-	1,443,270	1,620,174
Machinery and equipment	13,105,413	1,184,534	14,289,947	-
Computer hardware	12,781,156	36,416	12,817,572	-
Computer software	16,203,911	60,192	16,264,103	-
Vehicles	21,938,136	412,695	22,350,831	221,992
Accumulated depreciation	(144,509,145)	(27,182,786)	(171,691,931)	(3,665,323)
Total assets	749,959,484	109,051,944	859,011,428	15,068,070
Deferred outflows of resources				
Contributions to pension plan - ROD	26,373	-	26,373	-
Contributions to pension plan - LGERS	7,799,196	106,229	7,905,425	-
Contributions to pension plan - LEOSSA	172,805	-	172,805	-
Contributions to pension plan - OPEB	3,701,261	-	3,701,261	-
ROD pension deferrals	144,937	-	144,937	-
LGERS pension deferrals	11,199,089	117,387	11,316,476	403,326
LEOSSA pension deferrals	307,085	-	307,085	-
Unamortized loss on refundings	20,007,671	396,798	20,404,469	-
Total deferred outflows of resources	43,358,417	620,414	43,978,831	403,326
Liabilities				
Accounts payable	10,922,503	463,324	11,385,827	441,189
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	2,894,300	50,536	2,944,836	-
Accrued payroll and related amounts withheld	4,362,435	62,566	4,425,001	98,714
Due to other governments - federal and state agencies	18,556	-	18,556	720,158
Due to other governments - local	440,158	-	440,158	1,199,748
Security deposits	75,765	-	75,765	-
Retiree and COBRA prepaid benefits contributions	183,140	-	183,140	-
Escrow - register of deeds	162,718	-	162,718	-
Long-term liabilities:				
Accrued compensated absences due within one year	5,346,411	46,259	5,392,670	-
Bonds and other notes payable due within one year	40,518,522	1,448,033	41,966,555	675,464
Net pension liability - LGERS	23,440,109	265,588	23,705,697	462,595
Total pension liability - LEOSSA	6,452,405	-	6,452,405	44,545
Total OPEB liability	168,664,542	-	168,664,542	694,264
Accrued compensated absences	2,713,386	17,150	2,730,536	107,139
Bonds and other notes payable	484,540,641	16,212,400	500,753,041	-
Total liabilities	\$ 750,735,591	\$ 18,578,856	\$ 769,314,447	\$ 4,443,816

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Position
June 30, 2018

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Deferred inflows of resources				
Prepaid taxes	\$ 2,307,517	\$ -	\$ 2,307,517	\$ -
ROD pension deferrals	16,460	-	16,460	-
LGERS pension deferrals	837,562	39,867	877,429	22,547
LEOSSA pension deferrals	184,373	-	184,373	-
OPEB deferrals	15,351,093	-	15,351,093	-
Total deferred inflows of resources	<u>18,697,005</u>	<u>39,867</u>	<u>18,736,872</u>	<u>22,547</u>
Net position				
Net investment in capital assets	62,072,041	53,624,526	115,696,567	5,375,192
Restricted for:				
Stabilization by State Statute	47,282,597	-	47,282,597	-
Capital projects	7,297,228	688,047	7,985,275	1,098,751
Grants and technology	3,010,585	-	3,010,585	-
Fire services	243,528	-	243,528	-
Unrestricted net position	(96,020,674)	36,741,062	(59,279,612)	4,531,090
Total net position	<u>\$ 23,885,305</u>	<u>\$ 91,053,635</u>	<u>\$ 114,938,940</u>	<u>\$ 11,005,033</u>

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

DURHAM COUNTY, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2018

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	\$ 67,278,145	\$ 14,528,090	\$ 5,260,234	\$ 999,880	\$ (46,489,941)	\$ -	\$ (46,489,941)	\$ -
Public safety	83,743,115	13,190,898	4,249,789	-	(66,302,428)	-	(66,302,428)	-
Transportation	238,948	-	-	-	(238,948)	-	(238,948)	-
Economic and physical development	5,761,844	44,544	591,505	-	(5,125,795)	-	(5,125,795)	-
Environmental protection	5,997,974	3,830,149	119,019	446,622	(1,602,184)	-	(1,602,184)	-
Human services	86,632,504	5,251,427	36,437,658	-	(44,943,419)	-	(44,943,419)	-
Education	155,678,995	-	-	1,088,886	(154,590,109)	-	(154,590,109)	-
Cultural and recreational	20,693,870	398,319	251,390	-	(20,044,161)	-	(20,044,161)	-
Interest and fiscal charges	16,547,326	-	-	-	(16,547,326)	-	(16,547,326)	-
Total governmental activities	<u>442,572,721</u>	<u>37,243,427</u>	<u>46,909,595</u>	<u>2,535,388</u>	<u>(355,884,311)</u>	<u>-</u>	<u>(355,884,311)</u>	<u>-</u>
Business-type activities:								
Sewer utility	8,302,269	10,199,023	-	959,110	-	2,855,864	2,855,864	-
Total business-type activities	<u>8,302,269</u>	<u>10,199,023</u>	<u>-</u>	<u>959,110</u>	<u>-</u>	<u>2,855,864</u>	<u>2,855,864</u>	<u>-</u>
Total primary government	\$ 450,874,990	\$ 47,442,450	\$ 46,909,595	\$ 3,494,498	(355,884,311)	2,855,864	(353,028,447)	-
Component units:								
Durham County ABC Board	\$ 36,378,017	\$ 37,346,615	\$ -	\$ -	-	-	-	968,598
Total component units	\$ 36,378,017	\$ 37,346,615	\$ -	\$ -	-	-	-	968,598
General revenues:								
Taxes:								
Property taxes, levied for general purposes					278,719,636	-	278,719,636	-
Property taxes, levied for fire districts					7,823,215	-	7,823,215	-
Property taxes, levied for other districts purposes					1,145,501	-	1,145,501	-
Local option sales tax					83,808,889	-	83,808,889	-
Occupancy tax					3,970,516	-	3,970,516	-
Gross receipts tax					483,133	-	483,133	-
Vehicle registration tax					226,448	-	226,448	-
Investment and interest income					7,430,012	320,391	7,750,403	18,342
Other revenues					1,062,967	(6,957)	1,056,010	-
Total general revenues					<u>384,670,317</u>	<u>313,434</u>	<u>384,983,751</u>	<u>18,342</u>
Change in net position					28,786,006	3,169,298	31,955,304	986,940
Net position, beginning, previously reported					110,942,378	87,884,337	198,826,715	10,739,155
Adjustments (Note O):								
Restatement					(115,843,079)	-	(115,843,079)	(721,062)
Net position, beginning, restated					<u>(4,900,701)</u>	<u>87,884,337</u>	<u>82,983,636</u>	<u>10,018,093</u>
Net position, ending					<u>\$ 23,885,305</u>	<u>\$ 91,053,635</u>	<u>\$ 114,938,940</u>	<u>\$ 11,005,033</u>

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

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DURHAM COUNTY, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2018

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents / investments	\$ 184,519,168	\$ 3,597,778	\$ 13,664,528	\$ 20,251,565	\$ 2,553,635	\$ 224,586,674
Cash and cash equivalents / investments - restricted	3,010,585	-	7,297,228	-	243,527	10,551,340
Receivables:						
Accounts receivable	1,681,983	-	-	362	1,126	1,683,471
Net property taxes receivable	1,584,975	-	-	-	52,424	1,637,399
Solid waste receivable	28,019	-	-	-	-	28,019
Animal taxes receivable	313,005	-	-	-	-	313,005
Water services receivable	508	-	-	-	-	508
Net emergency medical services receivable	2,679,148	-	-	-	-	2,679,148
WSR loan receivable	-	-	2,376,169	-	-	2,376,169
Inventory	905,403	-	-	-	-	905,403
Due from other governments - federal and state agencies	26,880,617	-	1,976,846	53,760	35,998	28,947,221
Due from other governments - local	3,657,796	-	-	-	-	3,657,796
Due from capital project fund	3,047,554	-	-	-	-	3,047,554
Prepaid expenditures	107,812	-	-	-	-	107,812
Total assets	<u>\$ 228,416,573</u>	<u>\$ 3,597,778</u>	<u>\$ 25,314,771</u>	<u>\$ 20,305,687</u>	<u>\$ 2,886,710</u>	<u>\$ 280,521,519</u>
Liabilities						
Accounts payable	\$ 8,873,283	\$ -	\$ 2,043,147	\$ 5,873	\$ 200	\$ 10,922,503
Accrued payroll and related amounts withheld	4,362,435	-	-	-	-	4,362,435
Due to other governments - federal and state agencies	18,556	-	-	-	-	18,556
Due to other governments - local	440,158	-	-	-	-	440,158
Due to general fund	-	-	3,047,554	-	-	3,047,554
Security deposits	75,767	-	-	-	-	75,767
Retiree and COBRA prepaid benefit contributions	183,140	-	-	-	-	183,140
Escrow - register of deeds	162,718	-	-	-	-	162,718
Total liabilities	<u>14,116,057</u>	<u>-</u>	<u>5,090,701</u>	<u>5,873</u>	<u>200</u>	<u>19,212,831</u>
Deferred inflows of resources						
Prepaid taxes	2,291,404	-	-	-	16,113	2,307,517
Net property taxes receivable	1,584,975	-	-	-	52,423	1,637,398
Solid waste receivable	28,019	-	-	-	-	28,019
Animal taxes receivable	313,005	-	-	-	-	313,005
Water services receivable	508	-	-	-	-	508
Net emergency medical service receivable	2,679,148	-	-	-	-	2,679,148
WSR loan receivable	-	-	2,376,169	-	-	2,376,169
Total deferred inflows of resources	<u>6,897,059</u>	<u>-</u>	<u>2,376,169</u>	<u>-</u>	<u>68,536</u>	<u>9,341,764</u>
Fund balances						
Non-spendable:						
Inventories	905,403	-	-	-	-	905,403
Prepaid expenditures	107,812	-	-	-	-	107,812
Restricted:						
Stabilization by State Statute	40,349,401	-	6,879,074	54,122	-	47,282,597
Museum	344,053	-	-	-	-	344,053
Tax Technology	166,135	-	-	-	-	166,135
Sheriff	287,832	-	-	-	-	287,832
Fire marshal	976	-	-	-	243,528	244,504
Public health programs	393,020	-	-	-	-	393,020
Social services programs	917,493	-	-	-	-	917,493
Environmental protection programs	95,671	-	-	-	-	95,671
Register of deeds	805,405	-	-	-	-	805,405
Education	-	-	761	-	-	761
Committed:						
Risk management	9,080,028	-	-	-	-	9,080,028
Committed Public Health	151	-	-	-	-	151
Debt service	19,413,970	-	-	-	-	19,413,970
Sheriff inmate	470,485	-	-	-	-	470,485
Education: Article 46	1,353,346	-	-	-	-	1,353,346
OPEB	51,846,880	-	-	-	-	51,846,880
Self-insured health benefits	2,772,642	-	-	-	-	2,772,642
Reappraisal reserve	389,955	-	-	-	-	389,955
LEO Special Separation Allowance	2,040,380	-	-	-	-	2,040,380
Assigned, reported in:						
General fund	19,497,586	-	-	-	-	19,497,586
Community health trust fund	-	3,597,778	-	-	-	3,597,778
Capital projects fund	-	-	10,968,066	-	-	10,968,066
Debt service	-	-	-	20,245,692	-	20,245,692
Assigned, reported in nonmajor:						
Special revenue	-	-	-	-	2,574,446	2,574,446
Unassigned, general	56,164,833	-	-	-	-	56,164,833
Total fund balances	<u>207,403,457</u>	<u>3,597,778</u>	<u>17,847,901</u>	<u>20,299,814</u>	<u>2,817,974</u>	<u>251,966,924</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 228,416,573</u>	<u>\$ 3,597,778</u>	<u>\$ 25,314,771</u>	<u>\$ 20,305,687</u>	<u>\$ 2,886,710</u>	<u>\$ 280,521,519</u>

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

DURHAM COUNTY, NORTH CAROLINA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2018

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

Total fund balance - governmental funds	\$ 251,966,924
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	458,945,073
Other long-term assets used in governmental activities are not a current financial resource and, therefore, are not reported in the funds.	4,726,091
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.	43,358,417
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	15,098,612
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.	(16,389,488)
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.	(733,820,324)
Net position of governmental activities	<u>\$ 23,885,305</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, 2018

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 367,341,716	\$ -	\$ -	\$ -	\$ 8,964,922	\$ 376,306,638
Licenses and permits	1,638,616	-	-	-	-	1,638,616
Intergovernmental revenues	46,044,285	-	2,535,388	483,239	382,071	49,444,983
Investments	3,931,087	37,938	365,651	263,368	47,373	4,645,417
Rent	1,134,280	-	-	-	-	1,134,280
Charges for services	29,667,539	3,950,000	-	565,369	-	34,182,908
Other revenues	1,062,967	-	-	-	-	1,062,967
Total revenues	<u>450,820,490</u>	<u>3,987,938</u>	<u>2,901,039</u>	<u>1,311,976</u>	<u>9,394,366</u>	<u>468,415,809</u>
Expenditures						
Current:						
General government	57,367,392	-	6,701,472	-	-	64,068,864
Public safety	68,527,730	-	8,765,524	-	3,245,611	80,538,865
Transportation	238,948	-	-	-	-	238,948
Economic and physical development	4,578,145	-	(58,578)	-	1,123,610	5,643,177
Environmental protection	4,999,509	-	21,247,128	-	-	26,246,637
Human services	83,234,656	-	-	-	-	83,234,656
Education	142,873,569	-	12,603,402	-	-	155,476,971
Cultural and recreational	13,545,070	-	18,738,289	-	-	32,283,359
Debt service:						
Principal retirement	-	-	-	37,322,892	-	37,322,892
Interest and fiscal charges	-	-	-	19,606,512	-	19,606,512
Debt issuance costs	-	-	-	247	-	247
Total expenditures	<u>375,365,019</u>	<u>-</u>	<u>67,997,237</u>	<u>56,929,651</u>	<u>4,369,221</u>	<u>504,661,128</u>
Excess (deficiency) of revenues over (under) expenditures	<u>75,455,471</u>	<u>3,987,938</u>	<u>(65,096,198)</u>	<u>(55,617,675)</u>	<u>5,025,145</u>	<u>(36,245,319)</u>
Other financing sources (uses)						
Transfers in	10,698,939	-	6,936,925	67,865,918	-	85,501,782
Transfers out	(73,549,843)	(5,578,166)	(1,350,025)	-	(5,023,748)	(85,501,782)
Issuance of installment purchases	-	-	49,627,948	-	-	49,627,948
Total other financing sources (uses)	<u>(62,850,904)</u>	<u>(5,578,166)</u>	<u>55,214,848</u>	<u>67,865,918</u>	<u>(5,023,748)</u>	<u>49,627,948</u>
Net change in fund balances	<u>12,604,567</u>	<u>(1,590,228)</u>	<u>(9,881,350)</u>	<u>12,248,243</u>	<u>1,397</u>	<u>13,382,629</u>
Fund balance - beginning	<u>194,798,890</u>	<u>5,188,006</u>	<u>27,729,251</u>	<u>8,051,571</u>	<u>2,816,577</u>	<u>238,584,295</u>
Fund balance - ending	<u>\$ 207,403,457</u>	<u>\$ 3,597,778</u>	<u>\$ 17,847,901</u>	<u>\$ 20,299,814</u>	<u>\$ 2,817,974</u>	<u>\$ 251,966,924</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, 2018

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

Net changes in fund balances - total governmental funds	\$ 13,382,629
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.	25,212,244
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.	(8,610,703)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,606,387
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.	(15,479,131)
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.	11,674,580
Change in net position of governmental activities	<u>\$ 28,786,006</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, 2018

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Revenues				
Taxes				
Current levy	\$ 272,920,890	\$ 272,920,890	\$ 278,243,648	\$ 5,322,758
Prior years' levy	675,000	675,000	(96,074)	(771,074)
Tax penalties and interest	370,000	370,000	551,560	181,560
Advertising and selling	10,000	10,000	24,752	14,752
Payments in lieu of taxes	-	-	52,584	52,584
Local option sales tax	80,335,787	80,335,787	83,808,889	3,473,102
Animal tax	-	-	3,348	3,348
Occupancy tax	4,000,000	4,000,000	3,970,516	(29,484)
Gross receipts tax	425,000	425,000	483,133	58,133
Vehicle registration tax	500,000	500,000	226,448	(273,552)
Solid waste tax	35,000	35,000	43,065	8,065
White goods tax	9,000	9,000	29,847	20,847
Total taxes	359,280,677	359,280,677	367,341,716	8,061,039
Intergovernmental revenues				
Beer and wine tax	200,000	200,000	181,342	(18,658)
Social services	45,312,461	29,087,386	26,941,676	(2,145,710)
Public health	6,761,209	7,501,299	8,478,657	977,358
Library	242,940	250,940	251,390	450
ABC Board	2,200,000	2,200,000	2,200,000	-
Other	5,615,023	6,257,728	7,991,220	1,733,492
Total intergovernmental revenues	60,331,633	45,497,353	46,044,285	546,932
Charges for services				
Elections registration lists	485,600	485,600	399,884	(85,716)
Register of deeds	4,680,000	4,680,000	5,597,119	917,119
General government charges	6,008,666	6,221,357	6,510,605	289,248
Collection fees	1,582,935	1,582,935	1,687,026	104,091
Public protection	1,757,489	1,757,489	1,912,715	155,226
Environmental protection	292,775	344,084	70,906	(273,178)
Solid waste fees	2,215,131	2,215,131	2,275,476	60,345
Facilities fees	350,000	350,000	237,403	(112,597)
Library fees and charges	283,000	283,000	278,700	(4,300)
Public health	359,330	359,330	504,915	145,585
Social services	6,600	6,600	24,022	17,422
Emergency medical services charges	9,704,050	9,704,050	10,156,510	452,460
Other charges	39,280	39,280	12,258	(27,022)
Total charges for services	27,764,856	28,028,856	29,667,539	1,638,683
Investment and rental income				
Investment earnings	2,659,044	2,659,044	3,931,087	1,272,043
Rent	939,320	939,320	1,134,280	194,960
Total investment and rental income	3,598,364	3,598,364	5,065,367	1,467,003
Licenses and permits				
Construction permits	632,500	632,500	1,112,019	479,519
Cablevision and franchise fees	490,000	490,000	467,979	(22,021)
Wine and beer licenses	20,000	20,000	21,575	1,575
Other licenses and permits	30,000	30,000	37,043	7,043
Total licenses and permits	1,172,500	1,172,500	1,638,616	466,116

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, 2018

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Revenues (continued)				
Other revenues				
Miscellaneous	\$ 342,302	\$ 352,302	\$ 445,879	\$ 93,577
Confiscated property				
federal investigation	-	-	94,314	94,314
Inmate welfare	125,000	125,000	186,616	61,616
Sale of surplus property and materials	-	-	42,877	42,877
Other	120,000	120,000	293,281	173,281
Total other revenues	587,302	597,302	1,062,967	465,665
Total revenues	452,735,332	438,175,052	450,820,490	12,645,438
Expenditures				
General administration				
Board of county commissioners	757,873	983,689	956,697	26,992
County manager	2,382,562	2,773,872	2,379,442	394,430
Finance	4,145,195	4,568,734	3,920,474	648,260
Tax	7,735,291	7,936,469	7,375,785	560,684
Legal	2,339,165	2,343,652	2,105,731	237,921
Court facilities	457,305	460,105	418,914	41,191
Human resources	9,025,177	7,903,349	7,138,471	764,878
Elections	2,025,944	2,089,137	1,671,155	417,982
Risk management and insurance	3,489,252	3,548,144	3,007,307	540,837
General services	13,614,090	14,291,827	12,815,206	1,476,621
Geographic information systems	467,619	467,619	467,619	-
Information systems and technology	8,713,694	9,796,448	9,128,998	667,450
Register of deeds	1,973,176	2,411,393	1,819,095	592,298
Other	6,356,463	5,017,670	4,162,498	855,172
Total general administration	63,482,806	64,592,108	57,367,392	7,224,716
Economic and physical development				
Planning	1,158,514	1,158,514	1,028,989	129,525
Cooperative extension	1,288,275	1,451,840	1,158,315	293,525
Soil and water conservation	605,967	635,820	625,272	10,548
Open space management	77,175	194,659	60,124	134,535
Industrial extension	1,668,822	1,831,894	237,857	1,594,037
Other	1,071,619	1,310,599	1,467,588	(156,989)
Total economic and physical development	5,870,372	6,583,326	4,578,145	2,005,181
Human services				
Public health	27,791,067	29,827,860	27,103,202	2,724,658
Mental health	6,131,224	6,131,224	6,131,224	-
Social services	66,678,511	52,004,585	48,755,408	3,249,177
Other	1,191,955	1,731,154	1,244,822	486,332
Total human services	101,792,757	89,694,823	83,234,656	6,460,167
Education				
Durham public schools				
Current	132,665,201	132,665,201	132,665,201	-
Capital	1,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	6,816,720	6,816,720	6,816,720	-
Capital	347,500	347,500	347,500	-
Other education	1,839,435	1,839,435	1,674,148	165,287
Total education	143,038,856	143,038,856	142,873,569	165,287

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, 2018

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Expenditures (continued)				
Public safety				
Criminal justice partnership	\$ 4,378,866	\$ 4,799,769	\$ 4,316,478	\$ 483,291
County sheriff	20,151,956	20,885,491	19,315,013	1,570,478
County jail	17,271,500	18,691,355	18,590,037	101,318
Youth home	1,546,146	1,471,878	1,414,695	57,183
Animal control	1,754,716	1,776,388	1,828,559	(52,171)
Emergency communications center	1,321,893	1,321,893	1,116,206	205,687
Emergency medical services	16,842,043	17,251,375	15,855,795	1,395,580
County fire protection	6,322,426	7,809,150	5,901,397	1,907,753
Medical examiner	250,000	250,000	189,550	60,450
Total public safety	<u>69,839,546</u>	<u>74,257,299</u>	<u>68,527,730</u>	<u>5,729,569</u>
Transportation				
Airport authority	12,500	12,500	12,500	-
Go Triangle	500,000	500,000	226,448	273,552
Total transportation	<u>512,500</u>	<u>512,500</u>	<u>238,948</u>	<u>273,552</u>
Environmental protection				
Solid waste	2,316,605	2,557,359	2,315,691	241,668
Environmental engineering	2,663,580	2,989,866	2,639,324	350,542
Other	114,022	51,342	44,494	6,848
Total environmental protection	<u>5,094,207</u>	<u>5,598,567</u>	<u>4,999,509</u>	<u>599,058</u>
Cultural and recreational				
Library	11,496,423	11,959,739	11,419,233	540,506
Other	2,125,837	2,125,837	2,125,837	-
Total cultural and recreational	<u>13,622,260</u>	<u>14,085,576</u>	<u>13,545,070</u>	<u>540,506</u>
Total expenditures	<u>403,253,304</u>	<u>398,363,055</u>	<u>375,365,019</u>	<u>22,998,036</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>49,482,028</u>	<u>39,811,997</u>	<u>75,455,471</u>	<u>35,643,474</u>
Other financing sources (uses)				
Transfers in	10,951,621	11,530,328	10,698,939	(831,389)
Appropriated fund balance	12,184,854	21,183,688	-	(21,183,688)
Transfers out	(72,618,503)	(73,549,843)	(73,549,843)	-
Proceeds from issuance of installment purchases	-	1,023,830	-	(1,023,830)
Total other financing uses	<u>(49,482,028)</u>	<u>(39,811,997)</u>	<u>(62,850,904)</u>	<u>(23,038,907)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>12,604,567</u>	<u>\$ 12,604,567</u>
FUND BALANCE - BEGINNING OF YEAR			<u>194,798,890</u>	
FUND BALANCE - END OF YEAR			<u>\$ 207,403,457</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investments	\$ -	\$ -	\$ 37,938	\$ 37,938
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>3,987,938</u>	<u>37,938</u>
Other financing sources (uses)				
Transfers out	(5,578,166)	(5,578,166)	(5,578,166)	-
Appropriated fund balance	1,628,166	1,628,166	-	(1,628,166)
Total other financing sources (uses)	<u>(3,950,000)</u>	<u>(3,950,000)</u>	<u>(5,578,166)</u>	<u>(1,628,166)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>(1,590,228)</u>	<u>\$ (1,590,228)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,188,006</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,597,778</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Net Position
 Proprietary Fund
 June 30, 2018

	<u>Enterprise Fund</u> <u>Sewer Utility</u> <u>Fund</u>
Assets	
Current assets	
Cash and cash equivalents / investments	\$ 36,283,156
Cash and cash equivalents - restricted	688,047
Receivables:	
Accounts receivable	14,921
Accrued interest receivable	65,680
Total receivables	<u>80,601</u>
Due from other governments - federal and state agencies	161,584
Due from other governments - local	676,405
Prepaid expenses	8,401
Total current assets	<u>37,898,194</u>
Noncurrent assets	
Capital assets:	
Land	185,226
Easements	5,000
Land improvements - sewer and water lines	28,179,774
Building treatment plant	56,854,766
Machinery and equipment	1,184,534
Vehicles	412,695
Computer hardware	36,416
Computer software	60,192
Construction in progress	11,417,933
Total capital assets	<u>98,336,536</u>
Less accumulated depreciation and amortization	<u>(27,182,786)</u>
Net capital assets	<u>71,153,750</u>
Total noncurrent assets	<u>71,153,750</u>
Total assets	<u>109,051,944</u>
Deferred outflows of resources	
Contributions to pension plan	106,229
Pension deferrals - LGERS	117,387
Unamortized loss on refundings	396,798
Total deferred outflows of resources	<u>620,414</u>
Liabilities	
Current liabilities	
Current portion of accrued compensated absences	46,259
Current portion of long-term debt	1,448,033
Accounts payable	463,324
Arbitrage rebate payable	13,000
Accrued interest payable	50,536
Accrued payroll and related amounts withheld	62,566
Total current liabilities	<u>2,083,718</u>
Noncurrent liabilities	
Accrued compensated absences	17,150
Net pension liability - LGERS	265,588
Long-term debt	16,212,400
Total noncurrent liabilities	<u>16,495,138</u>
Total liabilities	<u>18,578,856</u>
Deferred Inflows of Resources	
Pension deferrals - LGERS	39,867
Total deferred inflows of resources	<u>39,867</u>
Net position	
Net investment in capital assets	53,624,526
Restricted for capital projects	688,047
Unrestricted	36,741,062
Total net position	<u>\$ 91,053,635</u>

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

DURHAM COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2018**

	<u>Enterprise Fund Sewer Utility Fund</u>
Operating revenues	
Charges for services	\$ 8,700,029
Total operating revenues	<u>8,700,029</u>
Operating expenses	
Personnel services	1,841,064
Utilities	515,640
Maintenance and other	2,423,314
Depreciation	3,074,089
Total operating expenses	<u>7,854,107</u>
Operating income	<u>845,922</u>
Nonoperating revenue (expense)	
Investment and interest income	320,391
Sewer connection fees	1,498,994
Interest and fiscal charges	(448,162)
Total nonoperating revenue (expense)	<u>1,371,223</u>
Income before transfers and contributions	2,217,145
Capital contributions	959,110
Gain (loss) on asset disposal	<u>(6,957)</u>
Change in net position	3,169,298
Total net position - beginning	<u>87,884,337</u>
Total net position - ending	<u>\$ 91,053,635</u>

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

DURHAM COUNTY, NORTH CAROLINA

**Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2018**

	<u>Enterprise Fund</u>
	<u>Sewer Utility Fund</u>
Operating activities	
Cash received from sales	\$ 9,158,738
Cash paid to employees	(1,826,458)
Cash paid for operating plant	(3,075,282)
Prepaid	(4,961)
Net cash provided (used) by operating activities	<u>4,252,037</u>
Noncapital financing activities	
Sewer connection fees received	1,498,994
Net cash provided (used) by noncapital financing activities	<u>1,498,994</u>
Capital and related financing activities	
Principal payments on long-term debt	(1,396,146)
Interest paid	(439,820)
Acquisition and construction costs of capital assets	(1,410,850)
Net cash provided (used) by capital and related financing activities	<u>(3,246,816)</u>
Investing activities	
Investment income and dividends	292,993
Net cash provided (used) by investing activities	<u>292,993</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>2,797,208</u>
Cash and cash equivalents/investments	
Beginning of year	<u>34,173,995</u>
End of year	<u>\$ 36,971,203</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 845,922
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	3,074,089
Pension expense	113,837
Change in assets, deferred outflows of resources, and liabilities:	
Accounts receivable	459,123
Due from other governments - federal and state agencies	(96,874)
Due from other governments - local	96,460
Accounts payable	(136,328)
Compensated absences and accrued payroll	6,998
Deferred outflows of resources for pensions	(106,229)
Prepaid expenses	(4,961)
Total adjustments	<u>3,406,115</u>
Net cash provided (used) by operating activities	<u>\$ 4,252,037</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:	
Capital contributions	<u>\$ 959,110</u>

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

DURHAM COUNTY, NORTH CAROLINA

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018**

	Private-purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 44,675	\$ 1,406,968
Accounts receivable	1,697	148,551
Net property taxes receivable	-	950,999
Due from governmental agencies	-	1,322,922
Total assets	<u>46,372</u>	<u>3,829,440</u>
Liabilities		
Funds held for others	-	759,977
Due to governmental agencies	-	3,069,463
Total liabilities	<u>-</u>	<u>\$ 3,829,440</u>
Net position		
Held in trust for:		
Individuals, organizations, and other governments	<u>46,372</u>	
Total net position	<u>\$ 46,372</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018

	Private-purpose Trust Funds
	<u> </u>
Additions	
Employee contributions	\$ 1,947
Donations	270
Investment income	114
Total additions	<u>2,331</u>
Deductions	
Benefits	<u>500</u>
Total deductions	<u>500</u>
Change in net position	1,831
Total net position - beginning	<u>44,541</u>
Total net position - ending	<u>\$ 46,372</u>

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fiduciary Funds:

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

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

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

annual ordinance can be adopted.

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

The following summarizes the supplementary appropriations made for the major governmental funds other than the capital projects fund during fiscal year 2018:

	Original Budget	Total Amendments	Revised Budget
General	\$ 475,871,807	\$ 3,958,909	\$ 471,912,898
Community Health Trust	\$ 5,578,166	\$ -	\$ 5,578,166
Debt Service	\$ 62,286,501	\$ -	\$ 62,286,501

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 all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

At June 30, 2018, the County's deposits had a carrying amount of \$72,781,362 and a bank balance of \$73,205,674. Of the carrying amount, \$1,451,643 was related to fiduciary funds. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$72,455,674 was covered by collateral held under the Pooling Method.

At June 30, 2018, the ABC Board's deposits had a carrying amount of \$5,679,661 and a bank balance of \$6,453,191. All of the bank balance was insured by federal depository insurance or collateralized under the Pooling Method. North Carolina General Statute 159-30 authorizes the County and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States of America; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority;

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, a SEC-registered mutual fund. It is the County's policy to hold investments to maturity in order to realize full book value and interest earnings.

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

As of June 30, 2018, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Valuation Measurement Method</u>	<u>Less Than 6</u>		
			<u>Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>
US Government Agencies	\$ 71,371,033	Fair Value-Level 2	\$ 20,955,960	\$ 17,902,140	\$ 32,512,933
Commercial Paper	11,864,781	Fair Value-Level 2	11,864,781	-	-
NC Capital Management Trust-Government Portfolio	115,933,195	Amortized Cost	115,933,195	N/A	N/A
NC Capital Management Trust-Term Portfolio *	5,150,516	Fair Value-Level 1	5,150,516	-	-
Certificate of Deposit	4,524,337	Fair Value-Level 1	4,524,337	-	-
Total:	<u>\$ 208,843,862</u>		<u>\$ 158,428,789</u>	<u>\$ 17,902,140</u>	<u>\$ 32,512,933</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 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

* Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

Interest Rate Risk:

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

Credit Risk:

The County has no formal policy regarding credit risk but maintains internal management procedures that limit the County's investments to the provisions of North Carolina General Statute 159-30 that restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County invests in commercial paper bearing the highest credit rating, as determined by nationally recognized statistical rating organizations (NRSROs) and banker's acceptances where the accepting bank or its holding company are

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

incorporated in North Carolina. As of June 30, 2018, the County's investments in commercial paper were rated A1 by Standard & Poor's, F1 by Fitch Ratings, and P1 by Moody's Investors Service. In addition, all of the County's commercial paper carries a long-term debt rating of A or better. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2018. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government, and agencies obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. 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 68 percent of the County's investments are in the Federal Home Loan Mortgage Corp and Federal Farm Credit Bank. These investments are 32% and 36% respectively, of the County's total investment portfolio. All securities owned by the County at June 30, 2018 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%

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of LIBOR synthetic fixed-rate financing without the County having to issue actual refunding bonds. The Swap Agreement provides for the County to make payments to the counterparty based on the taxable-equivalent Bond Market Association (BMA) index and for the counterparty to make reciprocal payments based on a floating rate priced at six-month LIBOR plus a net amount of 0.952%. The agreement matures March 1, 2031. The derivatives contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The basis swap agreement is an investment derivative under GASB Statement No. 53.

Fair value:

As of June 30, 2018, the swap had a positive fair value totaling \$4,191,056, estimated using the zero-coupon method. This method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps. The positive fair value is reported as an asset, derivative financial instrument, with the accumulated increase in the fair value of the hedging derivative reported as deferred inflows of resources in the Statement of Net Position. The fair value decreased by \$1,006,764 in fiscal year 2018. The changes in fair value are reported in investment income in the Statement of Activities.

(In Thousands)

<u>Associated Bond Issues</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Variable Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008 A&B 2009 A Certificates of Participation General Obligation Bonds and Certificates of Participation	\$ 216,051	7/1/11	3/1/31	3.733% + BMA/ * Divisor	1.132% + 6-month LIBOR	\$ 4,191,056	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, 2018, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding swap in the amount of \$4,191,056 because the swap had a positive fair value. However, should the relationship between the tax-exempt and taxable interest rates change and the fair values of the swap become negative, the County would not be exposed to credit risk in the amount of the derivative's fair value. Both County and the counterparty's payment obligations under the swap are guaranteed by Aaa/AA/AA rated Bank of New York Mellon.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2018.

6. Receivables

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables at the government-wide level at June 30, 2018, 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	\$ 1,777,992	\$ 653,938	\$ 1,937,690	\$ 28,019	\$ 54,953,320	\$ 346,555	\$ 30,538,413	\$ 90,235,927
Capital projects	2,376,169	96,054	-	-	-	-	1,976,846	4,449,069
Debt Service	362	-	-	-	-	-	53,760	54,122
Other governmental	1,126	-	53,424	-	-	-	35,998	90,548
Total receivables	<u>4,155,649</u>	<u>749,992</u>	<u>1,991,114</u>	<u>28,019</u>	<u>54,953,320</u>	<u>346,555</u>	<u>32,605,017</u>	<u>94,829,666</u>
Allowance for doubtful accounts	<u>(95,501)</u>	<u>-</u>	<u>(39,710)</u>	<u>-</u>	<u>(52,274,172)</u>	<u>(346,555)</u>	<u>-</u>	<u>(52,755,938)</u>
Total governmental activities	<u>\$ 4,060,148</u>	<u>\$ 749,992</u>	<u>\$ 1,951,404</u>	<u>\$ 28,019</u>	<u>\$ 2,679,148</u>	<u>\$ -</u>	<u>\$ 32,605,017</u>	<u>\$ 42,073,728</u>
Business-type activities:								
Sewer utility	<u>\$ 14,921</u>	<u>\$ 65,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,989</u>	<u>\$ 918,590</u>
Total receivables	<u>14,921</u>	<u>65,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>837,989</u>	<u>918,590</u>
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 14,921</u>	<u>\$ 65,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,989</u>	<u>\$ 918,590</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, 2018 of \$346,555 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, LGERS, and LEOSSA) and contributions made to the pension plan in the current fiscal year (ROD, LGERS, LEOSSA, and OPEB).

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 several items that meet the criterion for this category – prepaid taxes, net property taxes receivable, solid waste receivable, animal taxes receivable, water services receivable, net emergency medical services receivable, WSR loan receivable, OPEB deferrals, and other pension related deferrals (ROD, LGERS, and LEOSSA).

8. Inventories and Prepaid Items

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

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

9. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as tangible and non-consumable with an acquisition cost of \$5,000 or more or intangible with an acquisition cost or fair market value, if donated or gifted, of \$50,000 or more and an

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Description	Estimated Useful Lives
Buildings	40 Years
Office Furniture and Equipment	7 Years
Machinery and Equipment	5 Years
Vehicles	5 Years
Computer Hardware	3 Years
Computer Software	3 Years
Leasehold Improvement	Life of the lease
Sewer System	50 Years
Water System	50 Years
Construction in Progress (CIP)	N/A
Capital Leases	Life of the Lease
Easements	Indefinite, to be Monitored for Impairment

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

Description	Estimated Useful Lives
Buildings	25 - 40 Years
Vehicles	3 - 5 Years
Furniture and Equipment	5 - 12 Years
Leasehold Improvements	5 - 20 Years

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Total accumulated vacation leave liability at June 30, 2018 amounted to \$8,123,206. Of this amount, \$8,059,797 is recorded as a liability in the government-wide financial statements for governmental activities, and \$63,409 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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

when earned. The ABC Board’s accumulated earned vacation and related expenses at June 30, 2018 and 2017 amounted to \$107,139 and \$117,568. 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, 2018 amounted to \$30,329,536 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.

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, 2018 are as follows:

Major Funds				Nonmajor Funds
General Fund	Community Health Trust	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
\$ 5,081,451	\$ -	\$ 4,902,228	\$ -	\$ -

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted for public health programs – portion of fund balance that is restricted by revenue source for public health programs.
- Restricted for social services programs – portion of fund balance that is restricted by revenue source for social services programs.
- Restricted for environmental protection programs – portion of fund balance that is restricted by revenue source for environmental protection programs.
- Restricted for register of deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds Office.
- 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Committed for OPEB – portion of fund balance that can only be used for Other Post-Employment Benefits (OPEB).
- Committed for self-insured health benefits – portion of fund balance that can only be used for the County’s self-insured benefits (medical and dental).
- Committed for reappraisal reserve – portion of fund balance that will continue to be used for real property reappraisal.
- Committed for LEO special separation allowance – portion of fund balance that will be used for the Law Enforcement Officers’ Special Separation Allowance obligations.

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

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

The following schedule presents the assigned fund balances at June 30, 2018:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Special Revenue Funds
Assigned Fund Balance:					
Assigned for subsequent year	\$ 19,497,586	\$ -	\$ -	\$ -	\$ -
Assigned for health related purposes	-	3,597,778	-	-	-
Assigned for capital projects	-	-	10,968,066	-	-
Assigned for fire districts	-	-	-	-	2,496,555
Assigned for economic development purposes	-	-	-	-	77,891
Assigned for debt service	-	-	-	20,245,692	-
	<u>\$ 19,497,586</u>	<u>\$ 3,597,778</u>	<u>\$ 10,968,066</u>	<u>\$ 20,245,692</u>	<u>\$ 2,574,446</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 has an adopted fund balance policy. Included in the policy for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Chief Financial Officer may deviate from this priority after consultation with the County Manager. In addition, per the policy, the goal for the unassigned fund balance of the General Fund is 16% of total actual prior fiscal expenditures and the goal of total fund balance available as a percentage of expenditures is 35%. Once the 35% level has been achieved, the amount over 35% shall be used to fund the annual OPEB contribution to meet the OPEB obligation, pay-as-you-go capital projects or other non-reoccurring expenditures. In addition, the OPEB portion of the total fund balance for the general fund shall not exceed 25% of the total fund balance to ensure that the committed for OPEB portion of fund balance remains reasonably proportionate to the total fund balance for the general fund as a whole to include unassigned fund balance. Management has been instructed to conduct business in such a manor to achieve these goals. As of June 30, 2018, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 12.51% and 36.98%, 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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 \$(228,081,619) 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)	\$ 448,987,111
Investment in joint venture	<u>9,957,962</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 458,945,073</u>
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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	\$ 4,191,056
Pension asset – ROD	<u>535,035</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 4,726,091</u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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	\$	18,998,285
Pension deferrals – ROD		171,310
Pension deferrals – LEOSSA		479,890
Pension deferrals – OPEB		3,701,261
Unamortized loss on debt refundings		<u>20,007,671</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	\$	<u><u>43,358,417</u></u>
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4. “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.”

Property taxes receivable (net)	\$	1,637,399
Solid waste receivable		28,019
Animal taxes receivable		313,005
Emergency medical services receivable (net)		2,679,148
Water services receivable		508
WSR loan receivable		2,376,169
Investments (fair market value)		<u>8,064,364</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	\$	<u><u>15,098,612</u></u>
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5. “Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.”

Pension deferrals – LGERS	\$	(837,562)
Pension deferrals – ROD		(16,460)
Pension deferrals – LEOSSA		(184,373)
Pension deferrals – OPEB		<u>(15,351,093)</u>

Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	\$	<u><u>(16,389,488)</u></u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

**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	\$ (40,518,522)
Bonds and other notes payable	(484,540,641)
Total OPEB liability	(168,664,542)
Net pension liability – LGERS	(23,440,109)
Total pension liability – LEOSSA	(6,452,405)
Accrued compensated absences	(8,059,797)
Accrued interest payable	<u>(2,894,300)</u>
 Subtotal	 (734,570,316)
 Less: accrued interest receivable	 <u>749,992</u>
 Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	 <u><u>\$ (733,820,324)</u></u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances for the governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. The total adjustment of \$15,403,377 is comprised of the following:

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

Capital outlay	\$	45,860,129
Less: depreciation expense		(20,276,872)
Less: decrease in investment in joint venture		<u>(371,013)</u>

Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	\$	<u>25,212,244</u>
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2. “Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.”

Pension deferrals – LGERS	\$	(11,281,932)
Pension deferrals – ROD		(11,716)
Pension deferrals – LEOSSA		307,085
Contributions to the pension plan current fiscal year – LGERS		680,163
Contributions to the pension plan current fiscal year – ROD		(862)
Contributions to the pension plan current fiscal year – LEOSSA		(12,966)
Contributions to the pension plan current fiscal year – OPEB		3,701,261
Amortization on loss of debt refunding		<u>(1,991,736)</u>

Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	\$	<u>(8,610,703)</u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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)	\$	(53,041)
Increase in deferred revenue of emergency medical services receivable (net)		212,327
Decrease in deferred revenue of animal tax receivable		(3,614)
Increase in deferred revenue of solid waste receivable		3,582
Decrease in derivative financial instrument		(1,006,764)
Decrease in water services receivable		(932)
Decrease in pension asset – ROD		(46,895)
Increase in investment earnings (fair market value)		<u>3,501,724</u>
Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	\$	<u>2,606,387</u>

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	\$	295,023
Decrease in pension deferrals – ROD		19,357
Increase in pension deferrals – LEOSSA		(74,151)
Decrease in pension deferrals – OPEB		2,533,183
County’s portion of collective pension expense – LGERS		(8,357,794)
County’s portion of collective pension expense – ROD		(66,489)
County’s portion of collective pension expense – LEOSSA		(489,930)
County’s portion of collective pension expense – OPEB		<u>(9,338,330)</u>
Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	\$	<u>(15,479,131)</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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

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

Principal repayments	\$	37,322,892
Increase in debt (net)		(49,627,948)
Decrease in OPEB liability		9,340,414
Decrease in pension liability – LGERS		9,748,146
Increase in pension liability – LEOSSA		(327,566)
Decrease in accrued interest payable		663,763
Increase in accrued compensated absences		(122,162)
Increase in accrued interest receivable		289,635
Amortization of bond premium		<u>4,387,406</u>
Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	\$	<u>11,674,580</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, effective date of the county's last general reappraisal. A general reappraisal (revaluation) of all real property is required to be performed at least once every eight years to establish market value, however the statutes allow for a shorter reappraisal cycle. The last general reappraisal (revaluation) affecting these financial statements was effective January 1, 2016. The next general reappraisal (revaluation) will be effective January 1, 2019.

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

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,673,131	\$ -	\$ -	\$ 8,673,131
Easements	1,857,991	96,990	-	1,954,981
Construction in progress	251,502,396	42,205,063	(213,930,453)	79,777,006
Total nondepreciable capital assets	<u>262,033,518</u>	<u>42,302,053</u>	<u>(213,930,453)</u>	<u>90,405,118</u>
Depreciable capital assets:				
Buildings	231,462,801	206,072,231	(2,322,709)	435,212,323
Water Systems	2,406,929	-	-	2,406,929
Office furniture and Equipment	3,008,753	-	(1,565,483)	1,443,270
Machinery and Equipment	12,734,488	673,634	(302,709)	13,105,413
Computer Hardware	5,754,850	7,858,221	(831,915)	12,781,156
Computer Software	16,375,974	1,244,642	(1,416,705)	16,203,911
Vehicles	20,237,864	2,770,655	(1,070,383)	21,938,136
Total depreciable capital assets	<u>291,981,659</u>	<u>218,619,383</u>	<u>(7,509,904)</u>	<u>503,091,138</u>
Less accumulated depreciation for:				
Buildings	91,061,234	10,922,097	(1,207,392)	100,775,939
Water Systems	4,012	48,138	-	52,150
Office furniture and Equipment	2,269,498	195,613	(1,565,482)	899,629
Machinery and Equipment	5,690,032	1,872,508	(313,661)	7,248,879
Computer Hardware	4,001,017	3,232,424	(842,772)	6,390,669
Computer Software	15,231,312	987,905	(1,392,489)	14,826,728
Vehicles	12,354,221	3,018,187	(1,057,257)	14,315,151
Total accumulated depreciation	<u>130,611,326</u>	<u>20,276,872</u>	<u>(6,379,053)</u>	<u>144,509,145</u>
Total depreciable capital assets, net	<u>161,370,333</u>	<u>198,342,511</u>	<u>(1,130,851)</u>	<u>358,581,993</u>
Governmental activities capital assets, net	<u>\$ 423,403,851</u>	<u>\$ 240,644,564</u>	<u>\$(215,061,304)</u>	<u>\$ 448,987,111</u>

During 2018, the County incurred \$11,039,847 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, 2018

D. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 14,403,204
Public safety	4,099,754
Environmental protection	1,037,746
Economic and physical development	13,086
Human Services	327,376
Educational	202,024
Cultural and recreational	193,682
	<u>193,682</u>

Total depreciation expense	<u>\$ 20,276,872</u>
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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	10,476,257	941,676	-	11,417,933
Total nondepreciable capital assets	<u>10,666,483</u>	<u>941,676</u>	<u>-</u>	<u>11,608,159</u>
Depreciable capital assets:				
Land Improvements: Water and Sewer Lines	27,220,664	959,110	-	28,179,774
Buildings	56,854,766	-	-	56,854,766
Machinery and Equipment	855,173	428,073	(98,712)	1,184,534
Computer Hardware	36,416	-	-	36,416
Computer Software	48,830	11,362	-	60,192
Vehicles	364,733	29,738	18,224	412,695
Total depreciable capital assets	<u>85,380,582</u>	<u>1,428,283</u>	<u>(80,488)</u>	<u>86,728,377</u>
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	14,168,168	537,461	-	14,705,629
Buildings	9,095,367	2,372,434	-	11,467,801
Machinery and Equipment	589,379	115,839	(91,755)	613,463
Computer Hardware	36,095	-	-	36,095
Computer Software	9,495	19,749	-	29,244
Vehicles	283,724	28,606	18,224	330,554
Total accumulated depreciation	<u>24,182,228</u>	<u>3,074,089</u>	<u>(73,531)</u>	<u>27,182,786</u>
Total depreciable capital assets, net	<u>61,198,354</u>	<u>(1,645,806)</u>	<u>(6,957)</u>	<u>59,545,591</u>
Business-type activities capital assets, net	<u>\$ 71,864,837</u>	<u>\$ (704,130)</u>	<u>\$ (6,957)</u>	<u>\$ 71,153,750</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 2,255,345	\$ -	\$ -	\$ 2,255,345
Total nondepreciable capital assets	<u>2,255,345</u>	<u>-</u>	<u>-</u>	<u>2,255,345</u>
Depreciable capital assets:				
Buildings and improvements	4,900,158	-	-	4,900,158
Furniture/Equipment	1,453,600	166,574	-	1,620,174
Vehicles	110,669	111,323	-	221,992
Law Enforcement	668,205	50,105	-	718,310
Total depreciable capital assets	<u>7,132,632</u>	<u>328,002</u>	<u>-</u>	<u>7,460,634</u>
Less accumulated depreciation for:				
Buildings and improvements	1,877,687	162,317	-	2,040,004
Furniture/Equipment	1,010,438	158,170	-	1,168,608
Vehicles	65,514	18,878	-	84,392
Law Enforcement	321,651	50,668	-	372,319
Total accumulated depreciation	<u>3,275,290</u>	<u>390,033</u>	<u>-</u>	<u>3,665,323</u>
Total depreciable capital assets, net	<u>3,857,342</u>	<u>(62,031)</u>	<u>-</u>	<u>3,795,311</u>
Business-type activities capital assets, net	<u>\$ 6,112,687</u>	<u>\$ (62,031)</u>	<u>\$ -</u>	<u>\$ 6,050,656</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 252,270,000	\$ -	\$ 25,815,000	\$ 226,455,000	\$ 25,205,000
Certificates of participation	6,185,000	-	3,095,000	3,090,000	3,090,000
Limited obligation bonds	179,895,000	-	6,935,000	172,960,000	6,940,000
Installment notes payable	22,103,195	49,627,948	1,467,934	70,263,209	886,158
Unamortized bond premium	56,630,875	-	4,387,406	52,243,469	4,387,406
Total OPEB liability	177,636,687	11,871,513	20,843,658	168,664,542	-
Accrued compensated absences	7,937,635	5,059,442	4,937,280	8,059,797	5,346,411
Net pension liability (LGERS)	33,188,255	-	9,748,146	23,440,109	-
Total pension liability (LEOSSA)	6,124,839	327,566	-	6,452,405	-
Other financing agreements	57,443	-	9,958	47,485	9,958
Total governmental activities	\$ 742,028,929	\$ 66,886,469	\$ 77,239,382	\$ 731,676,016	\$ 45,864,933
Business-type activities:					
State revolving loans	\$ 10,599,426	\$ -	\$ 671,146	\$ 9,928,280	\$ 671,146
Revenue bonds	8,125,000	-	725,000	7,400,000	745,000
Unamortized bond premium	364,040	-	31,887	332,153	31,887
Accrued compensated absences	66,754	62,006	65,351	63,409	46,259
Net pension liability (LGERS)	386,466	-	120,878	265,588	-
Total business-type activities	\$ 19,541,686	\$ 62,006	\$ 1,614,262	\$ 17,989,430	\$ 1,494,292

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

For governmental activities and business-type activities, the total OPEB liability and total pension LEOSA liability are liquidated by the General Fund while the net LGERS pension liability is 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, 2018, such statutory limit for the County was \$2,892,737,734 providing a legal debt margin of \$2,666,282,734.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2018, the loss from defeasance (net of amortization) was \$1,380,050. 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, 2018, the loss from defeasance (net of amortization) was \$2,583,811. 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, 2018

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, 2018, the loss from defeasance (net of amortization) was \$2,236,030. 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, 2018, the loss from defeasance (net of amortization) was \$3,666,868. This advance refunding was undertaken to reduce the total debt service payments over the next 15 years by \$4,824,160 and resulted in an economic gain of \$3,777,918.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

E. LONG-TERM OBLIGATIONS (continued)

\$103,895,000. The carrying values of the Refunding Bonds, Series 2017, which refunded variable rate 2016 Bond Anticipation Notes, 2014 Public Improvement Bonds, 2012 Refunded Public Improvement Bonds, and 2010B Build America Bonds were adjusted for the loss from defeasance (net of amortization) of \$11,127,770. As of June 30, 2018, the loss from defeasance (net of amortization) was \$10,140,913. This advance refunding was undertaken to reduce the total debt service payments over the next 20 years by \$5,896,895 and resulted in an economic gain of \$4,615,584.

General obligation bonds

Durham County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. There were no General obligation bonds issued in fiscal year 2018.

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 2018.

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 2018.

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 2018.

Bond anticipation notes

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

E. LONG-TERM OBLIGATIONS (continued)

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

E. LONG-TERM OBLIGATIONS (continued)

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2018 are as follows:

<u>Purpose:</u>	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Outstanding June 30, 2018
<u>Governmental activities:</u>					
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	\$ 43,272,209	\$ 21,050,000
Public improvement, Series 2010A	2.00% to 5.00%	11/10/2010	11/1/2018	25,980,000	3,260,000
Public improvement, Series 2010B	3.51% to 5.23%	11/10/2010	11/1/2030	34,020,000	6,385,000
Refunding 2011	3.00% to 5.00%	6/8/2011	11/1/2022	61,750,000	36,550,000
Public improvement, Series 2012	3.00% to 5.00%	4/25/2012	4/1/2032	64,670,000	11,535,000
Public improvement refunding, Series 2014	2.00% to 5.00%	6/3/2014	4/1/2034	44,635,000	20,090,000
Public improvement refunding, Series 2015	3.00% to 5.00%	7/9/2015	10/1/2026	29,340,000	29,340,000
Public improvement refunding, Series 2016	3.00% to 5.00%	9/26/2016	10/1/2036	96,460,000	94,825,000
Public improvement, Series 2017	3.23%	3/16/2017	10/1/2026	3,800,000	3,420,000
Cerficate of participation, Series 2009A	4.00% to 5.00%	4/15/2009	6/1/2031	61,850,000	3,090,000
Limited Obligation Bonds, 2012	2.00% to 5.00%	3/29/2012	6/1/2032	63,780,000	44,640,000
Limited Obligation Bonds, 2013	1.50% to 5.00%	3/28/2013	6/1/2043	112,470,000	93,730,000
Limited Obligation Bonds, 2015 Refunding	4.00% to 5.00%	4/1/2016	12/1/2030	34,590,000	34,590,000
Bond Anticipation Notes	Variable Rate	3/23/2017	3/23/2020	633,295	29,623,318
Installment purchase, garage facility	4.415%	8/20/2003	8/20/2018	14,502,000	609,346
Installment purchase, utility performance	2.285%	9/18/2012	9/18/2028	4,549,000	3,555,396
Other financing agreements					
Installment financing purchase	Variable Rate	3/30/2017	3/30/2020	15,837,224	36,475,149
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	47,485
Total governmental activities					<u>\$ 472,815,694</u>
<u>Business-type activities:</u>					
Refunding Revenue bonds, 2012					
sewer plant expansion/improvements	2.49%	8/23/2012	6/11/2027	13,985,000	7,400,000
Enterprise State Revolving Loan I	2.22%	10/7/2012	5/1/2032	-	1,944,721
Enterprise State Revolving Loan II	2.22%	1/28/2011	5/1/2033	-	7,983,559
Total business-type activities					<u>17,328,280</u>
Total bonded indebtedness					<u>\$ 490,143,974</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2018 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
2018	\$ 25,205,000	\$ 9,738,531	\$ 3,090,000	\$ 154,500	\$ 6,940,000	\$ 7,556,638	\$ 886,157	\$ 84,563	\$ 9,958	\$ -	\$ 36,131,115	\$ 17,534,232
2019	25,210,000	15,778,835	-	-	9,905,000	7,217,788	285,770	73,287	9,958	-	35,410,728	23,069,910
2020	25,465,000	7,468,752	-	-	9,875,000	6,897,188	294,826	66,731	9,958	-	35,644,784	14,432,671
2021	24,925,000	6,160,032	-	-	9,850,000	6,494,238	309,084	59,916	9,958	-	35,094,042	12,714,186
2022	16,920,000	4,964,708	-	-	9,850,000	6,155,213	1,775,520	185,479	7,653	-	28,553,173	11,305,400
2023-2027	64,715,000	13,441,217	-	-	49,055,000	23,823,250	613,385	14,114	-	-	114,383,385	37,278,581
2028-2032	31,660,000	2,916,775	-	-	39,985,000	13,160,525	-	-	-	-	71,645,000	16,077,300
2033-2037	12,355,000	861,525	-	-	18,750,000	6,562,500	-	-	-	-	31,105,000	7,424,025
2038-2042	-	-	-	-	18,750,000	2,250,000	-	-	-	-	18,750,000	2,250,000
	<u>\$ 226,455,000</u>	<u>\$ 61,330,375</u>	<u>\$ 3,090,000</u>	<u>\$ 154,500</u>	<u>\$ 172,960,000</u>	<u>\$ 80,117,340</u>	<u>\$ 4,164,742</u>	<u>\$ 484,090</u>	<u>\$ 47,485</u>	<u>\$ -</u>	<u>\$ 406,717,227</u>	<u>\$ 142,086,305</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
2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 671,146	\$ 220,408	\$ 745,000	\$ 184,260	\$ 1,416,146	\$ 404,668
2019	-	-	-	-	-	-	671,146	205,508	765,000	165,710	1,436,146	371,218
2020	-	-	-	-	-	-	671,146	190,609	785,000	146,661	1,456,146	337,270
2021	-	-	-	-	-	-	671,146	175,709	800,000	127,115	1,471,146	302,824
2022	-	-	-	-	-	-	671,146	160,810	820,000	107,195	1,491,146	268,005
2023-2027	-	-	-	-	-	-	3,355,729	580,559	3,485,000	219,618	6,840,729	800,177
2028-2032	-	-	-	-	-	-	3,216,821	208,073	-	-	3,216,821	208,073
2033-2037	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,928,280</u>	<u>\$ 1,741,676</u>	<u>\$ 7,400,000</u>	<u>\$ 950,559</u>	<u>\$ 17,328,280</u>	<u>\$ 2,692,235</u>

*NOTE: The installment note payable principal amount on the above schedule amortizing outstanding debt as of June 30, 2018 does not include the outstanding bond anticipation notes (BANs) or installment financing contract (IFC) that are included in the summary of transactions affecting the County's long-term obligations for the year ended and in the outstanding debt with interest rates, date of issue, maturity dates, original issue amount and amount outstanding at year end. The BANs are not included in the above schedule because there is no annual payment. The County is authorized to utilize a draw-down program whereby funds are drawn to reimburse the County for capital project expenditures over a three year period. At the end of the three years (or less), the County issues fixed rate debt to pay off this debt. With the current draw program, the County is authorized to borrow up to \$50,000,000 of BANs and \$72,200,000 of IFCs. Of the amounts, \$29,623,318 and \$36,475,149 respectively, are currently outstanding as of June 30, 2018.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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 \$8,350,559. Principal and interest paid for the year and total customer revenues were \$927,313 and \$8,355,133, 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 2018.

The ABC Board's long-term debt was \$675,464 as of June 30, 2018.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$562,549 for the year ended June 30, 2018. The future minimum rental payments due under the leases at June 30, 2018 are as follows:

YEAR ENDING JUNE 30,	<u>COUNTY</u>	<u>ABC BOARD</u>
2019	\$ 553,508	\$ 135,845
2020	173,172	139,576
2021	75,778	121,094
2022	-	72,990
2023	-	-
TOTAL	<u>\$ 802,458</u>	<u>\$ 469,505</u>

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, 2018 were \$31,797,533 and \$31,808,327, 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 support of mental health services. There were no changes regarding emergency medical services or medical services provided at LCHC.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

F. COMMITMENTS (continued)

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 2017 and 2018, the County received \$2,413,019 and \$2,447,042 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 \$3,125,956 and \$3,170,032 for fiscal year 2017 and 2018, 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, 2018

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, 2018 are as follows:

<u>YEAR ENDING JUNE 30,</u>	Governmental activities	
	PRINCIPAL	INTEREST
2019	\$ 2,622,277	\$ -
2020	2,177,879	-
2021	1,840,544	-
2022	1,840,845	-
2023	1,697,987	-
2024-2028	2,735,795	-
2029-2033	1,324,365	-
	\$ 14,239,692	\$ -

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 2018 for these projects was \$11,039,847 while total combined construction in progress since inception was \$206,094,936.

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, 2018

F. COMMITMENTS (continued)

The CIP allocated funding for fiscal year 2018 in the amount of \$92,697,776. Funds provided approximately \$34,914,898 for capital projects of general governmental activities, \$1,100,000 for business-type activities, \$10,046,606 for public safety, \$43,736,272 for cultural and recreational, \$2,900,000 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, 2018 of approximately \$426,195 for the expansion of the wastewater treatment plant and construction of sewer distribution systems.

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

6. Other commitments

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2018:

Due to:

General Fund from Capital Projects Fund	
Amount due per BOCC approved interfund loan	<u>\$ 3,047,554</u>

Due from:

Capital Projects Fund to General Fund	
Amount due per BOCC approved interfund loan	<u>\$ 3,047,554</u>

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

G. INTERFUND BALANCES AND ACTIVITIES (continued)

Transfers:

The following is a summary of transfers for the year ended June 30, 2018:

	Transfers in:			Total
	General Fund	Capital Projects Fund	Debt Service Fund	
Transfers out:				
General fund	\$ -	\$ 6,936,925	\$ 66,612,918	\$ 73,549,843
Community health trust fund	5,578,166	-	-	5,578,166
Capital projects fund	97,025	-	1,253,000	1,350,025
Nonmajor governmental funds	5,023,748	-	-	5,023,748
Total transfers	\$ 10,698,939	\$ 6,936,925	\$ 67,865,918	\$ 85,501,782

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 are for funding health-related expenditures.

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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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 LEO if killed in the line of duty. Eligible beneficiaries may elect to receive LEO if

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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, 2018, was 8.25% of compensation for law enforcement officers and 7.55% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$7,905,425 for the year ended June 30, 2018. The ABC Board's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.58% 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 \$171,914 and \$160,184 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

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

At June 30, 2018, the County reported a liability of \$23,705,697 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the County's proportion was 1.552%, which was an decrease of 0.030% from its proportion measured as of June 30, 2016.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

For the year ended June 30, 2018, the County recognized pension expense of \$8,471,631. At June 30, 2018, 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	\$ 1,365,667	\$ 671,009
Changes of assumptions	3,385,496	-
Net difference between projected and actual earnings on pension plan investments	5,755,768	-
Changes in proportion and differences between County contributions and proportionate share of contributions	809,545	206,420
County contributions subsequent to the measurement date	7,905,425	-
Total	\$ 19,221,901	\$ 877,429

\$7,905,425 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2019	\$	1,657,597
2020		7,088,727
2021		3,510,923
2022		(1,818,200)
2023		-
Thereafter		-
	\$	10,439,047

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50% to 7.75%, includes 3.50% inflation and productivity factor
Investment rate of return	7.20%, 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.20%, 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, 6.20%, or 1-percentage-point higher, 8.20%, than the current rate:

	1% Decrease 6.20%	Discount Rate 7.20%	1% Increase 8.20%
County's Proportionate share of the net pension liability (asset)	\$ 71,164,981	\$ 23,705,678	\$ (15,907,858)

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% 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 G.S. 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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	21
Active plan members	<u>186</u>
Total	<u><u>207</u></u>

A separate report was not issued for the plan.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

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

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

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.50%
Salary Increases	3.50% to 7.35%, including inflation	
Discount Rate		3.16%

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Mortality rates are based on the RP-2014 mortality tables projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Contributions. The County is required by Article 12D of G.S. 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 a pay-as-you-go basis. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the separation allowance are financed through investment earnings. The County paid \$394,805 as the benefit became due.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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, 2018, the County reported a total pension liability of \$6,452,405. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$489,930.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 96,418
Changes of assumptions	307,085	87,955
County benefit payments and plan administrative expense made subsequent to the measurement date	172,805	-
Total	\$ 479,890	\$ 184,373

The County paid \$172,805 in benefit payments and \$0 in administrative expenditures reported subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2019	\$	24,136
2020		24,136
2021		24,136
2022		25,249
2023		25,055
Thereafter		-
	\$	122,712

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.16% as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 2.16%, or 1-percentage-point higher, 4.16%, than the current rate:

	1% Decrease 2.16%	Discount Rate 3.16%	1% Increase 4.16%
Total pension liability	\$ 6,954,152	\$ 6,452,405	\$ 5,991,375

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

	2018
Beginning balance	\$ 6,124,839
Service Cost	236,502
Interest on the total pension liability	228,799
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability:	(117,655)
Changes of assumptions or other inputs	374,725
Benefit payments	(394,805)
Other changes	-
Ending balance of the total pension liability	\$ 6,452,405

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.86% at June 30, 2016 to 3.16% at June 30, 2017.

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 G.S. 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, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy. Article 12 E of G.S. 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, 2018 were \$774,039, which consisted of \$494,003 from the County and \$280,036 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, 2018 totaled \$10,619 which consisted of \$8,331 from the ABC Board and \$2,288 from the law enforcement officers employed by the ABC Board. The County's required contributions and the officers' voluntary contributions represented 5% and 2.83%, 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, cost-sharing multiple-employer 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 Governmental 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. 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 \$26,373 for the year ended June 30, 2018.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

At June 30, 2018, the County reported an asset of \$535,035 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was 3.134%, which was an increase of 0.021% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$66,489. At June 30, 2018, 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	\$ 9,184	\$ 1,724
Changes of assumptions	90,272	-
Net difference between projected and actual earnings on pension plan investments	45,481	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	14,736
County contributions subsequent to the measurement date	26,373	-
Total	\$ 171,310	\$ 16,460

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

\$26,373 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	\$ 72,462
2020	39,215
2021	5,203
2022	11,597
2023	-
Thereafter	-
	\$ 128,477

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50% to 7.75%, including inflation and productivity factor
Investment rate of return	3.75%, 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

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, 2017 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

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

	1% Decrease 2.75%	Discount Rate 3.75%	1% Increase 4.75%
County's Proportionate share of the net pension liability (asset)	\$ (420,519)	\$ (535,035)	\$ (631,312)

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, 2018

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

The net pension liability for LGERS and ROD was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of December 31, 2017, with an actuarial valuation date of December 31, 2016. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to share and pension expense:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>ROD</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 23,705,697	\$ -	\$ (535,035)	\$ 23,170,662
Proportion of Net Pension Liability (Asset)	1.552%	100%	(3.134)%	N/A
Total Pension Liability	\$ -	\$ 6,452,405	\$ -	\$ 6,452,405
Pension Expense	\$ 8,471,631	\$ 489,930	\$ 66,489	\$ 9,028,050

At June 30, 2018 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>ROD</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Difference Between Expected and Actual Experience	\$ 1,365,667	\$ -	\$ 9,184	\$ 1,374,851
Changes of Assumptions	3,385,499	307,085	90,272	3,782,856
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,755,768	-	45,481	5,801,249
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	809,454	-	-	809,454
County Contributions (LGERS, ROD)/Benefit Payments and Admin Costs (LEOSSA) subsequent to the Measurement Date	7,905,425	172,805	26,373	8,104,603
<u>Deferred Inflows of Resources</u>				
Differences between Expected and Actual Experience	\$ 671,033	\$ 96,418	\$ 1,724	\$ 769,175
Changes of Assumptions	-	87,955	-	87,955
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	206,420	-	14,736	221,156

5. 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 Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF). The State of North Carolina contributes, on behalf of the County, to the Firefighters' and Rescue Squad Workers' Pension Fund, 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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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. The FRSWPF 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 FRSWPF. 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 fully credited service as a firefighter or rescue squad worker, regardless of whether the member has terminated paid employment. 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. A survivorship benefit for members was added effective June 1, 2016 and provides that beneficiaries will receive the same benefit that the deceased member would have received beginning when the deceased would have reached age 55.

Contributions. Plan members are required to contribute \$10 per month to the plan. 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, 2017, the State contributed \$17,602,000 to the plan. Durham County's proportionate share of the State's contribution is \$22,117.

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 any other retirement or survivor benefit provided by FRSWPF.

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

At June 30, 2018, 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 \$60,957. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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, 2017 and at June 30, 2016 was 0%.

For the year ended June 30, 2018, the County recognized pension expense of \$13,338 and revenue of \$13,338 for support provided by the State. At June 30, 2018, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	Not applicable
Investment rate of return	7.20%, includes inflation of 3.50%

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 7.20%. 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 State appropriations will continue to follow current funding policy. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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 \$93,103,342. Total contributions for the year ended June 30, 2018 were \$14,816,719, which consisted of \$4,690,952 from the County and \$10,125,767 from the non-law enforcement personnel. The County's required contribution and the non-law enforcement personnel's voluntary contribution represented 15.91% 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 (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 (LGERS) and have at least thirty years of continuous service with the County. Also, the plan provides post-employment healthcare benefits to employees hired on or after July 1, 2006 who are at least age 60 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 continuous service with the County. If the service-hour requirement is met, the County pays the full cost of standard coverage for these benefits until the retiree reaches age 65 or until the retiree is eligible to receive Medicare benefits, whichever comes first. The cost is prorated for employees that do not meet the service-hour requirement. At the time coverage is terminated, and the County pays full cost of a Medicare supplemental policy. Retirees with at least ten years of service can purchase coverage at the County's group rates for themselves. Retirees can purchase coverage for their dependents at the County's group rate for healthcare, dental and vision until they become Medicare eligible. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The BOCC may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

	Count
Retirees or Beneficiaries Currently Receiving Benefits	589
Retirees Entitled to but not yet Receiving Benefits	-
Active Employees	1,790
Total Membership	2,379

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy. The County pays a portion of the cost of the Basic and the Core coverage healthcare benefits for qualified retirees. The County pays 100% of the cost of the Accountable Care Organization (ACO) plan coverage healthcare benefit for qualified retirees. These benefits are provided under a County resolution that can be amended by the BOCC. Retirees with at least ten years of service who do not qualify for coverage to be paid by the County pay monthly for themselves at the County group rate. Dependent coverage is also paid monthly at the County's group rates. For retirees that qualify for coverage to be paid by the County, the monthly rates for healthcare are:

Health Insurance - Retirees Eligible for County cost Coverage

	ACO	Basic	Core
Retiree Only	\$ -	\$ 40.00	\$ 80.00
Retiree & Children	404.92	485.14	540.17
Retiree & Spouse	603.46	635.62	765.87
Retiree & Children	1,086.57	1,006.76	1,315.08

For retirees with at least ten years of service who are not eligible for cost coverage by the County, the monthly rates for healthcare are:

Health Insurance - Retirees with at least 10 years of service, not eligible for County cost coverage

	ACO	Basic	Core
Retiree Only	\$ 590.00	\$ 623.18	\$ 670.85
Retiree & Children	994.92	1,068.32	1,131.02
Retiree & Spouse	1,193.46	1,218.80	1,356.72
Retiree & Family	1,676.57	1,589.94	1,905.93

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. The monthly cost of coverage is:

Dental Insurance	
Retiree Only	\$ 49.40
Retiree & Children	102.46
Retiree & Spouse	111.61
Retiree & Family	139.68

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

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. The monthly rates are:

Vision	
Retiree Only	\$ 10.16
Retiree & Children	16.42
Retiree & Spouse	15.67
Retiree & Family	24.60

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. The total committed fund balance for OPEB as of fiscal year end for the General Fund was \$51,846,880.

In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The County at this time has chosen to fund the healthcare benefits on a pay as you go basis.

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Total OPEB Liability

The County's total OPEB liability of \$168,664,542 was measured as of June 30, 2017 and was determined based on an actuarial valuation as of June 30, 2016.

Actuarial Methods and Assumptions. The total OPEB liability is based upon an actuarial valuation performed as of the valuation date, June 30, 2016. An expected total OPEB liability is determined as of June 30, 2017, the measurement date, using standard roll forward techniques. The roll forward calculation begins with the total OPEB liability, as of the valuation date, adds the Service Cost, and subtracts expected benefit payments with interest at the discount rate for the year. The total OPEB liability as of the June 30, 2017 measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurements unless otherwise specified:

Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Salary Increases, including wage inflation	
General Employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.75%
Municipal Bond Index Rate	
Prior Measurement Date	3.01%
Measurement Date	3.56%
Healthcare Cost Trends	
Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75% for 2016 decreasing to an ultimate rate of 5.00% by 2019

The discount rate to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Changes in the Total OPEB Liability	
Total OPEB Liability as of June 30, 2016	\$ 177,636,687
Changes for the Year:	
Service Cost at the End of the Year*	6,568,857
Interest on Total OPEB Liability and Cash Flows	5,302,656
Change in Benefit Terms	-
Difference between Expected and Actual Experience	(316,743)
Changes of Assumptions or Other Inputs	(17,567,533)
Benefit Payments	(2,959,382)
Other	-
Net Changes	(8,972,145)
Total OPEB Liability as of June 30, 2017	\$ 168,664,542

*The service cost includes interest for the year

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56% due to a change in the Municipal Bond Rate.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The remaining actuarial assumptions used the June 30, 2016 valuation and were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower, 2.56%, or 1-percentage point higher, 4.56%, than the current discount rate, 3.56%:

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Total OPEB Liability	\$ 202,594,636	\$ 168,664,542	\$ 142,321,364

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
	Pre-Medicare 6.75%	Pre-Medicare 7.75%	Pre-Medicare 8.75%
	Medicare 4.75%	Medicare 5.75%	Medicare 6.75%
Total OPEB Liability	\$ 139,685,096	\$ 168,664,542	\$ 206,914,364

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the County recognized OPEB expense of \$9,338,330. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ (271,879)
Changes of Assumptions	-	(15,079,214)
Benefit Payments and Administrative Costs made subsequent to the Measurement Date	3,701,261	-
Total	\$ 3,701,261	\$ (15,351,093)

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

\$3,701,261 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date, June 30, 2017, will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period	
Ended June 30:	
2018	\$ (2,533,183)
2019	(2,533,183)
2020	(2,533,183)
2021	(2,533,183)
2022	(2,533,183)
Thereafter	(2,685,178)
	\$ (15,351,093)

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, 2018 the County made contributions to the State for death benefits of \$60,395. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.05% 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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 2018, a total of \$25,619,790 was incurred for benefits and administrative costs of the County’s benefit plan. As of June 30, 2018, the incurred but not reported liability for health and dental was \$2,080,000.

The following is a reconciliation of changes in liabilities for self-insured claims from amounts reported June 30, 2016 to the current fiscal year ended June 30, 2018:

	Dental Claims	Health Claims
Balance June 30, 2016	\$ 105,000	\$ 1,675,000
Claims reported and changes in estimates for FY 2017	1,727,412	12,792,975
Claims paid in FY 2017	(1,737,412)	(12,517,975)
Balance June 30, 2017	95,000	1,950,000
Claims reported and changes in estimates for FY 2018	1,735,558	14,970,863
Claims paid in FY 2018	(1,735,558)	(14,935,863)
Balance June 30, 2018	\$ 95,000	\$ 1,985,000

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, data breach,

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

I. RISK MANAGEMENT (continued)

flood, wind & hail, public officials liability/employment practice and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settlement claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(I), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

J. LITIGATION

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

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 \$63,938 to the Council during the fiscal year ended June 30, 2018. 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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.

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 2018 appropriation of approximately \$6.816 million to the College represents approximately 18.8% 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 \$347,500 to capital outlay bringing the County's contribution to Durham Technical Community College

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)

capital outlay to 17.9%. 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, 2018. Complete financial statements for the College may be obtained at their administrative offices at 1637 Lawson Street, Durham, North Carolina 27703.

M. JOINT VENTURES WITH EQUITY INTEREST

Durham Convention and Visitors Bureau

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

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

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

At June 30, 2018, the County recorded an equity interest in the Bureau of \$321,300 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

M. JOINT VENTURES WITH EQUITY INTEREST (continued)

All budgeting and accounting of the Authority, including collection and disbursement of Authority funds, are a part of the budgeting and accounting system of the City.

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

In January 2004, the City of Durham refunded debt that included the Civic Center Authority's long-term debt. Therefore, the Civic Center Authority's long-term debt consists of \$1,110,123 in general obligation bonds issued by the City of Durham, maturing in varying installments from 1997 to 2008 with interest at 2.00% to 4.00%. The debt is being serviced from property tax revenues of the City and amounts for additional equity purchases made by the County. The County's net investment in the Authority is reported in the investment in joint venture in the statement of net position. At June 30, 2018, the County's equity interest in the Authority was \$9,636,662.

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 2018, the amount funded by the County was approximately \$100,000. 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, 2018 is \$9,957,962.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

N. BENEFIT PAYMENTS ISSUED BY FEDERAL AND STATE

The amounts listed below were paid directly to individual recipients by the state from federal and state monies. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the state. These amounts disclose this additional aid to County recipients which do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	Federal	State
Medicaid Title XIX	\$ 231,130,117	\$ 117,264,554
Children Health Insurance Program	5,831,564	8,095
Food Stamp	55,213,625	-
Temporary Assistance for Needy Families	855,841	-
Special Assistance to Adult	-	1,928,199
Title IV-E Adoption Assistance	1,204,485	270,453
IV-B Adoption Assistance	-	683,243
Refugee Assistance	38,396	-
Total Direct Federal and State Awards	\$ 294,274,028	\$ 120,154,543

O. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$115,843,079.

P. SUBSEQUENT EVENTS

On, September 6, 2018, the County closed on the sale of Limited Obligation Bonds (LOBs), Series 2018 in the amount of \$60,144,798 for the refunding of Installment Financing 2017 line of credit (partial refunding of line of credit) with PNC Bank and added several new projects to the LOBs refunding.

The County has evaluated subsequent events through October 31, 2018, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION
(TAB)**

DURHAM COUNTY, NORTH CAROLINA

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

	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	1.552%	1.581%	1.503%	1.430%	1.397%
County's proportionate share of the net pension liability (asset) \$	\$ 23,705,697	\$ 33,574,721	\$ 6,748,246	\$ (8,435,963)	\$ 16,834,393
County's covered payroll	\$ 97,510,119	\$ 97,483,272	\$ 89,938,408	\$ 84,777,497	\$ 80,776,038
County's proportion of the net pension liability (asset) as a percentage of its covered payroll	24.31%	34.44%	7.50%	(9.95)%	20.84%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

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

Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,905,425	\$ 7,204,103	\$ 6,610,387	\$ 6,377,809	\$ 6,003,706
Contributions in relation to the contractually required contribution	<u>7,905,425</u>	<u>7,204,103</u>	<u>6,610,387</u>	<u>6,377,809</u>	<u>6,003,706</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 93,103,342	\$ 97,510,119	\$ 97,483,272	\$ 89,938,408	\$ 84,777,497
Contributions as a percentage of covered payroll	8.49%	7.39%	6.78%	7.09%	7.08%

Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	3.134%	3.113%	3.014%	2.897%	2.772%
County's proportionate share of the net pension liability (asset) \$	\$ (535,035)	\$ (581,930)	\$ (698,462)	\$ (656,716)	\$ (592,253)
Plan fiduciary net position as a percentage of the total pension liability	153.77%	160.17%	197.29%	193.88%	190.50%

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

Information is not available for years prior to 2014.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 26,373	\$ 27,235	\$ 25,427	\$ 24,117	\$ 23,656
Contributions in relation to the contractually required contribution	<u>26,373</u>	<u>27,235</u>	<u>25,427</u>	<u>24,117</u>	<u>23,656</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA

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

	2018	2017	2016	2015
County's proportionate share of the net pension liability (asset) %	0.00%	0.00%	0.00%	0.00%
County's proportionate share of the net pension liability (asset) \$	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the County	22,117	43,304	26,131	9,735
Total	<u>\$ 22,117</u>	<u>\$ 43,304</u>	<u>\$ 26,131</u>	<u>\$ 9,735</u>
County's covered payroll	N/A	N/A	N/A	N/A
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	89.35%	84.94%	91.40%	93.42%

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

Information is not available for years prior to 2015.

DURHAM COUNTY, NORTH CAROLINA

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

	2018	2017
Beginning balance	\$ 6,124,839	\$ 6,160,911
Service Cost	236,502	241,762
Interest on the total pension liability	228,799	213,538
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(117,655)	-
Changes of assumptions or other inputs	374,725	(132,489)
Benefit payments	(394,805)	(358,883)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 6,452,405</u>	<u>\$ 6,124,839</u>

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

DURHAM COUNTY, NORTH CAROLINA

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

	2018	2017
Total pension liability	\$ 6,452,405	\$ 6,124,839
Covered payroll	10,102,994	9,604,677
Total pension liability as a percentage of covered payroll	63.87%	63.77%

Notes to schedule:

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

DURHAM COUNTY, NORTH CAROLINA

Other Post-Employment Benefits (OPEB)

Schedule of Changes in the Total OPEB Liability and Related Ratios

	<u>2018</u>
Service Cost	\$ 6,568,857
Interest	5,302,656
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	(316,743)
Changes of Assumptions	(17,567,533)
Benefit Payments	<u>(2,959,382)</u>
Net change in Total OPEB Liability	(8,972,145)
Total OPEB Liability - Beginning	<u>177,636,687</u>
Total OPEB Liability - Ending	<u><u>\$ 168,664,542</u></u>

Changes of assumptions reflect the effects of changes in the discount rate for each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%

Note to Schedule:

Contributions to the County's OPEB plan are not based on a measure of pay, therefore no measure of payroll is presented.

**OTHER SUPPLEMENTARY INFORMATION
(TAB)**

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

MAJOR GOVERNMENTAL FUNDS

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

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

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DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Debt Service Fund
Year Ended June 30, 2018**

	Budget		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 368,221	\$ 368,221	\$ 483,239	\$ 115,018
Investments	-	-	263,368	263,368
Charges for services	500,000	500,000	565,369	65,369
Total revenues	<u>868,221</u>	<u>868,221</u>	<u>1,311,976</u>	<u>443,755</u>
Expenditures				
Debt service:				
Principal retirement	37,327,892	37,327,892	37,322,892	5,000
Interest and fiscal charges	24,258,609	24,258,609	19,606,512	4,652,097
Debt issuance costs	700,000	700,000	247	699,753
Total expenditures	<u>62,286,501</u>	<u>62,286,501</u>	<u>56,929,651</u>	<u>5,356,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(61,418,280)</u>	<u>(61,418,280)</u>	<u>(55,617,675)</u>	<u>5,800,605</u>
Other financing sources (uses)				
Transfers in	67,800,844	67,865,918	67,865,918	-
Appropriated fund balance	<u>(6,382,564)</u>	<u>(6,447,638)</u>	-	<u>6,447,638</u>
Total other financing sources (uses)	<u>61,418,280</u>	<u>61,418,280</u>	<u>67,865,918</u>	<u>6,447,638</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>12,248,243</u>	<u>\$ 12,248,243</u>
Fund balance - beginning			<u>8,051,571</u>	
Fund balance - ending			<u>\$ 20,299,814</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, 2018

PROJECT	EXPENDITURES		SPENT TO DATE	REMAINING COMMITMENT
	CURRENT YEAR	PRIOR YEARS		
Durham Public School Projects	\$ 11,039,847	\$ 42,880,107	\$ 53,919,954	\$ 425,380,840
Whitted School	154,439	6,919,955	7,074,394	1,275,606
E911 Facility County	1,924,443	1,000,000	2,924,443	860,000
Emergency Responder Radio Upgrade	3,447,805	-	3,447,805	2,652,195
Museum New Parking Deck	6,073,893	505,563	6,579,456	520,544
Museum Exhibit Upgrades and Ma	251,647	-	251,647	1,801,895
Museum Classrooms Expansion	2,787	-	2,787	3,091,735
Judicial Building Renovation Phase II	19,343,149	19,967,217	39,310,366	7,898,763
Ongoing Parking Resurfacing Project	140,710	660,138	800,848	445,784
Ongoing HVAC Replacement Project	429,431	625,781	1,055,212	807,142
Jail Elevator Upgrade	645,595	77,328	722,923	1,569,648
County Building Envelope Upgrade	380,956	105,000	485,956	514,044
Standord L. Warren Library Upgrade	-	7,500	7,500	42,500
County Security Improvements	226,628	-	226,628	219,708
Open Space/Farmland Preservation	19,460	7,371,948	7,391,408	5,551,128
Dentention Center Renovations	68,944	78,565	147,509	402,491
DTCC Newton Building	-	-	-	320,000
DTCC Northern Durham	921,200	67,200	988,400	11,600
DTCC Newton Building Renovations	471,455	158,035	629,490	17,370,510
DTCC Health Technologies Build	16,461	-	16,461	1,983,539
Scattered Site Housing Project III	121	411,879	412,000	-
EMS Station #1 Renovations	71,750	277,783	349,533	1,348,966
EMS Station #17 Co-Location PR	793,036	-	793,036	446,560
Single Family Rehabilitation Program	-	292,828	292,828	1,972
Single Family Rehabilitation 13	-	167,585	167,585	2,415
Main Library Upgrade	12,409,961	2,492,925	14,902,886	32,183,646
Hollow Rock/New Hope	-	222,290	222,290	443,647
BOCC Chambers AV Upgrade	370,322	-	370,322	46,872
Ongoing Roof Replacement	85,116	1,772,589	1,857,705	1,036,934
W.G. Pearson/Student Union Renovation	2,586,330	163,670	2,750,000	1,500,000
Major Laserfische Upgrade	50,067	86,701	136,768	293,232
16 IT Hardware Upgrade	745,304	2,860,226	3,605,530	75,470
HCM SAP Software Upgrade	44,168	300,477	344,645	93,776
16 Telecommunications Upgrade	457,652	109,499	567,151	30,849
16 Sheriff Technology Upgrade	40,647	131,460	172,107	427,293
18 IT Hardware Upgrade Project	468,434	-	468,434	1,708,566
Duke Fiber Project	27,140	-	27,140	1,497,025
Administration Building Refurbish	45,103	230	45,333	1,086,411
Downtown Parking Deck Project	200,179	13,800	213,979	36,021
LCHC Phase II Renovations	1,498,674	410,367	1,909,041	282,479
New Junction Road Industrial	22,746	1,333,755	1,356,501	(41,501)
Judicial Annex Building Renovation	117,816	120	117,936	3,982,064
Research Triangle Foundation	(58,578)	993,140	934,562	19,065,438
Convenience Center Site Upgrade	150	-	150	168,180
	<u>\$ 65,534,988</u>	<u>\$ 92,465,661</u>	<u>\$ 158,000,649</u>	<u>\$ 538,435,987</u>

FIDUCIARY FUNDS

Private-purpose Trust Funds

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

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

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DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Net Position
Private-purpose Trust Funds
June 30, 2018

	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	\$ 5,885	\$ 38,790	\$ 44,675
Accounts receivable	-	1,697	1,697
Total assets	<u>5,885</u>	<u>40,487</u>	<u>46,372</u>
Net position			
Held in trust for:			
Individuals, organizations, and other governments	5,885	40,487	46,372
Total net position	<u>\$ 5,885</u>	<u>\$ 40,487</u>	<u>\$ 46,372</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Changes in Net Position
 Private-purpose Trust Funds
 Year Ended June 30, 2018

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Additions			
Employee contributions	\$ -	\$ 1,947	\$ 1,947
Donations	-	270	270
Investment income	56	58	114
Total additions	<u>56</u>	<u>2,275</u>	<u>2,331</u>
Deductions			
Benefits	-	500	500
Total deductions	<u>-</u>	<u>500</u>	<u>500</u>
Change in net position	56	1,775	1,831
Total net position - beginning	<u>5,829</u>	<u>38,712</u>	<u>44,541</u>
Total net position - ending	<u>\$ 5,885</u>	<u>\$ 40,487</u>	<u>\$ 46,372</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds
Assets	
Cash and cash equivalents / investments	\$ 2,553,635
Cash and cash equivalents / investments - restricted	243,527
Accounts receivable	1,126
Net property taxes receivable	52,424
Due from other governments - federal and state agencies	35,998
Total assets	\$ 2,886,710
Liabilities	
Accounts payable	\$ 200
Total liabilities	200
Deferred Inflows of Resources	
Prepaid taxes	16,113
Net property taxes receivable	52,423
Total deferred inflows of resources	68,536
Fund balances	
Restricted:	
Firefighters' relief funds	243,528
Assigned	2,574,446
Total fund balances	2,817,974
Total liabilities, deferred inflows of resources and fund balances	\$ 2,886,710

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018**

	Special Revenue Funds
Revenues	
Taxes	\$ 8,964,922
Intergovernmental revenues	382,071
Investments	47,373
Total revenues	<u>9,394,366</u>
Expenditures	
Current:	
Public safety	3,245,611
Economic and physical development	1,123,610
Total expenditures	<u>4,369,221</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,025,145</u>
Other financing sources (uses)	
Transfers out	<u>(5,023,748)</u>
Total other financing sources (uses)	<u>(5,023,748)</u>
Net change in fund balances	1,397
Fund balance - beginning	<u>2,816,577</u>
Fund balance - ending	<u>\$ 2,817,974</u>

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DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2018

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Assets				
Cash and cash equivalents / investments	\$ 245	\$ 297,719	\$ 155	\$ 189,562
Cash and cash equivalents / investments - restricted	-	-	-	-
Accounts receivable	-	-	-	-
Net property taxes receivable	1,827	8,385	886	19,599
Due from other governments - federal and state agencies	-	12,123	-	7,471
Total assets	<u>\$ 2,072</u>	<u>\$ 318,227</u>	<u>\$ 1,041</u>	<u>\$ 216,632</u>
Liabilities				
Accounts payable	\$ -	\$ 82	\$ -	\$ 33
Total liabilities	<u>-</u>	<u>82</u>	<u>-</u>	<u>33</u>
Deferred Inflows of Resources				
Prepaid taxes	-	448	-	1,779
Net property taxes receivable	1,826	8,385	885	19,599
Total deferred inflows of resources	<u>1,826</u>	<u>8,833</u>	<u>885</u>	<u>21,378</u>
Fund balances				
Restricted:				
Firefighters' relief funds	-	-	-	-
Assigned	246	309,312	156	195,221
Total fund balances	<u>246</u>	<u>309,312</u>	<u>156</u>	<u>195,221</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,072</u>	<u>\$ 318,227</u>	<u>\$ 1,041</u>	<u>\$ 216,632</u>

New Hope	Eno	Bahama	Bethesda Service Tax District	Durham County Fire and Rescue Service Tax District	Special Park Tax District	Total Nonmajor Special Revenue Funds
\$ 51,343	\$ 41,734	\$ 239,552	\$ 318,282	\$ 1,334,238	\$ 80,805	\$ 2,553,635
-	-	-	-	243,527	-	243,527
-	-	-	-	1,126	-	1,126
306	-	6,885	4,716	8,313	1,507	52,424
534	311	4,557	-	10,809	193	35,998
<u>\$ 52,183</u>	<u>\$ 42,045</u>	<u>\$ 250,994</u>	<u>\$ 322,998</u>	<u>\$ 1,598,013</u>	<u>\$ 82,505</u>	<u>\$ 2,886,710</u>
\$ 13	\$ 14	\$ 2	\$ -	\$ -	\$ 56	\$ 200
13	14	2	-	-	56	200
1,561	-	1,156	-	8,120	3,049	16,113
306	-	6,885	4,716	8,312	1,509	52,423
<u>1,867</u>	<u>-</u>	<u>8,041</u>	<u>4,716</u>	<u>16,432</u>	<u>4,558</u>	<u>68,536</u>
-	-	-	-	243,528	-	243,528
50,303	42,031	242,951	318,282	1,338,053	77,891	2,574,446
<u>50,303</u>	<u>42,031</u>	<u>242,951</u>	<u>318,282</u>	<u>1,581,581</u>	<u>77,891</u>	<u>2,817,974</u>
<u>\$ 52,183</u>	<u>\$ 42,045</u>	<u>\$ 250,994</u>	<u>\$ 322,998</u>	<u>\$ 1,598,013</u>	<u>\$ 82,505</u>	<u>\$ 2,886,710</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2018

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Revenues				
Taxes	\$ 138	\$ 1,316,646	\$ (12,446)	\$ 1,011,281
Intergovernmental revenues	-	-	-	-
Investments	108	6,260	245	3,375
Total revenues	<u>246</u>	<u>1,322,906</u>	<u>(12,201)</u>	<u>1,014,656</u>
Expenditures				
Current:				
Public safety	-	599,419	-	1,017,534
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>599,419</u>	<u>-</u>	<u>1,017,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>246</u>	<u>723,487</u>	<u>(12,201)</u>	<u>(2,878)</u>
Other financing sources (uses)				
Transfers out	(11,386)	(724,509)	(25,096)	-
Total other financing sources (uses)	<u>(11,386)</u>	<u>(724,509)</u>	<u>(25,096)</u>	<u>-</u>
Net change in fund balances	(11,140)	(1,022)	(37,297)	(2,878)
Fund balance - beginning	<u>11,386</u>	<u>310,334</u>	<u>37,453</u>	<u>198,099</u>
Fund balance - ending	<u>\$ 246</u>	<u>\$ 309,312</u>	<u>\$ 156</u>	<u>\$ 195,221</u>

New Hope	Eno	Bahama	Bethesda Service Tax District	Durham County Fire and Rescue Service Tax District	Special Park Tax District	Total Nonmajor Special Revenue Funds
\$ 102,566	\$ 37,062	\$ 1,577,455	\$ 44	\$ 3,787,694	\$ 1,144,482	\$ 8,964,922
-	-	-	-	382,071	-	382,071
808	512	9,616	3,196	16,855	6,398	47,373
<u>103,374</u>	<u>37,574</u>	<u>1,587,071</u>	<u>3,240</u>	<u>4,186,620</u>	<u>1,150,880</u>	<u>9,394,366</u>
98,698	36,025	1,491,142	-	2,793	-	3,245,611
-	-	-	-	-	1,123,610	1,123,610
<u>98,698</u>	<u>36,025</u>	<u>1,491,142</u>	<u>-</u>	<u>2,793</u>	<u>1,123,610</u>	<u>4,369,221</u>
<u>4,676</u>	<u>1,549</u>	<u>95,929</u>	<u>3,240</u>	<u>4,183,827</u>	<u>27,270</u>	<u>5,025,145</u>
-	-	-	(69,672)	(4,193,085)	-	(5,023,748)
-	-	-	(69,672)	(4,193,085)	-	(5,023,748)
4,676	1,549	95,929	(66,432)	(9,258)	27,270	1,397
<u>45,627</u>	<u>40,482</u>	<u>147,022</u>	<u>384,714</u>	<u>1,590,839</u>	<u>50,621</u>	<u>2,816,577</u>
<u>\$ 50,303</u>	<u>\$ 42,031</u>	<u>\$ 242,951</u>	<u>\$ 318,282</u>	<u>\$ 1,581,581</u>	<u>\$ 77,891</u>	<u>\$ 2,817,974</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, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ -	\$ -	\$ 138	\$ 138
Investments	-	-	108	108
Total revenues	<u>-</u>	<u>-</u>	<u>246</u>	<u>246</u>
Other financing sources (uses)				
Transfers out	-	(11,386)	(11,386)	-
Appropriated fund balance	-	11,386	-	(11,386)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(11,386)</u>	<u>(11,386)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(11,140)</u>	<u>\$ (11,140)</u>
Fund balance - beginning			<u>11,386</u>	
Fund balance - ending			<u>\$ 246</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, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ 1,302,370	\$ 1,302,370	\$ 1,316,646	\$ 14,276
Investments	-	-	6,260	6,260
Total revenues	<u>1,302,370</u>	<u>1,302,370</u>	<u>1,322,906</u>	<u>20,536</u>
Expenditures				
Public safety	563,463	599,888	599,419	469
Total expenditures	<u>563,463</u>	<u>599,888</u>	<u>599,419</u>	<u>469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>738,907</u>	<u>702,482</u>	<u>723,487</u>	<u>21,005</u>
Other financing sources (uses)				
Transfers out	(738,907)	(738,907)	(724,509)	14,398
Appropriated fund balance	-	36,425	-	(36,425)
Total other financing sources (uses)	<u>(738,907)</u>	<u>(702,482)</u>	<u>(724,509)</u>	<u>(22,027)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(1,022)	<u>\$ (1,022)</u>
Fund balance - beginning			<u>310,334</u>	
Fund balance - ending			<u>\$ 309,312</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, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ -	\$ -	\$ (12,446)	\$ (12,446)
Investments	-	-	245	245
Total revenues	<u>-</u>	<u>-</u>	<u>(12,201)</u>	<u>(12,201)</u>
Other financing sources (uses)				
Transfers out	-	(25,096)	(25,096)	-
Appropriated fund balance	-	25,096	-	(25,096)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(25,096)</u>	<u>(25,096)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(37,297)</u>	<u>\$ (37,297)</u>
Fund balance - beginning			<u>37,453</u>	
Fund balance - ending			<u>\$ 156</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, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ 969,681	\$ 969,681	\$ 1,011,281	\$ 41,600
Investments	-	-	3,375	3,375
Total revenues	<u>969,681</u>	<u>969,681</u>	<u>1,014,656</u>	<u>44,975</u>
Expenditures				
Public safety	1,017,681	1,017,681	1,017,534	147
Total expenditures	<u>1,017,681</u>	<u>1,017,681</u>	<u>1,017,534</u>	<u>147</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,000)</u>	<u>(48,000)</u>	<u>(2,878)</u>	<u>45,122</u>
Other financing sources (uses)				
Appropriated fund balance	48,000	48,000	-	(48,000)
Total other financing sources (uses)	<u>48,000</u>	<u>48,000</u>	<u>-</u>	<u>(48,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(2,878)</u>	<u>\$ (2,878)</u>
Fund balance - beginning			<u>198,099</u>	
Fund balance - ending			<u>\$ 195,221</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, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ 98,715	\$ 98,715	\$ 102,566	\$ 3,851
Investments	-	-	808	808
Total revenues	<u>98,715</u>	<u>98,715</u>	<u>103,374</u>	<u>4,659</u>
Expenditures				
Public safety	98,715	98,715	98,698	17
Total expenditures	<u>98,715</u>	<u>98,715</u>	<u>98,698</u>	<u>17</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	4,676	<u>\$ 4,676</u>
Fund balance - beginning			<u>45,627</u>	
Fund balance - ending			<u>\$ 50,303</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, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ 36,037	\$ 36,037	\$ 37,062	\$ 1,025
Investments	-	-	512	512
Total revenues	<u>36,037</u>	<u>36,037</u>	<u>37,574</u>	<u>1,537</u>
Expenditures				
Public safety	36,037	36,037	36,025	12
Total expenditures	<u>36,037</u>	<u>36,037</u>	<u>36,025</u>	<u>12</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,549	<u>\$ 1,549</u>
Fund balance - beginning			<u>40,482</u>	
Fund balance - ending			<u>\$ 42,031</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, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ 1,491,310	\$ 1,491,310	\$ 1,577,455	\$ 86,145
Investments	-	-	9,616	9,616
Total revenues	<u>1,491,310</u>	<u>1,491,310</u>	<u>1,587,071</u>	<u>95,761</u>
Expenditures				
Public safety	1,491,310	1,491,310	1,491,142	168
Total expenditures	<u>1,491,310</u>	<u>1,491,310</u>	<u>1,491,142</u>	<u>168</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	95,929	<u>\$ 95,929</u>
Fund balance - beginning			<u>147,022</u>	
Fund balance - ending			<u>\$ 242,951</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, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ -	\$ -	\$ 44	\$ 44
Investments	-	-	3,196	3,196
Total revenues	<u>-</u>	<u>-</u>	<u>3,240</u>	<u>3,240</u>
Other financing sources (uses)				
Transfers out	(253,617)	(253,617)	(69,672)	183,945
Appropriated fund balance	253,617	253,617	-	(253,617)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(69,672)</u>	<u>(69,672)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(66,432)</u>	<u>\$ (66,432)</u>
Fund balance - beginning			<u>384,714</u>	
Fund balance - ending			<u>\$ 318,282</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, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ 3,905,289	\$ 3,905,289	\$ 3,787,694	\$ (117,595)
Intergovernmental revenues	350,000	350,000	382,071	32,071
Investments	-	-	16,855	16,855
Total revenues	<u>4,255,289</u>	<u>4,255,289</u>	<u>4,186,620</u>	<u>(68,669)</u>
Expenditures				
Public safety	<u>3,200</u>	<u>3,200</u>	<u>2,793</u>	<u>407</u>
Total expenditures	<u>3,200</u>	<u>3,200</u>	<u>2,793</u>	<u>407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,252,089</u>	<u>4,252,089</u>	<u>4,183,827</u>	<u>(68,262)</u>
Other financing sources (uses)				
Transfers out	(4,380,931)	(4,826,131)	(4,193,085)	633,046
Appropriated fund balance	<u>128,842</u>	<u>574,042</u>	<u>-</u>	<u>(574,042)</u>
Total other financing sources (uses)	<u>(4,252,089)</u>	<u>(4,252,089)</u>	<u>(4,193,085)</u>	<u>59,004</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(9,258)</u>	<u>\$ (9,258)</u>
Fund balance - beginning			<u>1,590,839</u>	
Fund balance - ending			<u>\$ 1,581,581</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Park Tax District Special Revenue Fund
Year Ended June 30, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues				
Taxes	\$ 1,193,549	\$ 1,193,549	\$ 1,144,482	\$ (49,067)
Investments	-	-	6,398	6,398
Total revenues	<u>1,193,549</u>	<u>1,193,549</u>	<u>1,150,880</u>	<u>(42,669)</u>
Expenditures				
Economic and physical development	1,193,549	1,193,549	1,123,610	69,939
Total expenditures	<u>1,193,549</u>	<u>1,193,549</u>	<u>1,123,610</u>	<u>69,939</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	27,270	<u>\$ 27,270</u>
Fund balance - beginning			<u>50,621</u>	
Fund balance - ending			<u>\$ 77,891</u>	

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ENTERPRISE FUND

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

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DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual - (Non-GAAP Basis)
 Enterprise Fund - Sewer Utility Fund
 Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 9,678,000	\$ 9,159,152	\$ (518,848)
Expenditures:			
Operating	6,659,735	4,475,398	2,184,337
Repairs and maintenance	446,000	290,014	155,986
Excess (deficiency) of revenues over (under) expenditures	2,572,265	4,393,740	1,821,475
Other Financing Sources (Uses):			
Capital expenses	(1,805,350)	(1,410,850)	394,500
Debt service	(1,838,766)	(1,835,966)	2,800
Investment income	35,000	292,993	257,993
Sewer connection fees	905,880	1,498,994	593,114
Total other financing sources (uses)	(2,703,236)	(1,454,829)	1,248,407
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(130,971)	2,938,911	3,069,882
Fund balance appropriated	130,971	-	130,971
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,938,911</u>	<u>\$ 2,938,911</u>

Reconciliation of Modified Accrual Basis to Full Accrual Basis
 Enterprise Fund - Sewer Utility Fund
 Year Ended June 30, 2018

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$ 2,938,911
RECONCILING ITEMS:	
Capital outlay	1,410,850
Capital contributions	959,110
Debt principal payments	1,396,146
Decrease in accrued interest payable	3,860
Increase in accrued payroll	(10,343)
Decrease in accrued vacation	3,345
Increase in accrued interest receivable	27,398
Decrease in accounts receivable	(459,123)
Depreciation	(3,074,089)
Loss on disposal of asset	(6,957)
Pension expense	(113,837)
Deferred outflows of resources for pensions, current fiscal year contributions	106,229
Amortization of loss on refundings	(44,089)
Amortization of bond premium	31,887
CHANGE IN NET POSITION (GAAP BASIS)	<u>\$ 3,169,298</u>

FIDUCIARY FUNDS

Agency Funds – To account for certain escrow monies held in trust by the Department of Social Services for the accounts of designated parties; to account for funds held in trust for jail inmates; to account for funds held in trust for evidence; to account for funds held by the Sheriff’s office; to account for 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, 2018

	Child Support Trust Fund	Sheriff's Evidence Trust Fund	Jail Inmate Trust Fund	Sheriff's Trust Fund
Assets				
Cash and cash equivalents	\$ 284,386	\$ 429,756	\$ 35,375	\$ 10,460
Accounts receivable	-	-	-	-
Net property taxes receivable	-	-	-	-
Due from governmental agencies	-	-	-	-
Total assets	<u>\$ 284,386</u>	<u>\$ 429,756</u>	<u>\$ 35,375</u>	<u>\$ 10,460</u>
Liabilities				
Funds held for others	\$ 284,386	\$ 429,756	\$ 35,375	\$ 10,460
Due to governmental agencies	-	-	-	-
Total liabilities	<u>\$ 284,386</u>	<u>\$ 429,756</u>	<u>\$ 35,375</u>	<u>\$ 10,460</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
\$ 12,507	\$ 57,976	\$ 559,196	\$ 16,899	\$ 413	\$ 1,406,968
118,178	210	30,128	35	-	148,551
-	2,772	947,431	787	9	950,999
-	18,126	1,295,025	9,683	88	1,322,922
<u>\$ 130,685</u>	<u>\$ 79,084</u>	<u>\$ 2,831,780</u>	<u>\$ 27,404</u>	<u>\$ 510</u>	<u>\$ 3,829,440</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 759,977
130,685	79,084	2,831,780	27,404	510	3,069,463
<u>\$ 130,685</u>	<u>\$ 79,084</u>	<u>\$ 2,831,780</u>	<u>\$ 27,404</u>	<u>\$ 510</u>	<u>\$ 3,829,440</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2018**

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>
<u>Child Support Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 261,688	\$ 1,209,730	\$ 1,187,032	\$ 284,386
Liabilities				
Funds held for others	\$ 261,688	\$ 1,208,530	\$ 1,185,832	\$ 284,386
<u>Sheriff's Evidence Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 416,063	\$ 69,323	\$ 55,630	\$ 429,756
Liabilities				
Funds held for others	\$ 416,063	\$ 69,323	\$ 55,630	\$ 429,756
<u>Jail Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 70,222	\$ 1,583,804	\$ 1,618,651	\$ 35,375
Liabilities				
Funds held for others	\$ 70,222	\$ 1,575,574	\$ 1,610,421	\$ 35,375
<u>Sheriff's Trust Fund</u>				
Assets				
Cash and cash equivalents	\$ 64,516	\$ 698,854	\$ 752,910	\$ 10,460
Liabilities				
Funds held for others	\$ 64,516	\$ 618,591	\$ 672,647	\$ 10,460
<u>Durham Public School Fund</u>				
Assets				
Cash and cash equivalents	\$ 69,348	\$ 1,644,787	\$ 1,701,628	\$ 12,507
Accounts Receivable	127,631	926,709	936,162	118,178
Total assets	\$ 196,979	\$ 2,571,496	\$ 2,637,790	\$ 130,685
Liabilities				
Due to governmental agencies	\$ 196,979	\$ 950,963	\$ 1,017,257	\$ 130,685

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2018**

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>
<u>Town of Chapel Hill Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 55,902	\$ 5,831,273	\$ 5,829,199	\$ 57,976
Accounts receivable	210	180	180	210
Net property taxes receivable	1,663	2,842,144	2,841,035	2,772
Due from governmental agencies	17,436	18,126	17,436	18,126
Total assets	<u>\$ 75,211</u>	<u>\$ 8,691,723</u>	<u>\$ 8,687,850</u>	<u>\$ 79,084</u>
Liabilities				
Due to governmental agencies	<u>\$ 75,211</u>	<u>\$ 2,181,639</u>	<u>\$ 2,177,766</u>	<u>\$ 79,084</u>
<u>City of Durham Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 512,621	\$ 350,804,725	\$ 350,758,150	\$ 559,196
Accounts receivable	31,645	1,500	3,017	30,128
Net property taxes receivable	1,004,510	158,832,241	158,889,320	947,431
Due from governmental agencies	1,209,753	1,295,025	1,209,753	1,295,025
Total assets	<u>\$ 2,758,529</u>	<u>\$ 510,933,491</u>	<u>\$ 510,860,240</u>	<u>\$ 2,831,780</u>
Liabilities				
Due to governmental agencies	<u>\$ 2,758,529</u>	<u>\$ 161,575,766</u>	<u>\$ 161,502,515</u>	<u>\$ 2,831,780</u>
<u>City of Raleigh Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 20,907	\$ 1,877,508	\$ 1,881,516	\$ 16,899
Accounts receivable	35	-	-	35
Net property taxes receivable	1,087	792,346	792,646	787
Due from governmental agencies	10,505	9,683	10,505	9,683
Total assets	<u>\$ 32,534</u>	<u>\$ 2,679,537</u>	<u>\$ 2,684,667</u>	<u>\$ 27,404</u>
Liabilities				
Due to governmental agencies	<u>\$ 32,534</u>	<u>\$ 640,806</u>	<u>\$ 645,936</u>	<u>\$ 27,404</u>
<u>Town of Morrisville Tax Fund</u>				
Cash and cash equivalents	\$ 288	\$ 57,529	\$ 57,404	\$ 413
Net property taxes receivable	9	27,148	27,148	9
Due from governmental agencies	-	88	-	88
Total assets	<u>\$ 297</u>	<u>\$ 84,765</u>	<u>\$ 84,552</u>	<u>\$ 510</u>
Liabilities				
Due to governmental agencies	<u>\$ 297</u>	<u>\$ 57,720</u>	<u>\$ 57,507</u>	<u>\$ 510</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 1,471,555	\$ 363,777,533	\$ 363,842,120	\$ 1,406,968
Accounts receivable	159,521	928,389	939,359	148,551
Net property taxes receivable	1,007,269	162,133,879	162,190,149	950,999
Due from governmental agencies	1,237,694	1,322,922	1,237,694	1,322,922
Total assets	<u>\$ 3,876,039</u>	<u>\$ 528,162,723</u>	<u>\$ 528,209,322</u>	<u>\$ 3,829,440</u>
Liabilities				
Funds held for others	\$ 812,489	\$ 3,472,018	\$ 3,524,530	\$ 759,977
Due to governmental agencies	3,063,550	165,406,894	165,400,981	3,069,463
Total liabilities	<u>\$ 3,876,039</u>	<u>\$ 168,878,912</u>	<u>\$ 168,925,511</u>	<u>\$ 3,829,440</u>

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

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DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹ as of June 30, 2018**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
General Government:					
County commissioners	\$ 948,128	\$ -	\$ -	\$ -	\$ -
Finance	3,956,056	-	-	-	-
Tax administration	3,380,732	-	-	-	-
County Attorney	6,190	-	-	-	-
Risk management	50,070	-	-	-	-
Court facilities	13,739,306	-	-	13,739,306	-
Register of deeds	2,464,807	-	-	-	944,572
General services	364,548,864	4,790,491	-	355,838,072	359,642
Information Technology	17,680,741	-	-	-	29,298
Human resources	22,350	-	-	-	11,530
Budget	10,897	-	-	-	-
Total general government	<u>406,808,141</u>	<u>4,790,491</u>	<u>-</u>	<u>369,577,378</u>	<u>1,345,042</u>
Public Safety:					
Sheriff	50,380,610	1,398,962	-	39,455,838	-
County fire protection	2,912,572	-	-	1,244,463	6,744
Emergency Management	2,014,780	-	-	1,144,636	45,635
Animal control	3,790,984	-	-	3,259,400	20,704
Criminal Justice Partnership	926,857	-	-	844,521	-
Youth home	528,239	-	-	367,000	-
Emergency medical services	12,718,246	-	-	1,947,348	-
Total public safety	<u>73,272,289</u>	<u>1,398,962</u>	<u>-</u>	<u>48,263,206</u>	<u>73,083</u>
Environmental Protection:					
Environmental engineering	8,688,489	1,523,280	-	77,873	7,315
Open Space and Real Estate	2,908,879	953,898	1,954,981	-	-
Total Environmental Protection	<u>11,597,368</u>	<u>2,477,178</u>	<u>1,954,981</u>	<u>77,873</u>	<u>7,315</u>
Economic and Physical Development:					
Cooperative extension	37,257	-	-	-	-
Planning	6,500	6,500	-	-	-
Soil and Erosion	76,683	-	-	-	-
Total Economic and Physical Development	<u>120,440</u>	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Human Services:					
Public health	1,461,172	-	-	-	17,830
Mental health	713,709	-	-	-	-
Social services	3,899,093	-	-	3,101,314	-
Other human services	568,221	-	-	-	-
Total human services	<u>6,642,195</u>	<u>-</u>	<u>-</u>	<u>3,101,314</u>	<u>17,830</u>

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Water System	Construction in Progress
\$ 948,128	\$ -	\$ -	\$ -	\$ -	\$ -
27,381	15,553	-	3,913,122	-	-
84,428	37,911	279,675	2,978,717	-	-
-	6,190	-	-	-	-
-	-	50,070	-	-	-
-	-	-	-	-	-
44,365	110,272	-	1,365,598	-	-
1,946,816	15,800	1,542,349	55,695	-	-
133,904	12,303,514	-	5,214,026	-	-
-	10,820	-	-	-	-
-	10,897	-	-	-	-
3,185,022	12,510,957	1,872,094	13,527,157	-	-
1,505,630	77,044	7,445,944	497,192	-	-
147,076	-	1,448,201	66,089	-	-
581,562	15,183	150,764	77,000	-	-
72,733	-	400,125	38,023	-	-
-	-	82,336	-	-	-
111,468	-	49,771	-	-	-
2,530,936	46,095	7,699,151	494,717	-	-
4,949,405	138,322	17,276,292	1,173,020	-	-
4,507,354	8,998	156,740	-	2,406,929	-
-	-	-	-	-	-
4,507,354	8,998	156,740	-	2,406,929	-
-	-	37,257	-	-	-
-	-	-	-	-	-
-	-	48,967	27,716	-	-
-	-	86,224	27,716	-	-
117,986	13,666	1,080,451	231,239	-	-
42,324	6,165	-	665,220	-	-
39,757	79,126	478,114	200,782	-	-
-	-	568,221	-	-	-
200,067	98,957	2,126,786	1,097,241	-	-

DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds (continued)
Schedule by Function and Activity¹ as of June 30, 2018**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
Education:					
Public school building	\$ 8,080,942	\$ -	\$ -	\$ 8,080,942	\$ -
Cultural and Recreational:					
Library	7,197,874	-	-	6,111,610	-
Capital Projects:					
Construction in progress	79,777,006	-	-	-	-
Total Capital Assets	<u>\$ 593,496,255</u>	<u>\$ 8,673,131</u>	<u>\$ 1,954,981</u>	<u>\$ 435,212,323</u>	<u>\$ 1,443,270</u>

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

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Water System	Construction in Progress
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
263,567	23,922	420,000	378,776	-	-
-	-	-	-	-	79,777,006
<u>\$ 13,105,413</u>	<u>\$ 12,781,156</u>	<u>\$ 21,938,136</u>	<u>\$ 16,203,911</u>	<u>\$ 2,406,929</u>	<u>\$ 79,777,006</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, 2018**

	Capital Assets July 1, 2017	Additions	Transfers and Deletions	Capital Assets June 30, 2018
General Government:				
Board of county commissioners	\$ 948,128	\$ -	\$ -	\$ 948,128
Finance	3,891,721	64,335	-	3,956,056
Tax administration	3,380,732	-	-	3,380,732
County attorney	12,380	-	(6,190)	6,190
Risk management	50,070	-	-	50,070
Court facilities	14,545,503	-	(806,197)	13,739,306
Register of deeds	2,464,807	-	-	2,464,807
General services	159,061,733	206,697,246	(1,210,115)	364,548,864
Information Technology	10,823,897	8,884,216	(2,027,372)	17,680,741
Human Resources	22,350	-	-	22,350
Budget	10,897	-	-	10,897
Total general government	<u>195,212,218</u>	<u>215,645,797</u>	<u>(4,049,874)</u>	<u>406,808,141</u>
Public Safety:				
County sheriff	51,858,951	1,183,027	(2,661,368)	50,380,610
Fire marshal	4,070,569	48,920	6,639	4,126,128
Emergency management	793,335	-	7,889	801,224
Criminal justice partnership	931,967	17,465	(22,575)	926,857
Animal control	3,849,676	-	(58,692)	3,790,984
Youth home	544,722	-	(16,483)	528,239
Emergency medical services	11,793,518	1,447,594	(522,865)	12,718,247
Total public safety	<u>73,842,738</u>	<u>2,697,006</u>	<u>(3,267,455)</u>	<u>73,272,289</u>
Environmental Protection:				
Environmental engineering	8,773,058	-	(84,569)	8,688,489
Open Space	2,811,889	96,990	-	2,908,879
Total Environmental Protection	<u>11,584,947</u>	<u>96,990</u>	<u>(84,569)</u>	<u>11,597,368</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, 2018**

	Capital Assets July 1, 2017	Additions	Transfers and Deletions	Capital Assets June 30, 2018
Economic and Physical Development:				
Cooperative extension	\$ 37,257	\$ -	\$ -	\$ 37,257
Planning	6,500	-	-	6,500
Soil and Erosion	76,683	-	-	76,683
Total Economic and Physical Development	<u>120,440</u>	<u>-</u>	<u>-</u>	<u>120,440</u>
Human Services:				
Public health	1,449,150	12,022	-	1,461,172
Mental health	713,710	-	-	713,710
Social services	3,830,522	52,786	15,784	3,899,092
Other human services	568,221	-	-	568,221
Total human services	<u>6,561,603</u>	<u>64,808</u>	<u>15,784</u>	<u>6,642,195</u>
Education:				
DPS Building	<u>8,080,942</u>	<u>-</u>	<u>-</u>	<u>8,080,942</u>
Cultural and Recreational:				
Library	<u>7,109,893</u>	<u>211,773</u>	<u>(123,792)</u>	<u>7,197,874</u>
Capital Projects:				
Construction in progress	<u>251,502,396</u>	<u>42,205,063</u>	<u>(213,930,453)</u>	<u>79,777,006</u>
Total Capital Assets	<u><u>\$ 554,015,177</u></u>	<u><u>\$ 260,921,435</u></u>	<u><u>\$ (221,440,357)</u></u>	<u><u>\$ 593,496,255</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, 2018**

Description	Interest Rate	Issue Date	Amount			
			Outstanding 6-30-17	Issued During Year	Adjusted During Year	Defeased During Year
General Long-Term Debt						
Bonded Debt:						
PUBLIC IMPROVEMENT,SERIES 2008A	3.50%-5.00%	5/1/08	\$ 400,000	\$ -	\$ -	\$ -
PUBLIC IMPROVEMENT,SERIES 2008B	3.50%-5.00%	5/1/08	1,050,000	-	-	-
REFUNDING, SERIES 2009	2.00%-5.00%	11/3/09	26,335,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010A	2.00%-5.00%	11/10/10	6,510,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010B	3.51%-5.23%	11/10/10	6,385,000	-	-	-
REFUNDING, SERIES 2011	3.00%-5.00%	6/08/11	45,225,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2012	3.00%-5.00%	04/25/12	14,440,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING,SERIES 2014	2.00%-5.00%	06/3/14	22,325,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING,SERIES 2015	3.00%-5.00%	07/09/15	29,340,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING,SERIES 2016	3.00%-5.00%	09/29/16	96,460,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2017	3.23%	03/16/17	3,800,000	-	-	-
UNAMORITZED BOND PREMIUM			35,816,321	-	-	-
Total Bonded Debt			<u>288,086,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Long-Term Debt						
Installment Purchase Agreements:						
Certificates of Participation						
COPs 2009 FIXED			6,185,000	-	-	-
LOBS 2012	2.00%-5.00%	03/29/12	47,830,000	-	-	-
LOBS 2013	1.50%-5.00%	03/28/13	97,475,000	-	-	-
LOBS 2016	4.00%-5.00%	04/01/16	34,590,000	-	-	-
UNAMORITZED BOND PREMIUM			20,814,554	-	-	-
Total Certificates Of Participation			<u>206,894,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Agreements			22,160,638	49,627,948	-	-
Total Installment Purchase Agreements			<u>229,055,192</u>	<u>49,627,948</u>	<u>-</u>	<u>-</u>
Earned Vacation Pay			7,937,635	5,059,442	-	-
Net Pension Liability (LGERS)			33,188,255	-	9,748,146	-
Total pension Liability (LEOSSA)			6,124,839	327,566	-	-
Net OPEB Obligation			177,636,687	11,871,513	-	-
Total Other Long-Term Debt			<u>453,942,608</u>	<u>66,886,469</u>	<u>9,748,146</u>	<u>-</u>
Total General Long-Term Debt			<u>\$ 742,028,929</u>	<u>\$ 66,886,469</u>	<u>\$ 9,748,146</u>	<u>\$ -</u>

Due Fiscal Year 2017-2018		Amount Outstanding 6-30-18	Due Fiscal Year 2018 - 2019		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 400,000	\$ 16,000	\$ -	\$ -	\$ -	\$ -
1,050,000	42,000	-	-	-	-
5,285,000	1,316,750	21,050,000	5,275,000	1,052,500	15,775,000
3,250,000	244,250	3,260,000	3,260,000	81,500	-
-	228,527	6,385,000	-	171,921	6,385,000
8,675,000	1,977,250	36,550,000	8,345,000	1,606,050	28,205,000
2,905,000	606,450	11,535,000	2,895,000	490,250	8,640,000
2,235,000	1,032,625	20,090,000	2,235,000	920,875	17,855,000
-	1,398,450	29,340,000	1,180,000	1,368,950	28,160,000
1,635,000	3,912,775	94,825,000	1,635,000	3,855,550	93,190,000
380,000	121,717	3,420,000	380,000	104,329	3,040,000
3,282,033	-	32,534,288	3,282,033	-	29,252,255
29,097,033	10,896,794	258,989,288	28,487,033	9,651,925	230,502,255
3,095,000	278,300	3,090,000	3,090,000	154,500	-
3,190,000	1,886,475	44,640,000	3,190,000	1,758,875	41,450,000
3,745,000	4,227,488	93,730,000	3,750,000	4,171,313	89,980,000
-	1,626,450	34,590,000	-	1,626,450	34,590,000
1,105,373	-	19,709,181	1,105,373	-	18,603,808
11,135,373	8,018,713	195,759,181	11,135,373	7,711,138	184,623,808
1,477,892	590,122	70,310,694	896,116	84,563	69,414,578
12,613,265	8,608,835	266,069,875	12,031,489	7,795,701	254,038,386
4,937,280	-	8,059,797	5,346,411	-	2,713,386
-	-	23,440,109	-	-	23,440,109
-	-	6,452,405	-	-	6,452,405
20,843,658	-	168,664,542	-	-	168,664,542
38,394,203	8,608,835	472,686,728	17,377,900	7,795,701	455,308,828
\$ 67,491,236	\$ 19,505,629	\$ 731,676,016	\$ 45,864,933	\$ 17,447,626	\$ 685,811,083

DURHAM COUNTY, NORTH CAROLINA

**Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2018 (continued)**

Description	Interest Rate	Issue Date	Amount			
			Outstanding 6-30-17	Issued During Year	Adjusted During Year	Defeased During Year
Proprietary Debt						
Enterprise Fund:						
Enterprise Revolving Loan	2.22%	7/1/10	2,083,630	-	-	-
Enterprise Revolving Loan II	2.22%	7/1/10	8,515,796	-	-	-
Revenue Bonds Refunding, Series 2012	2.49%	08/23/12	8,125,000	-	-	-
Unamortized Bond Premium			364,040	-	-	-
Total Enterprise Fund Bonded Debt			19,088,466	-	-	-
Earned Vacation Pay			66,754	62,006	-	-
Net Pension Liability (LRS)			386,466	-	120,878	-
Total Proprietary Debt			\$ 19,541,686	\$ 62,006	\$ 120,878	\$ -
Total General Long-Term and Proprietary Debt			\$ 761,570,615	\$ 66,948,475	\$ 9,869,024	\$ -

Due Fiscal Year 2017-2018		Amount Outstanding 6-30-18	Due Fiscal Year 2018-2019		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
138,909	46,257	1,944,721	138,909	43,173	1,805,812
532,237	189,050	7,983,559	532,237	177,235	7,451,322
725,000	202,313	7,400,000	745,000	184,260	6,655,000
31,887	-	332,153	31,887	-	300,266
<u>1,428,033</u>	<u>437,620</u>	<u>17,660,433</u>	<u>1,448,033</u>	<u>404,668</u>	<u>16,212,400</u>
65,351	-	63,409	46,259	-	17,150
-	-	265,588	-	-	265,588
<u>\$ 1,493,384</u>	<u>\$ 437,620</u>	<u>\$ 17,989,430</u>	<u>\$ 1,494,292</u>	<u>\$ 404,668</u>	<u>\$ 16,495,138</u>
<u>\$ 68,984,620</u>	<u>\$ 19,943,249</u>	<u>\$ 749,665,446</u>	<u>\$ 47,359,225</u>	<u>\$ 17,852,294</u>	<u>\$ 702,306,221</u>

DURHAM COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy Year Ended June 30, 2018

Property Valuations	
Real property	\$ 29,641,340,413
Personal property	3,594,119,882
Public service	575,537,361
DMV-registered vehicles	<u>2,348,224,018</u>
Total subject to tax	<u>\$ 36,159,221,674</u>
Real property/personal property/corporate excess levy	\$ 419,924,955
DMV -registered vehicles levy	<u>29,324,888</u>
Gross Levy	\$ 449,249,843
Abatements/discoveries	<u>467,101</u>
Net Levy	449,716,944
Uncollected at June 30, 2018	<u>779,451</u>
Current year taxes collected	<u>\$ 448,937,493</u>
Percent of current taxes collected	<u>99.83%</u>

Note: 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, 2018**

Year of Levy	Uncollected Balance July 1, 2017	Current Year Gross Levy	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2018
2017	\$ -	\$ 449,249,843	\$ 448,937,493	\$ 467,101	\$ 779,451
2016	872,188	-	181,692	(442,196)	248,300
2015	1,230,790	-	66,317	(917,179)	247,294
2014	311,772	-	32,917	(159,301)	119,554
2013	396,117	-	68,859	(53,496)	273,762
2012	317,770	-	2,353	(152,430)	162,987
2011 and prior	1,015,883	-	15,868	(233,371)	766,644
	<u>\$ 4,144,520</u>	<u>\$ 449,249,843</u>	<u>\$ 449,305,499</u>	<u>\$ (1,490,872)</u>	<u>2,597,992</u>

Less allowance for uncollectible ad valorem taxes receivable (61,953)

Ad valorem taxes receivable (net) \$ 2,536,039

Receivable by fund, net:

General Fund \$ 1,422,478
Capital financing 162,535

General Fund 1,585,013

City of Durham 947,456
City of Chapel Hill 2,772
City of Raleigh 788
Town of Morrisville 9

Agency funds 951,026

\$ 2,536,039

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, 2018**

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 449,249,843	\$ 448,937,493	\$ 467,101	\$ 779,451
2016-2017	872,188	-	181,692	(442,196)	248,300
2015-2016	1,230,790	-	66,317	(917,179)	247,294
2014-2015	311,772	-	32,917	(159,301)	119,554
2013-2014	396,117	-	68,859	(53,496)	273,762
2012-2013	317,770	-	2,353	(152,430)	162,987
2011 and prior	1,015,883	-	15,868	(233,371)	766,644
	<u>\$ 4,144,520</u>	<u>\$ 449,249,843</u>	<u>\$ 449,305,499</u>	<u>\$ (1,490,872)</u>	2,597,992
Less allowance for uncollectible ad valorem taxes receivable					<u>(61,953)</u>
Ad valorem taxes receivable (net)					<u>\$ 2,536,039</u>
Reconciliation with revenues:					
Taxes - ad valorem - governmental funds					\$ 278,243,534
Taxes - ad valorem - agency funds					<u>170,693,959</u>
Total collections and credits					<u>\$ 448,937,493</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; non-spendable, restricted, committed, assigned and unassigned fund balance. The remaining Governmental Funds are grouped together but split out into the appropriate fund balance classifications.

Schedule of Changes in Fund Balances of Governmental Funds

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

Government-wide Expenses by Function

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

Government-wide Revenues

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

General Government Expenditures by Function

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

General Government Revenues by Source

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

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DURHAM COUNTY, NORTH CAROLINA

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 50,531,593	\$ 34,361,023	\$ 70,418,094	\$ 20,244,058	\$ 7,789,264	\$ 20,701,314	\$ 34,987,961	\$ 120,531,058	\$ 171,070,634	\$ 62,072,041
Restricted	268,604,489	176,971,865	122,052,513	95,772,487	81,325,452	52,415,572	57,772,872	56,579,115	52,646,580	57,833,938
Unrestricted	(197,614,990)	(141,958,766)	(159,248,940)	(109,675,884)	(94,227,528)	(69,263,012)	(44,425,284)	(89,071,940)	(112,774,836)	(96,020,674)
Total governmental activities net position	<u>\$ 121,521,092</u>	<u>\$ 69,374,122</u>	<u>\$ 33,221,667</u>	<u>\$ 6,340,661</u>	<u>\$ (5,112,812)</u>	<u>\$ 3,853,874</u>	<u>\$ 48,335,549</u>	<u>\$ 88,038,233</u>	<u>\$ 110,942,378</u>	<u>\$ 23,885,305</u>
Business-type activities										
Net investment in capital assets	\$ 31,884,317	\$ 34,304,997	\$ 37,969,224	\$ 46,827,067	\$ 44,714,405	\$ 47,154,452	\$ 49,473,281	\$ 53,957,575	\$ 53,217,258	\$ 53,624,526
Restricted	6,263,697	6,303,037	7,635,822	8,650,213	6,232,518	7,854,486	5,781,893	952,588	1,332,847	688,047
Unrestricted	8,850,009	10,980,746	13,012,822	15,010,061	19,318,687	21,724,599	25,993,181	28,459,495	33,334,232	36,741,062
Total business-type activities net position	<u>\$ 46,998,023</u>	<u>\$ 51,588,780</u>	<u>\$ 58,617,868</u>	<u>\$ 70,487,341</u>	<u>\$ 70,265,610</u>	<u>\$ 76,733,537</u>	<u>\$ 81,248,355</u>	<u>\$ 83,369,658</u>	<u>\$ 87,884,337</u>	<u>\$ 91,053,635</u>
Primary government										
Net investment in capital assets	\$ 82,415,910	\$ 68,666,020	\$ 108,387,318	\$ 67,071,125	\$ 52,503,669	\$ 67,855,766	\$ 84,461,242	\$ 174,488,633	\$ 224,287,892	\$ 115,696,567
Restricted	274,868,186	183,274,902	129,688,335	104,422,700	87,557,970	60,270,058	63,554,765	57,531,703	53,979,427	58,521,985
Unrestricted	(188,764,981)	(130,978,020)	(146,236,118)	(94,665,823)	(74,908,841)	(47,538,413)	(18,432,103)	(60,612,445)	(79,440,604)	(59,279,612)
Total primary government net position	<u>\$ 168,519,115</u>	<u>\$ 120,962,902</u>	<u>\$ 91,839,535</u>	<u>\$ 76,828,002</u>	<u>\$ 65,152,798</u>	<u>\$ 80,587,411</u>	<u>\$ 129,583,904</u>	<u>\$ 171,407,891</u>	<u>\$ 198,826,715</u>	<u>\$ 114,938,940</u>

DURHAM COUNTY, NORTH CAROLINA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses										
Governmental activities:										
General government	\$ 47,393,464	\$ 12,365,748	\$ 45,989,651	\$ 50,482,000	\$ 57,034,487	\$ 55,772,804	\$ 57,622,575	\$ 60,091,561	\$ 64,194,870	\$ 67,278,145
Public safety	52,889,080	55,255,454	53,964,797	54,806,448	57,767,228	61,569,018	63,834,548	69,100,186	75,533,420	83,743,115
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	309,017	205,873	353,001	238,948
Economic and physical development	6,746,267	28,751,080	5,272,311	4,616,413	4,916,125	5,490,387	4,773,955	7,343,752	7,368,799	5,761,844
Environmental protection	3,800,698	2,456,029	3,542,985	3,694,850	3,632,359	3,657,826	3,860,175	4,303,325	5,966,371	5,997,974
Human services	437,677,600	108,607,392	109,093,936	115,743,251	88,141,193	85,440,041	87,852,834	92,160,946	93,649,136	86,632,504
Education	143,520,618	176,005,516	185,533,592	159,834,958	151,919,349	148,666,331	137,832,688	144,524,127	149,192,760	155,678,995
Cultural and recreational	11,998,176	25,220,574	12,510,214	12,075,639	11,688,669	12,671,110	12,240,868	12,762,810	14,802,765	20,693,870
Interest and fiscal charges	14,785,542	11,499,010	17,368,443	17,226,788	19,814,600	22,953,477	20,880,870	19,749,259	12,999,003	16,547,326
Total governmental activities	<u>718,823,945</u>	<u>420,173,303</u>	<u>433,288,429</u>	<u>418,492,847</u>	<u>394,926,510</u>	<u>396,233,494</u>	<u>389,207,530</u>	<u>410,241,839</u>	<u>424,060,125</u>	<u>442,572,721</u>
Business-type activities:										
Sewer utility	5,277,448	5,061,620	5,356,000	5,563,907	5,761,082	6,387,907	7,187,975	7,447,186	7,970,882	8,302,269
Total primary government expenses	<u>724,101,393</u>	<u>425,234,923</u>	<u>438,644,429</u>	<u>424,056,754</u>	<u>400,687,592</u>	<u>402,621,401</u>	<u>396,395,505</u>	<u>417,689,025</u>	<u>432,031,007</u>	<u>450,874,990</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	8,052,809	8,835,568	8,399,578	9,276,517	9,250,904	9,710,327	13,672,364	13,473,564	13,196,914	14,528,090
Public safety	(272,050)	7,062,164	6,608,128	7,873,528	8,376,150	8,861,551	11,029,058	11,700,522	12,301,993	13,190,898
Economic and physical development	25,867	47,284	21,352	13,564	24,524	18,654	68,673	67,361	52,116	44,544
Environmental protection	2,279,440	2,464,213	2,228,883	2,095,494	2,441,809	2,898,313	2,862,153	3,217,315	3,298,084	3,830,149
Human services	4,895,166	4,804,562	4,890,085	4,580,101	4,750,608	4,354,144	5,359,752	5,306,527	5,096,785	5,251,427
Cultural and recreational	236,530	234,076	270,157	284,754	298,180	299,711	473,764	456,385	386,919	398,319
Operating grants and contributions:										
General government	1,795,706	3,160,839	3,524,446	3,349,194	2,807,583	4,464,142	4,683,445	3,499,215	5,686,528	5,260,234
Public safety	4,970,328	5,445,725	4,522,824	4,544,100	4,483,911	4,549,651	4,789,575	5,270,013	4,840,111	4,249,789
Economic and physical development	1,685,798	1,453,149	1,086,038	857,200	732,984	588,110	618,300	542,097	334,540	591,505
Environmental protection	45,221	45,083	41,268	103,703	62,078	52,678	193,511	169,636	74,244	119,019
Human services	390,413,674	69,803,505	66,461,771	70,908,533	44,706,570	40,084,357	46,346,963	47,419,147	48,568,587	36,437,658
Cultural and recreational	362,201	322,150	268,013	246,509	223,253	266,690	240,335	355,168	287,840	251,390
Capital grants and contributions:										
General government	5,319,847	1,000,000	6,079,370	1,213,509	1,044,849	1,123,462	1,639,435	2,361,838	1,260,807	999,880
Public safety	-	-	-	-	257,499	1,341,125	655,147	-	-	-
Environmental protection	501,087	250,691	1,390,353	3,191,675	-	-	233,750	24,007	2,004,287	446,622
Education	13,481,375	1,063,268	1,086,766	172,946	102,473	1,469,322	907,707	1,978,837	1,821,738	1,088,886
Cultural and recreational	-	-	-	-	96,181	-	-	-	-	-
Total governmental activities program revenues	<u>433,792,999</u>	<u>105,992,277</u>	<u>106,879,032</u>	<u>108,711,327</u>	<u>79,659,556</u>	<u>80,082,237</u>	<u>93,773,932</u>	<u>95,841,632</u>	<u>99,211,493</u>	<u>86,688,410</u>
Business-type activities:										
Charges for services: sewer utility	8,595,153	9,563,353	10,594,336	11,181,310	11,748,514	12,007,107	11,243,175	9,200,098	12,331,995	10,199,023
Capital grants and contributions: sewer utility	164,857	32,330	1,784,691	6,260,051	471,600	780,802	600,000	284,195	42,925	959,110
Total business-type activities program revenues	<u>8,760,010</u>	<u>9,595,683</u>	<u>12,379,027</u>	<u>17,441,361</u>	<u>12,220,114</u>	<u>12,787,909</u>	<u>11,843,175</u>	<u>9,484,293</u>	<u>12,374,920</u>	<u>11,158,133</u>
Total primary government program revenues	<u>442,553,009</u>	<u>115,587,960</u>	<u>119,258,059</u>	<u>126,152,688</u>	<u>91,879,670</u>	<u>92,870,146</u>	<u>105,617,107</u>	<u>105,325,925</u>	<u>111,586,413</u>	<u>97,846,543</u>

DURHAM COUNTY, NORTH CAROLINA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net (Expense)/Revenue										
Governmental activities	\$ (285,030,946)	\$ (314,181,026)	\$ (326,409,397)	\$ (309,781,520)	\$ (315,266,954)	\$ (316,151,257)	\$ (295,433,598)	\$ (314,400,207)	\$ (324,848,632)	\$ (355,884,311)
Business-type activities	3,482,562	4,534,063	7,023,027	11,877,454	6,459,032	6,400,002	4,655,200	2,037,107	4,404,038	2,855,864
Total primary government net expense	<u>(281,548,384)</u>	<u>(309,646,963)</u>	<u>(319,386,370)</u>	<u>(297,904,066)</u>	<u>(308,807,922)</u>	<u>(309,751,255)</u>	<u>(290,778,398)</u>	<u>(312,363,100)</u>	<u>(320,444,594)</u>	<u>(353,028,447)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	204,580,914	208,903,551	222,573,221	224,187,284	229,853,877	244,922,483	252,758,385	259,451,036	262,886,545	278,719,636
Property taxes, levied for fire districts	5,461,784	5,664,512	5,669,812	5,803,682	6,064,378	6,661,282	7,482,408	7,826,322	7,870,019	7,823,215
Property taxes, levied for other districts purposes	656,807	714,072	723,815	713,502	739,049	736,793	754,365	959,142	1,219,855	1,145,501
Local option sales tax	47,108,208	41,675,831	44,546,245	51,371,060	59,047,561	61,414,402	70,484,647	74,471,794	76,855,214	83,808,889
Occupancy tax	2,211,214	1,932,872	2,116,103	2,246,761	2,436,586	2,592,696	3,014,169	3,509,649	3,961,343	3,970,516
Animal tax	938,241	907,395	1,184,766	915,504	540,618	(1,277,314)	-	-	-	-
Gross receipts tax	230,687	329,430	333,207	345,126	347,226	406,605	410,964	429,419	479,899	483,133
Vehicle registration tax	-	-	-	-	-	-	296,517	193,373	340,501	226,448
Investment and interest income	3,123,327	3,216,562	7,335,369	9,886,557	1,977,962	5,086,255	13,472,042	4,684,275	(1,149,566)	7,430,012
Other revenues	1,096,491	1,047,400	5,774,404	8,604,913	4,709,427	4,574,741	1,300,117	953,890	1,090,502	1,062,967
Amortization of bond premium	280,133	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>265,687,806</u>	<u>264,391,625</u>	<u>290,256,942</u>	<u>304,074,389</u>	<u>305,716,684</u>	<u>325,117,943</u>	<u>349,973,614</u>	<u>352,478,900</u>	<u>353,554,312</u>	<u>384,670,317</u>
Business-type activities:										
Investment and interest income	306,961	52,902	5,121	(7,981)	29,074	42,036	16,054	71,355	110,656	320,391
Other revenues	-	3,792	940	-	493	25,889	-	12,841	-	(6,957)
Amortization of bond premium	33,834	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>340,795</u>	<u>56,694</u>	<u>6,061</u>	<u>(7,981)</u>	<u>29,567</u>	<u>67,925</u>	<u>16,054</u>	<u>84,196</u>	<u>110,656</u>	<u>313,434</u>
Total primary government	<u>266,028,601</u>	<u>264,448,319</u>	<u>290,263,003</u>	<u>304,066,408</u>	<u>305,746,251</u>	<u>325,185,868</u>	<u>349,989,668</u>	<u>352,563,096</u>	<u>353,664,968</u>	<u>384,983,751</u>
Change in Net Position										
Government activities	(19,343,140)	(49,789,401)	(36,152,455)	(5,707,131)	(9,550,270)	8,966,686	54,540,016	38,078,693	28,705,680	28,786,006
Business-type activities	3,823,357	4,590,757	7,029,088	11,869,473	6,488,599	6,467,927	4,671,254	2,121,303	4,514,694	3,169,298
Total primary government	<u>\$ (15,519,783)</u>	<u>\$ (45,198,644)</u>	<u>\$ (29,123,367)</u>	<u>\$ 6,162,342</u>	<u>\$ (3,061,671)</u>	<u>\$ 15,434,613</u>	<u>\$ 59,211,270</u>	<u>\$ 40,199,996</u>	<u>\$ 33,220,374</u>	<u>\$ 31,955,304</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 Total
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	
2018	\$ 1,013,215	\$ 43,359,986	\$ 87,367,837	\$ 19,497,586	\$ 56,164,833	\$ 207,403,457	\$ -	\$ 7,177,485	\$ -	\$ 37,385,982	\$ -	\$ 44,563,467	\$ 251,966,924
2017	1,010,444	37,293,252	80,631,128	14,421,763	61,442,303	194,798,890	-	5,353,342	-	38,432,063	-	43,785,405	238,584,295
2016	972,635	38,115,182	67,133,359	13,289,584	63,235,816	182,746,576	-	6,079,462	-	38,122,417	-	44,201,879	226,948,455
2015	995,989	34,787,668	66,909,089	11,521,144	57,461,506	171,675,396	-	7,438,733	-	36,197,068	-	43,635,801	215,311,197
2014	1,015,631	30,579,201	59,573,800	13,961,475	42,228,729	147,358,836	5,000	3,720,664	-	45,814,049	-	49,539,713	196,898,549
2013	1,002,364	30,539,412	51,109,294	16,348,230	35,630,010	134,629,310	-	10,529,068	-	56,003,778	(232,519)	66,300,327	200,929,637
2012	1,055,346	30,431,788	47,694,892	11,612,648	45,477,059	136,271,733	-	21,048,123	-	46,976,875	-	68,024,998	204,296,731
2011	869,092	25,392,181	33,904,565	8,148,653	49,205,996	117,520,487	-	33,189,054	-	51,139,509	-	84,328,563	201,849,050
2010	810,373	27,702,979	26,675,483	6,203,505	40,241,722	101,634,062	-	41,636,490	-	76,976,301	-	118,612,791	220,246,853
2009	790,316	27,353,153	18,151,896	7,592,000	38,300,379	92,187,744	33,922	82,039,274	-	93,713,294	-	175,786,490	267,974,234

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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 259,542,906	\$ 260,158,664	\$ 277,130,082	\$ 285,218,594	\$ 299,126,290	\$ 317,692,860	\$ 336,011,104	\$ 347,348,935	\$ 353,995,914	\$ 376,306,638
Licenses and permits	744,881	688,093	703,439	794,976	826,580	1,357,467	1,119,886	1,535,091	1,393,097	1,638,616
Intergovernmental	129,353,073	82,439,834	84,463,129	84,587,369	54,163,701	54,190,412	61,652,361	61,619,958	64,878,682	49,444,983
Investments	3,039,158	5,021,717	3,617,037	2,543,564	4,637,119	4,600,076	4,233,162	4,181,190	3,985,884	4,645,417
Rent	607,818	507,071	555,648	591,285	824,104	1,077,167	1,058,153	988,807	972,562	1,134,280
Charges for services	20,891,632	22,062,286	21,226,569	22,667,005	23,350,074	23,450,422	31,092,863	31,035,290	31,855,249	34,182,908
Other revenues	943,020	753,316	5,519,764	8,282,993	4,372,836	4,563,275	1,300,117	953,890	1,090,502	1,062,967
Total revenues	415,122,488	371,630,981	393,215,668	404,685,786	387,300,704	406,931,679	436,467,646	447,663,161	458,171,890	468,415,809
Expenditures										
General government	43,642,897	47,288,312	85,546,409	74,378,948	69,537,969	51,067,380	54,099,981	57,491,702	60,722,635	64,068,864
Public safety	51,260,744	51,139,790	52,050,280	53,832,256	56,386,531	60,700,087	64,652,305	67,063,053	70,917,455	80,538,865
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	309,017	205,873	353,001	238,948
Economic and physical development	6,726,068	5,378,982	5,158,399	4,606,868	4,914,778	5,479,543	4,841,896	7,364,572	7,350,476	5,643,177
Environmental protection	8,853,660	30,505,276	26,494,114	20,700,688	20,301,762	13,469,306	5,771,300	7,207,867	23,860,525	26,246,637
Human services	162,360,553	107,552,239	108,524,800	109,066,287	91,592,879	85,339,186	89,516,898	93,140,635	92,909,696	83,234,656
Education	154,707,374	143,481,659	185,338,838	159,632,934	151,717,325	148,464,307	137,630,665	144,322,104	151,366,905	155,476,971
Cultural and recreational	14,618,455	20,714,654	13,687,066	12,032,600	11,454,684	12,348,532	12,197,724	13,202,921	15,509,314	32,283,359
Debt service:										
Principal retirement	27,266,955	25,431,125	53,158,145	109,738,119	34,520,922	34,261,816	36,159,495	35,596,413	37,427,611	37,322,892
Interest and fiscal charges	14,376,279	16,568,325	16,477,835	17,434,904	19,468,651	23,354,161	22,573,434	20,599,097	18,653,456	19,606,512
Debt issuance costs	1,546,769	994,584	1,060,066	1,115,755	818,130	644,769	23,000	741,165	1,002,975	247
Total expenditures	485,372,254	449,067,446	547,508,452	562,551,859	460,726,131	435,141,587	427,775,715	446,935,402	480,074,049	504,661,128
Excess of revenues over (under) expenditures	(70,249,766)	(77,436,465)	(154,292,784)	(157,866,073)	(73,425,427)	(28,209,908)	8,691,931	727,759	(21,902,159)	(36,245,319)
Other Financing Sources (Uses)										
Transfers in	50,509,388	52,852,625	52,214,136	114,501,549	61,645,051	73,181,182	76,982,606	77,667,072	83,641,265	85,501,782
Transfers out	(50,349,388)	(52,558,541)	(51,959,497)	(114,179,629)	(61,308,460)	(73,169,716)	(76,982,606)	(77,667,072)	(83,641,250)	(85,501,782)
Premium on issuance of debt	1,207,038	-	3,738,451	7,299,951	-	-	-	-	-	-
Issuance of bonds	-	-	60,000,000	49,105,000	-	-	-	-	3,800,000	-
Premium on issuance of refinancing	-	-	-	-	-	7,025,669	-	13,031,538	17,940,846	-
Issuance of refunding bonds	-	49,171,920	71,955,824	73,276,601	125,002,399	44,635,000	-	63,930,000	96,460,000	-
Payment to refunded debt escrow agent	-	(48,776,331)	(71,425,002)	(72,630,409)	(124,462,399)	(51,200,000)	-	(77,226,102)	(115,022,770)	-
Issuance of installment purchases	123,073,283	29,019,411	71,371,069	102,940,691	66,114,555	23,706,685	9,720,717	9,550,072	30,359,908	49,627,948
Total other financing sources (uses)	124,440,321	29,709,084	135,894,981	160,313,754	66,991,146	24,178,820	9,720,717	9,285,508	33,537,999	49,627,948
Net change in fund balances	\$ 54,190,555	\$ (47,727,381)	\$ (18,397,803)	\$ 2,447,681	\$ (6,434,281)	\$ (4,031,088)	\$ 18,412,648	\$ 10,013,267	\$ 11,635,840	\$ 13,382,629
Debt service as a percentage of noncapital expenditures	9.45%	9.72%	14.78%	24.70%	12.88%	13.86%	14.10%	12.95%	12.49%	12.31%

Notes:

(1) 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 Function¹
Last Ten Fiscal Years**

Fiscal Year Ended	General Government	Public Safety	Transportation	Economic and Physical Development	Environmental Protection
2009	\$ 47,393,464	\$ 52,889,080	\$ 12,500	\$ 6,746,267	\$ 3,800,698
2010	12,365,748	55,255,454	12,500	28,751,080	2,456,029
2011	45,989,651	53,964,797	12,500	5,272,311	3,542,985
2012	50,482,000	54,806,448	12,500	4,616,413	3,694,850
2013	57,034,487	57,767,228	12,500	4,916,125	3,632,359
2014	55,772,804	61,569,018	12,500	5,490,387	3,657,826
2015	57,622,575	63,834,548	309,017	4,773,955	3,860,175
2016	60,091,561	69,100,186	205,873	7,343,752	4,303,325
2017	64,194,870	75,533,420	353,001	7,368,799	5,966,371
2018	67,278,145	83,743,115	238,948	5,761,844	5,997,974

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
\$ 437,677,600	\$ 143,520,618	\$ 11,998,176	\$ 14,785,542	\$ 5,277,448	\$ 724,101,393
108,607,392	176,005,516	25,220,574	11,499,010	5,061,620	425,234,923
109,093,936	185,533,592	12,510,214	17,368,443	5,356,000	438,644,429
115,743,251	159,834,958	12,075,639	17,226,788	5,563,907	424,056,754
88,141,193	151,919,349	11,688,669	19,814,600	5,761,082	400,687,592
85,440,041	148,666,331	12,671,110	22,953,477	6,387,907	402,621,401
87,852,834	137,832,688	12,240,868	20,880,870	7,187,975	396,395,505
92,160,946	144,524,127	12,762,810	19,749,259	7,447,186	417,689,025
93,649,136	149,192,760	14,802,765	12,999,003	7,970,882	432,031,007
86,632,504	155,678,995	20,693,870	16,547,326	8,302,269	450,874,990

DURHAM COUNTY, NORTH CAROLINA

Government-wide Revenues¹ Last Ten Fiscal Years

Fiscal Year Ended	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment and Interest Income
2009	\$ 23,812,915	\$ 399,272,928	\$ 19,467,166	\$ 261,187,855	\$ 3,430,288
2010	33,011,220	80,230,451	2,346,289	260,127,663	3,269,464
2011	33,012,519	75,904,360	10,341,180	277,147,169	7,340,490
2012	35,305,268	80,009,239	10,838,181	285,582,919	9,878,576
2013	36,890,689	53,016,379	1,972,602	299,029,295	2,007,036
2014	38,149,807	50,005,628	4,714,711	315,456,947	5,128,291
2015	44,708,939	56,872,129	4,036,039	335,201,455	13,488,096
2016	43,421,772	57,255,276	4,648,877	346,840,735	4,755,630
2017	46,664,806	59,791,850	5,129,757	353,613,376	(1,038,910)
2018	47,442,450	46,909,595	3,494,498	376,177,338	7,750,403

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
\$	1,096,491	\$ 313,967	\$ 708,581,610
	1,051,192	-	380,036,279
	5,775,344	-	409,521,062
	8,604,913	-	430,219,096
	4,709,920	-	397,625,921
	4,600,630	-	418,056,014
	1,300,117	-	455,606,775
	966,731	-	457,889,021
	1,090,502	-	465,251,381
	1,056,010	-	482,830,294

DURHAM COUNTY, NORTH CAROLINA

**General Government Expenditures by Function¹
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	General Government	Public Safety	Transportation	Environmental Protection	Education
2009	\$ 43,642,897	\$ 51,260,744	\$ 12,500	\$ 8,853,660	\$ 154,707,374
2010	47,288,312	51,139,790	12,500	30,505,276	143,481,659
2011	85,546,409	52,050,280	12,500	26,494,114	185,338,838
2012	74,378,948	53,832,256	12,500	20,700,688	159,632,934
2013	69,537,969	56,386,531	12,500	20,301,762	151,717,325
2014	51,067,380	60,700,087	12,500	13,469,306	148,464,307
2015	54,099,981	64,652,305	309,017	5,771,300	137,630,665
2016	57,491,702	67,063,053	205,873	7,207,867	144,322,104
2017	60,722,635	70,917,455	353,001	23,860,525	151,366,905
2018	64,068,864	80,538,865	238,948	26,246,637	155,476,971

Notes:

(1) General government expenditures include all governmental fund types consisting of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

(2) As of Fiscal Year 2010, the County no longer reports direct costs in the basic financial statements with full note disclosure. The direct costs are now only disclosed in the notes to the financial statements.

Human Services	Economic and Physical Development	Cultural and Recreational	General Debt Service	Total
\$ 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
83,234,656	5,643,177	32,283,359	56,929,651	504,661,128

DURHAM COUNTY, NORTH CAROLINA

General Government Revenues by Source¹ Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Property Taxes	Other Local Taxes	Licenses and Permits	Intergovernmental Revenues
2009	\$ 203,361,955	\$ 56,180,951	\$ 744,881	\$ 129,353,073
2010	209,175,709	50,982,955	688,093	82,439,834
2011	223,069,172	54,060,910	703,439	84,463,129
2012	223,996,640	61,221,954	794,976	84,587,369
2013	236,671,981	62,454,309	826,580	54,163,701
2014	253,158,020	64,534,840	1,357,467	54,190,412
2015	261,746,652	74,264,452	1,119,886	61,652,361
2016	268,685,962	78,662,973	1,535,091	61,619,958
2017	272,300,032	81,695,882	1,393,097	64,878,682
2018	287,741,392	88,565,246	1,638,616	49,444,983

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
\$ 607,818	\$ 3,039,158	\$ 20,891,632	\$ 943,020	\$ 415,122,488
507,071	5,021,717	22,062,286	753,316	371,630,981
555,648	3,617,037	21,226,569	5,519,764	393,215,668
591,285	2,543,564	22,667,005	8,282,993	404,685,786
824,104	4,637,119	23,350,074	4,372,836	387,300,704
1,077,167	4,600,076	23,450,422	4,563,275	406,931,679
1,058,153	4,233,162	31,092,863	1,300,117	436,467,646
988,807	4,181,190	31,035,290	953,890	447,663,161
972,562	3,985,884	31,855,249	1,090,502	458,171,890
1,134,280	4,645,417	34,182,908	1,062,967	468,415,809

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REVENUE CAPACITY INFORMATION

Principal Property Taxpayers

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

Schedule of Assessed Value and Actual Value of Taxable Property

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

Property Tax Levies and Collections

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

Property Tax Levies Direct and Overlapping Local Government Jurisdictions

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

Direct and Overlapping Property Tax Rates

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

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DURHAM COUNTY, NORTH CAROLINA

Principal Property Taxpayers June 30, 2018 Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2018			Fiscal Year 2009		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
AW North Carolina Inc.	\$ 371,008,154	1	1.03%	\$ 338,663,229	3	1.19%
Cree, Inc.	326,318,448	2	0.90%	275,913,564	4	0.97%
Merck Sharp & Dohme Corp	257,003,219	3	0.71%			
Duke Energy Carolinas LLC	243,887,280	4	0.67%	197,984,581	6	0.69%
IBM Corporation	217,289,808	5	0.60%			
Southpoint Mall LLC	182,730,037	6	0.51%	169,444,545	7	0.59%
International Business Machine	179,086,853	7	0.50%	505,679,136	2	1.77%
Biomerieux Inc	169,316,320	8	0.47%			
EMC Corporation	146,404,550	9	0.40%			
Parmer RTP LLC	133,416,216	10	0.37%			
Verizon South Inc.	-		-	183,061,189	6	0.64%
Highwoods/Forsyth Limited Part	-		-	100,905,858	9	0.35%
State Street Bank & Trust	-		-	95,745,552	10	0.34%
Time Warner Entertainment	-		-	109,243,301	8	0.38%
GlaxoSmithKline	-		-	631,585,742	1	2.21%
	<u>\$ 2,226,460,885</u>		<u>6.16%</u>	<u>\$ 2,608,226,697</u>		<u>9.13%</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
2009	\$ 23,508,752,957	\$ 2,824,338,529	\$ 517,202,960	\$ 1,690,561,506	\$ 28,540,855,952	0.7081	0.0570-0.2500	0.7981
2010	23,976,021,000	2,905,267,206	524,524,630	1,627,078,510	29,032,891,346	0.7081	0.0570-0.2500	0.8359
2011	24,353,954,146	3,074,419,178	501,907,483	1,530,317,547	29,460,598,354	0.7459	0.0599-0.2500	0.7981
2012	24,580,465,174	3,166,306,877	471,720,126	1,623,871,164	29,842,363,341	0.7459	0.0599-0.2500	0.7745
2013	24,909,554,030	3,304,053,564	494,110,311	1,739,032,299	30,446,750,204	0.7444	0.0599-0.1524	0.7734
2014	25,254,108,336	3,300,458,222	489,915,862	2,980,521,352	32,025,003,772	0.7744	0.0600-0.1518	0.8047
2015	25,730,862,172	2,462,350,676	510,732,429	2,032,233,042	30,736,178,319	0.7931	0.0799-0.1514	0.8073
2016	26,213,161,494	3,524,686,233	553,248,101	2,163,704,337	32,454,800,165	0.7931	0.0799-0.1779	0.8276
2017	28,894,972,479	3,483,300,069	565,369,921	2,286,702,778	35,230,345,247	0.7404	0.0778-0.1880	0.7727
2018	29,641,340,413	3,594,119,882	575,537,361	2,348,224,018	36,159,221,674	0.7679	0.0778-0.1880	0.7987

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 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
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	387,633,432	385,068,858	99.34%	1,273,755	386,342,613	99.67%
2015	402,438,892	373,436	402,812,328	401,244,673	99.61%	1,181,131	402,425,804	99.90%
2016	411,676,610	1,001,471	412,678,081	411,447,291	99.70%	854,674	412,301,965	99.91%
2017	422,882,431	133,369	423,015,800	422,143,612	99.79%	181,536	422,325,148	99.84%
2018	449,249,843	467,101	449,716,944	448,937,493	99.83%	-	448,937,493	99.83%

Notes:

(1) Amounts included above for fiscal years 2009 through 2011 represent taxes in the General Fund, the Special Tax District Funds and the Agency Funds.

(2) Amounts included above for fiscal years 2012 through 2018 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,	Fire Tax Districts							
	Durham County	Bethesda	Lebanon	Parkwood	Redwood	Eno	New Hope	Bahama
2009	\$ 205,500,231	\$ 1,563,641	\$ 1,078,805	\$ 1,399,989	\$ 744,154	\$ 23,125	\$ 52,735	\$ 662,490
2010	209,323,910	1,602,205	1,071,167	1,472,700	738,849	23,983	44,825	714,101
2011	223,648,890	1,502,509	1,070,918	1,550,213	728,283	24,035	57,296	749,909
2012	224,310,246	1,603,344	1,073,640	1,461,650	766,788	24,336	74,677	806,759
2013	229,802,881	1,760,488	1,075,946	1,522,095	764,284	24,325	76,341	854,020
2014	234,323,543	2,220,189	1,033,842	1,546,613	733,673	30,882	82,004	802,114
2015	236,807,235	4,945	1,034,889	1,544,137	864,854	85,484	29,930	1,341,389
2016	241,808,196	-	1,037,940	-	883,358	30,246	87,109	1,414,475
2017	245,385,571	-	1,086,554	-	905,668	33,582	95,610	1,490,454
2018	260,979,012	-	1,184,526	-	917,481	34,105	36,852	1,563,470

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
\$ 666,263	\$ 20,319	\$ -	\$ 122,039,098	\$ 419,553	\$ 3,054,312	\$ -	\$ 337,224,715
722,154	17,585	-	124,304,979	452,134	2,631,582	-	343,120,175
709,205	17,631	-	12,983,774	485,766	2,636,459	-	246,164,888
696,499	17,059	-	129,390,469	550,646	2,614,275	10,440	363,400,828
746,927	315	-	135,132,373	595,878	2,619,338	11,738	374,986,949
735,854	3	-	132,998,548	623,283	2,689,258	16,747	377,836,553
760,735	-	-	136,753,317	679,966	2,675,644	46,487	382,629,012
970,743	-	3,932,013	139,621,148	724,895	2,686,409	25,475	393,222,007
1,218,468	-	3,855,057	146,313,199	777,666	2,543,760	29,329	403,734,919
1,148,704	-	3,670,864	156,293,284	790,433	2,469,665	27,274	449,249,843

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years (rate per \$100 of assessed value)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
County direct rate										
Operating rate	\$ 0.6594	\$ 0.6604	\$ 0.6911	\$ 0.6865	\$ 0.6850	\$ 0.6850	\$ 0.6951	\$ 0.7078	\$ 0.6608	\$ 0.6708
Capital rate	0.0487	0.0477	0.0548	0.0594	0.0594	0.0594	0.0980	0.0853	0.0796	0.0971
Total general fund direct rate	0.7081	0.7081	0.7459	0.7459	0.7444	0.7444	0.7931	0.7931	0.7404	0.7679
Fire district rates	0.0570-0.1150	0.0570-0.1100	0.0599-0.1100	0.0599-0.1125	0.0599-0.1150	0.0600-0.1300	0.0799-0.1386	0.0799-0.1386	0.0778-0.1344	0.0778-0.1344
Other special district rates	0.1461-0.2500	0.1461-0.2500	0.1460-0.2500	0.1474-0.2500	0.1374-0.1524	0.1518-0.1668	0.1514-0.1729	0.0000-0.1779	0.0000-0.1880	0.0000-0.1880
Municipality Rates										
City of Durham	0.5400	0.5400	0.5519	0.5575	0.5675	0.5675	0.5912	0.5912	0.5607	0.5786
City of Durham BID	-	-	-	-	0.6375	0.6375	0.6612	0.6612	0.6307	0.6486
Town of Chapel Hill	0.5810	0.4940	0.4940	0.4940	0.4940	0.5140	0.5240	0.5240	0.5240	0.5080
City of Raleigh	0.3735	0.3735	0.3735	0.3735	0.3826	0.3826	0.4038	0.4210	0.4183	0.4253
Town of Morrisville	-	-	-	0.3665	0.3665	0.3900	0.3900	0.4100	0.3900	0.3900

Notes:

- (1) All taxable property is subject to the County direct rate. Most property in unincorporated areas is also subject to one of the seven fire district taxes.
- (2) A revaluation of real property is required by N. C. General Statutes at least every eight years. Revaluation of taxable property occurred on January 1, 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 Estimate¹	Taxable Property Assessed Value	Debt Limit	Gross Bonded Debt
2009	265,670	\$ 28,540,855,952	\$ 2,283,268,476	\$ 255,335,000
2010	267,849	29,032,891,346	2,322,631,308	233,930,000
2011	272,156	29,460,598,354	2,356,847,868	272,680,000
2012	275,960	29,842,363,341	2,387,389,067	298,585,000
2013	277,588	30,446,750,204	2,435,740,016	273,900,000
2014	284,437	32,025,003,772	2,562,000,302	295,905,000
2015	290,874	31,736,178,319	2,538,894,266	270,905,000
2016	293,647	32,454,800,165	2,596,384,013	243,775,000
2017	301,243	35,230,345,247	2,818,246,797	288,086,321
2018	308,194	36,159,221,674	2,892,737,734	258,989,288

(1) Estimate from Durham City/County Planning Department.

Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Property Assessed Value	Net Bonded Debt Per Capita
\$ 255,335,000	0.89	961
233,930,000	0.81	873
272,680,000	0.93	1,002
298,585,000	1.00	1,082
273,900,000	0.90	987
295,905,000	0.92	1,040
270,905,000	0.85	931
243,775,000	0.75	830
288,086,321	0.82	956
258,989,288	0.72	840

DURHAM COUNTY, NORTH CAROLINA

Legal Debt Margin Information Last Ten Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Assessed Value of Property	\$ 28,540,855,952	\$ 29,032,891,346	\$ 29,460,598,354	\$ 29,842,363,341	\$ 30,446,750,204
Debt Limit, 8% of Assessed Value (Statutory Limitation)	2,283,268,476	2,322,631,308	2,356,847,868	2,387,389,067	2,435,740,016
Amount of Debt Applicable to Limit					
General Obligation Bonds	<u>255,335,002</u>	<u>233,930,000</u>	<u>272,680,000</u>	<u>298,585,000</u>	<u>273,900,000</u>
Total net debt applicable to limit	<u>255,335,002</u>	<u>233,930,000</u>	<u>272,680,000</u>	<u>298,585,000</u>	<u>273,900,000</u>
Legal Debt Margin	<u>\$ 2,027,933,474</u>	<u>\$ 2,088,701,308</u>	<u>\$ 2,084,167,868</u>	<u>\$ 2,088,804,067</u>	<u>\$ 2,161,840,016</u>
Total net debt applicable to limit as a percentage of debt limit	<u>11.18%</u>	<u>10.07%</u>	<u>11.57%</u>	<u>12.51%</u>	<u>11.25%</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.

2014	2015	2016	2017	2018
\$ 32,025,003,772	\$ 31,736,178,319	\$ 32,454,800,165	\$ 35,230,345,247	\$ 36,159,221,674
2,562,000,302	2,538,894,266	2,596,384,013	2,818,427,620	2,892,737,734
295,905,000	270,905,000	243,775,000	252,270,000	226,455,000
295,905,000	270,905,000	243,775,000	252,270,000	226,455,000
<u>\$ 2,266,095,302</u>	<u>\$ 2,267,989,266</u>	<u>\$ 2,352,609,013</u>	<u>\$ 2,566,157,620</u>	<u>\$ 2,666,282,734</u>
<u>11.55%</u>	<u>10.67%</u>	<u>9.39%</u>	<u>8.95%</u>	<u>7.83%</u>

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Governmental Activities Debt As of June 30, 2018

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Municipality:			
City of Durham	\$ 272,782,075	100%	\$ 272,782,075
Town of Chapel Hill	41,470,000	0%	-
City of Raleigh	946,320,015	0%	-
Overlapping debt	<u>1,260,572,090</u>		<u>272,782,075</u>
Direct debt	525,059,163		525,059,163
Total direct and overlapping debt	<u><u>\$ 1,785,631,253</u></u>		<u><u>\$ 797,841,238</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 Governmental Expenditures	Ratio of Total Debt Service to Total Governmental Expenditures
	Principal	Interest and Fiscal Charges	Other Expenditures	Total Debt Service Expenditures		
2009	\$ 27,266,955	\$ 14,376,279	\$ 1,546,769	\$ 43,190,003	\$ 485,372,254	8.90%
2010	25,431,125	16,568,325	994,584	42,994,034	449,067,446	9.57%
2011	53,158,145	16,477,835	1,060,066	70,696,046	547,508,452	12.91%
2012	109,738,119	17,434,904	1,115,755	128,288,778	562,551,859	22.80%
2013	34,520,922	19,468,651	818,130	54,807,703	460,726,131	11.90%
2014	34,261,816	23,354,161	644,769	58,260,746	435,141,587	13.39%
2015	36,159,495	22,573,434	7,003	58,739,932	427,775,715	13.73%
2016	35,596,413	20,599,097	741,165	56,936,675	446,935,402	12.74%
2017	37,427,611	18,653,456	617,443	56,698,510	480,074,049	11.81%
2018	37,322,892	19,606,512	247	56,929,651	504,661,128	11.28%

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
2009	\$ 255,335,002	0.89%	961.10
2010	233,930,000	0.82%	873.37
2011	272,680,000	0.93%	1,001.93
2012	298,585,000	1.00%	1,081.99
2013	273,900,000	0.90%	986.71
2014	295,905,000	0.96%	1,040.32
2015	270,905,000	0.85%	931.35
2016	243,775,000	0.75%	830.16
2017	288,086,321	0.82%	956.33
2018	258,989,288	0.72%	840.35

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

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

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

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DURHAM COUNTY, NORTH CAROLINA

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Certificates of Participation	Limited Obligation Bonds	Installment Purchases	Total Governmental Activities
2009	\$ 251,040,046	\$ 132,775,000	\$ -	\$ 23,806,105	\$ 407,621,151
2010	228,692,055	132,724,828	-	46,985,373	408,402,256
2011	274,834,584	175,502,889	-	41,513,714	491,851,187
2012	309,594,156	146,886,804	67,752,814	17,613,939	541,847,713
2013	293,099,857	55,660,000	189,366,572	43,123,317	581,249,746
2014	321,259,230	52,565,000	182,118,853	13,321,654	569,264,737
2015	295,033,765	49,470,000	174,556,822	21,213,474	540,274,061
2016	271,397,457	9,280,000	208,754,927	29,409,748	518,842,132
2017	288,086,321	6,185,000	200,709,554	22,160,638	517,141,513
2018	258,989,288	3,090,000	192,669,181	70,310,694	525,059,163

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
\$ 4,294,956	\$ 17,660,000	\$ -	\$ 21,954,956	\$ 429,576,107	4.51%	1,616.95
4,010,321	16,641,908	-	20,652,229	429,054,485	4.20%	1,601.85
3,671,868	14,926,976	-	18,598,844	510,450,031	4.89%	1,875.58
2,911,318	14,315,087	-	17,226,405	559,074,118	5.49%	2,025.92
2,357,603	11,268,200	13,408,267	27,034,070	608,283,816	5.76%	2,191.32
1,304,131	10,854,865	12,612,864	24,771,860	594,036,597	5.19%	2,088.46
604,728	10,084,590	11,941,717	22,631,035	562,905,096	4.72%	1,935.22
32,343	9,294,315	11,270,571	20,597,229	539,439,361	4.28%	1,837.03
-	8,489,040	10,599,426	19,088,466	536,229,979	4.00%	1,780.06
-	7,732,153	9,928,280	17,660,433	542,719,956	3.86%	1,760.97

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OPERATING INFORMATION

Full-time Equivalent County Government Employees by Function

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

Operating Indicators by Function

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

Capital Asset Statistics by Function

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

DURHAM COUNTY, NORTH CAROLINA

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

Function/Program	2009	2010	2011	2012
General government	248	245	247	253
Public safety	624	599	610	616
Economic and physical development	31	32	30	30
Environmental protection	14	18	18	16
Human services	692	700	681	700
Cultural and recreational	98	105	101	105
Utilities	21	18	20	21
Total	1,728	1,717	1,707	1,741

Source: Durham County Human Resources Department

2013	2014	2015	2016	2017	2018
264	258	263	267	287	342
644	673	696	687	717	814
30	29	32	29	34	17
16	19	20	21	15	18
610	624	628	639	672	775
105	104	106	100	106	110
21	20	20	20	21	27
1,690	1,727	1,765	1,763	1,852	2,103

DURHAM COUNTY, NORTH CAROLINA

Operating Indicators By Function Last Ten Fiscal Years

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Administration										
Registered voters ¹¹	223,921	217,328	233,602	210,644	201,880	199,756	195,050	182,192	180,403	181,012
Taxable real estate parcels ⁶	110,839	108,026	105,588	103,976	104,350	103,757	102,556	86,008	87,245	105,618
Tax bills ^{*6}	147,264	146,332	144,540	146,193	143,659	377,327	317,556	240,597	237,229	271,331
Human Services										
Adult care home residents served through on-site inspections ⁷	1,069	997	982	994	941	885	875	845	853	826
Persons testing for HIV/STD ⁸	20,387	22,412	15,577	37,280	38,482	52,251	43,265	53,584	66,169	65,924
Food assistance individuals ⁷	37,430	30,853	40,358	43,745	43,289	49,281	44,238	42,034	34,178	29,727
Education										
Students attending public school ¹	32,374	33,151	33,501	33,626	33,295	32,484	32,671	32,566	32,551	31,938
Public school teachers ¹	2,393	2,267	2,358	2,329	2,318	2,247	2,300	2,245	2,671	2,326
Community college students-average semester ²	12,898	10,819	19,027	22,341	20,470	22,974	24,416	24,769	25,561	25,810
Community college faculty ²	355	355	355	333	328	322	337	162	161	150
Community Development and Cultural⁴										
Residential permits issued**	2,152	1,726	1,927	1,426	1,270	1,141	856	997	993	883
Commercial permits issued**	101	155	158	132	135	83	109	93	73	81
Building permits - additional, alterations**	2,959	2,666	2,592	2,451	2,320	2,362	2,533	2,368	2,212	2,230
Inspections performed	43,292	43,031	38,946	38,481	38,801	31,589	27,635	26,086	26,295	25,183
Environmental Services										
Animal control service calls ⁹	10,967	12,191	12,889	12,568	11,859	11,111	15,682	13,911	15,628	18,152
Animals impounded ⁹	2,087	2,516	2,869	2,166	3,025	3,361	6,315	6,397	6,921	7,148
Sanitation inspections ⁸	3,343	3,149	3,327	6,146	7,243	5,841	7,040	6,876	7,462	6,860
Public Safety										
Detention intake ¹⁰	8,417	7,558	11,013	11,838	11,967	12,350	12,457	12,267	11,926	12,219
Civil processes served ¹⁰	24,755	20,505	33,147	26,407	28,482	35,842	33,181	32,472	35,210	33,727
Pistol permits processed ¹⁰	3,136	2,108	3,266	2,486	1,446	1,715	1,938	1,923	1,726	1,774
Average daily jail population ¹⁰	498	472	481	520	521	560	551	554	582	598
Fire/medical incidents responded to by contracting fire departments ⁵	3,320	2,025	2,587	4,544	9,152	11,096	11,870	12,402	11,733	12,344
Durham EMS incidents ³	48,547	46,934	44,222	44,388	32,882	28,337	27,742	26,696	27,405	26,260

* 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) Durham County Public Schools.

(2) Durham Technical Community College.

(3) Durham County Emergency Management Department.

(4) Durham City/County Planning Department.

(5) 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 minor calls not needing fire responses. As of fiscal year 2016, there are 3 contracting fire departments; 2 of the original 5 are now Durham County Fire & Rescue.

(6) Durham County Tax Department.

(7) Durham County Department of Social Services.

(8) Durham County Public Health Department.

(9) Durham County Animal Control.

(10) Durham County Sheriff Department.

(11) Durham County Board of Elections.

DURHAM COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Rentable square footage ¹	762,932	762,932	762,932	767,652	767,652	767,652	766,682	733,361	733,361	744,461
Human Services										
Number of centers ²	2	2	2	2	2	4	4	4	4	4
Education										
Number of schools ³	53	54	54	54	56	56	56	55	53	53
Number of higher education institutions	4	4	4	4	4	4	4	4	4	4
Community Development and Cultural										
Libraries - branches ⁴	7	7	7	7	7	8	8	8	8	8
Volume of library books ⁴	682,379	670,695	692,526	694,145	704,947	698,715	704,093	661,687	603,930	565,245
Number of County parks ¹	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	17	16	16	16	16	16	16	15	15	15
Fire protection - Volunteer Stations ⁶	12	12	12	12	12	12	12	11	11	11
EMS - Stations ⁷	10	9	9	12	11	9	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

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DEMOGRAPHIC & ECONOMIC INFORMATION

Property Value and Construction

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

Demographic and Economic Statistics

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

Principal Employers

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

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DURHAM COUNTY, NORTH CAROLINA

Property Value and Construction Last Ten Fiscal Years

Fiscal Year Ended June 30,	Building Value of Permits Issued¹	Assessed Valuation²
2009	\$ 832,707,556	\$ 28,540,855,952
2010	854,185,593	29,032,891,346
2011	918,447,009	29,460,598,354
2012	782,358,521	29,842,363,341
2013	912,531,665	30,444,978,195
2014	1,107,015,215	30,796,658,950
2015	1,117,161,089	31,736,178,319
2016	1,194,358,281	32,454,800,165
2017	1,501,331,982	35,230,345,247
2018	1,347,736,663	36,159,221,674

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

(2) Last revaluation of taxable property occurred on January 1, 2016.

DURHAM COUNTY, NORTH CAROLINA

Demographic and Economic Statistics Last Ten Years

<u>Year</u>	<u>Population Estimates¹</u>	<u>Personal Income² (thousands of dollars)</u>	<u>Per Capita Personal Income³</u>	<u>School Enrollment⁴</u>	<u>Unemployment Rate⁵</u>
2009	265,670	\$ 10,435,368	\$ 39,383	32,854	8.0%
2010	267,849	10,190,008	38,795	32,551	7.8%
2011	271,238	10,567,605	38,654	32,566	8.4%
2012	275,960	11,454,941	40,963	32,671	8.2%
2013	277,588	11,921,155	41,376	32,484	7.6%
2014	284,437	12,611,613	42,830	33,296	5.3%
2015	290,874	13,394,612	44,507	33,626	5.4%
2016	293,647	14,064,619	45,931	33,144	4.7%
2017	301,243	*	*	32,907	3.8%
2018	308,941	*	*	32,629	3.8%

* Information not yet available

(1) The 2009-2018 estimates are from the Durham City/County Planning Department.

(2) All personal income data is estimated for the calendar year ended in each fiscal year and is provided by Bureau of Analysis.

(3) All per capita income data is for the calendar year ended in each fiscal year.

2009-2016 is actual per capita income provided by Bureau of Economic Analysis, last update November 16, 2017.

(4) Durham County Public Schools, 2009-2018 Final Average Daily Membership.

(5) North Carolina Department of Commerce.

DURHAM COUNTY, NORTH CAROLINA

Principal Employers Current Year and Nine Years Ago

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Duke University & Health System	27,142	1	13.47%	20,185	1	14.44%
Duke University	10,000	2	4.96%			
International Business Machines (IBM)	7,000	3	3.47%	11,530	2	8.25%
Durham Public Schools	4,600	4	2.28%	5,489	3	3.93%
Blue Cross Blue Shield of North Carolina	4,000	5	1.98%	2,437	6	1.74%
Fidelity Investments	3,700	6	1.84%			
IQVI (Formerly Quintiles Transnational Corp.)	3,000	7	1.49%			
Cree, Inc. ¹	2,600	8	1.29%			
GlaxoSmithKline ¹	2,600	8	1.29%	5,000	4	3.58%
Durham City Government	2,466	9	1.22%	2,336	7	1.67%
Research Triangle Institute(RTI)	2,276	10	1.13%	2,200	9	1.57%
Veterans Affairs (VA) Medical Center				2,162	10	1.55%
NORTEL Networks				2,600	5	1.86%
Lenovo Group, Ltd.				2,300	8	1.65%
	<u>69,384</u>		<u>34.42%</u>	<u>56,239</u>		<u>40.24%</u>

Source: Durham Chamber of Commerce and Bureau of Labor Statistics

¹Cree, Inc. and GlaxoSmithKline each have 2,600 employees and therefore both rank eighth.

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**COMPLIANCE SECTION
(DIVIDER)**

Report of Independent Auditor on the Revenue Bond Covenant Compliance

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

Report on the Schedule

We have audited the accompanying schedule of debt covenant compliance (the “schedule”) of Durham County, North Carolina (the “County”), as of and for the year ended June 30, 2018; as defined in the Series 2003 Revenue Bonds 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, 2018, 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, 2018 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Restricted Use

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

A handwritten signature in black ink, appearing to read "Cheryl Berkant" followed by a stylized flourish.

Raleigh, North Carolina
October 31, 2018

DURHAM COUNTY, NORTH CAROLINA

Schedule of Debt Covenant Compliance Year Ended June 30, 2018

	Enterprise Fund Sewer Utility Fund
Operating revenues	
Charges for services	\$ 8,700,029
Total operating revenues	<u>8,700,029</u>
Operating expenses	
Personnel services	1,833,456
Utilities	515,640
Maintenance and other	2,423,314
Depreciation	3,074,089
Total operating expenses	<u>7,846,499</u>
Operating income (loss)	<u>853,530</u>
Add:	
Depreciation expense	<u>3,074,089</u>
Income available for debt service	<u><u>\$ 3,927,619</u></u>
Fiscal year revenue bond debt payments	\$ 927,313
Fiscal year total debt payments	\$ 1,833,766
Senior lien debt service coverage	4.24
Total debt service coverage	2.14
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 Zac Anderson, CPA, Assistant Chief Financial Officer, under the guidance and direction of Susan F. Tezai, CPA, Chief Financial Officer.

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

Jessica Brown-Linton, Deputy Chief Financial Officer
Larry DeWalt, Interim Assistant Chief Financial Officer
Crystally Wright, Compliance Manager
Chris Lindsay, CPA, Executive Accountant
Tiffany Long, Senior Accountant
Kimberly Thompson, Senior Accountant
Michelle Robinson, Payroll Manager
Chrystal Thomas, AP Manager
Joanna Jones, Accountant
Sonya Long, CPA, Accountant
Tonia Hernandez, Accountant