

# County of Durham, North Carolina



**A COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR YEAR ENDED JUNE 30, 2013**

# County of Durham, North Carolina



## Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013

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**Prepared by the Durham County Finance Department**



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**INTRODUCTORY SECTION  
(TAB)**





## *Letter of Transmittal*

October 28, 2013

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, 2013.

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

The County of Durham's financial statements have been audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County of Durham for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the County of Durham's

financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with GAAP. The report of the independent auditor is presented as the first component of the financial section of this report.

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

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

## **Profile of the Government**

Durham County, incorporated in 1881, is located in the piedmont part of the state, which is considered to be the top growth area in the State, and one of the top growth areas in the country. Durham County currently occupies a land area of 299 square miles and serves a population of 277,588. Durham County is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

In accordance with standards of the Governmental Accounting Standards Board (GASB) defining the governmental reporting entity, this report includes all funds and component units (except as noted below) that are controlled by or are dependent on the County's governing body. Component units are legally separate entities for which Durham County is financially accountable. The Durham County Board of Alcoholic Beverage Control (ABC Board) is a component unit of Durham County. The ABC Board is presented as a proprietary fund. Additional information on the ABC Board can be found in Note A.1 in the notes to the financial statements. The Durham County Industrial Facility and Pollution Control Financing Authority (the Authority) exists to issue and service revenue bond debt for private businesses for economic development purposes. The Authority is governed by a seven-member board, all of whom are appointed by the County Commissioners. The County can remove any board member of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements. Other governmental type entities within the County which have substantial autonomy and separate governmental characteristics are the Durham Public School Administrative Unit, Durham Technical Community College, Raleigh-Durham Airport Authority, the Special Airport District of Durham and Wake Counties, Triangle J Council of Governments, Triangle Transit Authority, Durham and Wake Counties Research and Production Service District and Advisory Committee, Durham Convention and Visitors Bureau, the Durham Civic Center Authority, and the Alliance Behavioral Healthcare, Inc. Board. 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 15<sup>th</sup> 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 31<sup>st</sup> of each year. The board is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of Durham County's fiscal year. The adopted budget is prepared by fund, function (e.g., public safety), and department (e.g., sheriff). However, the appropriations are formally budgeted and approved on a functional basis. Budget-to-actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 33-35 as part of the basic financial statements for the governmental funds. For 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 119.

## **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 February 2013, *Washington Post*, ranked Durham 6<sup>th</sup> out of "America's Top 10 Cities for Small Business", and in August 2013, *Forbes* ranked Durham tenth as the "Best Place for Business and Careers".

Construction of new facilities and expansion of others is testimony to the fact that Durham is a nurturing environment for start-up companies and for more established companies. Many companies from various regions of the 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 2012 totaled over \$501 million, with plans to create over 2,411 new jobs in the County. In addition, business expansions announced through the third quarter of calendar year 2013 totaled over \$419 million with plans to create another 3,352 new jobs.

The diversity of industries represented in the County and its strong emphasis on business development through research and development has brought national recognition to the area. The County continues to receive recognitions nationally for its improvement economically. In December, 2012, *Fourth Economy Community Index*, ranked Durham #1 as the "Large County Best Positioned for Growth", and in May 2013 Durham was ranked #2 on the "Top 10 Small American Cities of the Future 2013/2014-Economic Potential" by *Foreign Direct Investment Magazine*.

### **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-third year, RTP is the longest-operating research park in the country. RTP is also the nation's largest and most successful research and development-oriented business park. The more than 170 tenant companies and organizations located in the Park represent some of the world's largest and most prestigious corporate and government organizations in scientific

and technological research. Businesses in the Park employ approximately 39,570 full-time employees and an estimated 6,765 contract employees.

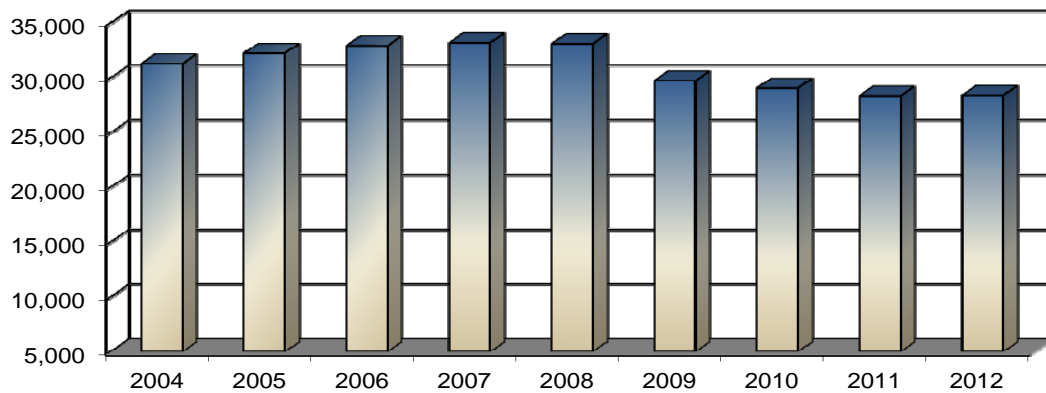
The number of research and development companies in the Park continues to grow. In calendar year 2012, Sentinel Data Center, a wholesale data center provider, announced a new \$180 million facility with the creation of 20 new jobs, and VCE, a global IT cloud solutions company, will invest over \$800 thousand in a new facility creating 100 jobs. In addition to new businesses, current businesses also announced expansions in the Park. Businesses such as BASF, Crossview, FIT, Cree, Bayer Crop Science, and FHI 360, announced expansions in calendar year 2012 with an estimated investment of over \$111 million and over 800 new jobs. Other existing companies, United Therapeutics, GE Aviation, Bayer Crop Science, Fidelity, BASF, Syngenta, and Eisai announced planned expansions through the third quarter of calendar year 2013 with an estimated investment of over \$147 million and the creation of over 500 jobs. In September 2013, *Inc. 5000* ranked several Durham businesses such as Bronto Software, Scale Finance, and WorkSmart as the “Fastest Growing Companies” in America.

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

### **Health care**

The City of Durham is called the City of Medicine because of its vibrant healthcare industry, which includes more than 600 medical- and health-related companies that are located in Durham County. There is a wide spectrum of major medical centers, including Duke University Medical Center, which was ranked sixth Best Hospital for Cardiology and Heart Surgery in the U.S. and the #1 Hospital in the State by *U.S. News & World Report*, July 2013; a world class academic and health care system; transforming medicine locally and globally through innovative medical research; and educating future clinical and scientific leaders. The result is that Durham County has one of the nation’s top five concentrations of physicians per capita and nearly one third of all workers in the labor force works in a health or medical related industry.

## **Manufacturing**



Source: Employment Security Commission (ESC)

Durham County is not only a center for technology development; the County is also a strong manufacturing center. The manufacturing sector experienced a slight increase in employment from 28,365 in 2011 to 28,421 in 2012. The economy has made several gains this past year including the decrease in the unemployment rate for the County, State and Nation. The County experienced a .20 percent gain of manufacturing jobs for calendar year 2012.

## **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 in many ways comparable to a much larger city, but with a down-home charm. In July 2013, *Redfin* ranked Durham #14 on its list of top 25 U.S. cities for single, successful, and educated woman. In addition, Durham boasts nationally acclaimed restaurants. *Southern Living Magazine* named Durham the "Tastiest Town in the South" in April 2013. In addition, in May 2013, *Eater.com*, listed Monuts Donuts #7 of "The 23 Hottest Doughnut Shops in America Right Now". Durham has performance facilities such as the Durham Performing Arts Center (DPAC) and the Carolina Theater that host Broadway shows and other professional performances. Durham County has a distinctive history and culture. Its advantageous location, climate and lifestyle draw people from around the world to a place that has a dynamic business environment and a beautiful setting in the Piedmont region of North Carolina.

## **Major Employers**

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

### **Company or Institution**

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

Source: Durham Chamber of Commerce

## **Capital Investment**

Many companies are either locating to Durham County or expanding their already existing operations in the County. Economic development announcements for 2012 were \$501,269,321. Economic development announcements occurring through the third quarter of 2013 amounted to over \$419 million.

## Economic Development Statistics

### Per Capita Income

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

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Durham MSA</b>	32,482	33,505	37,262	38,923	39,383	40,116	40,597	41,785
<b>Raleigh/Cary MSA</b>	36,309	37,270	37,107	38,648	39,580	37,849	39,479	40,631
<b>North Carolina</b>	29,541	30,429	32,338	33,636	34,483	34,719	36,028	36,520
<b>United States</b>	33,127	34,212	36,629	38,564	40,189	39,626	40,163	42,298

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 2012, the per capita income presented is the calendar year prior to the previous calendar year.

Note: The Bureau of Economic Analysis makes comprehensive revisions to the per capita income estimates annually. The latest revision was September 2013 for periods 2001-2011.

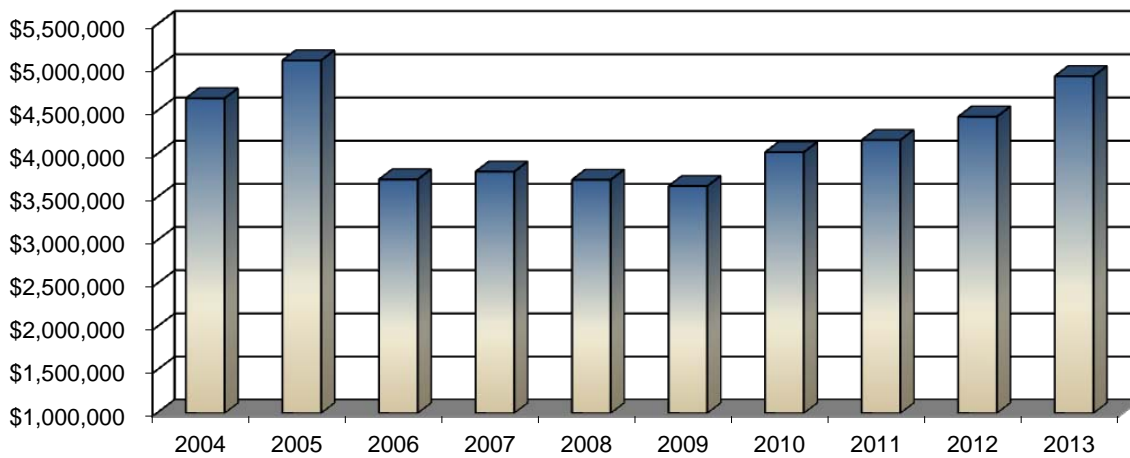
### Retail Sales

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

<b>Year Ended June 30,</b>	<b>Total Retail Sales (000's)</b>	<b>Total Taxable Sales (000's)</b>	<b>Percent Growth Over Previous Year</b>
2004	\$ 4,646,891	n/a	1.1%
2005	5,085,956	n/a	9.50%
2006	n/a	\$ 3,707,314	*
2007	n/a	3,796,971	2.36%
2008	n/a	3,703,207	-2.50%
2009	n/a	3,630,249	-1.97%
2010	n/a	4,022,518	10.81%
2011	n/a	4,163,246	3.50%
2012	n/a	4,434,078	6.51%
2013	n/a	4,902,628	10.57%

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

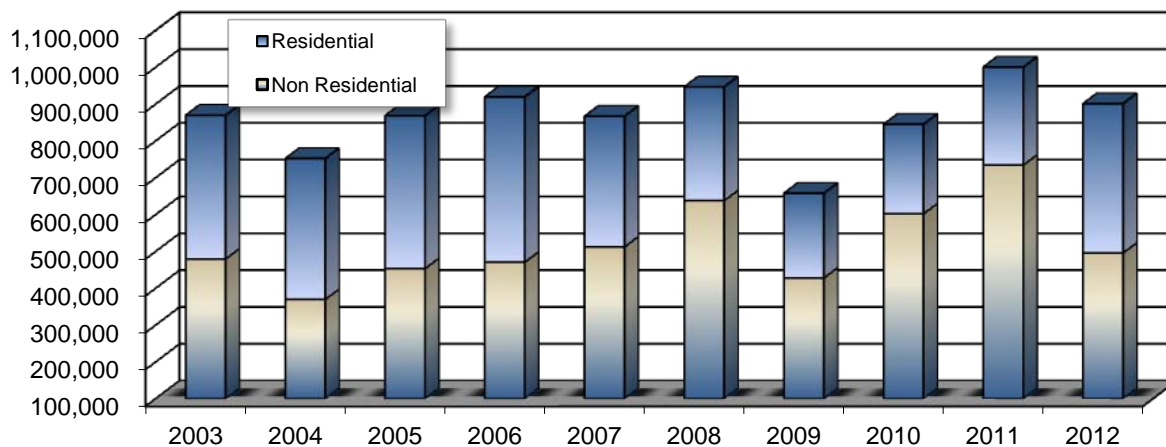




Since fiscal year 2009 when the economy started to slowly recover, Durham’s retail sales have continued to increase from over \$3.6 billion to slightly over \$4.9 billion. One of the main reasons for this growth is because of new businesses, small and large, continuing to develop in the area. In fiscal year 2013, the total taxable sales reported were over \$4.9 billion, an increase of over \$468 million (10.57%), reflecting a positive turnaround to the national economy.

**Construction Activity**

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



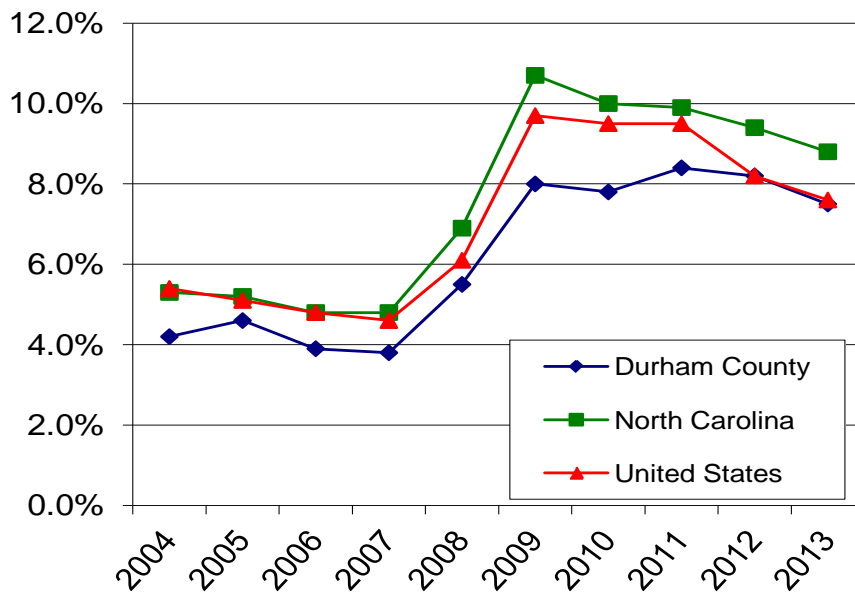
As of June 30, 2013, the total number of occupied dwelling units in Durham County was 114,449. Also, for the first six months of 2013, 1,771 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. From 2011 to 2012, there was an overall decrease in the value of all building permits issued in the County. The decrease was in both the value of non-residential

construction and residential construction activity. The County continues to thrive even though there was a decrease in the number of permits issued.

### 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
<b>2004</b>	4.2%	5.3%	5.4%
<b>2005</b>	4.6%	5.2%	5.1%
<b>2006</b>	3.9%	4.8%	4.8%
<b>2007</b>	3.8%	4.8%	4.6%
<b>2008</b>	5.5%	6.9%	6.1%
<b>2009</b>	8.0%	10.7%	9.7%
<b>2010</b>	7.8%	10.0%	9.5%
<b>2011</b>	8.4%	9.9%	9.5%
<b>2012</b>	8.2%	9.4%	8.2%
<b>2013</b>	7.5%	8.8%	7.6%



As of June 2013, the County’s unemployment rate was 7.5%, a decrease of 0.7% from June 2012. In addition to the County’s rate decrease, the County’s unemployment rate compares favorably to the State’s and Nation’s average unemployment rate as of June 2013 of 8.8% and 7.6%, respectively. The County’s primary commitment remains job creation and maintaining a strong economy.

### Long-term Financial Planning

The Board of County Commissioners continues to reaffirm the County’s financial stability as one of its highest priorities. The Board recognizes that it is difficult to execute short- and long-term plans if the focus is on day-to-day viability. Consequently,

the County's annual budget and financial decisions made throughout the fiscal year support an underlying philosophy to maintain a strong fund balance and the planned expansion of programs and services. Listed below are several of the County's major accomplishments for the year.

### **Facility Master Plan**

The Facility Master Plan that was approved in fiscal year 2000 laid the groundwork for the future building needs of the County and was centered on sound planning and solid financial research. The most recent Master Plan, amended in fiscal year 2003, reflects the changes in facility needs and options for Mental Health, Social Services, and Public Health. As of Fiscal Year 2013, the County no longer provides mental health services; as a result, the County had no facility needs for Mental Health. However, the County is currently renting the space used for mental health services to the MCO contracted to provide mental health services, Alliance Behavioral Healthcare, Inc. The Facility Master Plan as currently amended serves as the basis for the facility projects included in the Capital Improvement Plan.

### **Capital Improvement Plan**

The County maintains a 10-year Capital Improvement Plan (CIP), which is fully updated every two years. During 2012-2013 fiscal year, the Board of County Commissioners (BOCC) adopted the 2014-2023 Capital Improvement Plan (CIP). The plan itself provides a blueprint which the County uses to meet the growing facility needs of the schools, libraries, museum, court system, public safety, human service agencies, general government needs and open space. The CIP also provides a financial overview of the financing options for the existing capital projects as well as those capital projects not yet implemented projected in the 10-year plan. Annually, the financing options are reviewed, as well as the projects and their estimated costs.

Accomplishments during the past fiscal year include the completion of the New Durham County Courthouse and Parking Structure and the Fiber Optic Connectivity Project. Major projects under construction include Phase II of the Human Services Facility, Utility Performance Contracting and the Central Storage Facility; all of which are expected to be completed in fiscal year 2014. Other projects in various stages of design include the Emergency Medical Services Station #1, Demolition of the Department of Social Services Building/Civic Plaza Redevelopment Project (East Main St.), the East Main Street Parking Lot Improvements, Southwest Library Parking Lot Expansion, the Criminal Justice Resource Center Multipurpose Room Renovation, and the Criminal Justice Resource Center Water Intrusion Repairs. The Request for Qualifications for architectural design services is being prepared in order to advertise for renovations to the building that previously housed the County's judicial system and Sheriff's Office.

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. The Human Services Complex building project currently under construction is pursuing the LEED "Gold" certification. Currently, the County has eight 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”, and the recently completed new Durham County Courthouse – “Gold” . Additional projects utilizing sustainable design guidelines are currently under design and construction.

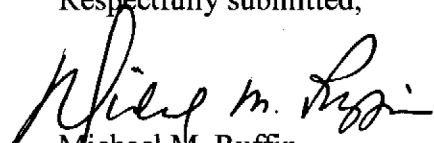
## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to Durham County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This was the thirteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

  
Michael M. Ruffin  
County Manager

  
George K. Quick  
Chief Financial Officer

# Durham County Board of County Commissioners



Fred Foster Jr.  
Chairman



Brenda A. Howerton  
Vice Chairman



Michael D. Page



Wendy Jacobs



Ellen W. Reckhow

## Durham County Administration



Mike Ruffin  
County Manager



George K. Quick  
Chief Financial Officer





# Durham County, North Carolina General Administration Organizational Chart

Citizens of Durham County

Board of County Commissioners\*

County Manager  
Mike Ruffin

Budget & Management Services  
Fern Meyer

Internal Audit  
Richard Edwards

Human Resources  
Curt Wilson

Finance  
George K. Duck

County Attorney  
Lowell Star

Clerk to the Board  
V. Michelle Parker-Byars

Chairman	Vice-Chairman	Commissioner
Commissioner	Commissioner	Commissioner

Deputy County Mgr  
Lee Worsley

Assistant County Mgr  
For Special Projects  
Drew Cummings

Ast. To County Mgr

Assistant County Mgr  
For Communications  
Deborah Craig-Ray

Deputy County Mgr  
Marqueta Weilton

Planning & Development

Soil & Water Conservation  
Eddie Colburn

Engineering & Environmental Services  
Glen Wheeler

Forest Production  
George Brown

City/County Inspections\*\*  
Gene Bradburn

City/County Planning\*\*  
Steve Melvin

Maintenance & Technology  
Greg Morrow

Public Safety

Fire Marshal/Emergency Management  
Jeff Burton

Sherriff's Dept./Jail\*\*  
Michael D. Andrews

Emergency Medical Services  
Skip Kitchwood

Emergency Communications\*\*  
Jim Seaburg

Youth Detention Facility  
Angela Nurn

Criminal Justice Resource Center  
Candace Parnor

Health & Human Services

Mental Health Services  
Ellen Hoffman

Social Services  
Michael Endicott

Public Health Services  
Cayle Harris

Veterans Services  
Lori Harris-Rain

Cooperative Extension  
Daphne Jelan

Economic Development

Tax Administration  
Kim Simpson

General Services  
Marilyn Karamazova

Board of Elections  
Michael Perry

Library  
Terry Suggitt

Administrative Support/General Government

Register of Deeds\*  
Willa L. Covington

\* Elected Officials  
\*\* Joint City/County Departments







Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**County of Durham**  
**North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

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, 2013 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, 2013, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, the community health trust fund, and the debt service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other-Matters**

### *Changes in Accounting Principle*

As discussed in Note P to the basic financial statements, the Government adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities, effective July 1, 2012.

### *Prior Period Adjustment*

As discussed in Note P to the financial statements, management discovered it had not recorded loans for State Revolving Loan proceeds received in prior years and instead had recorded them as revenues. Accordingly, the client has recorded a prior period adjustment to the Sewer Utility Fund to properly reflect the financial position of the County.

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

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

### *Other Reporting Required by Governmental Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2013 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 28, 2013

## 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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-xviii.

### Financial Highlights

- The assets and deferred outflows of resources of Durham County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$65,152,798 (*net position*). However, of this amount, unrestricted net position has a deficit balance of (\$74,908,841) (*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 \$3,061,671, a decrease of 4.49 percent, due to decreases in the governmental activities' net position of over \$9.5 million coupled with increases in the business-type activities' net position of over \$6.4 million.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$200,929,637, a decrease of \$6,434,281 in comparison with the prior year. Approximately 20.94 percent of this total amount, or \$42,070,844, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$104,924,557 or 27.24 percent of total general fund expenditures, compared to fiscal year 2012 which was \$106,747,586 or 28.24 percent of total general fund expenditures. The net change in fund balance for fiscal year 2013 was a decrease of over \$4.7 million with a decrease in the fund balance available as a percentage of expenditures as well. The primary reasons for the decrease are that while revenue collections as a percentage of budget decreased slightly from 102.9 percent in fiscal year 2012 to 102.64 in fiscal year 2013, expenditures as a percentage to budget increased from 92.52 percent in fiscal year 2012 to 95.03 percent of budget in fiscal year 2013 combined with an increase of transfers out of over \$4.8 million (10.05 percent). The net change in fund balance decreased by over \$23.4 million in fiscal year 2013 from fiscal year 2012. The primary reasons for the decrease in the net change in fund balance are the decrease in excess of revenues over expenditures of over \$17.3 million, the increase in transfers out of almost \$4.9 million, the decrease in transfers in of slightly over \$400 thousand and the decrease in the issuance of installment purchases of over \$800 thousand.
- The County's total debt increased by \$54,778,585 (9.11 percent) during the current fiscal year. The key factors in this increase were the annual retirement of governmental and business-type activities debt, the issuance of \$36,330,595 in certificates of participation, the issuance of \$25,234,960 in general obligation bond anticipation notes, the issuance of \$4,549,000 in other

installment purchase agreements, an increase in the County's net OPEB obligation of \$5,409,040 and \$13,574,454 in State Revolving Loans.

- Durham County continues to maintain its AAA bond rating.

## **Overview of the Financial Statements**

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

## **Basic Financial Statements**

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

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

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

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

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets and deferred outflows of resources and 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 unit. Durham County ABC Board is legally separate from the County however the County is financially accountable for the Board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

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

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

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

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

Durham County adopts an annual budget for its general 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 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 in the general fund; and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found on pages 29-35 of this report.

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

The basic proprietary fund financial statements can be found on pages 36-38 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 thirteen fiduciary funds, one of which is a pension trust fund, two of which are private-purpose trust funds and ten of which are agency funds.

The basic fiduciary fund financial statements can be found on pages 39-40 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-99 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Durham County's progress in funding its obligation to provide pension benefits and postemployment benefits to its employees. Required supplementary information can be found on pages 101-106 of this report.

Following the required supplementary information, combining statements referred to earlier are provided to show details in connection with nonmajor governmental funds. Budgetary information for each fund as required by the North Carolina General Statutes and detailed comparative statements, including annually budgeted funds, can also be found in this section. Combining and individual fund statements and schedules can be found on pages 109-143 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 \$65,152,798 as of June 30, 2013. 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 \$11,675,204 for the fiscal year ended June 30, 2013. One of the largest portions in the amount of \$52,503,669 reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### DURHAM COUNTY'S NET POSITION

	Governmental		Business - type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 242,225,450	\$ 259,952,494	\$ 25,528,375	\$ 25,436,658	\$ 267,753,825	\$ 285,389,152
Capital assets	394,929,809	361,616,287	71,748,475	63,426,391	466,678,284	425,042,678
Total assets	637,155,259	621,568,781	97,276,850	88,863,049	734,432,109	710,431,830
Total deferred outflows of resources	8,180,246	-	807,907	-	8,988,153	-
Long-term liabilities outstanding	629,175,859	584,215,669	27,138,571	17,320,176	656,314,430	601,535,845
Other liabilities	20,195,682	31,012,451	680,576	1,055,532	20,876,258	32,067,983
Total liabilities	649,371,541	615,228,120	27,819,147	18,375,708	677,190,688	633,603,828
Total deferred inflows of resources	1,076,776	-	-	-	1,076,776	-
Net position:						
Net investment in capital assets	7,789,264	20,244,058	44,714,405	46,827,067	52,503,669	67,071,125
Restricted	81,325,452	95,772,487	6,232,518	8,650,213	87,557,970	104,422,700
Unrestricted	(94,227,528)	(109,675,884)	19,318,687	15,010,061	(74,908,841)	(94,665,823)
Total net position	\$ (5,112,812)	\$ 6,340,661	\$ 70,265,610	\$ 70,487,341	\$ 65,152,798	\$ 76,828,002

The second portion of the County's net position in the amount of \$87,557,970 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, 2013, the unrestricted net position is a deficit in the amount of (\$74,908,841). The unrestricted deficit is attributable primarily to the general obligation bonds issued by the County for the public schools, Durham Technical Community College and the Museum for Life and Science. Even though the debt has been issued to finance the acquisition, construction and renovation for the public schools, Durham Technical Community College and the Museum of Life and Science, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it is not financing assets owned by the County. Therefore, this debt is reflected within the unrestricted portion of net position rather than as part of the category net investment in capital assets. In addition, as of fiscal year 2008, the unrestricted net position deficit includes pension liabilities for other postemployment benefits per GASB Statements No. 43 and No. 45. Also, as of fiscal year

2011, the restricted net position now includes Stabilization by State Statute per GASB Statement No. 54 which further increases the unrestricted net position deficit.

At the end of the current fiscal year, the County is not able to report positive balances in all three categories of net position for the government as a whole. However, the same did not hold true for the separate governmental and business-type activities. The unrestricted net position for the governmental activities had a deficit balance of (\$94,227,528) 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 \$19,318,687.

### DURHAM COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business - type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 25,142,175	\$ 24,123,958	\$ 11,748,514	\$ 11,181,310	\$ 36,890,689	\$ 35,305,268
Operating grants and contributions	53,016,379	80,009,239	-	-	53,016,379	80,009,239
Capital grants and contributions	1,501,002	4,578,130	471,600	6,260,051	1,972,602	10,838,181
General revenues:						
Taxes	299,029,295	285,582,919	-	-	299,029,295	285,582,919
Investment and interest income	1,977,962	9,886,557	29,074	(7,981)	2,007,036	9,878,576
Other revenues	4,709,427	8,604,913	493	-	4,709,920	8,604,913
Total revenues	385,376,240	412,785,716	12,249,681	17,433,380	397,625,921	430,219,096
Expenses:						
General government	57,034,487	50,482,000	-	-	57,034,487	50,482,000
Public safety	57,767,228	54,806,448	-	-	57,767,228	54,806,448
Transportation	12,500	12,500	-	-	12,500	12,500
Economic and physical development	4,916,125	4,616,413	-	-	4,916,125	4,616,413
Environmental Protection	3,632,359	3,694,850	-	-	3,632,359	3,694,850
Human services	88,141,193	115,743,251	-	-	88,141,193	115,743,251
Education	151,919,349	159,834,958	-	-	151,919,349	159,834,958
Cultural and recreational	11,688,669	12,075,639	-	-	11,688,669	12,075,639
Interest and fiscal charges	19,814,600	17,226,788	-	-	19,814,600	17,226,788
Sewer utility	-	-	5,761,082	5,563,907	5,761,082	5,563,907
Total expenses	394,926,510	418,492,847	5,761,082	5,563,907	400,687,592	424,056,754
Increase (decrease) in net position	(9,550,270)	(5,707,131)	6,488,599	11,869,473	(3,061,671)	6,162,342
Net position, beginning, previously reported	6,340,661	33,221,667	70,487,341	58,617,868	76,828,002	91,839,535
Restatement (Note P)	(1,903,203)	(21,173,875)	(6,710,330)	-	(8,613,533)	(21,173,875)
Net position, beginning, restated	4,437,458	12,047,792	63,777,011	58,617,868	68,214,469	70,665,660
Net position, ending	\$ (5,112,812)	\$ 6,340,661	\$ 70,265,610	\$ 70,487,341	\$ 65,152,798	\$ 76,828,002

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 98.91 percent.

- 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.

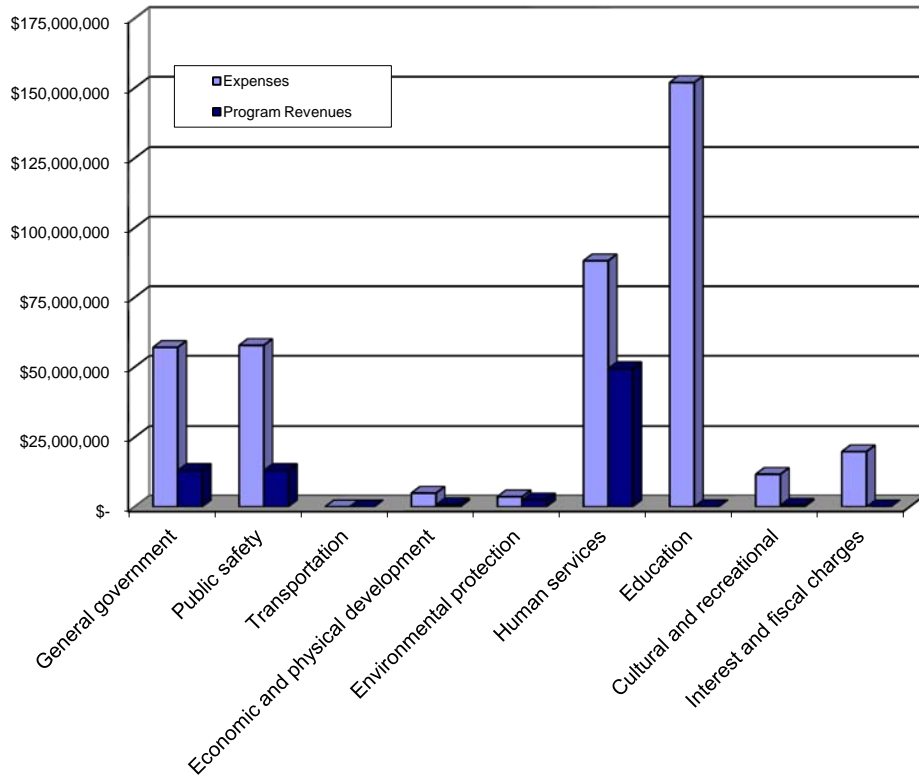
**Governmental activities.** The governmental activities decreased the County's beginning net position by \$9,550,270 or more than 300% of the total decrease in the net position of the County. The decrease is due primarily because of overall increased expenses other than human services and the decrease in the capital grants and contributions. This amount is a decrease of 161.34 percent of the governmental activities beginning net position. Effective for fiscal year 2013, the Medicaid Waiver 1915 (b)(c) was implemented, whereby Local Management Entities (LMEs) would operate as risk-based Managed Care Organizations (MCOs) to manage local mental health, substance abuse and developmental disability services. As such, effective for fiscal year 2013, the County no longer provided these services but rather contracted with the established MCO, Alliance Behavioral Healthcare. As a result of this change, there was a significant reduction in human services expenses and the operating grants and contributions for these services (e.g., federal and state awards). Expenses decreased by over \$23.5 million (5.63 percent) for fiscal year 2013 compared to fiscal year 2012. There was a significant decrease of over \$27.6 million primarily because the County no longer provided mental health services. In addition, increases in general government, public safety and interest and fiscal charges of over \$6.5 million, \$2.9 million and \$2.5 million, respectively, offset the decrease in education expenses of over \$7.9 million for a net increase of over \$4 million. In fiscal year 2013, program revenues decreased by over \$29 million. This reduction was mainly the result of a decrease in operating grants and contributions of almost \$27 million combined with a decrease in capital grants and contribution of over \$3 million. The reduction of operating grants and contributions was primarily the result of the County no longer providing mental health services while capital grants and contributions was for the most part the result of reduced grant funding for environmental protection capital projects. Charges for services program revenues increase slightly by \$1 million (4.22 percent). In addition, general revenues increased slightly by \$1.6 million (5.40 percent). The slight increase was essentially because of significant increases in property taxes levied for general purposes and local option sales tax that were offset by sizeable decreases in investment and interest income and other revenues. In fiscal year 2013, local option sales tax increased for the third consecutive year by over \$7.6 million primarily because of increased collections and property taxes levied for general purposes increased by over \$5.6 million. Investment and interest income decreased by over \$7.9 million mainly because of the decrease in the value of the derivative financial instrument for the County's SWAP Agreement per GASB Statement No. 53 combined with an increase in other investment earnings. Other revenues decreased by over \$3.9 million which is mainly because of a decrease in the sale of property combined with an increase in benefit plan revenues. Despite the struggling economy, the County's finances continue to be strong, sound and stable because of solid, dedicated and committed financial management.

For the most part, decreases in governmental activities' expenses closely paralleled inflation and growth in the demand for services. The County's total governmental activities' expenses decreased

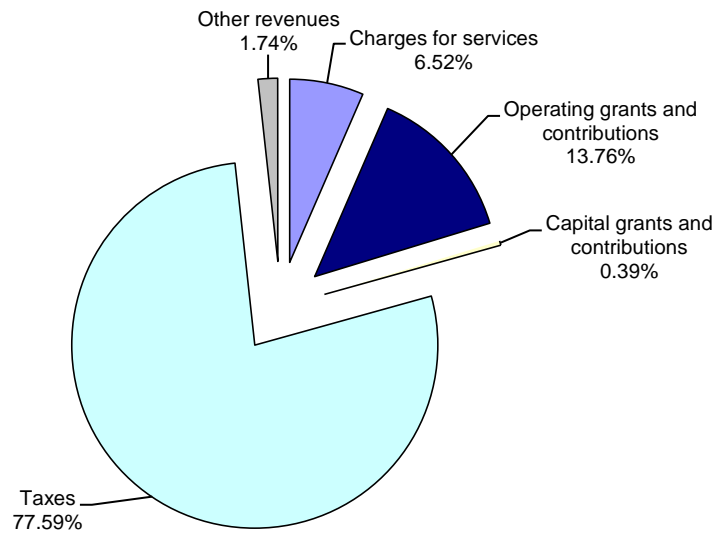
by \$23,566,337 (5.63 percent). There was a significant decrease in human services of over \$27.6 million and education of over \$7.9 million coupled with significant increases in general government, public safety and interest and fiscal charges of over \$6.5 million, \$2.9 million and \$2.5 million, respectively. As previously stated, the decrease in human services was a result of the County no longer providing mental health services. Effective for fiscal year 2013, the County now contracts with an MCO, Alliance Behavioral Healthcare, Inc. to provide these services. As such, the expenses for mental health services reported in fiscal year 2013 represent the agreed upon amount that the County funded, contract with Alliance as a sub recipient to perform grant funded services and the remaining advance funding provided by Wake and Durham County which is to be repaid in full within five years plus interest per the executed agreement. The decrease in education was for the most part a combination of increased funding to Durham Public Schools and Durham Technical Community College and a decrease in capital expenditures for the year. The increases in general government and public safety were primarily the result of increased operating costs.

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## Expenses and Program Revenues – Governmental Activities



## Revenues by Source – Governmental Activities



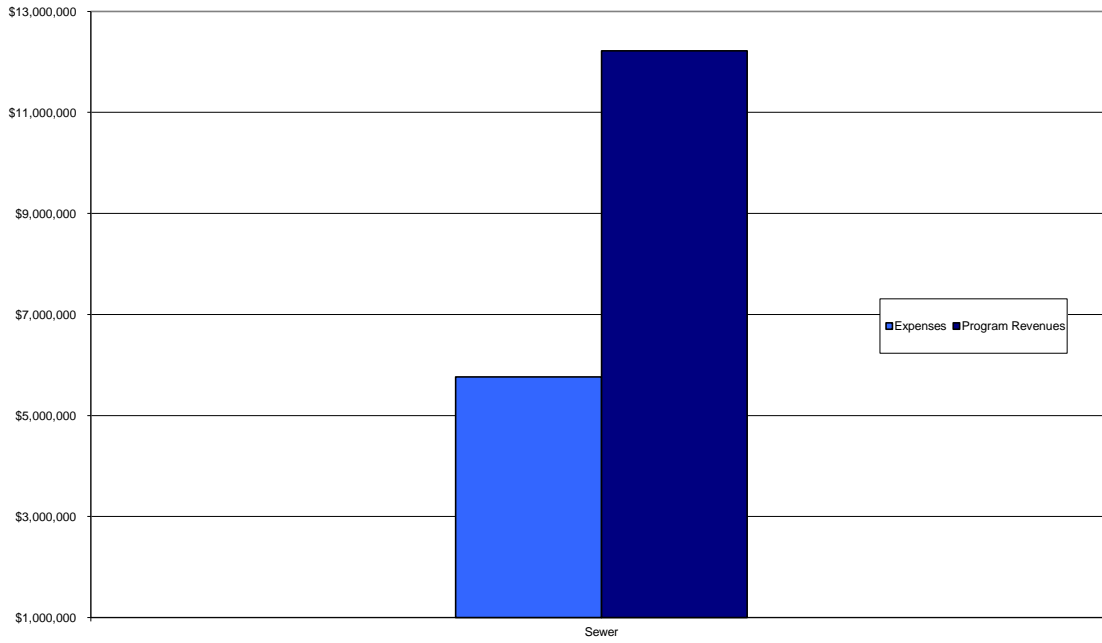
**Business-type activities.** Business-type activities increased the County's net position by \$6,488,599 offsetting the decrease in governmental activities' net position by 67.94 percent. Key elements of this are as follows:

- Expenses increased \$197,175 (3.54 percent) because of increases in operating expenses, bond issuance costs and transfers out netted with decreases in interest and fiscal charges. All categories of the operating expenses increased in fiscal year 2013. The overall increase is mostly because of increased services.
- Charges for services increased by \$567,204 (5.07 percent). There was a rate increase of 4.68 percent for all customers, both residential and industrial, effective July 1, 2012 in fiscal year 2013 with no increase in the capital recovery charges. The capital recovery charges are part of connection fees for new customers and are used as a source of funding for capital acquisitions, construction and improvements. All other sewer utility charges remained the same. There was a new fee effective for fiscal year 2013, pollutant headworks analysis fee which is "at cost". It was for technical consultant fees related to industrial pretreatment reviews for complex industrial discharges.
- Investment and interest income increased by \$37,055 (464.29 percent) primarily because of the decrease in the change in the accrued interest receivable at year end combined with the effect the decline in the economy has continued to have on the market.
- There was capital contributions (sewer lines) from private developers in fiscal year 2013 of \$471,600 compared to \$8,000 in fiscal year 2012.

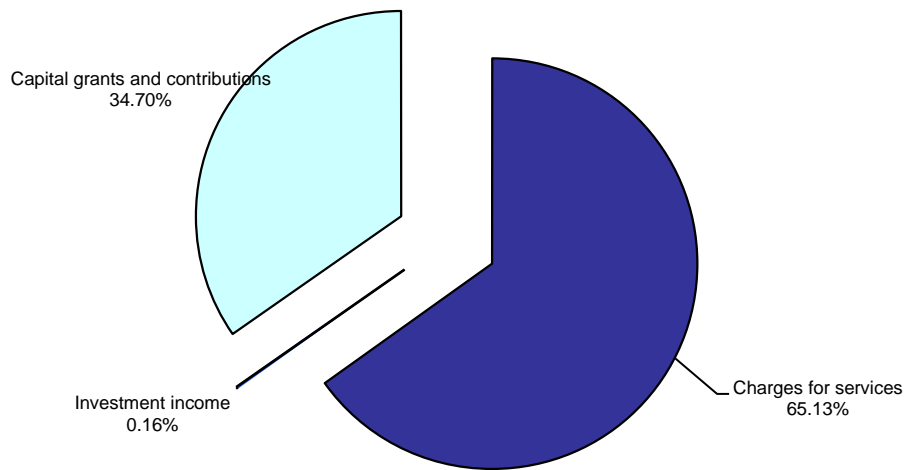
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### Expenses and Program Revenues – Business-type Activities



### Revenues by Source – Business-type Activities



## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of 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 \$200,929,637, a decrease of \$6,434,281 in comparison with the prior year. Approximately 79.06 percent of this total amount (\$158,858,793) 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 (\$1,002,364), 2) restricted by revenue source for specific purposes, programs and services (\$1,837,766), or 3) because it is restricted by State Statute (\$39,230,714).

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 \$104,924,557, while total fund balance reached \$134,629,310. The Board of County Commissioners of Durham County has determined that the County should maintain an available fund balance of 25 percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the County. As of June 30, 2013, the County has an available fund balance of 27.24 percent of general fund expenditures, while total fund balance represents 34.95 percent of that same amount. The percentage of available fund balance to total general fund expenditures decreased slightly from 28.24 percent for fiscal year 2012 to 27.24 percent for fiscal year 2013 a decrease of 1.00 percent. The net change in fund balance for fiscal 2013 was a decrease of over \$4.7 million. The primary reasons for the decrease are that while revenue collections as a percentage of budget decreased slightly from 102.9 percent in fiscal year 2012 to 102.64 in fiscal year 2013, expenditures as a percentage to budget increased from 92.52 percent in fiscal year 2012 to 95.03 percent of budget in fiscal year 2013 combined with an increase of transfers out of over \$4.8 million (10.05 percent). There were decreases in human services expenditures with offsetting decreases in the intergovernmental revenues primarily because of the implementation of Medicaid Waiver 1915 (b)(c), whereby LMEs would operate as risk-based MCOs to manage local mental health, substance abuse and developmental disabilities services. As such, effective for fiscal year 2013, the County no longer provided these services but rather contracted with the established MCO, Alliance Behavioral Healthcare, Inc. This significant reduction in expenditures was offset by considerable increases in other functional areas such that total expenditures increased by over \$2.3 million while actual revenues collected decreased by over \$15 million. General government and education had substantial increases in expenditures of over \$9.2 million and \$8.1 million, respectively. Restricted fund balance decreased by over \$10.4 million with unrestricted fund balance increasing by over \$4 million. The net change in fund balance decreased by over \$23.4 million in fiscal year 2013 from fiscal year 2012. The primary reasons for the decrease are the decrease in excess of revenues over expenditures of over \$17.3 million, the increase in transfers out of almost \$4.9 million, the decrease

in transfers in of over \$400 thousand and the decrease in the issuance of installment purchases of over \$800 thousand.

The fund balance of the County's general fund decreased by \$4,709,610 during the current fiscal year. Key factors in the changes are as follows:

- Intergovernmental revenues of the general fund decreased by 33.91 percent or \$26,951,116. The decrease is primarily because of the implementation of Medicaid Waiver 1915 (b)(c), whereby LMEs would operate as risk-based MCOs to manage local mental health, substance abuse and developmental disabilities services. As such, effective for fiscal year 2013, the County no longer provided these services but rather contracted with the established MCO, Alliance Behavioral Healthcare, Inc. Because the County no longer performs these services, we no longer receive the federal and state awards as funding sources. As a result, mental health intergovernmental revenues decreased from over \$28.1 million in fiscal year 2012 to slightly over \$1.6 million in fiscal year 2013, a reduction of approximately \$26.5 million. The \$1.6 million the County still received is a federally funded grant. The County contracts with Alliance Behavioral Healthcare, Inc. to provide these services as a sub-recipient of the County.
- The general fund taxes increased by 4.89 percent or \$13,619,863. This increase is for the most part the result of increases in the amount of the local option sales tax and the current year levy collections. Local option sales tax increased by \$7,676,501 (14.94 percent) due to increased spending. This is the third consecutive year of increased collections which is excellent given that the nation continues to suffer from a poor economy. In addition, current year levy collections increased by \$5,599,369 (2.52 percent) because of continued collection efforts including participating in the North Carolina Local Government Debt Setoff Clearinghouse Program.
- Charges for services increased \$507,132 (2.72 percent) mainly because of increases in public protection, emergency medical services, environmental protection, solid waste fees, public health and social services by \$253,346 (11.39 percent), \$177,152 (3.16 percent), \$176,242 (49.09 percent), \$153,648 (11.21 percent), \$149,243 (40.23 percent) and \$102,114 (57.27 percent), respectively, coupled with slight decreases in collection fees and election registration lists in the amounts of \$373,914 (20.06 percent) and \$174,392 (100.00 percent), respectively. The minor net increase in fiscal year 2013 was the result of a combination of increased fees, increased services, the reduction in the amount of late list remitted to Durham Public Schools decreasing collection fees and no elections held in fiscal year 2013.
- Investments increased by \$1,427,745 or 65.12 percent due to the performance of the County's derivative financial instrument (SWAP).
- Licenses and permits increased by \$31,604 (3.98 percent) for the most part because of increases in construction permits and cablevision and franchise fees in the amounts of \$17,983 (5.41 percent) and \$14,702 (3.37 percent), respectively.
- Rent increased by \$255,083 (44.83 percent) mainly because of an increase in rent of County facilities, space in the Human Services Complex and of the building that houses the Durham Access services, by Alliance Behavioral Healthcare, Inc. After becoming an MCO and separating from the County, they have rented County space to provide contracted services to the citizens of the County.
- Other revenues decreased by \$3,910,006 (47.21 percent) primarily because of a decrease in the amount of the sale of County property combined with an increase in benefit plan revenues, employee and retiree out-of-pocket contribution for benefits. In fiscal year 2012, the County

sold a building for \$6.8 million. Also, during the fiscal year ended June 30, 2013, the County reevaluated the accounting policy for unspent funding for the County's self-insured health benefits. As a result, the County has changed the method of accounting. With this change, employees and retirees out of pocket contributions to insure spouses and dependents for health insurance and retirees out of pocket contributions for dental coverage at the rate of active employees are revenues. Prior to fiscal year 2013, these funds were maintained in a collections in advance account. Effective fiscal year 2013, these funds are now considered revenues to the plan and County contributions are considered other funding sources. See Note P for a more detailed explanation of this change in accounting policy.

- General government expenditures increased \$9,229,123 (24.38 percent). This is due mainly because of increases in tax of \$6,155,250 (96.89 percent), other general government of \$820,913 (57.60 percent), general services of \$802,683 (9.09 percent), human resources of \$726,807 (18.46 percent), information systems of \$438,673 (8.30 percent), and the county manager of \$263,845 (14.40 percent). Taxes increased primarily because of a legal settlement with IBM Corporation for tax years 2002 to current combined with increases in contracted services. The settlement was for the County's general fund was over \$5.8 million. The increases in other general government were for the most part because of increased purchases in capital with some minor decreases in salaries and benefits and operating. General services increased predominantly because of increases in salaries and benefits combined with increases in the maintenance and repairs of buildings and grounds. The increases in human resources were mainly because of increased salaries and benefits. Increases in information systems were largely salaries and benefits with slight increases in training related travel and maintenance and rental equipment. The increase for the county manager was principally for salaries and benefits.
- Economic and physical development increased by \$359,135 (9.39 percent) primarily because of increased services in planning and disbursements per the Industrial Extension Policy (IEP) Agreements with more incentives being met coupled with a small increase in cooperative extension and slight decreases in open space management, soil and water conservation and other economic and physical development.
- Human services' expenditures decreased by \$17,473,408 (13.27 percent). This decrease was essentially the result of the implementation of Medicaid Waiver 1915 (b)(c), whereby LMEs would operate as risk-based MCOs to manage local mental health, substance abuse and developmental disabilities services. As such, effective for fiscal year 2013, the County no longer provided these services but rather contracted with the established MCO, Alliance Behavioral Healthcare, Inc. Expenditures for mental health decreased by over \$20 million while public health and social services increased by over \$1.1 million and \$1.4 million, respectively, due to an increase in services provided.
- Education increased by \$8,136,945 (7.09 percent) from the prior fiscal year. Of this increase, Durham Public Schools and Durham Technical Community College received increased funding for operating expenditures of \$7,059,710 and \$1,221,942, respectively, with Durham Technical Community College's capital being decreased by \$123,671 and other education received a minor increase in funding of \$21,036.
- Public safety increased by \$1,939,780 (3.92 percent). This is due mainly because of increases in emergency medical services of \$1,047,586 (7.33 percent) and the county jail of \$1,123,559 (14.32 percent). The increase in emergency medical services is largely due to increased salaries and benefits combined with increases in overall operating expenditures. The main reason for the increase in the county jail is salaries and benefits.

- The County fared well again in fiscal year 2013 despite the fact that the nation continues to suffer from a struggling economy. As a result, County's management did not recommend any restrictions for the upcoming fiscal year. However, the County has permanently suspended the longevity program.

The Community Health Trust Fund has a total fund balance of \$13,783,947, all of which is financing resources to be used for health related operating and capital expenditures as directed and approved by the Board of County Commissioners. The net increase in fund balance during the current year in the community health trust fund was \$37,421 which is immaterial. The increase in fiscal year 2013 was a combination of increased investment earnings of over \$676 thousand, increased charges for services of over \$2 thousand and decreased operating transfers out by almost \$1.3 million. The increase in investment earnings is a result of the market as these funds are managed by investment managers in the market as approved by special legislation.

In fiscal year 2013, the primary revenue activity was the recognition of the annual amount from the lease (\$3,950,000). In addition, there was the recognition of the investment earnings (\$948,940) and other charges for services (\$56,300). An operating financing use, operating transfer out (\$4,917,819) occurred. The amount transferred was to assist in the funding of health related expenditures in the general fund for volunteer fire department paramedic services, emergency management services, public health and the Lincoln Community Health Center. 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 2013, 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 2013. Management of these funds is performed by investment managers approved through special legislation, S.L. 1999-101, Senate Bill 653.

The Capital Projects Fund has a total fund balance of \$44,629,765, 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 \$335,722 due primarily to the acquisition, construction or improvement of major capital facilities for the County, School System, Durham Technical Community College and Museum of Life and Science using the funding sources combined with the issuance of installment purchases. The County's activity was recorded to construction in progress in capital assets of the County while the Schools System's, Durham Technical Community College's and the Museum of Life and Science's activity was recorded in their capital assets as they hold title to those assets.

The primary revenue activity was the recognition of other financing sources, the issuance of installment purchases (\$66,114,555) and transfers (\$2,481,200). The fund also recognized intergovernmental revenues (\$1,147,322) and investments (\$48,327). In the expenditures, there was construction activity in the amount of \$68,431,959, debt issuance costs (\$278,130), arbitrage and banking services (\$7,407), and there were other financing uses in the transfer of \$1,409,630 to the debt service fund. The construction activity was primarily for education and general government in the amounts of \$28,840,224 and \$22,447,700, respectively. The other construction activity occurred

in environmental protection (\$16,689,613), cultural and recreational (\$416,680) and public safety (\$37,742).

The Debt Service Fund has a total fund balance of \$7,347,048, all of which is financing resources to be used for the retirement of the County's general long-term debt other than debt issued for and serviced by proprietary funds. The net decrease in fund balance during the current year in the debt service fund was \$980,564 due primarily because the annual retirement of the principal and interest on the County's general long-term debt was greater than the revenues and other financing sources.

The primary funding activity was the recognition of other financing sources, the issuance of refunding bonds (\$125,002,399) and transfers (\$52,317,894). The fund also recognized intergovernmental revenues (\$496,477), charges for services (\$178,566) and investments (\$17,370). In the expenditures, there was principal and interest for the retirement of general long-term debt in the amounts of \$34,520,922 and \$19,468,651, respectively. In addition, there were debt issuance costs for the refunding bonds of \$540,000. The payment to refund the debt was \$124,462,399. The \$1,298 general government expenditures were banking charges.

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

Unrestricted net position of the sewer utility fund at the end of the fiscal year amounted to \$19,318,687. There was an increase in total net position of \$6,488,599. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

### **General Fund Budgetary Highlights**

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

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services or initiate new programs where timing is critical. Amendments to the General Fund budget totaled \$27,905,878 and can be summarized briefly as follows:

- \$9,429,523 in increases allocated to general administration were largely to honor commitments from fiscal year 2012 and a property tax legal settlement with a corporation coupled with increases primarily for taxes. The increases for taxes were for appropriation for increased contracted services for business personal property audit firms. There were also slight increases for the County Manager's Office for the funding of a nonprofit, for Finance for contracted services and for additional benefit costs.

- \$1,460,277 in increases allocated to public safety were primarily to honor commitments from fiscal year 2012, to appropriate unspent restricted funds in fiscal year 2013 and to recognize new grant and award funding for the Criminal Justice Resource Center (CJRC), Emergency Management and the Sheriff's Office. In addition, there were increases recognizing costs related to providing increased paramedic services, additional out of county placement for the Youth Home and the purchase of additional capital outlay. There was also an appropriation to recognize a reimbursement from the State for an animal program and as a result of an interlocal agreement.
- \$145,222 in increases allocated to economic and physical development were primarily for support of the IEP Agreements with more incentives being met as well as cooperative extension due to the receipt of additional grant funding and to honor commitments from fiscal year 2012 and to appropriate unspent restricted funds in fiscal year 2013.
- \$166,520 in increases allocated to environmental protection were primarily to honor commitments from fiscal year 2012.
- \$15,440,511 in increases allocated to human services were primarily because of increases in social services and public health. The increases in social services and public health were to honor commitments from fiscal year 2012, to appropriate unspent restricted funds in fiscal year 2013 and to provide increased services. The services are funded for the most part through the recognition of new grants and additional federal and state awards. In addition, there was a one-time appropriation for the payout of accrued vacation to Alliance Behavioral Healthcare, Inc. (Alliance) for employees who left the County for employment with Alliance. The payout was effective for fiscal year 2013 with the implementation of Medicaid Waiver 1915 (b)/(c) whereby LMEs would operate as risk-based MCOs to manage mental health, substance abuse and developmental disability services.
- \$142,625 in increases allocated to cultural and recreational were primarily to honor commitments from fiscal year 2012, to appropriate unspent restricted funds in fiscal year 2013, a Reading is Fundamental (RIF) Grant and to appropriate funds to move the Library's integrated library system from a local server-based service to a cloud-based service.
- \$1,121,200 in increases in operating transfers were for funding of support two capital projects.

Of this net increase, \$700,000 was to be funded from additional taxes, intergovernmental revenues funding increased \$8,558,528, charges for services increased \$14,870, other revenues funding increased \$16,438 and operating transfers in funding increased \$853,979. The remaining \$17,762,063 was to be budgeted from available fund balance. During the year, revenues exceeded budgetary estimates by \$9,602,389 while other financing sources did not exceed budgetary estimates by \$2,301,503; however, expenditures were far less than budgetary estimates with a positive variance of \$17,364,215, thus reducing the need to draw upon existing fund balance to the amount of \$4,709,610.

### **Capital Asset and Debt Administration**

**Capital assets.** Durham County's capital assets for its governmental and business-type activities as of June 30, 2013 totals \$466,678,284 (net of accumulated depreciation). These assets include land, easements, buildings, improvements, office furniture and equipment, machinery and equipment, computer hardware, computer software, vehicles and construction in progress. The total increase in

the County's net capital assets for the current fiscal year was \$41,635,606 (9.80 percent). Governmental activities' increased \$33,313,522 (9.21 percent) and business-type activities increased \$8,322,084 (13.12 percent).

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

- Construction continued on the additional wastewater treatment facilities, the collection systems rehabilitation, the reused water facilities and phase III of the waste water treatment plant projects which had construction costs for the year of \$157,373, \$675,756, \$410,498 and \$7,259,680, respectively.
- Construction for the Durham Public School Projects continued in fiscal year 2013 in the amount of \$28,840,224.
- Construction for NCML & Bioquest Project for the Museum of Life and Science continued in fiscal year 2013 in the amount of \$254,759.
- Other construction activity for cultural and recreational expenses other than for the Museum occurred in the amount of \$161,921 for the South Regional Library, the Stanford L. Warren Site Improvements and the Southwest Branch Library.
- Construction activity for environmental protection occurred in the amount of \$16,689,613 in environmental engineering primarily for the human services complex (\$11,970,978), utility performance contract project (\$3,735,845), and open space and farmland preservation (\$974,068). Other activity occurred on the criminal justice resource center, administrative building renovations, judicial building renovations phase II and Lincoln Community Health Center phase I renovations.
- Construction activity for general government occurred in the amount of \$22,447,700. The major activity in general government was the new justice center (\$17,603,966), County storage facility (\$2,375,711), FY12 HR ERP upgrade (\$1,073,665) and the 12 County IT hardware replacement (\$811,434). Other activity occurred in the FY12 BW technical upgrade, civic center renovations, 12 Sheriff technology upgrade, FY10 ERP upgrade, register of deeds preservation, and the facility light replacement.
- There was contributed capital of donated sewer lines in the amount of \$471,600 for fiscal year 2013 for business-type activities.
- There was contributed capital of vehicles for emergency medical services and the library in the amounts of \$257,499 and \$96,181, respectively, for fiscal year 2013 for governmental activities.
- There was a loss on the disposal of governmental activities' capital assets in the amount of \$106,545 for fiscal year 2013.



**DURHAM COUNTY'S CAPITAL ASSETS**  
(Net of Depreciation)

	Governmental		Business - type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 8,366,984	\$ 8,366,984	\$ 185,226	\$ 185,226	\$ 8,552,210	\$ 8,552,210
Easements	1,351,764	1,351,764	-	-	1,351,764	1,351,764
Improvements- water and sewer lines	-	-	14,288,703	14,393,268	14,288,703	14,393,268
Buildings	136,751,233	133,045,375	1,513,723	1,578,248	138,264,956	134,623,623
Office furniture and equipment	825,421	996,533	5,253	7,164	830,674	1,003,697
Machinery and equipment	1,851,269	2,097,974	174,121	178,516	2,025,390	2,276,490
Computer hardware	2,237,522	3,282,330	10,799	16,970	2,248,321	3,299,300
Computer software	82,080	207,795	-	-	82,080	207,795
Vehicles	2,947,032	1,894,816	88,227	87,883	3,035,259	1,982,699
Construction in progress	240,516,504	210,372,716	55,482,423	46,979,116	295,998,927	257,351,832
<b>Total</b>	<b>\$ 394,929,809</b>	<b>\$ 361,616,287</b>	<b>\$ 71,748,475</b>	<b>\$ 63,426,391</b>	<b>\$ 466,678,284</b>	<b>\$ 425,042,678</b>

Additional information on the County's capital assets can be found in Note D on pages 68-70 of this report.

**Long-term debt.** At the end of the current fiscal year, Durham County had total debt outstanding of \$608,283,816. Of this amount, \$295,880,660 comprises bonded debt backed by the full faith and credit of the government. Also included is \$10,845,000 of bonded debt secured by a pledge of and lien upon, and payable solely from, the net receipts of the enterprise system, and in certain circumstances, by proceeds of the revenue bonds, investment earnings and certain net insurance and other proceeds. The revenue bonds are additionally secured by and payable from money and securities of certain funds, accounts and sub-accounts held by the trustee under the trust agreement and the first supplemental trust agreement. The balance consists of certificates of participation in the amount of \$245,026,572, installment notes in the amount of \$11,690,117, general obligation bond anticipation notes of \$30,433,136 and other financing agreements in the amount of \$14,408,331. The general obligation bond anticipation notes are also backed by the full faith and credit of the government.

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

	Governmental		Business - type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 293,099,857	\$ 313,566,970	\$ 2,780,803	\$ 3,366,405	\$ 295,880,660	\$ 316,933,375
Revenue bonds	-	-	10,845,000	13,860,000	10,845,000	13,860,000
Certificates of participation	245,026,572	210,666,804	-	-	245,026,572	210,666,804
Installment notes payable	42,123,253	16,121,030	-	-	42,123,253	16,121,030
Other financing agreements	1,000,064	1,492,909	13,408,267	-	14,408,331	1,492,909
<b>Total</b>	<b>\$ 581,249,746</b>	<b>\$ 541,847,713</b>	<b>\$ 27,034,070</b>	<b>\$ 17,226,405</b>	<b>\$ 608,283,816</b>	<b>\$ 559,074,118</b>

The County's total debt excluding accrued compensated absences and net OPEB obligation increased by \$49,209,698 (8.80 percent) during the current fiscal year. The key changes in this increase was the issuance of \$36,330,595 in certificates of participation, the issuance of \$25,234,960 in general obligation bond anticipation notes, the issuance of \$4,549,000 of other installment purchase agreements, State Revolving Loans of \$13,574,454, and the reduction of debt as a result of the annual debt payments. There were two debt refundings that occurred in fiscal year 2013 through the issuance of limited obligation bonds and revenue bonds; however, they had no significant effect on the carrying value of debt. This is because of the premiums that were received on the limited obligation bonds and the revenue bond refunding was only to acquire a lower interest rate.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the County is \$2,435,740,016, leaving a legal debt margin of \$2,161,840,016. The net bonded debt per capita is \$987.

Additional information on the County's long-term debt can be found in Note E on pages 71-77 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the County is 7.5 percent as of June 2013, which is a decrease from a rate of 8.2 percent as of June 2012. The County's unemployment rate remains high due to the continued struggling economic. However, the County's unemployment rate is lower than the State's and nation's unemployment rate of 8.8 percent and 7.6 percent, respectively, as of June 2013.
- The construction activity for non-residential and residential construction was over \$901 million for calendar year 2012 compared to over \$1 billion for the calendar year 2011. Even though there was a decrease in the value of construction activity, the value for 2012 remained sound and a sign of continued growth and recovery for the economy.
- The manufacturing sector employment remained relatively the same only increasing 0.20 percent (56 positions) for calendar year 2012 (28,421) compared to calendar year 2011 (28,365).
- The North Carolina Department of Revenue made an administrative rule change in reporting retail sales. Beginning in fiscal year 2006, reported retail sales are now reported on total taxable sales based on sales and use tax returns rather than gross retail sales as has been reported in the past years. The total taxable sales for Durham County for 2013 reported were \$4,902,628 compared to \$4,434,078 reported for fiscal year 2012, an increase of \$468,550 (10.57 percent). Total taxable sales are reported in thousands of dollars. Retail sales increased despite the current struggling economy.
- Economic development announcements for 2012 were over \$501 million, and economic announcements occurring through the third quarter of 2013 amounted to over \$419 million.
- The per capita income for Durham MSA for 2011 is \$41,785, an increase of 2.93 percent over 2010. The Raleigh/Cary MSA has a per capita income of \$40,631. The per capita for the State

and the nation increased from 2010 to 2011 to \$36,520 and \$42,298, an increase of 1.37 percent and 5.32 percent, respectively. 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 2014 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$106,406,557 or 27.62 percent of total general fund expenditures, a decrease of \$341,029 or 0.32 percent from the previous fiscal year. The County has appropriated \$16,348,230 of this amount for spending in the 2014 fiscal year budget. In addition, the tax rate was increased for the 2014 fiscal year from \$0.7444 to \$0.7744. Also, there were several charges for general fund services that were increased for the 2014 fiscal year in the departments of emergency medical services, general services, public health and the sheriff. Transfers from the special revenue funds are budgeted for the 2014 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2014 fiscal year as a funding source for health related spending, and a transfer from the sewer utility fund is budgeted for 2014 as a funding source for general government management and employee insurance benefits.

The sewer rates were increased for the 2014 budget year in the sewer utility fund. The sewer rates were increased by 1.8 percent for all customers, both residential and industrial, effective July 1, 2013. These rate increases were necessary to maintain operations and sufficient funds to service debt. The capital recovery charges were increased by 1.5 percent. The capital recovery charge is a part of connection fees for new customers and is used as a source of funding for capital acquisitions, construction and improvements. All other sewer utility charges remained the same.

### **Requests for Information**

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



# **BASIC FINANCIAL STATEMENTS**



**DURHAM COUNTY, NORTH CAROLINA**

**Statement of Net Position**

**June 30, 2013**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total Primary Government</b>	<b>Durham County ABC Board</b>
<b>Assets</b>				
Cash and cash equivalents / investments	\$ 149,399,435	\$ 18,060,578	\$ 167,460,013	\$ 2,729,115
Cash and cash equivalents / investments - restricted	42,094,738	6,232,518	48,327,256	-
Receivables:				
Accounts receivable	1,995,954	34,473	2,030,427	1,744
Accrued interest receivable	106,552	18,800	125,352	-
Net property taxes receivable	4,052,471	-	4,052,471	-
Solid waste receivable	32,834	-	32,834	-
Animal taxes receivable	1,726,730	-	1,726,730	-
Net emergency medical services receivable	1,397,142	-	1,397,142	-
Alliance advance loan receivable	3,600,000	-	3,600,000	-
Inventory	977,769	-	977,769	2,531,210
Due from other governments - federal and state agencies	21,721,258	557,035	22,278,293	-
Due from other governments - local	2,614,457	624,971	3,239,428	-
Prepays	24,595	-	24,595	118,637
Investment in joint venture	7,412,069	-	7,412,069	-
Pension assets	47,876	-	47,876	-
Derivative financial instrument	5,021,570	-	5,021,570	-
Capital assets:				
Nondepreciable:				
Land	8,366,984	185,226	8,552,210	2,219,417
Easements	1,351,764	-	1,351,764	-
Construction in progress	240,516,504	55,482,423	295,998,927	-
Depreciable:				
Land improvements - sewer and water lines	-	26,298,544	26,298,544	-
Buildings	206,935,421	4,103,344	211,038,765	3,573,505
Office furniture and equipment	2,021,146	13,374	2,034,520	-
Machinery and equipment	4,762,715	485,968	5,248,683	1,363,942
Computer hardware	10,715,965	45,160	10,761,125	-
Computer software	12,547,108	-	12,547,108	-
Vehicles	11,659,616	272,011	11,931,627	202,654
Leasehold improvements	-	-	-	1,272,157
Accumulated depreciation	(103,947,414)	(15,137,575)	(119,084,989)	(2,592,259)
<b>Total assets</b>	<b>637,155,259</b>	<b>97,276,850</b>	<b>734,432,109</b>	<b>11,420,122</b>
<b>Deferred outflows of resources</b>				
Unamortized loss on refundings	8,180,246	807,907	8,988,153	-
<b>Total deferred outflows of resources</b>	<b>8,180,246</b>	<b>807,907</b>	<b>8,988,153</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	9,459,450	454,201	9,913,651	775,555
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	3,373,889	127,352	3,501,241	-
Accrued payroll and related amounts withheld	5,672,053	86,023	5,758,076	87,635
Due to other governments - federal and state agencies	38,547	-	38,547	613,937
Due to other governments - local	229,968	-	229,968	1,093,720
Security deposits	263,247	-	263,247	-
Retiree and COBRA prepaid benefit contributions	165,441	-	165,441	-
Escrow - register of deeds	993,087	-	993,087	-
Other liabilities	-	-	-	249,899
Long-term liabilities:				
Accrued compensated absences due within one year	3,850,738	42,568	3,893,306	-
Bonds and other notes payable due within one year	36,126,017	2,185,598	38,311,615	89,309
Net OPEB obligation	40,984,987	-	40,984,987	-
Accrued compensated absences	3,090,388	61,933	3,152,321	108,109
Bonds and other notes payable	545,123,729	24,848,472	569,972,201	1,446,618
<b>Total liabilities</b>	<b>649,371,541</b>	<b>27,819,147</b>	<b>677,190,688</b>	<b>4,464,782</b>
<b>Deferred inflows of resources</b>				
Prepaid taxes	1,076,776	-	1,076,776	-
<b>Total deferred inflows of resources</b>	<b>1,076,776</b>	<b>-</b>	<b>1,076,776</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	7,789,264	44,714,405	52,503,669	4,503,489
Restricted for:				
Stabilization by State Statute	39,230,714	-	39,230,714	-
Capital projects	40,257,715	6,232,518	46,490,233	-
Grants and technology	1,837,023	-	1,837,023	-
Working capital	-	-	-	793,975
Unrestricted net position	(94,227,528)	19,318,687	(74,908,841)	1,657,876
<b>Total net position</b>	<b>\$ (5,112,812)</b>	<b>\$ 70,265,610</b>	<b>\$ 65,152,798</b>	<b>\$ 6,955,340</b>

**DURHAM COUNTY, NORTH CAROLINA**  
**Statement of Activities**  
**Year Ended June 30, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Durham County ABC Board
						Total	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 57,034,487	\$ 9,250,904	\$ 2,807,583	\$ 1,044,849	\$ (43,931,151)	\$ -	\$ (43,931,151)
Public safety	57,767,228	8,376,150	4,483,911	257,499	(44,649,668)	-	(44,649,668)
Transportation	12,500	-	-	-	(12,500)	-	(12,500)
Economic and physical development	4,916,125	24,524	732,984	-	(4,158,617)	-	(4,158,617)
Environmental protection	3,632,359	2,441,809	62,078	-	(1,128,472)	-	(1,128,472)
Human services	88,141,193	4,750,608	44,706,570	-	(38,684,015)	-	(38,684,015)
Education	151,919,349	-	-	102,473	(151,816,876)	-	(151,816,876)
Cultural and recreational	11,688,669	298,180	223,253	96,181	(11,071,055)	-	(11,071,055)
Interest and fiscal charges	19,814,600	-	-	-	(19,814,600)	-	(19,814,600)
Total governmental activities	394,926,510	25,142,175	53,016,379	1,501,002	(315,266,954)	-	(315,266,954)
<b>Business-type activities:</b>							
Sewer utility	5,761,082	11,748,514	-	471,600	-	6,459,032	6,459,032
Total business-type activities	5,761,082	11,748,514	-	471,600	-	6,459,032	6,459,032
<b>Total primary government</b>	<b>\$ 400,687,592</b>	<b>\$ 36,890,689</b>	<b>\$ 53,016,379</b>	<b>\$ 1,972,602</b>	<b>(315,266,954)</b>	<b>6,459,032</b>	<b>(308,807,922)</b>
<b>Component units:</b>							
Durham County ABC Board	\$ 26,586,651	\$ 27,089,726	\$ -	\$ -	-	-	503,075
<b>Total component units</b>	<b>\$ 26,586,651</b>	<b>\$ 27,089,726</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>503,075</b>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					229,853,877		229,853,877
Property taxes, levied for fire districts					6,064,378		6,064,378
Property taxes, levied for other districts purposes					739,049		739,049
Local option sales tax					59,047,561		59,047,561
Occupancy tax					2,436,586		2,436,586
Animal tax					540,618		540,618
Gross receipts tax					347,226		347,226
Investment and interest income					1,977,962	29,074	2,007,036
Other revenues					4,709,427	493	4,709,920
Total general revenues					305,716,684	29,567	305,746,251
Change in net position					(9,550,270)	6,488,599	(3,061,671)
Net position, beginning, as previously reported					6,340,661	70,487,341	76,828,002
Adjustments (Note P):							
Debt issuance costs					(4,970,390)	(339,971)	(5,310,361)
Prior period adjustment					3,067,187	(6,370,359)	(3,303,172)
Net position, beginning, adjusted					4,437,458	63,777,011	68,214,469
Net position, ending					(5,112,812)	70,265,610	65,152,798
					\$ 65,152,798	\$ 6,955,340	\$ 72,108,138

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



DURHAM COUNTY, NORTH CAROLINA

**Balance Sheet  
Governmental Funds  
June 30, 2013**

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents / investments	\$ 118,311,132	\$ 13,783,947	\$ 9,125,626	\$ 7,347,048	\$ 831,682	\$ 149,399,435
Cash and cash equivalents / investments - restricted	1,837,023	-	40,257,715	-	-	42,094,738
Receivables:						
Accounts receivable	1,995,954	-	-	-	-	1,995,954
Net property taxes receivable	3,973,092	-	-	-	79,379	4,052,471
Solid waste receivable	32,834	-	-	-	-	32,834
Animal taxes receivable	1,726,730	-	-	-	-	1,726,730
Net emergency medical services receivable	1,397,142	-	-	-	-	1,397,142
Alliance advance loan receivable	3,600,000	-	-	-	-	3,600,000
Inventory	977,769	-	-	-	-	977,769
Due from other governments - federal and state agencies	19,687,727	-	2,033,531	-	-	21,721,258
Due from other governments - local	2,614,457	-	-	-	-	2,614,457
Due from capital project fund	2,154,079	-	-	-	-	2,154,079
Due from Bethesda fire tax fund	250,000	-	-	-	-	250,000
Due from Parkwood fire tax fund	25,945	-	-	-	-	25,945
Prepaid expenditures	24,595	-	-	-	-	24,595
Total assets	<u>\$ 158,608,479</u>	<u>\$ 13,783,947</u>	<u>\$ 51,416,872</u>	<u>\$ 7,347,048</u>	<u>\$ 911,061</u>	<u>\$ 232,067,407</u>
<b>Liabilities</b>						
Accounts payable	\$ 4,826,227	\$ -	\$ 4,633,028	\$ -	\$ 195	\$ 9,459,450
Accrued payroll and related amounts withheld	5,672,053	-	-	-	-	5,672,053
Due to other governments - federal and state agencies	38,547	-	-	-	-	38,547
Due to other governments - local	229,968	-	-	-	-	229,968
Due to general fund	-	-	2,154,079	-	275,945	2,430,024
Security deposits	263,247	-	-	-	-	263,247
Retiree and COBRA prepaid benefit contributions	165,441	-	-	-	-	165,441
Escrow - register of deeds	993,087	-	-	-	-	993,087
Total liabilities	<u>12,188,570</u>	<u>-</u>	<u>6,787,107</u>	<u>-</u>	<u>276,140</u>	<u>19,251,817</u>
<b>Deferred inflows of resources</b>						
Prepaid taxes	1,060,801	-	-	-	15,975	1,076,776
Net property taxes receivable	3,973,092	-	-	-	79,379	4,052,471
Solid waste receivable	32,834	-	-	-	-	32,834
Animal taxes receivable	1,726,730	-	-	-	-	1,726,730
Net emergency medical services receivable	1,397,142	-	-	-	-	1,397,142
Alliance advance loan receivable	3,600,000	-	-	-	-	3,600,000
Total deferred inflows of resources	<u>11,790,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,354</u>	<u>11,885,953</u>
<b>Fund balances</b>						
Non-spendable:						
Inventories	977,769	-	-	-	-	977,769
Prepaid expenditures	24,595	-	-	-	-	24,595
Restricted:						
Stabilization by State Statute	28,702,389	-	10,528,325	-	-	39,230,714
Museum	86,735	-	-	-	-	86,735
Tax technology	622,311	-	-	-	-	622,311
Sheriff	275,982	-	-	-	-	275,982
Fire marshal	125,187	-	-	-	-	125,187
Cooperative extension programs	5,400	-	-	-	-	5,400
Public health programs	168,583	-	-	-	-	168,583
Social services programs	73,148	-	-	-	-	73,148
Library programs	5,734	-	-	-	-	5,734
Environmental protection programs	88,809	-	-	-	-	88,809
Register of deeds	385,134	-	-	-	-	385,134
Education	-	-	743	-	-	743
Committed:						
Risk management	6,546,872	-	-	-	-	6,546,872
Public health	338,151	-	-	-	-	338,151
Debt service	4,516,366	-	-	-	-	4,516,366
Sheriff inmate	510,499	-	-	-	-	510,499
Education: Article 46	2,811,253	-	-	-	-	2,811,253
OPEB	32,652,033	-	-	-	-	32,652,033
Self-insured health benefits	3,734,120	-	-	-	-	3,734,120
Assigned, reported in:						
General fund	16,348,230	-	-	-	-	16,348,230
Community health trust fund	-	13,783,947	-	-	-	13,783,947
Capital projects fund	-	-	34,100,697	-	-	34,100,697
Debt service	-	-	-	7,347,048	-	7,347,048
Assigned, reported in nonmajor:						
Special revenue	-	-	-	-	772,086	772,086
Unassigned, reported in nonmajor, special revenue	-	-	-	-	(232,519)	(232,519)
Unassigned, general	35,630,010	-	-	-	-	35,630,010
Total fund balances	<u>134,629,310</u>	<u>13,783,947</u>	<u>44,629,765</u>	<u>7,347,048</u>	<u>539,567</u>	<u>200,929,637</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 158,608,479</u>	<u>\$ 13,783,947</u>	<u>\$ 51,416,872</u>	<u>\$ 7,347,048</u>	<u>\$ 911,061</u>	<u>\$ 232,067,407</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
June 30, 2013**

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

Total fund balance - governmental funds	\$ 200,929,637
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	402,341,878
Other long-term assets used in governmental activities are not a current financial resource and, therefore, are not reported in the funds.	5,069,446
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.	8,180,246
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	10,809,177
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.	(632,443,196)
Net position of governmental activities	<u>\$ (5,112,812)</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, 2013

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 292,328,737	\$ -	\$ -	\$ -	\$ 6,797,553	\$ 299,126,290
Licenses and permits	826,580	-	-	-	-	826,580
Intergovernmental revenues	52,519,902	-	1,147,322	496,477	-	54,163,701
Investments	3,620,060	948,940	48,327	17,370	2,422	4,637,119
Rent	824,104	-	-	-	-	824,104
Charges for services	19,165,208	4,006,300	-	178,566	-	23,350,074
Other revenues	4,372,836	-	-	-	-	4,372,836
Total revenues	373,657,427	4,955,240	1,195,649	692,413	6,799,975	387,300,704
<b>Expenditures</b>						
Current:						
General government	47,081,564	-	22,455,107	1,298	-	69,537,969
Public safety	51,425,406	-	37,742	-	4,923,383	56,386,531
Transportation	12,500	-	-	-	-	12,500
Economic and physical development	4,183,927	-	-	-	730,851	4,914,778
Environmental protection	3,612,149	-	16,689,613	-	-	20,301,762
Human services	91,592,879	-	-	-	-	91,592,879
Education	122,877,101	-	28,840,224	-	-	151,717,325
Cultural and recreational	11,038,004	-	416,680	-	-	11,454,684
Debt service:						
Principal retirement	-	-	-	34,520,922	-	34,520,922
Interest and fiscal charges	-	-	-	19,468,651	-	19,468,651
Debt issuance costs	-	-	278,130	540,000	-	818,130
Total expenditures	331,823,530	-	68,717,496	54,530,871	5,654,234	460,726,131
<b>Excess (deficiency) of revenues over (under) expenditures</b>	41,833,897	4,955,240	(67,521,847)	(53,838,458)	1,145,741	(73,425,427)
<b>Other financing sources (uses)</b>						
Transfers in	6,845,957	-	2,481,200	52,317,894	-	61,645,051
Transfers out	(53,389,464)	(4,917,819)	(1,409,630)	-	(1,591,547)	(61,308,460)
Issuance of installment purchases	-	-	66,114,555	-	-	66,114,555
Issuance of refunding bonds	-	-	-	125,002,399	-	125,002,399
Payment to refunded debt escrow agent	-	-	-	(124,462,399)	-	(124,462,399)
Total other financing sources (uses)	(46,543,507)	(4,917,819)	67,186,125	52,857,894	(1,591,547)	66,991,146
<b>Net change in fund balances</b>	(4,709,610)	37,421	(335,722)	(980,564)	(445,806)	(6,434,281)
<b>Fund balance - beginning</b>	136,271,733	13,746,526	44,965,487	8,327,612	985,373	204,296,731
<b>Prior period adjustment (Note P)</b>	3,067,187	-	-	-	-	3,067,187
<b>Fund balance - beginning, as restated</b>	139,338,920	13,746,526	44,965,487	8,327,612	985,373	207,363,918
<b>Fund balance - ending</b>	\$ 134,629,310	\$ 13,783,947	\$ 44,629,765	\$ 7,347,048	\$ 539,567	\$ 200,929,637

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, 2013

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

Net changes in fund balances - total governmental funds \$ (6,434,281)

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. 33,097,025

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. (843,277)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,025,026

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. (36,394,763)

Change in net position of governmental activities \$ (9,550,270)

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, 2013**

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
<b>Revenues</b>				
Taxes				
Current levy	\$ 221,079,440	\$ 221,079,440	\$ 227,362,091	\$ 6,282,651
Prior year's levy	2,500,000	3,200,000	1,824,174	(1,375,826)
Tax penalties and interest	565,000	565,000	611,656	46,656
Advertising and selling	15,000	15,000	29,742	14,742
Payments in lieu of taxes	45,000	45,000	46,765	1,765
Local option sales tax	57,788,235	57,788,235	59,047,561	1,259,326
Animal tax	600,000	600,000	595,358	(4,642)
Occupancy tax	2,125,000	2,125,000	2,436,586	311,586
Gross receipts tax	350,000	350,000	347,226	(2,774)
Solid waste tax	19,000	19,000	27,578	8,578
Total taxes	<u>285,086,675</u>	<u>285,786,675</u>	<u>292,328,737</u>	<u>6,542,062</u>
Intergovernmental revenues				
Beer and wine tax	130,000	130,000	147,755	17,755
Social services	34,369,956	40,106,728	36,070,876	(4,035,852)
Mental health	-	1,500,000	1,618,638	118,638
Public health	5,388,288	6,093,827	6,087,991	(5,836)
Library	417,125	417,125	223,253	(193,872)
ABC Board	1,000,000	1,000,000	1,500,000	500,000
Other	6,132,787	6,749,004	6,871,389	122,385
Total intergovernmental revenues	<u>47,438,156</u>	<u>55,996,684</u>	<u>52,519,902</u>	<u>(3,476,782)</u>
Charges for services				
Register of deeds	2,800,000	2,800,000	3,009,855	209,855
General government charges	3,029,174	3,029,174	2,835,404	(193,770)
Collection fees	1,355,500	1,355,500	1,489,840	134,340
Public protection	2,199,800	2,199,800	2,477,170	277,370
Environmental protection	234,113	234,113	535,291	301,178
Solid waste fees	1,496,575	1,496,575	1,524,412	27,837
Facilities fees	500,000	500,000	393,811	(106,189)
Library fees and charges	201,500	201,500	298,180	96,680
Public health	583,562	583,562	520,181	(63,381)
Social services	199,521	199,521	280,427	80,906
Emergency medical services charges	5,410,000	5,410,000	5,775,876	365,876
Other charges	30,880	45,750	24,761	(20,989)
Total charges for services	<u>18,040,625</u>	<u>18,055,495</u>	<u>19,165,208</u>	<u>1,109,713</u>
Investment and rental income				
Investment earnings	2,513,000	2,513,000	3,620,060	1,107,060
Rent	658,829	658,829	824,104	165,275
Total investment and rental income	<u>3,171,829</u>	<u>3,171,829</u>	<u>4,444,164</u>	<u>1,272,335</u>
Licenses and permits				
Construction permits	234,000	234,000	350,418	116,418
Cablevision and franchise fees	400,000	400,000	450,457	50,457
Wine and beer licenses	20,000	20,000	17,130	(2,870)
Other licenses and permits	5,000	5,000	8,575	3,575
Total licenses and permits	<u>659,000</u>	<u>659,000</u>	<u>826,580</u>	<u>167,580</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, 2013**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
<b>Revenues (continued)</b>				
Other revenues				
Benefits plan	\$ -	\$ -	\$ 3,247,430	\$ 3,247,430
Miscellaneous	284,617	284,617	747,213	462,596
Confiscated property				
federal investigation	-	-	17,112	17,112
Inmate welfare	84,000	84,000	110,520	26,520
Sale of surplus property and materials	-	-	54,374	54,374
Other	300	16,738	196,187	179,449
Total other revenues	<u>368,917</u>	<u>385,355</u>	<u>4,372,836</u>	<u>3,987,481</u>
<b>Total revenues</b>	<b>354,765,202</b>	<b>364,055,038</b>	<b>373,657,427</b>	<b>9,602,389</b>
<b>Expenditures</b>				
General administration				
Board of county commissioners	569,328	573,577	567,520	6,057
County manager	2,249,804	2,260,838	2,096,480	164,358
Finance	2,863,597	5,099,756	2,693,827	2,405,929
Tax	5,893,258	13,325,230	12,508,237	816,993
Legal	1,800,001	1,798,368	1,775,072	23,296
Court facilities	314,325	314,325	287,344	26,981
Human resources	3,847,629	3,908,547	4,664,877	(756,330)
Elections	1,320,673	1,359,836	1,169,082	190,754
Risk management and insurance	2,508,605	2,573,552	1,660,943	912,609
General services	10,884,456	10,503,251	9,628,911	874,340
Geographic information systems	389,292	389,292	389,292	-
Information systems	6,329,682	6,350,228	5,721,050	629,178
Register of deeds	1,822,652	1,891,852	1,672,739	219,113
Other	2,744,017	2,618,190	2,246,190	372,000
Total general administration	<u>43,537,319</u>	<u>52,966,842</u>	<u>47,081,564</u>	<u>5,885,278</u>
Economic and physical development				
Planning	1,044,427	1,044,427	989,748	54,679
Cooperative extension	1,312,554	1,342,776	1,226,910	115,866
Soil and water conservation	357,722	357,722	334,013	23,709
Open space management	77,175	77,175	315	76,860
Industrial extension	1,000,000	1,249,500	1,246,389	3,111
Other	470,339	335,839	386,552	(50,713)
Total economic and physical development	<u>4,262,217</u>	<u>4,407,439</u>	<u>4,183,927</u>	<u>223,512</u>
Human services				
Public health	21,845,012	23,588,973	20,197,448	3,391,525
Mental health	6,661,442	14,121,009	14,073,906	47,103
Social services	54,685,021	60,907,376	55,769,667	5,137,709
Other	1,621,205	1,635,833	1,551,858	83,975
Total human services	<u>84,812,680</u>	<u>100,253,191</u>	<u>91,592,879</u>	<u>8,660,312</u>
Education				
Durham public schools				
Current	115,796,662	115,796,662	115,796,662	-
Capital	1,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	5,325,689	5,325,689	5,325,689	-
Capital	302,500	302,500	302,500	-
Other education	82,250	82,250	82,250	-
Total education	<u>122,877,101</u>	<u>122,877,101</u>	<u>122,877,101</u>	<u>-</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, 2013

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
<b>Expenditures (continued)</b>				
Public safety				
Criminal justice partnership	\$ 3,347,133	\$ 3,763,459	\$ 3,134,269	\$ 629,190
County sheriff	16,597,598	17,118,304	16,309,422	808,882
County jail	14,473,269	14,586,490	15,344,319	(757,829)
Youth home	1,155,407	1,208,567	1,317,753	(109,186)
Animal control	1,702,399	1,722,111	1,462,728	259,383
Emergency communications center	1,026,808	1,026,808	1,005,995	20,813
Emergency medical services	8,665,568	8,852,815	8,968,852	(116,037)
County fire protection	3,085,516	3,321,333	2,843,364	477,969
Medical examiner	100,000	100,000	90,000	10,000
Other public safety	1,034,616	948,704	948,704	-
Total public safety	<u>51,188,314</u>	<u>52,648,591</u>	<u>51,425,406</u>	<u>1,223,185</u>
Transportation				
Airport authority	12,500	12,500	12,500	-
Total transportation	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Environmental protection				
Solid waste	2,053,266	2,064,152	1,888,351	175,801
Environmental engineering	1,886,920	1,986,840	1,669,200	317,640
Other	48,916	104,630	54,598	50,032
Total environmental protection	<u>3,989,102</u>	<u>4,155,622</u>	<u>3,612,149</u>	<u>543,473</u>
Cultural and recreational				
Library	9,980,142	10,122,767	9,373,842	748,925
Other	1,743,692	1,743,692	1,664,162	79,530
Total cultural and recreational	<u>11,723,834</u>	<u>11,866,459</u>	<u>11,038,004</u>	<u>828,455</u>
<b>Total expenditures</b>	<u>322,403,067</u>	<u>349,187,745</u>	<u>331,823,530</u>	<u>17,364,215</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>32,362,135</u>	<u>14,867,293</u>	<u>41,833,897</u>	<u>26,966,604</u>
<b>Other financing sources (uses)</b>				
Transfers in	6,115,001	6,968,980	6,845,957	(123,023)
Appropriated fund balance	11,612,648	29,374,711	-	(29,374,711)
Transfers out	(52,268,264)	(53,389,464)	(53,389,464)	-
Issuance of installment purchases	2,178,480	2,178,480	-	(2,178,480)
Total other financing uses	<u>(32,362,135)</u>	<u>(14,867,293)</u>	<u>(46,543,507)</u>	<u>(31,676,214)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(4,709,610)</u>	<u>\$ (4,709,610)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>136,271,733</u>	
<b>PRIOR PERIOD ADJUSTMENT (NOTE P)</b>			<u>3,067,187</u>	
<b>FUND BALANCE -BEGINNING OF YEAR, AS RESTATED</b>			<u>139,338,920</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 134,629,310</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, 2013**

	<u>Enterprise Fund</u>
	<u>Sewer</u>
	<u>Utility</u>
	<u>Fund</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents / investments	\$ 18,060,578
Cash and cash equivalents / investments - restricted	6,232,518
Receivables:	
Accounts receivable	34,473
Accrued interest receivable	18,800
Total receivables	<u>53,273</u>
Due from other governments - federal and state agencies	557,035
Due from other governments - local	624,971
Total current assets	<u>25,528,375</u>
Noncurrent assets	
Capital assets:	
Land	185,226
Land improvements - sewer and water lines	26,298,544
Building treatment plant	4,103,344
Office furniture and equipment	13,374
Machinery and equipment	485,968
Vehicles	272,011
Computer hardware	45,160
Construction in progress	55,482,423
Total capital assets	<u>86,886,050</u>
Less accumulated depreciation and amortization	<u>(15,137,575)</u>
Net capital assets	<u>71,748,475</u>
Total noncurrent assets	<u>71,748,475</u>
<b>Total assets</b>	<u>97,276,850</u>
<b>Deferred outflows of resources</b>	
Unamortized loss on refundings	807,907
<b>Total deferred outflows of resources</b>	<u>807,907</u>
<b>Liabilities</b>	
Current liabilities	
Current portion of accrued compensated absences	42,568
Current portion of long-term debt	2,185,598
Accounts payable	454,201
Arbitrage rebate payable	13,000
Accrued interest payable	127,352
Accrued payroll and related amounts withheld	86,023
Total current liabilities	<u>2,908,742</u>
Noncurrent liabilities	
Accrued compensated absences	61,933
Long-term debt	24,848,472
Total noncurrent liabilities	<u>24,910,405</u>
<b>Total liabilities</b>	<u>27,819,147</u>
<b>Net position</b>	
Net investment in capital assets	44,714,405
Restricted for capital projects	6,232,518
Unrestricted	19,318,687
<b>Total net position</b>	<u>\$ 70,265,610</u>



**DURHAM COUNTY, NORTH CAROLINA**

**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
Year Ended June 30, 2013**

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	<b>Enterprise Fund</b>
	<b>Sewer Utility Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 11,108,013
Total operating revenues	<u>11,108,013</u>
<b>Operating expenses</b>	
Personnel services	1,522,115
Utilities	530,827
Maintenance and other	2,078,636
Depreciation and amortization	728,626
Total operating expenses	<u>4,860,204</u>
<b>Operating income (loss)</b>	<u>6,247,809</u>
<b>Nonoperating revenue (expense)</b>	
Investment and interest income	29,074
Sewer connection fees	640,501
Interest and fiscal charges	(454,504)
Bond issuance costs	(109,783)
Miscellaneous	493
Total nonoperating revenue (expense)	<u>105,781</u>
<b>Income (loss) before transfers and contributions</b>	6,353,590
Transfers out	(336,591)
Capital contributions	471,600
<b>Change in net position</b>	<u>6,488,599</u>
<b>Beginning net position, as previously reported</b>	70,487,341
<b>Adjustments (Note P):</b>	
Debt issuance costs	(339,971)
Prior period adjustment	(6,370,359)
<b>Beginning net position, adjusted</b>	<u>63,777,011</u>
<b>Total net position, ending</b>	<u>\$ 70,265,610</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, 2013**

	<u>Enterprise Fund</u>
	<u>Sewer Utility Fund</u>
<b>Operating activities</b>	
Cash received from sales	\$ 11,171,545
Cash paid to employees	(1,502,010)
Cash paid for operating plant	(3,040,147)
<b>Net cash provided (used) by operating activities</b>	<u>6,629,388</u>
<b>Noncapital financing activities</b>	
Sewer connection fees received	640,501
Transfers out	(336,591)
Miscellaneous	493
<b>Net cash provided (used) by noncapital financing activities</b>	<u>304,403</u>
<b>Capital and related financing activities</b>	
Bond proceeds from refunding	13,985,000
Defeasance of bonds from refunding	(13,875,217)
Bond issuance costs	(109,783)
State revolving loan proceeds	7,204,095
Principal payments on long-term debt	(4,634,847)
Interest paid	(457,783)
Acquisition and construction costs of capital assets	(8,579,109)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(6,467,644)</u>
<b>Investing activities</b>	
Investment income and dividends	30,693
<b>Net cash provided (used) by investing activities</b>	<u>30,693</u>
<b>Net increase (decrease) in cash and cash equivalents/investments</b>	<u>496,840</u>
<b>Cash and cash equivalents/investments</b>	
<b>Beginning of year</b>	<u>23,796,256</u>
<b>End of year</b>	<u>\$ 24,293,096</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 6,247,809
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	728,626
Change in assets and liabilities	
Accounts receivable	(10,330)
Due from other governments - federal and state agencies	79,806
Due from other governments - local	(5,944)
Accounts payable	(430,684)
Compensated absences and accrued payroll	20,105
Total adjustments	<u>381,579</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 6,629,388</u>
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities:</b>	
Capital contributions	<u>\$ 471,600</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013**

	<b>Law Enforcement Officers' Special Separation Allowance Pension Trust Fund</b>	<b>Private-purpose Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 32,911	\$ 1,483,026
Accounts receivable	-	-	1,005,914
U.S. government securities	1,410,667	-	-
Net taxes receivable	-	-	2,540,210
Total assets	<u>1,410,667</u>	<u>32,911</u>	<u>\$ 5,029,150</u>
<b>Liabilities</b>			
Accounts payable	-	200	-
Accrued payroll and amounts withheld	15,747	-	-
Funds held for others	-	-	639,462
Due to governmental agencies	-	-	4,389,688
Total liabilities	<u>15,747</u>	<u>200</u>	<u>\$ 5,029,150</u>
<b>Net position</b>			
Held in trust for:			
Employee pension benefits	1,394,920	-	
Individuals, organizations, and other governments	-	32,711	
Total net position	<u>\$ 1,394,920</u>	<u>\$ 32,711</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, 2013

	<b>Law Enforcement Officers' Special Separation Allowance Pension Trust Fund</b>	<b>Private-purpose Trust Funds</b>
<b>Additions</b>		
Employer contributions	\$ 314,454	\$ -
Employee contributions	-	3,249
Donations	-	6,578
Investment income	1,863	16
Total additions	316,317	9,843
<b>Deductions</b>		
Benefits	285,763	1,300
Total deductions	285,763	1,300
<b>Change in net position</b>	30,554	8,543
<b>Total net position - beginning</b>	1,364,366	24,168
<b>Total net position - ending</b>	\$ 1,394,920	\$ 32,711

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting Entity

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

Discretely Presented Component Unit

Durham County ABC Board

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

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

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

Durham County Industrial Facility and Pollution Control Financing Authority

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Basis of Presentation

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

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

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

The County reports the following fiduciary fund types:

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

DURHAM COUNTY, NORTH CAROLINA  
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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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

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

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

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

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



DURHAM COUNTY, NORTH CAROLINA  
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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

3. Measurement Focus and Basis of Accounting

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

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements 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.

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

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes and sales tax distributions. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the County is responsible for billing and collecting the property taxes on

DURHAM COUNTY, NORTH CAROLINA  
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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on 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 utilities franchise 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. 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 Control

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

The appropriations in the various funds are formally budgeted on a functional basis. The County Manager is authorized to transfer budgeted amounts within a function up to 15% cumulatively and up to \$20,000 between functions of the same fund with a report to the BOCC at the next regularly scheduled meeting. Any revisions that alter the total expenditures of any functional category which exceed \$20,000 whether by transfer or additional appropriated fund balance within a fund, all transfers between funds, and all transfers from the contingency account must be approved by the BOCC. The annual budget, which is prepared on the modified accrual basis of accounting as required by North Carolina law, is amended from time to time by the Commissioners. The General 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 major funds and for nonmajor funds, the schedule of expenditures compared with project authorizations for the capital projects fund and the Non-GAAP Basis for the major proprietary fund are reported in the Combining and Individual Fund Statements and Schedules elsewhere in this report.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

During the year, several supplementary appropriations were necessary.

The following summarizes the supplementary appropriations made for the major governmental funds other than the capital projects fund during fiscal year 2013:

	<u>Original Budget</u>	<u>Total Amendments</u>	<u>Revised Budget</u>
General	\$ 374,671,331	\$ 27,905,878	<u>\$ 402,577,209</u>
Community Health Trust	\$ 4,071,851	\$ 845,968	<u>\$ 4,917,819</u>
Debt Service	\$ 56,339,648	\$125,002,399	<u>\$ 181,342,047</u>

All annual appropriations lapse at each fiscal year-end.

5. Equity in Pooled Cash and Cash Equivalent/Investments

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

Cash and Cash Equivalents

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

Deposits and Investments

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

All of the County's and the ABC Board's deposits are either covered by federal depository

DURHAM COUNTY, NORTH CAROLINA  
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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2013, the County's deposits had a carrying amount of \$78,154,788 and a bank balance of \$75,062,218. Of the bank balance, \$782,116 was covered by federal depository insurance, and \$74,280,102 was covered by collateral held under the Pooling Method.

At June 30, 2013, the ABC Board's deposits had a carrying amount of \$2,729,115 and a bank balance of \$2,812,793. Of the bank balance, \$500,000 was covered by federal depository insurance and \$2,312,793 was covered by collateral held under the Pooling Method.

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

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

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

As of June 30, 2013, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6</u>			
		<u>Months</u>	<u>6-12 Months</u>	<u>1 - 5 Years</u>	<u>5 -15 Years</u>
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -	\$ -
US Government Treasuries	-	-	-	-	-
US Government Agencies	60,908,973	26,005,343	6,005,040	24,989,230	3,909,360
Commercial Paper	8,958,720	8,958,720	-	-	-
NC Capital Management Trust-Cash Portfolio	58,710,873	58,710,873	-	-	-
NC Capital Management Trust-Term Portfolio *	5,010,627	-	5,010,627	-	-
Community Health Trust	8,000,306	4,890,022	240,230	1,436,995	1,433,059
Certificate of Deposit	2,500,000	2,500,000	-	-	-
Total:	<u>\$ 144,089,499</u>	<u>\$ 101,064,958</u>	<u>\$ 11,255,897</u>	<u>\$ 26,426,225</u>	<u>\$ 5,342,419</u>

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

**Interest Rate Risk:**

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

**Credit Risk:**

The County has no formal policy regarding credit risk, but maintains internal management procedures that limit the County's investments to the provisions of North Carolina General Statute 159-30 that restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County invests in commercial paper bearing the highest credit rating, as determined by nationally recognized statistical rating organizations (NRSROs) and banker's acceptances where the accepting bank or its holding company are incorporated in North Carolina. As of June 30, 2013, the County's investments in commercial paper were rated A1 by Standard & Poor's, F1 by Fitch Ratings, and P1 by Moody's Investors Service. In addition, all of the County's commercial paper carries a long-term debt rating of A or better. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2013. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government, and agencies obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Custodial Credit Risk:**

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

**Concentration of Credit Risk:**

The County places no limit on the amount that the County may invest in any one issuer. More than 55 percent of the County's investments are in the Federal Home Loan Bank and Federal Farm Credit Bank. These investments are 25% and 30% respectively, of the County's total investments. All securities owned by the County at June 30, 2013 were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank.

**Interest rate swap**

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

**Fair value:**

As of June 30, 2013, the swap had a positive fair value totaling \$5,021,570, 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

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

settlement of the swaps. The positive fair value is reported as an asset, derivative financial instrument, in the Statement of Net Position. The fair value decreased by \$2,640,726 in fiscal year 2013. The changes in fair value are reported in investment income in the Statement of Activities.

<u>Associated Bond Issues</u>	(In Thousands)						
	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Variable Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008 A&B				3.733% + BMA/ *	4.685% + 6-month	\$5,021,570	Aaa/AA
2009 A Certificates of Participation General Obligation Bonds and Certificates of Participation	\$216,051	7/1/11	3/1/31	Divisor	LIBOR		

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

**Risks:**

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

**Credit risk:**

As of June 30, 2013, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding swap in the amount of \$5,021,570 because the swap had a positive fair value. However, should the relationship between the tax-exempt and taxable interest rates change and the fair values of the swap become negative, the County would not be exposed to credit risk in the amount of the derivative's fair value. Both County and the counterparty's payment obligations under the swap are guaranteed by Aaa/AA/AA rated Bank of New York Mellon.

**Basis and tax risk:**

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

**Termination risk:**

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

The ABC Board did not have any investments as of June 30, 2013.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Receivables

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

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DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Receivables at the government-wide level at June 30, 2013, were as follows:

	Accounts	Accrued Interest	Taxes	Solid Waste	Emergency Medical Services	Community Development			Alliance Advance Loan	Due from Other Governments	Total
						Mortgage Loans					
Governmental activities:											
General	\$ 2,093,930	\$ 98,792	\$ 5,710,456	\$ 32,834	\$ 30,107,003	\$ 462,499	\$ 3,600,000	\$ 22,302,186	\$ 64,407,700		
Capital projects	-	7,760	-	-	-	-	-	2,033,529	2,041,289		
Other governmental	-	-	79,580	-	-	-	-	-	79,580		
Total receivables	2,093,930	106,552	5,790,036	32,834	30,107,003	462,499	3,600,000	24,335,715	66,528,569		
Allowance for doubtful accounts	(97,976)		(10,835)		(28,709,861)	(462,499)			(29,281,171)		
Total governmental activities	\$ 1,995,954	\$ 106,552	\$ 5,779,201	\$ 32,834	\$ 1,397,142	\$ -	\$ 3,600,000	\$ 24,335,715	\$ 37,247,398		
Business-type activities:											
Sewer utility	\$ 34,473	\$ 18,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,182,006	\$ 1,235,279		
Total receivables	34,473	18,800	-	-	-	-	-	1,182,006	1,235,279		
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-		
Total business-type activities	\$ 34,473	\$ 18,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,182,006	\$ 1,235,279		

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, 2013 of \$462,499 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**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 outflows 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 one item that meets this criterion – unamortized loss on bond refundings.

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

8. Inventories

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

9. Capital Assets

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

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

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

**10. Long-term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

11. Compensated Absences

Permanent employees of the County can earn vacation leave at the rate of 11 days per year for the first two years up to a maximum of 25 days per year after twenty-five years. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is 30 days. At the end of each calendar year, the accumulated vacation leave in excess of 225 hours for employees who work a 37.5 hour workweek, 240 hours for employees who work a 40 hour work week and 252 hours for employees who work a 42 hour workweek as of the first full pay period in January is converted to sick leave. The maximum amount of vacation leave that can be carried forward to January 1 is 225, 240 and 252 hours, respectively. At termination, employees are paid for any accumulated vacation leave up to the maximum amount. Accumulated vacation leave and salary related payments at June 30, 2013 amounted to \$7,045,627. Of this amount, \$6,941,126 is recorded as a liability in the government-wide financial statements for governmental activities, and \$104,501 is recorded as a liability in the proprietary fund financial statements and the government-wide financial statements for business-type activities. ABC Board employees may accumulate up to 30 days earned vacation and such leave is fully vested when earned. The ABC Board's accumulated earned vacation and related expenses at June 30, 2013 and 2012 amounted to \$108,109 and \$110,846. The current portion of the ABC Board's accumulated vacation pay is not considered to be material.

Permanent employees of the County earn sick leave at the rate of 12 days per year. There is no limit on the accumulation of sick leave for either the County or the ABC Board. Accumulated sick leave for the County at June 30, 2013 amounted to \$22,699,038 in total. Upon separation from the County or the ABC Board, there is no compensation for earned sick leave. Therefore, sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Accumulated sick leave with the County used as retirement credit is limited to one month for each two years of service. Since the County and the ABC Board have no obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

12. Encumbrances

As required by North Carolina General Statutes, encumbrance accounting is employed in the governmental funds. The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. These amounts are included in the Stabilization by State Statute amount in restricted fund balance. Amounts outstanding at June 30, 2013 are as follows:

General Fund	Major Funds			Nonmajor Funds
	Community Health Trust	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
\$1,974,227	\$ -	\$8,494,794	\$ -	\$ -

13. Net Position/Fund Balances

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

- 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.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- 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 of the 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. For committed fund balance, majority action by the County’s Board of County Commissioners is required to be taken to establish (and modify or rescind) a fund balance commitment.

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

*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.



DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- 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, 2013:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Special Revenue Funds
Assigned Fund Balance:					
Assigned for subsequent year	\$ 16,348,230	\$ 209,115	\$ -	\$ 25,000	\$ 106,275
Assigned for health related purposes	-	13,574,832	-	-	-
Assigned for capital projects	-	-	34,100,697	-	-
Assigned for fire districts	-	-	-	-	631,693
Assigned for public safety purposes	-	-	-	-	21,221
Assigned for economic development purposes	-	-	-	-	12,897
Assigned for debt service	-	-	-	7,322,048	-
	<u>\$ 16,348,230</u>	<u>\$ 13,783,947</u>	<u>\$ 34,100,697</u>	<u>\$ 7,347,048</u>	<u>\$ 772,086</u>

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

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 9% of total actual expenditures and the goal of total fund balance available as a percentage of expenditures is 25%. Once the 25% level has been achieved, the amount over 25% shall be used to fund the annual OPEB contribution to meet the OPEB obligation, pay-as-you-go

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

capital projects or other non-recurring expenditures. Management has been instructed to conduct business in such a manner to achieve these goals. As of June 30, 2013, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 9.25% and 27.24%, respectively.

14. Comparative Total Data/Reclassifications

Certain reclassifications have been made in the prior year's financial data in order to be consistent and conform to the presentation of the financial statements for the year ended June 30, 2013.

15. 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.

16. Interest rate swap

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

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DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

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**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 \$(206,042,449) 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)	\$394,929,809
Investment in joint venture	<u>7,412,069</u>
 Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	 <u><u>\$402,341,878</u></u>

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

Derivative financial instrument	\$ 5,021,570
Pension asset	<u>47,876</u>
 Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	 <u><u>\$ 5,069,446</u></u>

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.”

Unamortized loss on debt refundings	\$ <u>8,180,246</u>
 Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	 <u><u>\$ 8,180,246</u></u>

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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

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)	\$ 4,052,471
Solid waste receivable	32,834
Animal taxes receivable	1,726,730
Emergency medical services receivable (net)	1,397,142
Alliance advance loan receivable	<u>3,600,000</u>

Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 10,809,177</u>
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5. "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	\$ (36,126,017)
Bonds and other notes payable	(545,123,729)
Net OPEB obligation	(40,984,987)
Accrued compensated absences	(6,941,126)
Accrued interest payable	<u>(3,373,889)</u>

Subtotal	(632,549,748)
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Less: accrued interest receivable	<u>106,552</u>
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Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$(632,443,196)</u>
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DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**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 \$(3,115,989) 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	\$ 41,706,635
Less: depreciation expense	(8,393,113)
Plus: decrease in investment in joint venture	<u>(216,497)</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>\$ 33,097,025</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."

Amortization on loss of debt refunding	<u>\$ (843,277)</u>
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Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	<u>\$ (843,277)</u>
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DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

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**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)	\$ (14,677)
Increase in deferred revenue of emergency medical services receivable (net)	109,729
Decrease in deferred revenue of animal tax receivable	(54,740)
Increase in deferred revenue of solid waste receivable	4,110
Increase in Alliance advance loan receivable	3,600,000
Decrease in derivative financial instrument	(2,640,726)
Increase in pension asset	<u>21,330</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>\$ 1,025,026</u>

4. "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	\$ 34,520,922
Increase in debt (net)	(54,122,156)
Increase in pension liability	(5,409,040)
Increase in accrued interest payable	(439,665)
Increase in accrued compensated absences	(149,117)
Decrease in accrued interest receivable	(18,431)
Increase in bond premium	(12,532,399)
Amortization of bond premium	<u>1,755,123</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>\$ (36,394,763)</u>

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013

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**C. PROPERTY TAXES**

**Property Taxes Receivable**

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

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

As of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the taxes for vehicles registered in Durham County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources. Those taxes for vehicles registered from March 1, 2013 through the fiscal year-end apply to the 2013 - 2014 fiscal year and are not shown as receivables at June 30, 2013.

**Interest On Unpaid Motor Vehicle Property Taxes**

During fiscal year 2007, the North Carolina General Assembly enacted House Bill 1779 which provides for the creation of a combined motor vehicle registration renewal and property tax collection system. The Bill called for an increase in the first month's interest on uncollected property taxes on registered motor vehicles. This applied to all property tax levied on registered motor vehicles. The additional interest collected on behalf of the County was required to be remitted to the Department of State Treasurer and be used by the Division of Motor Vehicles to create a combined registration and collection system. The amount collected by the County and disbursed to the Department of State Treasurer during the year ended June 30, 2013 was \$222,820. In addition to the delinquent interest collections, interest in the amount of \$53 was earned during fiscal year 2013.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

**Governmental Activities:**

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,366,984	\$ -	\$ -	\$ 8,366,984
Easements	1,351,764	-	-	1,351,764
Construction in progress	210,372,716	39,284,881	(9,141,093)	240,516,504
Total nondepreciable capital assets	<u>220,091,464</u>	<u>39,284,881</u>	<u>(9,141,093)</u>	<u>250,235,252</u>
Depreciable capital assets:				
Buildings	198,268,092	8,667,329	-	206,935,421
Office furniture and Equipment	1,969,493	65,936	(14,283)	2,021,146
Machinery and Equipment	4,410,545	358,870	(6,700)	4,762,715
Computer Hardware	10,374,681	473,764	(132,480)	10,715,965
Computer Software	12,565,882	12,171	(30,945)	12,547,108
Vehicles	10,898,974	2,091,322	(1,330,680)	11,659,616
Total depreciable capital assets	<u>238,487,667</u>	<u>11,669,392</u>	<u>(1,515,088)</u>	<u>248,641,971</u>
Less accumulated depreciation for:				
Buildings	65,222,717	4,961,471	-	70,184,188
Office furniture and Equipment	972,960	237,048	(14,283)	1,195,725
Machinery and Equipment	2,312,571	605,575	(6,700)	2,911,446
Computer Hardware	7,092,351	1,446,787	(60,695)	8,478,443
Computer Software	12,358,087	109,323	(2,382)	12,465,028
Vehicles	9,004,158	1,032,909	(1,324,483)	8,712,584
Total accumulated depreciation	<u>96,962,844</u>	<u>8,393,113</u>	<u>(1,408,543)</u>	<u>103,947,414</u>
Total depreciable capital assets, net	<u>141,524,823</u>	<u>3,276,279</u>	<u>(106,545)</u>	<u>144,694,557</u>
Governmental activities capital assets, net	<u>\$ 361,616,287</u>	<u>\$ 42,561,160</u>	<u>\$ (9,247,638)</u>	<u>\$ 394,929,809</u>

During 2013, the County incurred \$ 28,840,224 of expenses for public school construction. The County maintains school construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to these Durham County Board of Education properties, and the construction has not been included in the County's capital assets but rather are reflected as capital assets in the financial statements of the Durham County Board of Education.

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



DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**D. CAPITAL ASSETS (continued)**

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

Governmental activities:

General government	\$ 5,772,432
Public safety	1,991,107
Environmental protection	4,184
Human Services	279,827
Educational	202,024
Cultural and recreational	143,539
Total depreciation expense	<u>\$ 8,393,113</u>

**Business-type Activities/Sewer Utility Fund:**

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 185,226	\$ -	\$ -	\$ 185,226
Construction In Progress	46,979,116	8,503,307	-	55,482,423
Total nondepreciable capital assets	<u>47,164,342</u>	<u>8,503,307</u>	<u>-</u>	<u>55,667,649</u>
Depreciable capital assets:				
Land Improvements: Water and Sewer Lines	25,826,944	471,600	-	26,298,544
Buildings	4,103,344	-	-	4,103,344
Office furniture and Equipment	13,374	-	-	13,374
Machinery and Equipment	449,584	36,384	-	485,968
Computer Hardware	45,160	-	-	45,160
Vehicles	232,593	39,418	-	272,011
Total depreciable capital assets	<u>30,670,999</u>	<u>547,402</u>	<u>-</u>	<u>31,218,401</u>
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	11,433,676	576,165	-	12,009,841
Buildings	2,525,096	64,525	-	2,589,621
Office furniture and Equipment	6,210	1,911	-	8,121
Machinery and Equipment	271,068	40,779	-	311,847
Computer Hardware	28,190	6,171	-	34,361
Vehicles	144,710	39,074	-	183,784
Total accumulated depreciation	<u>14,408,950</u>	<u>728,625</u>	<u>-</u>	<u>15,137,575</u>
Total depreciable capital assets, net	<u>16,262,049</u>	<u>(181,223)</u>	<u>-</u>	<u>16,080,826</u>
Business-type activities capital assets, net	<u>\$ 63,426,391</u>	<u>\$ 8,322,084</u>	<u>\$ -</u>	<u>\$ 71,748,475</u>

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013

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**D. CAPITAL ASSETS (continued)**

Capital assets activity for the ABC Board for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 1,669,417	\$ -	\$ 550,000	\$ 2,219,417
Total nondepreciable capital assets	<u>1,669,417</u>	<u>-</u>	<u>550,000</u>	<u>2,219,417</u>
Depreciable capital assets:				
Buildings and improvements	3,787,522	16,122	(230,139)	3,573,505
Leasehold improvements	1,529,730	145,473	(403,046)	1,272,157
Vehicles	202,654	-	-	202,654
Machinery and equipment	1,326,967	44,358	(7,383)	1,363,942
Total depreciable capital assets	<u>6,846,873</u>	<u>205,953</u>	<u>(640,568)</u>	<u>6,412,258</u>
Less accumulated depreciation for:				
Buildings and improvements	855,339	83,167	-	938,506
Leasehold improvements	450,334	47,003	(42,959)	454,378
Vehicles	51,560	7,259	-	58,819
Machinery and equipment	1,008,726	142,477	(10,647)	1,140,556
Total accumulated depreciation	<u>2,365,959</u>	<u>279,906</u>	<u>(53,606)</u>	<u>2,592,259</u>
Total depreciable capital assets, net	<u>4,480,914</u>	<u>(73,953)</u>	<u>(586,962)</u>	<u>3,819,999</u>
Business-type activities capital assets, net	<u>\$ 6,150,331</u>	<u>\$ (73,953)</u>	<u>\$ (36,962)</u>	<u>\$ 6,039,416</u>

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DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

**E. LONG-TERM OBLIGATIONS**

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2013:

	Beginning Balance June 30, 2012	Increases	Decreases	Ending Balance June 30, 2013	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 295,845,677	\$ -	\$ 23,961,340	\$ 271,884,337	\$ 21,918,468
Certificates of participation	146,886,804	36,330,595	127,557,399	55,660,000	3,095,000
Limited obligation bonds	63,780,000	112,470,000	3,190,000	173,060,000	6,940,000
Installment notes payable	16,121,030	29,783,960	3,781,737	42,123,253	1,836,498
Unamortized bond premium	26,744,816	12,532,399	1,755,123	37,522,092	1,864,201
Net OPEB obligation	35,575,947	8,065,601	2,656,561	40,984,987	-
Accrued compensated absences	6,792,009	4,268,677	4,119,560	6,941,126	3,850,738
Other financing agreements	1,492,909	-	492,845	1,000,064	471,850
<b>Total governmental activities</b>	<b>\$ 593,239,192</b>	<b>\$ 203,451,232</b>	<b>\$ 167,514,565</b>	<b>\$ 629,175,859</b>	<b>\$ 39,976,755</b>
	Beginning Balance June 30, 2012	Increases	Decreases	Ending Balance June 30, 2013	Amounts Due Within One Year
Business-type activities:					
General obligation bonds	\$ 2,739,323	\$ -	\$ 723,660	\$ 2,015,663	\$ 711,531
State revolving loans	-	13,574,454	166,187	13,408,267	718,792
Revenue bonds	13,860,000	-	13,860,000	-	-
Revenue bonds refunding	-	13,985,000	3,140,000	10,845,000	655,000
Unamortized bond premium	865,415	-	100,275	765,140	100,275
Accrued compensated absences	93,771	46,844	36,114	104,501	42,568
<b>Total business-type activities</b>	<b>\$ 17,558,509</b>	<b>\$ 27,606,298</b>	<b>\$ 18,026,236</b>	<b>\$ 27,138,571</b>	<b>\$ 2,228,166</b>

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

The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to eight percent (8%) of the appraised value of property subject to taxation less property valued for abatement. At June 30, 2013, such statutory limit for the County was \$2,435,740,016 providing a legal debt margin of \$2,161,840,016.

**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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**E. LONG-TERM OBLIGATIONS (continued)**

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, 2013, the loss from defeasance (net of amortization) was \$3,104,410. This advance refunding was undertaken to reduce the total debt service payments over the next 12 years by \$3,013,418 and resulted in an economic gain of \$2,499,031.

In fiscal year 2011, the County defeased various bond issues by creating irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2011, the amount of defeased debt outstanding and removed from the County's liabilities amounted to \$64,055,000. Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the Refunding Bonds, Series 2011, which refunded 2004A&B Public Improvement Bonds and 2006A&B Public Improvement Bonds, have been adjusted for the loss of defeasance (net of amortization) of \$6,286,444. As of June 30, 2012, the loss from defeasance (net of amortization) was \$5,238,704. This advance refunding was undertaken to reduce the total debt service payments over the next 12 years by \$4,064,220 and resulted in an economic gain of \$2,832,738.

In fiscal year 2012, the County issued \$64,670,000 of General Obligation Bonds at a total interest cost of 1.19%. A portion of these bonds were issued with the purpose to defease \$16,480,000 of the principal amount outstanding of the Public Improvements 2002 Series A bonds and 2002 Series B bonds. At June 30, 2012, \$16,480,000 in outstanding bonds is considered defeased.

In fiscal year 2012, the County issued \$63,780,000 of fixed rate Limited Obligation Bonds. A portion of these bonds were issued with the purpose to defease \$55,985,000 of variable rate 2009B Certificates of Participation.

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 \$124,462,399 of variable rate 2010 Certificates of Participation.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**E. LONG-TERM OBLIGATIONS (continued)**

**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 governmental obligation bonds issued in fiscal year 2013.

Interest requirements for the general obligation bonds are payable semi-annually at annual rates varying from 3.00% to 5.50%. These debt obligations are backed by the full faith, credit and taxing power of the County. General Fund revenues are used to repay general long-term debt obligations.

**Two-thirds (2/3s) bonds**

Durham County issues 2/3s bonds to provide funds for the acquisition and construction of major capital facilities. 2/3s bonds are similar to general obligation bonds in that they also are direct obligations and pledge the full faith and credit of the government. There were no 2/3s bonds issued in fiscal year 2013.

**Certificates of participation**

Durham County issues certificates of participation (COPs) for the acquisition and construction of major capital facilities. On March 31, 2010 COPs were issued for governmental activities in the amount not to exceed \$125,000,000 outstanding at any time. As of June 30, 2013, the County has borrowed in total \$125,000,000 and issued those bonds as LOBs. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

**Limited Obligation Bonds**

Durham County issues limited obligation bonds (LOBs) for the acquisition and construction of major capital facilities. Limited obligation bonds are direct obligations and pledge the full faith and credit of the government. Limited obligation bonds have been issued for governmental activities, \$112,470,000 was issued in fiscal year 2013.

**Bond anticipation notes**

Durham County issues general obligation bond anticipation notes (BANs) for the acquisition and construction of major capital facilities. The BANs have been issued for governmental activities. The County has authorized the issuance of the BANs up to \$60,000,000 outstanding at any time. The BANs are general obligations of the County, and the County has pledged its faith and credit to the payment of principal and interest on the BANs. In addition, the County has entered into a Standby Note Purchase Agreement which expires when the BANs will mature on August 1, 2014 and is subject to prior redemption at the option of the County. The BANs will be replaced by general

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**E. LONG-TERM OBLIGATIONS (continued)**

obligation bonds. The County had general obligation BANs of \$30,443,136 outstanding at June 30, 2013. 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, 2013

**E. LONG-TERM OBLIGATIONS (continued)**

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2013 are as follows:

<u>Purpose:</u>	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Outstanding June 30, 2013
<u>Governmental activities:</u>					
Public improvement, Series 2004A (2/3 Bonds)	4.00% to 5.00%	5/1/2004	5/1/2023	\$ 10,600,000	\$ 800,000
Public improvement, Series 2004B	4.00% to 5.00%	5/1/2004	5/1/2023	46,600,000	3,200,000
Public improvement, Series 2006A (2/3 Bonds)	4.00% to 5.00%	5/1/2006	6/1/2023	11,380,000	2,750,000
Public improvement, Series 2006B	4.00% to 5.00%	5/1/2006	6/1/2023	49,225,000	12,000,000
Public improvement, Series 2008A (2/3 Bonds)	3.50% to 5.00%	5/8/2008	4/1/2027	12,100,000	10,100,000
Public improvement, Series 2008B	3.50% to 5.00%	5/9/2008	4/1/2027	34,090,000	28,840,000
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	43,272,209	42,904,337
Public improvement, Series 2010A	2.00% to 5.00%	11/10/2010	11/1/2018	25,980,000	19,380,000
Public improvement, Series 2010B	3.51% to 5.23%	11/10/2010	11/1/2030	34,020,000	34,020,000
Refunding 2011	3.00% to 5.00%	6/8/2011	11/1/2022	61,750,000	61,750,000
Public improvement, Series 2012	3.00% to 5.00%	4/25/2012	4/1/2032	64,670,000	56,140,000
Certificate of participation, Series 2009A	4.00% to 5.00%	4/15/2009	6/1/2031	61,850,000	55,660,000
Limited Obligation Bonds, 2012	2.00% to 5.00%	3/29/2012	6/1/2032	63,780,000	60,590,000
Limited Obligation Bonds, 2013	1.50% to 5.00%	3/28/2013	6/1/2043	112,470,000	112,470,000
Bond Anticipation Notes	Variable Rate	8/28/2008	8/1/2014	60,000,000	30,433,136
Installment purchase garage facility	4.415%	8/20/2003	8/20/2018	14,502,000	6,443,057
Installment purchase vehicles and computer hardware	1.42%	6/29/2010	7/1/2013	8,215,000	698,060
Installment purchase utility performance	2.285%	9/18/2012	9/18/2028	4,549,000	4,549,000
Other financing agreements					
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	97,275
800 Mhz radio system upgrade	4.64%	9/27/2005	6/30/2015	5,012,454	902,789
Total governmental activities					<u>\$ 543,727,654</u>
<u>Business-type activities:</u>					
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	3,822,791	2,015,663
Refunding Revenue bonds, 2012 sewer plant expansion/improvements	2.49%	8/23/2012	6/11/2027	13,985,000	10,845,000
Enterprise State Revolving Loan I	2.22%	10/7/2012	5/1/2032	-	3,157,553
Enterprise State Revolving Loan II	2.22%	1/28/2011	5/1/2033	-	10,250,714
Total business-type activities					<u>26,268,930</u>
Total bonded indebtedness					<u>\$ 569,996,584</u>

**DURHAM COUNTY, NORTH CAROLINA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

**E. LONG-TERM OBLIGATIONS (continued)**

The annual requirements as of June 30, 2013 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		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2014	\$ 21,918,468	\$ 12,175,670	\$ 3,095,000	\$ 2,600,156	\$ 6,940,000	\$ 8,005,138	\$ 2,308,348	\$ 256,983	\$ -	\$ -	\$ 34,261,816	\$ 23,037,947
2015	22,070,597	11,189,369	3,095,000	2,483,806	6,935,000	6,989,663	1,828,898	182,899	-	-	33,929,495	20,845,737
2016	21,972,615	10,260,895	3,095,000	2,348,956	6,940,000	6,744,163	1,416,769	159,131	-	-	33,424,384	19,513,145
2017	21,702,657	9,211,470	3,095,000	2,225,156	6,940,000	6,429,063	1,446,048	134,853	-	-	33,183,705	18,000,542
2018	21,565,000	8,245,587	3,095,000	2,083,381	6,935,000	6,113,963	1,477,892	110,008	-	-	33,072,892	16,552,939
2019-2023	98,720,000	26,553,205	15,455,000	8,278,069	34,690,000	27,167,488	2,147,052	337,265	-	-	151,012,052	62,336,027
2024-2028	46,540,000	9,590,411	15,460,000	4,590,363	34,695,000	19,906,750	1,857,051	144,449	-	-	98,552,051	34,231,973
2029-2044	17,395,000	1,784,482	9,270,000	927,000	68,985,000	21,336,775	208,123	2,378	-	-	95,858,123	24,050,635
	\$ 271,884,337	\$ 89,011,089	\$ 55,660,000	\$ 25,356,887	\$ 173,060,000	\$ 102,693,003	\$ 12,690,181	\$ 1,327,966	\$ -	\$ -	\$ 513,294,518	\$ 218,568,945

**Business-type activities:**

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Limited Obligation Bonds		State Revolving Loans		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2014	\$ 711,531	\$ 87,567	\$ -	\$ -	\$ -	\$ -	\$ 718,792	\$ 416,622	\$ 655,000	\$ 270,041	\$ 2,085,323	\$ 774,230
2015	699,403	59,106	-	-	-	-	718,792	299,497	670,000	253,731	2,088,195	612,334
2016	572,386	31,130	-	-	-	-	718,792	283,540	690,000	237,048	1,981,178	551,718
2017	32,343	1,617	-	-	-	-	718,792	267,583	705,000	219,867	1,456,135	489,067
2018	-	-	-	-	-	-	718,792	251,626	725,000	202,313	1,443,792	453,939
2019-2023	-	-	-	-	-	-	3,593,960	1,018,770	3,915,000	730,940	7,508,960	1,749,710
2024-2028	-	-	-	-	-	-	3,593,960	619,841	3,485,000	219,618	7,078,960	839,459
2029-2044	-	-	-	-	-	-	2,626,387	197,598	-	-	2,626,387	197,598
	\$ 2,015,663	\$ 179,420	\$ -	\$ -	\$ -	\$ -	\$ 13,408,267	\$ 3,355,077	\$ 10,845,000	\$ 2,133,558	\$ 26,268,930	\$ 5,668,055



DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**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 2028. The total principal and interest remaining to be paid on the bonds is \$12,987,557. Principal and interest paid for the year and total customer revenues were \$4,451,889 and \$11,108,013, 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.

The ABC Board's long-term debt was \$1,446,618 as of June 30, 2013.

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DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**F. COMMITMENTS**

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$1,081,842 for the year ended June 30, 2013. The future minimum rental payments due under the leases at June 30, 2013 are as follows:

YEAR ENDING JUNE 30,	COUNTY	ABC BOARD
2014	\$ 839,675	\$ 67,056
2015	124,909	63,516
2016	99,078	31,932
2017-2020	99,078	-
<b>TOTAL</b>	<b>\$ 1,162,740</b>	<b>\$ 162,504</b>

Leased Facilities

Pursuant to agreements executed between the County, Durham Regional Hospital and Duke, effective July 1, 1998, the County began leasing its Hospital facilities to Duke under the terms of an operating lease expiring on June 30, 2018. The cost of leased facilities to the County was \$63,605,860, and the accumulated depreciation and carrying value as of June 30, 2013 were \$23,845,451 and \$39,760,409, respectively. Under the terms of the original agreement, annual minimum lease payments to be remitted to the County for use of the facility were \$3,500,000. These funds are accounted for in the Community Health Trust Fund.

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

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

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**F. COMMITMENTS (continued)**

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

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

Also under the terms of the revised agreement, in support of emergency medical services, an additional \$350,000 payment was paid to the County during fiscal year 2009. In fiscal year 2012 and 2013, the County received \$2,227,136 and \$2,297,513 for these services, respectively. Through the remainder of the lease terms, payments made to the County will be adjusted for inflation using the CPI Index Adjustment. Under the revised agreement, Duke paid an additional \$375,000 to Lincoln Community Health Center for fiscal year 2009. LCHC received payments of \$2,885,153 and \$2,976,324 for fiscal year 2012 and 2013, 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**  
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**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, 2013 are as follows:

<u>YEAR ENDING JUNE 30,</u>	Governmental activities	
	PRINCIPAL	INTEREST
2014	\$ 1,653,508	\$ -
2015	1,682,508	-
2016	1,786,841	-
2017	1,294,931	-
2018	395,835	-
2019-2025	1,525,000	-
	\$ 8,338,623	\$ -

Interest requirements related to the Industrial Extensions Policy are nominal.

3. School Facilities

In June 2011, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2012 – 2021 that included school projects totaling \$215,648,205 funded through voter approved general obligation bond referendums in November 2001, November 2003, and November 2007 totaling \$193,448,205, 2/3's general obligation bonds in the amount of \$6,650,000, certificates of participation (COPS) in the amount of \$9,550,000, and County contributions of \$6,000,000. Total construction in progress for fiscal year 2013 for these projects was \$28,840,224 while total combined construction in progress since inception was \$142,899,757.

4. Construction

The total ten-year estimated and funded project costs of the CIP until June of 2021 is \$633,387,306. The plan continues to serve as a blueprint to meet the growing facility needs of the County. The funding sources for the CIP include: general obligation bonds, 2/3's general obligation bonds, certificates of participation (COPs), bond anticipation notes (BANs), limited obligation bonds (LOBs), revenue bonds, county contributions, sewer utility contributions and other miscellaneous revenues.

DURHAM COUNTY, NORTH CAROLINA  
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**F. COMMITMENTS (continued)**

The CIP allocated funding for fiscal year 2013 in the amount of \$81,120,502. Funds provided approximately \$23,033,169 for capital projects of general governmental activities, \$500,000 for business-type activities, \$41,669,833 for education facilities, \$3,360,000 for environmental protection activities, and \$12,557,500 for human service activities.

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

As part of the ten year CIP for fiscal years 2012-2021, a general obligation bond referendum totaling \$207,100,000 was approved by Durham County citizens as a funding source. The referendum funded \$194,240,000 for school facilities, \$8,680,000 for community colleges, and \$4,180,000 for museum facilities. As of fiscal year end, \$116,000,000 of the November 2007 voter approved general obligations bonds was issued.

5. Capital commitments

The County had commitments at June 30, 2013 of approximately \$20,823 for the expansion of the wastewater treatment plant and construction of sewer distribution systems.

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

6. Other commitments

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

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

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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, 2013:

Due to:

General Fund from Capital Projects Fund	\$ 2,154,079
General Fund from Bethesda Fire Tax Fund	250,000
General Fund from Parkwood Fire Tax Fund	25,945
Amount due per BOCC approved interfund loan	<u>\$ 2,430,024</u>

Due from:

Capital Projects Fund to General Fund	\$ 2,154,079
Bethesda Fire Tax Fund to General Fund	250,000
Parkwood Fire Tax Fund to General Fund	25,945
Amount due per BOCC approved interfund loan	<u>\$ 2,430,024</u>

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

The due to General Fund from the Bethesda Fire Tax Fund and Parkwood Fire Tax Fund is because of an interfund loan approved by the BOCC for funding of a legal litigation settlement with reimbursement to take place per an approved plan for repayment.

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DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013

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**G. INTERFUND BALANCES AND ACTIVITIES (continued)**

Transfers:

The following is a summary of transfers for the year ended June 30, 2013:

	Transfers in:			Total
	General Fund	Capital Projects Fund	Debt Service Fund	
Transfers out:				
General fund	\$ -	\$ 2,481,200	\$ 50,908,264	\$ 53,389,464
Community health trust fund	4,917,819	-	-	4,917,819
Capital projects fund	-	-	1,409,630	1,409,630
Sewer utility fund	336,591	-	-	336,591
Nonmajor governmental funds	1,591,547	-	-	1,591,547
<b>Total transfers</b>	<b>\$ 6,845,957</b>	<b>\$ 2,481,200</b>	<b>\$ 52,317,894</b>	<b>\$ 61,645,051</b>

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

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

Transfers from the Community Health Trust Fund to the General Fund are for funding health-related expenditures.

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

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

DURHAM COUNTY, NORTH CAROLINA  
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**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

1. North Carolina Local Governmental Employees' Retirement System

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

*Funding Policy.* Plan members are required to contribute six percent (6%) of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 6.74% and 6.77% of annual covered payroll. The contribution requirements of members and of Durham County and the ABC Board are established, and may be amended, by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$5,446,265, \$5,671,112, and \$5,305,897, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$139,208, \$149,016, and \$142,723, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

2. Law Enforcement Officers' Special Separation Allowance

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



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

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	19
Active plan members	<u>172</u>
Total	<u><u>191</u></u>

*Summary of Significant Accounting Policies:*

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

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

*Contributions.* The County is required by Article 12D of NCGS Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$314,454 or 3.89% of annual covered payroll. There were no contributions made by employees.

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

The annual required contribution for the fiscal year ended June 30, 2013 was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of December 31, 2011 was nineteen years.

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

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

Employer annual required contribution	\$ 292,799
Interest on net pension obligation	(1,327)
Adjustment to annual required contribution	<u>1,652</u>
Annual pension cost	293,124
Employer contributions made for fiscal year ending 6/30/2013	<u>314,454</u>
Increase (decrease) in net pension obligation	(21,330)
Net pension obligation, beginning of fiscal year	<u>(26,546)</u>
Net pension obligation, end of fiscal year	<u><u>\$ (47,876)</u></u>

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (“APC”)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
June 30, 2013	\$ 293,124	107.28%	\$ (47,876)
June 30, 2012	284,726	99.82%	(26,546)
June 30, 2011	301,063	99.72%	(27,063)

*Funded Status and Funding Progress.* As of December 31, 2012, the most recent actuarial valuation date, the plan was 34.30 percent funded. The actuarial accrued liability for benefits was \$4,000,318 and the actuarial value of assets was \$1,342,152, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,628,166. The covered payroll (annual payroll of active employees covered by the plan) was \$7,986,429 and the ratio of the UAAL to the covered payroll was 32.91%.

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

3. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

*Funding Policy.* Article 12 E of NCGS Chapter 143 requires the County to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2013 were \$575,889, which consisted of \$404,183 from the County and \$171,706 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, 2013 totaled \$10,373 which consisted of \$7,773 from the ABC Board and \$2,600 from the law enforcement officers employed by the ABC Board. The County's and the ABC Board's required contributions and the officers' voluntary contributions represented 5% and 2.12%, and 5% and 5%, respectively, of the covered payroll.

4. Registers of Deeds' Supplemental Pension Fund

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

*Funding Policy.* On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5% of the monthly receipts collected pursuant to Article 1 of NCGS 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2013, the County's required and actual contributions were \$26,001.

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

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

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

*Funding Policy.* The County’s contributions were calculated using a covered payroll amount of \$72,703,151. The County’s total payroll was \$82,828,839. Total contributions for the year ended June 30, 2013 were \$5,673,255, which consisted of \$3,645,872 from the County and \$2,027,383 from the non-law enforcement personnel. The County’s required contribution and the non-law enforcement personnel’s voluntary contribution represented 6.85% of the covered payroll amount.

6. Other Post-Employment Benefits

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

Membership of the HCB Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	471	19
Active plan members	<u>1,634</u>	<u>172</u>
Total	<u>2,105</u>	<u>191</u>

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

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**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

the County's group rates. For retirees that qualify for full cost coverage, the monthly rates for healthcare are: for retiree only coverage, the monthly rates are \$103 for the Premium option, \$0 for the Core option, \$0 for the Basic option; for family dependent coverage, the monthly rates are \$1,404 for the premium option, \$985 for the Core option and \$733 for the Basic option; for the spouse only coverage, the monthly rates are \$854 for the Premium option, \$547 for the Core option and \$439 for the Basic option; and for the child only coverage, the monthly rates are \$444 for the Premium option, \$367 for the Core option and \$317 for the Basic option. For retirees with ten to twenty-four years of service, the monthly rates for healthcare are: for retiree only coverage, the monthly rates are \$638 for the Premium option, \$535 for the Core option, \$497 for the Basic option; for retiree/family dependent coverage, the monthly rates are \$1,939 for the premium option, \$1,520 for the Core option and \$1,268 for the Basic option; for the retiree/spouse only coverage, the monthly rates are \$1,389 for the Premium option, \$1,082 for the Core option and \$972 for the Basic option; and for the retiree/child only coverage, the monthly rates are \$979 for the Premium option, \$902 for the Core option and \$852 for the Basic option. Retirees with ten or more years of service can participate in the County's dental plan at the County's group rates for themselves and dependents. For retiree only, the monthly rate is \$54; for retiree/family dependent coverage, the monthly rate is \$153; for retiree/spouse only coverage, the monthly rate is \$122; and for the retiree/child coverage, the monthly rate was \$112. Retirees with ten or more years of service can also participate in the County's vision plan at the County's group rates for themselves and dependents. For retiree only, the monthly rate is \$9.50; for retiree/family dependent coverage, the monthly rate is \$23; for retiree/spouse only coverage, the monthly rate is \$14.65; and for the retiree/child coverage, the monthly rate was \$15.35. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The County at this time has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 9.98% of annual covered payroll. For the current year, the County contributed \$2,656,561 or 3.29% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 2.94% and .35% of covered payroll, respectively. For the current year, the County did not contribute to an irrevocable trust but rather set aside funding for the HCB Plan in the fund balance of the General Fund in the amount of \$5,409,040 which represents 67.60% of ARC. The total committed fund balance for OPEB as of fiscal year end for the General Fund was \$32,652,033. Currently, 498 retirees are eligible for health benefits. The County's obligation to contribute to the HCB Plan is established and may be amended by the BOCC.

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

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

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

Annual required contribution	\$ 8,002,006
Valuation Discount Rate	4.00%
Interest on net OPEB obligation	1,423,038
Amortization Factor	26.1695
Adjustment to annual required contribution	<u>(1,359,443)</u>
Annual OPEB cost (expense)	\$ 8,065,601
Employer contributions made	<u>2,656,561</u>
Increase (decrease) in net OPEB obligation	\$ 5,409,040
Net OPEB obligation, beginning of year	<u>35,575,947</u>
Net OPEB obligation, end of year	<u>\$40,984,987</u>

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

Fiscal Year Ended <u>June 30</u>	Annual <u>OPEB Cost</u>	Percentage of Annual <u>OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
2013	\$ 8,065,601	32.90%	\$40,984,987
2012	7,481,180	29.28%	35,575,947
2011	7,481,180	26.00%	30,285,163

*Funding Status and Funding Progress.* As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$95,709,409. The covered payroll (annual payroll of active employees covered by the plan) was \$79,334,694 and the ratio of the UAAL to the covered payroll was 120.60%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past progress, presented as required supplementary information following the notes to the financial statements and presented as multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return, representative values of the annual rates of separation, deaths after retirement according to the 1994 Group Annuity Mortality table with Projection Scale AA, asset valuation method of market value, annual medical cost trend rates, pre-medicare 8.50 to 5.00 percent and post-medicare 6.25 to 5.00 percent annually, ultimate trend rate year is 2018 with a 3.00% inflation rate, per capita costs adjusted to reflect expected cost changes related to age, anticipated plan participation of 100% and annual expected claim estimates for pre-65 and post-65. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

**7. Other Employment Benefits**

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

All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. Contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Due to a surplus, the State temporarily stopped employer contributions to the LGERS Death Benefit Plan effective for the fiscal year ended June 30, 2013. Because the County has contributed to the death benefit plan for more than twenty years, the County is not required to contribute to the plan for three fiscal years. Because of the State's decision, the County did not make contributions for

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**H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

employees not engaged in law enforcement and for law enforcement officers for the fiscal year ended June 30, 2013.

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

**I. RISK MANAGEMENT**

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

*Benefits Plan* – The County has a partially self-funded benefits plan. The County funds a core plan (health, dental, vision, life insurance and dependent coverage). The County reports claims expenditures and liabilities in the General Fund. During fiscal year 2013, a total of \$17,614,675 was incurred for benefits and administrative costs of the plan. As of June 30, 2013, the incurred but not reported liability was \$1,482,000.

*Workers' Compensation* – The County maintains a limited risk, self-insurance program to provide workers' compensation benefits to County employees. Premiums for Workers' Compensation are paid by other funds of the County and are available to pay claims of the program. A total of \$641,609 was incurred for benefits during the fiscal year 2013.

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

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

Durham County ABC Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settlement claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(i), each



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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 is currently a legal action against the County which is being vigorously defended that is not fixed and cannot be estimated in amount; however, the County Attorney estimates that any potential liability resulting from this litigation would not have a material adverse effect on the financial position of the County at June 30, 2013.

**K. JOINTLY GOVERNED ORGANIZATIONS**

Triangle J Council of Governments

Durham County, in conjunction with five other counties and thirty municipalities, established the Triangle J Council of Governments (“Council”). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council’s governing board. The County paid membership fees of \$60,554 to the Council during the fiscal year ended June 30, 2013. There is no on-going financial interest or responsibility by the County.

Triangle Transit Authority

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

**L. JOINT VENTURES WITHOUT EQUITY INTEREST**

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

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

The District is a joint venture of the two Boards of County Commissioners; however, the County does not have an equity interest in the District. The District may issue bonds or other obligations pursuant to the provisions of the Local Government Bond Act of the North Carolina General Statutes and is empowered to cause taxes to be levied upon all taxable property within its district in Durham

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**L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)**

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.

The following is a summary of certain unaudited financial information of the District for the year ended June 30, 2013:

Total assets	\$1,048,703
Total liabilities	<u>(67,893)</u>
Total equity	<u>\$ 980,810</u>
Total revenues	\$1,261,628
Total expenditures	<u>(1,109,669)</u>
Decrease in fund balance	<u>\$ 151,959</u>

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

Raleigh-Durham Airport Authority

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

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

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**L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)**

Durham Technical Community College

Durham County provides funds to Durham Technical Community College, primarily for capital improvement and maintenance of facilities. In accordance with State law, the County appoints four of the thirteen Board of Trustee members. The County does not designate management or significantly influence operations, and the College is not accountable to the County for its fiscal matters beyond the County's appropriation to the College. The County's fiscal year 2013 appropriation of approximately \$5.325 million to the College represents approximately 11.00% of its total current non-operating revenues, with the majority of funding being provided by the State of North Carolina Department of Community Colleges. In addition, the County contributed \$302,500 to capital outlay bringing the County's contribution to Durham Technical Community College capital outlay to 33.00%. The County does not have an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2013. 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, 2013, the County recorded an equity interest in the Bureau of \$757,600 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.

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**M. JOINT VENTURES WITH EQUITY INTEREST (continued)**

Durham Civic Center Authority

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

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

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

In January 2004, the City of Durham refunded debt that included the Civic Center Authority’s long-term debt. Therefore, the Civic Center Authority’s long-term debt consists of \$1,110,123 in general obligation bonds issued by the City of Durham, maturing in varying installments from 1997 to 2008 with interest at 2.00% to 4.00%. The debt is being serviced from property tax revenues of the City and amounts for additional equity purchases made by the County. The County’s net investment in the Authority is reported in the investment in joint venture in the statement of net position. At June 30, 2013, the County’s equity interest in the Authority was \$6,654,469.

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 2013, the amount funded by the County was approximately \$181,457. 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, 2013 is \$7,412,069.

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2013

---

**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	\$ 190,050,565	\$ 105,036,796
Food Stamp	53,160,218	-
Temporary Assistance for Needy Families	1,568,123	-
Special Assistance to Adult	-	2,261,380
Title IV-E Adoption Assistance	861,129	231,199
IV-B Adoption Assistance	-	806,599
Total Direct Federal and State Awards	\$ 245,640,035	\$ 108,335,974

**O. DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS**

As of June 30, 2013, the Bethesda and Parkwood Fire District Special Revenue Funds had a deficit fund balance of \$207,954 and \$24,565, respectively. The deficit fund balances are a result of a settlement between the County and IBM Corporation, Inc. regarding the valuation the County has used for the taxation of certain equipment located in the County for tax years 2002 to present. In the settlement agreement, each taxing jurisdiction was responsible for their respective amounts which resulted in the Bethesda and Parkwood Fire District Funds having deficit fund balances at year-end. These district funds borrowed monies from the County's general fund through interfund loans approved by the County's governing body to have sufficient assets for their share of the settlement. As such, these funds do not have negative cash and cash equivalents. Because Parkwood's amount is not significant as it relates to the annual financial activity of the fund, the \$24,565 will be repaid to the County's general fund in fiscal year 2014, and the fund is being managed to eliminate the deficit fund balance before fiscal year end 2014. However, because Bethesda's amount is significant as it relates to the annual financial activity of the fund, a plan has been approved by management for annual repayments to the County's general fund to repay the interfund loan over time. In addition, the fund is being managed through an increase in the tax rate for the district, effective for the 2013 tax year, through close monitoring of the financial activity and budget and through future planning and forecasting to eliminate the deficit fund balance over a reasonable period of time while still providing sufficient services to the fire district.

DURHAM COUNTY, NORTH CAROLINA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**P. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement No. 63, the Statement of Net Assets has been replaced with the Statement of Net Position. GASB Statement No. 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources. Bond issuance costs, which were previously deferred and amortized must be included in current expenditures. As a result of the implementation of GASB Statements No. 63 and 65, beginning net position decreased for governmental activities and business-type activities in the amount of \$4,970,390 and \$339,971, respectively.

Also, during the fiscal year ended June 30, 2013, the County reevaluated the accounting policy for unspent funding for the County's self-insured health benefits. As a result, the County has changed the method of accounting. Prior to fiscal year 2013, the unspent funding for these benefits were reported as collections in advance in the liability section of the balance sheet of the County's general fund and the statement of net position for governmental activities. After an analysis of the self-insured financial activity, it was determined that the contributions should be accounted for as a funding source for the expenditures/expenses incurred during the fiscal year and that at fiscal year-end, the excess funding or excess expenditures/expenses would close to the committed fund balance for the self-insured benefits/net position in addition to recording a claims incurred but not reported liability based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. This method provides a more efficient process of tracking the funding and expenses and monitoring the performance of the self-insured benefits. The County can better determine if the funding is sufficient or excessive and adjust accordingly to ensure that funding levels are appropriate. Because the County is obligated to ensure the funding is sufficient while not excessive, effective fiscal year 2013, the unspent funding for these benefits reside in committed fund balance for health benefits on the balance sheet of the general fund and in net position of the statement of net position for governmental activities. As a result, beginning fund balance for the County's general fund and beginning net position for governmental activities increased by \$3,067,187. In addition, the Board of County Commissioners, the highest level of decision-making authority, approved the commitment in fund balance of these funds and also amended the County's Fund Balance Policy to include the commitment for self-insured benefits fund balance.

During fiscal year 2011, the State awarded a State Revolving Loan to the County to assist in financing a sewer utility capital project (reuse water project). The proceeds received are on a reimbursement basis. The County incurs the cost, and then, per the loan terms submits the required documentation to the State for reimbursement of the costs up to the loan amount awarded. Once the full loan amount has been received, the County begins repayment of the loan per the amortization schedule provided by the State which includes interest. During fiscal year 2012, the County was awarded a second State Revolving Loan to assist in financing another sewer utility project (phase III of the wastewater treatment plant project). The first loan was for a total amount of \$3,323,740 with

DURHAM COUNTY, NORTH CAROLINA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013

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**P. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT (continued)**

amounts being received in fiscal year 2011 and 2012 of \$339,327 and \$2,818,226, respectively. The second loan was for a total amount of \$11,052,100 with \$3,212,806 received in fiscal year 2012. During fiscal year 2013, the County received the remaining amount of the first loan, \$166,187 and as required in the terms of the loan, began repaying the debt. It was at this time that it was discovered that this funding received in fiscal year 2011 and 2012 had been coded and thus accounted for as grant funding in the County's general ledger rather than as loan proceeds received. The funding had been recorded as grant revenues and reported as contributed capital on the Sewer Utility Fund Statement of Revenues, Expenses, and Changes in Fund Net Position and as Capital Grants and Contributions for business-type activities on the Statement of Activities and after each fiscal year was closed was reported in Statement of Net Position for the Sewer Utility Fund and business-type activities. The proceeds received in fiscal years 2011 and 2012 should have been recorded as a liability payable to the State in the Statement of Net Position for both the Sewer Utility Fund and business-type activities. Upon discovery, adjusting entries were made in fiscal year 2013 to properly report these funds as debt including a corresponding entry to beginning net position in the amount of \$6,370,359 for the amounts received in fiscal year 2011 and 2012.

As a result of the restatements, beginning fund balance for the County's general fund increased from \$136,271,733 to \$139,338,920, beginning net position for governmental activities decreased from \$6,340,661 to \$4,437,458 and beginning net position for the sewer utility fund and business-type activities decreased from \$70,487,341 to \$63,777,011.

**Q. SUBSEQUENT EVENTS**

The County has evaluated subsequent events through October 28, 2013, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
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## DURHAM COUNTY, NORTH CAROLINA

### Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability ("AAL") Project Unit Credit (B)	Unfunded AAL ("UAAL") (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a percentage of Covered payroll [(B-A)/C]
December 31, 2003	\$ 678,858	\$1,388,785	\$ 709,927	48.88%	\$5,901,669	12.03%
December 31, 2004	771,369	1,619,670	848,301	47.63%	6,644,935	12.77%
December 31, 2005	917,145	1,584,272	667,127	57.89%	7,001,821	9.53%
December 31, 2006	990,493	1,780,366	789,873	55.63%	7,264,791	10.87%
December 31, 2007	947,134	2,184,572	1,237,438	43.36%	7,612,751	16.25%
December 31, 2008	1,050,679	2,504,144	1,453,465	41.96%	7,893,250	18.41%
December 31, 2009	1,114,755	3,512,206	2,397,451	31.74%	7,717,626	31.06%
December 31, 2010	1,284,867	3,439,501	2,154,634	37.36%	7,735,575	27.86%
December 31, 2011	1,342,095	3,579,234	2,237,139	37.50%	7,545,748	29.65%
December 31, 2012	1,372,152	4,000,318	2,628,166	34.30%	7,986,429	32.91%

## DURHAM COUNTY, NORTH CAROLINA

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

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<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	\$ 128,752	109.52%
2005	138,885	114.89%
2006	162,469	106.14%
2007	143,800	0.00%
2008	162,267	102.15%
2009	198,118	104.91%
2010	217,461	99.46%
2011	300,964	99.74%
2012	284,465	99.91%
2013	292,799	99.89%

## DURHAM COUNTY, NORTH CAROLINA

### Law Enforcement Officers' Special Separation Allowance Notes to Required Schedules

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

Valuation date	December 31, 2012
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	4.25% to 7.85%
*Includes inflation at:	3.00%
Cost of living adjustments	None

## DURHAM COUNTY, NORTH CAROLINA

### Other Postemployment Benefits Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability ("AAL") Project Unit Credit (B)</b>	<b>Unfunded AAL ("UAAL") (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a percentage of Covered payroll [(B-A)/C]</b>
December 31, 2005	\$ -	\$ 150,676,744	\$ 150,676,744	0.00%	\$ 62,503,289	241.10%
December 31, 2008	-	80,802,284	80,802,284	0.00%	78,956,072	102.30%
December 31, 2010	-	92,462,774	92,462,774	0.00%	83,767,601	110.40%
December 31, 2012	-	95,709,409	95,709,409	0.00%	79,334,694	120.60%

## DURHAM COUNTY, NORTH CAROLINA

### Other Postemployment Benefits Schedule of Employer Contributions

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<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 13,552,376	6.37%
2009	7,168,139	15.54%
2010	7,168,139	16.24%
2011	7,436,944	26.12%
2012	7,436,944	29.45%
2013	8,002,006	32.90%

## DURHAM COUNTY, NORTH CAROLINA

### Other Postemployment Benefits Notes to Required Schedules

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

Valuation date	December 31, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Amortization factor	26.1695
Remaining amortization period	30 years
Asset valuation method	Market value of assets

Actuarial assumptions:

Investment rate of return*	4.00%
Medical cost trend rate:	
Pre-medicare	8.50% to 5.00%
Post-medicare	6.25% to 5.00%
Year of ultimate trend rate	2018

\*Includes inflation at: 3.00%



**OTHER SUPPLEMENTARY INFORMATION  
(TAB)**



**COMBINING and INDIVIDUAL  
FUND STATEMENTS and SCHEDULES**



## MAJOR GOVERNMENTAL FUNDS

**Community Health Trust Fund** – to account for and report the financial resources acquired through the leasing of Durham Regional Hospital to Duke University, the proceeds from the sale of a human services program and the earnings of these financial resources and ensures the financial resources are used for health related operating and capital expenditures.

**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**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Community Health Trust Fund  
Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 948,940	\$ 948,940
Charges for services	3,950,000	3,950,000	4,006,300	56,300
<b>Total revenues</b>	<u>3,950,000</u>	<u>3,950,000</u>	<u>4,955,240</u>	<u>1,005,240</u>
<b>Other financing sources (uses)</b>				
Transfers out	(4,071,851)	(4,917,819)	(4,917,819)	-
Appropriated fund balance	121,851	967,819	-	(967,819)
<b>Total other financing uses</b>	<u>(3,950,000)</u>	<u>(3,950,000)</u>	<u>(4,917,819)</u>	<u>(967,819)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>\$ -</u>	37,421	<u>\$ 37,421</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>13,746,526</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 13,783,947</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual - Debt Service Fund  
 Year Ended June 30, 2013

	Budget		Actual	Positive (Negative)
	Original	Final		Variance
<b>Revenues</b>				
Investments	\$ 10,000	\$ 10,000	\$ 17,370	\$ 7,370
Intergovernmental revenues	518,221	518,221	496,477	(21,744)
Charges for services	-	-	178,566	178,566
Total revenues	528,221	528,221	692,413	164,192
<b>Expenditures</b>				
Current:				
General government	-	1,500	1,298	202
Debt service:				
Principal retirement	34,757,410	34,757,410	34,520,922	236,488
Interest and fiscal charges	21,582,238	21,580,738	19,468,651	2,112,087
Debt issuance costs	-	540,000	540,000	-
Total expenditures	56,339,648	56,879,648	54,530,871	2,348,777
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(55,811,427)</b>	<b>(56,351,427)</b>	<b>(53,838,458)</b>	<b>2,512,969</b>
<b>Other financing sources (uses)</b>				
Transfers in	52,311,427	52,318,614	52,317,894	(720)
Issuance of refunding bonds	-	125,002,399	125,002,399	-
Payment to refunded debt escrow agent	-	(124,462,399)	(124,462,399)	-
Appropriated fund balance	3,500,000	3,492,813	-	(3,492,813)
Total other financing sources (uses)	55,811,427	56,351,427	52,857,894	(3,493,533)
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(980,564)</b>	<b>\$ (980,564)</b>
<b>Fund balance - beginning</b>			<b>8,327,612</b>	
<b>Fund balance - ending</b>			<b>\$ 7,347,048</b>	



**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, 2013**

PROJECT	EXPENDITURES		SPENT TO DATE	REMAINING COMMITMENT
	CURRENT YEAR	PRIOR YEARS		
Durham Public School Projects	\$ 28,840,224	\$ 114,059,533	\$ 142,899,757	\$ 236,304,592
Justice Center	17,603,966	94,541,070	112,145,036	7,001,419
NCML & Bioquest	254,759	14,220,259	14,475,018	665,794
County Storage Facility	2,375,711	286,567	2,662,278	437,722
Human Services Complex	11,970,978	68,179,423	80,150,401	10,098,458
Southwest Branch Library	6,827	6,267,265	6,274,092	390,412
Judicial Building Renovation Phase II	201	-	201	1,960,798
South Regional Library	106,279	8,952,204	9,058,483	1,246,553
Stanford L Warren Site Improvements	48,815	-	48,815	24,185
Scattered Site Housing Program	-	525,234	525,234	51,707
Crim Justice Resource Center	6,321	3,620,657	3,626,978	657,196
Open Space/Farmland Preservation	974,068	5,953,820	6,927,888	4,272,867
DTCC Campus Improvements	-	6,349,992	6,349,992	1,850,008
DTCC Newton Building	-	-	-	4,000,000
DTCC Northern Durham	-	-	-	1,000,000
DTCC Main Campus Extension	-	1,800,000	1,800,000	200,000
Detention Center Project	24,407	669,350	693,757	12,333
Civic Center	148,790	4,473,061	4,621,851	723,149
ROD Preservation Project	5,413	919,158	924,571	20,429
Scattered Site Housing Project III	16,238	-	16,238	383,762
Administrative Building Renovations	2,121	1,872,416	1,874,537	120,715
EMS Station #1 Renovations	13,335	190,781	204,116	1,859,383
LCHC Phase 1 Renovation	79	1,293,613	1,293,692	7,078
Fiber Optic Network	(31,714)	601,334	569,620	211,380
FY10 ERP Upgrade Project	50,000	1,679,749	1,729,749	20,251
Facility Light Replacement Project	39,806	27,188	66,994	4,444
FY12 HR ERP Upgrade	1,073,665	1,005,861	2,079,526	430,474
12 County IT Hardware Replacement	811,434	190,873	1,002,307	6,909,606
12 Sheriff Technology Upgrade	92,061	494,429	586,490	13,410
Utility Performance Contract Project	3,735,845	28,899	3,764,744	784,256
FY12 BW Technical Upgrade	210,263	115	210,378	29,622
Single Family Rehabilitation Project	35,856	205,163	241,019	53,781
	<u>\$ 68,415,748</u>	<u>\$ 338,408,014</u>	<u>\$ 406,823,762</u>	<u>\$ 281,745,784</u>

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## **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, 2013**

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	<b>George R. Linder Memorial Private-purpose Trust Fund</b>	<b>Vic Pearson EMS Memorial Private-purpose Trust Fund</b>	<b>Total Private-purpose Trust Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,774	\$ 27,137	\$ 32,911
Total assets	<u>5,774</u>	<u>27,137</u>	<u>32,911</u>
<b>Liabilities</b>			
Accounts payable	-	200	200
Total liabilities	<u>-</u>	<u>200</u>	<u>200</u>
<b>Net position</b>			
Held in trust for:			
Individuals, organizations, and other governments	5,774	26,937	32,711
Total net position	<u>\$ 5,774</u>	<u>\$ 26,937</u>	<u>\$ 32,711</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Combining Statement of Changes in Net Position  
Private-purpose Trust Funds  
Year Ended June 30, 2013**

	<b>George R. Linder Memorial Private-purpose Trust Fund</b>	<b>Vic Pearson EMS Memorial Private-purpose Trust Fund</b>	<b>Total Private-purpose Trust Funds</b>
<b>Additions</b>			
Employee contributions	\$ -	\$ 3,249	\$ 3,249
Donations	-	6,578	6,578
Investment income	7	9	16
Total additions	<u>7</u>	<u>9,836</u>	<u>9,843</u>
<b>Deductions</b>			
Benefits	-	1,300	1,300
Total deductions	<u>-</u>	<u>1,300</u>	<u>1,300</u>
<b>Change in net position</b>	7	8,536	8,543
<b>Total net position - beginning</b>	<u>5,767</u>	<u>18,401</u>	<u>24,168</u>
<b>Total net position - ending</b>	<u>\$ 5,774</u>	<u>\$ 26,937</u>	<u>\$ 32,711</u>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

**Fire Tax District Funds** – to account for and report the proceeds of special district taxes for the Bethesda, Lebanon, Parkwood, Redwood, New Hope, Eno, and Bahama Volunteer Fire Departments.

**Butner Safety District Fund** – to account for and report the proceeds of the special district established through State Legislation for the police and fire protection for Camp Butner State Preservation.

**Special Park District Fund** – to account for and report the proceeds of special district taxes for maintenance and beautification of the Research Triangle Park.

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# DURHAM COUNTY, NORTH CAROLINA

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

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	<b>Special Revenue Funds</b>
<b>Assets</b>	
Cash and cash equivalents / investments	\$ 831,682
Net property taxes receivable	79,379
<b>Total assets</b>	<u>\$ 911,061</u>
<b>Liabilities</b>	
Accounts payable	\$ 195
Due to general fund	275,945
<b>Total liabilities</b>	<u>276,140</u>
<b>Deferred inflows of resources</b>	
Prepaid taxes	15,975
Net property taxes receivable	79,379
<b>Total deferred inflows of resources</b>	<u>95,354</u>
<b>Fund balances</b>	
Assigned for subsequent year	106,275
Assigned	665,811
Unassigned	(232,519)
<b>Total fund balances</b>	<u>539,567</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 911,061</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2013**

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	<b>Special Revenue Funds</b>
	<u>                    </u>
<b>Revenues</b>	
Taxes	\$ 6,797,553
Intergovernmental revenues	-
Investments	2,422
Charges for services	-
Total revenues	<u>6,799,975</u>
<b>Expenditures</b>	
Current:	
General government	-
Public safety	4,923,383
Economic and physical development	730,851
Debt service:	
Principal retirement	-
Interest and fiscal charges	-
Debt issuance costs	-
Total expenditures	<u>5,654,234</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,145,741</u>
<b>Other financing sources (uses)</b>	
Transfers in	-
Transfers out	(1,591,547)
Issuance of refunding bonds	-
Payment to refunded debt escrow agent	-
Total other financing sources (uses)	<u>(1,591,547)</u>
<b>Net change in fund balances</b>	(445,806)
<b>Fund balance - beginning</b>	<u>985,373</u>
<b>Fund balance - ending</b>	<u>\$ 539,567</u>

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DURHAM COUNTY, NORTH CAROLINA

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2013

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
<b>Assets</b>				
Cash and cash equivalents / investments	\$ 45,732	\$ 381,262	\$ 3,286	\$ 39,555
Net property taxes receivable	20,482	16,834	6,635	25,289
<b>Total assets</b>	<b>\$ 66,214</b>	<b>\$ 398,096</b>	<b>\$ 9,921</b>	<b>\$ 64,844</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to general fund	250,000	-	25,945	-
<b>Total liabilities</b>	<b>250,000</b>	<b>-</b>	<b>25,945</b>	<b>-</b>
<b>Deferred inflows of resources</b>				
Prepaid taxes	3,686	4,503	1,906	3,505
Net property taxes receivable	20,482	16,834	6,635	25,289
<b>Total deferred inflows of resources</b>	<b>24,168</b>	<b>21,337</b>	<b>8,541</b>	<b>28,794</b>
<b>Fund balances</b>				
Assigned for subsequent year	-	35,200	-	10,000
Assigned	-	341,559	-	26,050
Unassigned	(207,954)	-	(24,565)	-
<b>Total fund balances</b>	<b>(207,954)</b>	<b>376,759</b>	<b>(24,565)</b>	<b>36,050</b>
<b>Total liabilities , deferred inflows of resources and fund balances</b>	<b>\$ 66,214</b>	<b>\$ 398,096</b>	<b>\$ 9,921</b>	<b>\$ 64,844</b>

<u>New Hope</u>	<u>Eno</u>	<u>Bahama</u>	<u>Butner Safety District Fund</u>	<u>Special Park District Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 22,079	\$ 32,198	\$ 272,880	\$ 21,221	\$ 13,469	\$ 831,682
1,315	375	6,463	139	1,847	79,379
<u>\$ 23,394</u>	<u>\$ 32,573</u>	<u>\$ 279,343</u>	<u>\$ 21,360</u>	<u>\$ 15,316</u>	<u>\$ 911,061</u>
\$ -	\$ -	\$ -	\$ -	\$ 195	\$ 195
-	-	-	-	-	275,945
-	-	-	-	195	276,140
138	110	1,750	-	377	15,975
1,315	375	6,463	139	1,847	79,379
<u>1,453</u>	<u>485</u>	<u>8,213</u>	<u>139</u>	<u>2,224</u>	<u>95,354</u>
-	-	61,075	-	-	106,275
21,941	32,088	210,055	21,221	12,897	665,811
-	-	-	-	-	(232,519)
<u>21,941</u>	<u>32,088</u>	<u>271,130</u>	<u>21,221</u>	<u>12,897</u>	<u>539,567</u>
<u>\$ 23,394</u>	<u>\$ 32,573</u>	<u>\$ 279,343</u>	<u>\$ 21,360</u>	<u>\$ 15,316</u>	<u>\$ 911,061</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 Year Ended June 30, 2013

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
<b>Revenues</b>				
Taxes	\$ 1,735,250	\$ 1,077,579	\$ 1,524,946	\$ 766,242
Investments	360	772	136	169
Total revenues	<u>1,735,610</u>	<u>1,078,351</u>	<u>1,525,082</u>	<u>766,411</u>
<b>Expenditures</b>				
Current:				
Public safety	983,799	645,508	1,618,992	770,000
Economic and physical development	-	-	-	-
Total expenditures	<u>983,799</u>	<u>645,508</u>	<u>1,618,992</u>	<u>770,000</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>751,811</u>	<u>432,843</u>	<u>(93,910)</u>	<u>(3,589)</u>
<b>Other financing sources (uses)</b>				
Transfers out	(1,108,885)	(482,662)	-	-
Total other financing sources (uses)	<u>(1,108,885)</u>	<u>(482,662)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(357,074)	(49,819)	(93,910)	(3,589)
<b>Fund balance - beginning</b>	<u>149,120</u>	<u>426,578</u>	<u>69,345</u>	<u>39,639</u>
<b>Fund balance - ending</b>	<u>\$ (207,954)</u>	<u>\$ 376,759</u>	<u>\$ (24,565)</u>	<u>\$ 36,050</u>

<b>New Hope</b>	<b>Eno</b>	<b>Bahama</b>	<b>Butner Safety District Fund</b>	<b>Special Park District Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 76,114	\$ 24,474	\$ 855,034	\$ 329	\$ 737,585	\$ 6,797,553
53	63	652	28	189	2,422
<u>76,167</u>	<u>24,537</u>	<u>855,686</u>	<u>357</u>	<u>737,774</u>	<u>6,799,975</u>
73,288	23,582	820,843	(12,629)	-	4,923,383
-	-	-	-	730,851	730,851
<u>73,288</u>	<u>23,582</u>	<u>820,843</u>	<u>(12,629)</u>	<u>730,851</u>	<u>5,654,234</u>
2,879	955	34,843	12,986	6,923	1,145,741
-	-	-	-	-	(1,591,547)
-	-	-	-	-	(1,591,547)
2,879	955	34,843	12,986	6,923	(445,806)
19,062	31,133	236,287	8,235	5,974	985,373
<u>\$ 21,941</u>	<u>\$ 32,088</u>	<u>\$ 271,130</u>	<u>\$ 21,221</u>	<u>\$ 12,897</u>	<u>\$ 539,567</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, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 1,579,059	\$ 1,579,059	\$ 1,735,250	\$ 156,191
Investments	-	-	360	360
Total revenues	<u>1,579,059</u>	<u>1,579,059</u>	<u>1,735,610</u>	<u>156,551</u>
<b>Expenditures</b>				
Public safety	592,624	983,801	983,799	2
Total expenditures	<u>592,624</u>	<u>983,801</u>	<u>983,799</u>	<u>2</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>986,435</u>	<u>595,258</u>	<u>751,811</u>	<u>156,553</u>
<b>Other financing sources (uses)</b>				
Transfers out	(1,111,435)	(1,119,446)	(1,108,885)	10,561
Appropriated fund balance	125,000	524,188	-	(524,188)
Total other financing sources (uses)	<u>(986,435)</u>	<u>(595,258)</u>	<u>(1,108,885)</u>	<u>(513,627)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(357,074)</u>	<u>\$ (357,074)</u>
<b>Fund balance - beginning</b>			<u>149,120</u>	
<b>Fund balance - ending</b>			<u>\$ (207,954)</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, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 1,057,933	\$ 1,057,933	\$ 1,077,579	\$ 19,646
Investments	-	-	772	772
Total revenues	<u>1,057,933</u>	<u>1,057,933</u>	<u>1,078,351</u>	<u>20,418</u>
<b>Expenditures</b>				
Public safety	550,505	645,508	645,508	-
Total expenditures	<u>550,505</u>	<u>645,508</u>	<u>645,508</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>507,428</u>	<u>412,425</u>	<u>432,843</u>	<u>20,418</u>
<b>Other financing sources (uses)</b>				
Transfers out	(595,123)	(595,123)	(482,662)	112,461
Appropriated fund balance	87,695	182,698	-	(182,698)
Total other financing sources (uses)	<u>(507,428)</u>	<u>(412,425)</u>	<u>(482,662)</u>	<u>(70,237)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	(49,819)	<u>\$ (49,819)</u>
<b>Fund balance - beginning</b>			<u>426,578</u>	
<b>Fund balance - ending</b>			<u>\$ 376,759</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, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 1,564,691	\$ 1,564,691	\$ 1,524,946	\$ (39,745)
Investments	-	-	136	136
Total revenues	<u>1,564,691</u>	<u>1,564,691</u>	<u>1,525,082</u>	<u>(39,609)</u>
<b>Expenditures</b>				
Public safety	1,614,691	1,641,332	1,618,992	(22,340)
Total expenditures	<u>1,614,691</u>	<u>1,641,332</u>	<u>1,618,992</u>	<u>(22,340)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(50,000)</u>	<u>(76,641)</u>	<u>(93,910)</u>	<u>(17,269)</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	50,000	76,641	-	(76,641)
Total other financing sources (uses)	<u>50,000</u>	<u>76,641</u>	<u>-</u>	<u>(76,641)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	(93,910)	<u>\$ (93,910)</u>
<b>Fund balance - beginning</b>			<u>69,345</u>	
<b>Fund balance - ending</b>			<u>\$ (24,565)</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, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 749,542	\$ 749,542	\$ 766,242	\$ 16,700
Investments	-	-	169	169
Total revenues	<u>749,542</u>	<u>749,542</u>	<u>766,411</u>	<u>16,869</u>
<b>Expenditures</b>				
Public safety	<u>770,000</u>	<u>770,000</u>	<u>770,000</u>	-
Total expenditures	<u>770,000</u>	<u>770,000</u>	<u>770,000</u>	-
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(20,458)</u>	<u>(20,458)</u>	<u>(3,589)</u>	<u>16,869</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	<u>20,458</u>	<u>20,458</u>	-	<u>(20,458)</u>
Total other financing sources (uses)	<u>20,458</u>	<u>20,458</u>	-	<u>(20,458)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	(3,589)	<u>\$ (3,589)</u>
<b>Fund balance - beginning</b>			<u>39,639</u>	
<b>Fund balance - ending</b>			<u>\$ 36,050</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, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 73,724	\$ 73,724	\$ 76,114	\$ 2,390
Investments	-	-	53	53
Total revenues	<u>73,724</u>	<u>73,724</u>	<u>76,167</u>	<u>2,443</u>
<b>Expenditures</b>				
Public safety	73,724	73,724	73,288	436
Total expenditures	<u>73,724</u>	<u>73,724</u>	<u>73,288</u>	<u>436</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>2,879</u>	<u>2,879</u>
 <b>Net change in fund balances</b>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>2,879</u>	 <u><u>\$ 2,879</u></u>
 <b>Fund balance - beginning</b>			 <u>19,062</u>	
 <b>Fund balance - ending</b>			 <u><u>\$ 21,941</u></u>	

**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual- Eno Fire Tax District Special Revenue Fund  
Year Ended June 30, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 23,582	\$ 23,582	\$ 24,474	\$ 892
Investments	-	-	63	63
Total revenues	<u>23,582</u>	<u>23,582</u>	<u>24,537</u>	<u>955</u>
<b>Expenditures</b>				
Public safety	23,582	23,582	23,582	-
Total expenditures	<u>23,582</u>	<u>23,582</u>	<u>23,582</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>955</u>	<u>955</u>
 <b>Net change in fund balances</b>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>955</u>	 <u><u>\$ 955</u></u>
 <b>Fund balance - beginning</b>			 <u>31,133</u>	
 <b>Fund balance - ending</b>			 <u><u>\$ 32,088</u></u>	

**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual- Bahama Fire Tax District Special Revenue Fund  
Year Ended June 30, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 788,025	\$ 788,025	\$ 855,034	\$ 67,009
Investments	-	1	652	651
Total revenues	<u>788,025</u>	<u>788,026</u>	<u>855,686</u>	<u>67,660</u>
<b>Expenditures</b>				
Public safety	820,778	820,844	820,843	1
Total expenditures	<u>820,778</u>	<u>820,844</u>	<u>820,843</u>	<u>1</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(32,753)</u>	<u>(32,818)</u>	<u>34,843</u>	<u>67,661</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	32,753	32,818	-	(32,818)
Total other financing sources (uses)	<u>32,753</u>	<u>32,818</u>	<u>-</u>	<u>(32,818)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>34,843</u>	<u>\$ 34,843</u>
<b>Fund balance - beginning</b>			<u>236,287</u>	
<b>Fund balance - ending</b>			<u>\$ 271,130</u>	

**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual- Butner Safety District Special Revenue Fund  
Year Ended June 30, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 17,431	\$ 17,431	\$ 329	\$ (17,102)
Investments	-	-	28	28
Total revenues	<u>17,431</u>	<u>17,431</u>	<u>357</u>	<u>(17,074)</u>
<b>Expenditures</b>				
Public safety	17,431	17,431	(12,629)	30,060
Total expenditures	<u>17,431</u>	<u>17,431</u>	<u>(12,629)</u>	<u>30,060</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>12,986</u>	<u>12,986</u>
 <b>Net change in fund balances</b>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>12,986</u>	 <u><u>\$ 12,986</u></u>
 <b>Fund balance - beginning</b>			 <u>8,235</u>	
<b>Fund balance - ending</b>			 <u><u>\$ 21,221</u></u>	

**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual- Special Park District Special Revenue Fund  
Year Ended June 30, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues</b>				
Taxes	\$ 706,636	\$ 737,636	\$ 737,585	\$ (51)
Investments	-	-	189	189
Total revenues	<u>706,636</u>	<u>737,636</u>	<u>737,774</u>	<u>138</u>
<b>Expenditures</b>				
Economic and physical development	706,636	737,636	730,851	6,785
Total expenditures	<u>706,636</u>	<u>737,636</u>	<u>730,851</u>	<u>6,785</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>6,923</u>	<u>6,923</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>6,923</u>	<u>\$ 6,923</u>
<b>Fund balance - beginning</b>			<u>5,974</u>	
<b>Fund balance - ending</b>			<u>\$ 12,897</u>	



## **ENTERPRISE FUND**

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

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**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Revenues and Expenditures - Budget and Actual -  
(Non-GAAP Basis) Enterprise Fund - Sewer Utility Fund  
Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues:</b>			
Charges for services	\$ 8,984,990	\$ 11,097,683	\$ 2,112,693
<b>Expenditures:</b>			
Operating	4,544,705	3,919,297	625,408
Repairs and maintenance	307,000	192,175	114,825
<b>Excess (deficiency) of revenues over (under) expenditures</b>	4,133,285	6,986,211	2,852,926
<b>Other Financing Sources (Uses):</b>			
Capital expenses	(116,915)	(8,579,109)	(8,462,194)
Debt service	(6,200,000)	(5,092,630)	1,107,370
Investment income	16,777	30,694	13,917
Sewer connection fees	263,940	640,501	376,561
Miscellaneous	-	493	493
State revolving loan proceeds	-	7,204,095	7,204,095
Refunding bond proceeds	-	13,985,000	13,985,000
Payment to refunded debt escrow agent	-	(13,875,217)	(13,875,217)
Bond issuance costs	-	(109,783)	(109,783)
Transfers out	(336,592)	(336,591)	1
Total other financing sources (uses)	(6,372,790)	(6,132,547)	240,243
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	(2,239,505)	853,664	3,093,169
<b>Fund balance appropriated</b>	2,239,505	-	2,239,505
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ 853,664</u>	<u>\$ 853,664</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -  
Enterprise Fund - Sewer Utility Fund  
Year Ended June 30, 2013**

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<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)</b>	<b>\$ 853,664</b>
<b>RECONCILING ITEMS:</b>	
Capital outlay	8,579,109
Capital contributions	471,600
Debt principal payments	4,634,847
Net proceeds on refunding of bonds	(109,783)
State revolving loan proceeds	(7,204,095)
Increase in accrued interest payable	(46,354)
Increase in accrued payroll	(9,375)
Increase in accrued vacation	(10,730)
Decrease in accrued interest receivable	(1,620)
Increase in accounts receivable	10,330
Depreciation	(728,626)
Amortization of loss on refundings	(50,643)
Amortization of bond premium	100,275
	<hr/>
<b>CHANGE IN NET POSITION (GAAP BASIS)</b>	<b>\$ 6,488,599</b>
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## **FIDUCIARY FUNDS**

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

**DURHAM COUNTY, NORTH CAROLINA**

**Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2013**

	<b>Child Support Trust Fund</b>	<b>Sheriff's Evidence Trust Fund</b>	<b>Jail Inmate Trust Fund</b>	<b>Sheriff's Trust Fund</b>	<b>State Treasurer Department of Motor Vehicles Fund</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 170,743	\$ 370,583	\$ 57,510	\$ 40,626	\$ 27,138
Accounts receivable	-	-	-	-	4,347
Net property taxes receivable	-	-	-	-	-
Total assets	<u>\$ 170,743</u>	<u>\$ 370,583</u>	<u>\$ 57,510</u>	<u>\$ 40,626</u>	<u>\$ 31,485</u>
<b>Liabilities</b>					
Funds held for others	\$ 170,743	\$ 370,583	\$ 57,510	\$ 40,626	\$ -
Due to governmental agencies	-	-	-	-	31,485
Total liabilities	<u>\$ 170,743</u>	<u>\$ 370,583</u>	<u>\$ 57,510</u>	<u>\$ 40,626</u>	<u>\$ 31,485</u>

<b>Durham Public School Fund</b>	<b>Town of Chapel Hill Tax Fund</b>	<b>City of Durham Tax Fund</b>	<b>City of Raleigh Tax Fund</b>	<b>Town of Morrisville</b>	<b>Totals</b>
\$ 23,669	\$ 65,976	\$ 712,430	\$ 14,202	\$ 149	\$ 1,483,026
193,689	7,200	794,623	6,015	40	1,005,914
-	15,955	2,519,387	4,855	13	2,540,210
<u>\$ 217,358</u>	<u>\$ 89,131</u>	<u>\$ 4,026,440</u>	<u>\$ 25,072</u>	<u>\$ 202</u>	<u>\$ 5,029,150</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639,462
217,358	89,131	4,026,440	25,072	202	4,389,688
<u>\$ 217,358</u>	<u>\$ 89,131</u>	<u>\$ 4,026,440</u>	<u>\$ 25,072</u>	<u>\$ 202</u>	<u>\$ 5,029,150</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2013

	July 1, 2012	Additions	Deductions	June 30, 2013
<b><u>Child Support Trust Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 145,321	\$ 1,055,518	\$ 1,030,096	\$ 170,743
<b>Liabilities</b>				
Funds held for others	\$ 145,321	\$ 1,055,518	\$ 1,030,096	\$ 170,743
<b><u>Sheriff's Evidence Trust Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 343,072	\$ 47,610	\$ 20,099	\$ 370,583
<b>Liabilities</b>				
Funds held for others	\$ 343,072	\$ 47,610	\$ 20,099	\$ 370,583
<b><u>Jail Inmate Trust Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 78,985	\$ 869,680	\$ 891,155	\$ 57,510
<b>Liabilities</b>				
Funds held for others	\$ 78,985	\$ 869,680	\$ 891,155	\$ 57,510
<b><u>Sheriff's Trust Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 46,908	\$ 486,765	\$ 493,047	\$ 40,626
<b>Liabilities</b>				
Funds held for others	\$ 46,908	\$ 486,765	\$ 493,047	\$ 40,626
<b><u>State Treasurer DMV Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 29,615	\$ 224,111	\$ 226,588	\$ 27,138
Accounts receivable	-	4,347	-	4,347
Total assets	\$ 29,615	\$ 228,458	\$ 226,588	\$ 31,485
<b>Liabilities</b>				
Due to governmental agencies	\$ 29,615	\$ 228,458	\$ 226,588	\$ 31,485
<b><u>Durham Public School Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ (49,663)	\$ 804,495	\$ 731,163	\$ 23,669
Accounts receivable	157,210	1,339,732	1,303,253	193,689
Net taxes receivable	-	-	-	-
Total assets	\$ 107,547	\$ 2,144,227	\$ 2,034,416	\$ 217,358
<b>Liabilities</b>				
Due to governmental agencies	\$ 107,547	\$ 2,144,227	\$ 2,034,416	\$ 217,358



**DURHAM COUNTY, NORTH CAROLINA**

**Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2013**

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
<b><u>Town of Chapel Hill Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 62,496	\$ 2,746,578	\$ 2,743,098	\$ 65,976
Accounts receivable	6,990	40,200	39,990	7,200
Net taxes receivable	10,782	2,731,976	2,726,803	15,955
Total assets	<u>\$ 80,268</u>	<u>\$ 5,518,754</u>	<u>\$ 5,509,891</u>	<u>\$ 89,131</u>
<b>Liabilities</b>				
Due to governmental agencies	<u>\$ 80,268</u>	<u>\$ 5,518,754</u>	<u>\$ 5,509,891</u>	<u>\$ 89,131</u>
<b><u>City of Durham Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 820,073	\$ 137,927,602	\$ 138,035,245	\$ 712,430
Accounts receivable	733,830	2,484,950	2,424,157	794,623
Net taxes receivable	2,531,332	138,458,990	138,470,935	2,519,387
Total assets	<u>\$ 4,085,235</u>	<u>\$ 278,871,542</u>	<u>\$ 278,930,337</u>	<u>\$ 4,026,440</u>
<b>Liabilities</b>				
Due to governmental agencies	<u>\$ 4,085,235</u>	<u>\$ 278,871,542</u>	<u>\$ 278,930,337</u>	<u>\$ 4,026,440</u>
<b><u>City of Raleigh Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 12,559	\$ 624,753	\$ 623,110	\$ 14,202
Accounts receivable	4,970	29,760	28,715	6,015
Net taxes receivable	2,783	607,186	605,114	4,855
Total assets	<u>\$ 20,312</u>	<u>\$ 1,261,699</u>	<u>\$ 1,256,939</u>	<u>\$ 25,072</u>
<b>Liabilities</b>				
Due to governmental agencies	<u>\$ 20,312</u>	<u>\$ 1,261,699</u>	<u>\$ 1,256,939</u>	<u>\$ 25,072</u>
<b><u>Town of Morrisville</u></b>				
Cash and cash equivalents	\$ 10,292	\$ 12,080	\$ 22,223	\$ 149
Accounts receivable	-	80	40	40
Net taxes receivable	-	11,989	11,976	13
Total assets	<u>\$ 10,292</u>	<u>\$ 24,149</u>	<u>\$ 34,239</u>	<u>\$ 202</u>
<b>Liabilities</b>				
Due to governmental agencies	<u>\$ 10,292</u>	<u>\$ 24,149</u>	<u>\$ 34,239</u>	<u>\$ 202</u>
<b><u>Total All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,499,658	\$ 144,799,192	\$ 144,815,824	\$ 1,483,026
Accounts receivable	903,000	3,899,069	3,796,155	1,005,914
Net taxes receivable	2,544,897	141,810,141	141,814,828	2,540,210
Total assets	<u>\$ 4,947,555</u>	<u>\$ 290,508,402</u>	<u>\$ 290,426,807</u>	<u>\$ 5,029,150</u>
<b>Liabilities</b>				
Funds held for others	\$ 614,286	\$ 2,459,573	\$ 2,434,397	\$ 639,462
Due to governmental agencies	4,333,269	288,048,829	287,992,410	4,389,688
Total liabilities	<u>\$ 4,947,555</u>	<u>\$ 290,508,402</u>	<u>\$ 290,426,807</u>	<u>\$ 5,029,150</u>

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



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DURHAM COUNTY, NORTH CAROLINA

Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity<sup>1</sup> as of June 30, 2013

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
<b>General Government:</b>					
County commissioners	\$ 948,128	\$ -	\$ -	\$ -	\$ -
Finance	3,435,726	-	-	-	-
Tax administration	3,412,010	-	-	-	24,345
County Attorney	12,380	-	-	-	-
Court facilities	14,441,523	-	-	14,441,523	-
Board of elections	25,850	-	-	-	-
Register of deeds	1,527,520	-	-	-	20,000
General services	135,106,598	4,790,491	-	128,863,992	117,153
Information Technology	12,814,288	-	-	-	1,530,253
Human resources	22,350	-	-	-	11,530
Total general government	171,746,373	4,790,491	-	143,305,515	1,703,281
<b>Public Safety:</b>					
Sheriff	49,998,917	1,398,962	-	39,455,838	219,120
County fire protection	661,181	-	-	384,060	6,744
Emergency Management	746,956	-	-	-	45,635
Animal control	3,859,828	-	-	3,259,400	20,704
Criminal Justice Partnership	941,318	-	-	844,521	-
Youth home	433,254	-	-	367,000	-
Emergency medical services	5,438,117	-	-	1,947,348	-
Total public safety	62,079,571	1,398,962	-	46,258,167	292,203
<b>Environmental Protection:</b>					
Environmental engineering	1,828,114	1,523,280	-	77,873	7,315
Open Space and Real Estate	1,999,515	647,751	1,351,764	-	-
Total Environmental Protection	3,827,629	2,171,031	1,351,764	77,873	7,315
<b>Economic and Physical Development:</b>					
Planning	6,500	6,500	-	-	-
Soil and Erosion	29,732	-	-	-	-
Total Economic and Physical Development	36,232	6,500	-	-	-
<b>Human Services:</b>					
Public health	747,888	-	-	-	-
Mental health	713,710	-	-	-	-
Social services	3,820,617	-	-	3,101,314	-
Other human services	447,566	-	-	-	-
Total human services	5,729,781	-	-	3,101,314	-

<b>Machinery and Equipment</b>	<b>Computer Hardware</b>	<b>Vehicles</b>	<b>Computer Software</b>	<b>Construction in Progress</b>
\$ 948,128	\$ -	\$ -	\$ -	\$ -
43,381	-	-	3,392,345	-
111,860	9,473	287,615	2,978,717	-
-	12,380	-	-	-
-	-	-	-	-
25,850	-	-	-	-
31,650	110,272	-	1,365,598	-
587,139	19,055	720,018	8,750	-
133,904	10,250,866	-	899,265	-
-	10,820	-	-	-
<u>1,881,912</u>	<u>10,412,866</u>	<u>1,007,633</u>	<u>8,644,675</u>	<u>-</u>
1,099,670	215,558	5,934,729	1,675,040	-
24,811	-	179,477	66,089	-
522,992	5,336	95,993	77,000	-
124,917	-	416,784	38,023	-
-	-	96,797	-	-
-	-	66,254	-	-
<u>763,868</u>	<u>18,230</u>	<u>2,125,526</u>	<u>583,145</u>	<u>-</u>
<u>2,536,258</u>	<u>239,124</u>	<u>8,915,560</u>	<u>2,439,297</u>	<u>-</u>
21,195	-	198,451	-	-
-	-	-	-	-
<u>21,195</u>	<u>-</u>	<u>198,451</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	29,732	-	-
-	-	29,732	-	-
77,205	5,700	461,755	203,228	-
42,324	6,165	-	665,221	-
33,230	52,110	418,052	215,911	-
-	-	447,566	-	-
<u>152,759</u>	<u>63,975</u>	<u>1,327,373</u>	<u>1,084,360</u>	<u>-</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity<sup>1</sup> as of June 30, 2013**

	<b>Total Assets</b>	<b>Land</b>	<b>Easements</b>	<b>Buildings</b>	<b>Office Furniture and Equipment</b>
<b>Education:</b>					
Public school building	\$ 8,080,942	\$ -	\$ -	\$ 8,080,942	\$ -
<b>Cultural and Recreational:</b>					
Library	6,860,191	-	-	6,111,610	18,347
<b>Capital Projects:</b>					
Construction in progress	240,516,504	-	-	-	-
<b>Total Capital Assets</b>	<b>\$ 498,877,223</b>	<b>\$ 8,366,984</b>	<b>\$ 1,351,764</b>	<b>\$ 206,935,421</b>	<b>\$ 2,021,146</b>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds.



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<b>Machinery and Equipment</b>	<b>Computer Hardware</b>	<b>Vehicles</b>	<b>Computer Software</b>	<b>Construction in Progress</b>
\$ -	\$ -	\$ -	\$ -	\$ -
170,591	-	180,867	378,776	-
-	-	-	-	240,516,504
<u>\$ 4,762,715</u>	<u>\$ 10,715,965</u>	<u>\$ 11,659,616</u>	<u>\$ 12,547,108</u>	<u>\$ 240,516,504</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity<sup>1</sup>**

**Year Ended June 30, 2013**

	<b>Capital Assets July 1, 2012</b>	<b>Additions</b>	<b>Transfers and Deletions</b>	<b>Capital Assets June 30, 2013</b>
<b>General Government:</b>				
Board of county commissioners	\$ 948,128	\$ -	\$ -	\$ 948,128
Finance	3,435,726	-	-	3,435,726
Tax administration	3,351,918	152,256	(92,164)	3,412,010
County attorney	12,380	-	-	12,380
Court facilities	14,441,523	-	-	14,441,523
Board of elections	25,850	-	-	25,850
Register of deeds	1,552,462	31,651	(56,593)	1,527,520
General services	126,221,606	8,995,193	(110,201)	135,106,598
Information Technology	12,340,524	473,764	-	12,814,288
Human Resources	22,350	-	-	22,350
Total general government	<u>162,352,467</u>	<u>9,652,864</u>	<u>(258,958)</u>	<u>171,746,373</u>
<b>Public Safety:</b>				
County sheriff	49,634,344	894,008	(529,435)	49,998,917
Fire marshal	730,250	3,336	(24,585)	709,001
Emergency management	640,209	58,927	-	699,136
Criminal justice partnership	915,036	26,282	-	941,318
Animal control	3,859,828	-	-	3,859,828
Youth home	408,013	25,241	-	433,254
Emergency medical services	5,144,400	773,902	(480,185)	5,438,117
Total public safety	<u>61,332,080</u>	<u>1,781,696</u>	<u>(1,034,205)</u>	<u>62,079,571</u>
<b>Environmental Protection:</b>				
Environmental engineering	1,793,781	34,333	-	1,828,114
Open Space	1,999,515	-	-	1,999,515
Total Environmental Protection	<u>3,793,296</u>	<u>34,333</u>	<u>-</u>	<u>3,827,629</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds.

**DURHAM COUNTY, NORTH CAROLINA**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity<sup>1</sup>**

**Year Ended June 30, 2013**

	<b>Capital Assets July 1, 2012</b>	<b>Additions</b>	<b>Transfers and Deletions</b>	<b>Capital Assets June 30, 2013</b>
<b>Economic and Physical Development:</b>				
Cooperative extension	\$ 34,495	\$ -	\$ -	\$ 34,495
Planning	6,500	-	-	6,500
Soil and Erosion	29,732	-	-	29,732
Total Economic and Physical Development	<u>70,727</u>	<u>-</u>	<u>-</u>	<u>70,727</u>
<b>Human Services:</b>				
Public health	732,563	29,608	(14,283)	747,888
Mental health	866,884	-	(153,174)	713,710
Social services	3,816,857	51,528	(47,768)	3,820,617
Other human services	413,071	-	-	413,071
Total human services	<u>5,829,375</u>	<u>81,136</u>	<u>(215,225)</u>	<u>5,695,286</u>
<b>Education:</b>				
DPS Building	<u>8,080,942</u>	<u>-</u>	<u>-</u>	<u>8,080,942</u>
<b>Cultural and Recreational:</b>				
Library	<u>6,747,528</u>	<u>119,363</u>	<u>(6,700)</u>	<u>6,860,191</u>
<b>Capital Projects:</b>				
Construction in progress	<u>210,372,716</u>	<u>39,284,881</u>	<u>(9,141,093)</u>	<u>240,516,504</u>
<b>Total Capital Assets</b>	<u><u>\$ 458,579,131</u></u>	<u><u>\$ 50,954,273</u></u>	<u><u>\$ (10,656,181)</u></u>	<u><u>\$ 498,877,223</u></u>

<sup>1</sup> 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, 2013

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-12	Issued During Year	Adjusted During Year	Defeased During Year
<b>General Long-Term Debt</b>						
Bonded Debt:						
REFUNDING, SERIES 2001	4.25%-5.50%	2/15/01	\$ 2,395,000	\$ -	\$ -	\$ -
PUBLIC IMPROVEMENT,SERIES 2004A (2/3 Bonds)	4.00%-5.00%	5/1/04	1,600,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2004B	4.00%-5.00%	5/1/04	6,400,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2006A	4.00%-5.00%	5/1/06	3,600,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2006B	4.00%-5.00%	5/1/06	15,450,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2008A	3.50%-5.00%	5/1/08	10,500,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2008B	3.50%-5.00%	5/1/08	29,890,000	-	-	-
REFUNDING, SERIES 2009	2.00%-5.00%	11/3/09	43,025,677	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010A	2.00%-5.00%	11/10/10	22,545,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010B	3.51%-5.23%	11/10/10	34,020,000	-	-	-
REFUNDING, SERIES 2011	3.00%-5.00%	6/08/11	61,750,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2012	3.00%-5.00%	04/25/12	64,670,000	-	-	-
UNAMORTIZED BOND PREMIUM			22,772,002	-	-	-
Total Bonded Debt			318,617,679	-	-	-
<b>Other Long-Term Debt</b>						
Installment Purchase Agreements:						
Certificates of Participation						
COPs 2009 FIXED			58,755,000	-	-	-
COPs 2010 VARIABLE		03/31/10	88,131,804	36,330,595	-	124,462,399
LOBS 2012	2.00%-5.00%	03/29/12	63,780,000	-	-	-
LOBS 2013	1.50%-5.00%	03/28/13	-	112,470,000	-	-
UNAMORTIZED BOND PREMIUM			3,972,814	12,532,399	-	-
Total Certificates Of Participation			214,639,618	161,332,994	-	124,462,399
Other Financing Agreements						
Total Installment Purchase Agreements			17,613,939	29,783,960	-	-
Earned Vacation Pay			232,253,557	191,116,954	-	124,462,399
Net OPEB Obligation			6,792,009	-	4,268,677	-
Total Other Long-Term Debt			35,575,947	-	8,065,601	-
			274,621,513	191,116,954	12,334,278	124,462,399
<b>Total General Long-Term Debt</b>			<b>\$ 593,239,192</b>	<b>\$ 191,116,954</b>	<b>\$ 12,334,278</b>	<b>\$ 124,462,399</b>

Due Fiscal Year 2012-2013		Amount Outstanding 6-30-13	Due Fiscal Year 2013 - 2014		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 2,395,000	\$ 131,725	\$ -	\$ -	\$ -	\$ -
800,000	72,000	800,000	800,000	32,000	-
3,200,000	272,000	3,200,000	3,200,000	136,000	-
850,000	161,500	2,750,000	750,000	127,500	2,000,000
3,450,000	628,000	12,000,000	4,000,000	490,000	8,000,000
400,000	459,250	10,100,000	400,000	443,250	9,700,000
1,050,000	1,326,188	28,840,000	1,050,000	1,289,438	27,790,000
121,340	2,092,187	42,904,337	118,468	2,087,333	42,785,869
3,165,000	1,032,300	19,380,000	3,190,000	889,250	16,190,000
-	1,480,631	34,020,000	-	1,480,630	34,020,000
-	2,741,750	61,750,000	-	2,741,750	61,750,000
8,530,000	2,533,458	56,140,000	8,410,000	2,458,519	47,730,000
1,556,482	-	21,215,520	1,556,482	-	19,659,038
25,517,822	12,930,989	293,099,857	23,474,950	12,175,670	269,624,907
3,095,000	2,721,706	55,660,000	3,095,000	2,600,156	52,565,000
-	717,554	-	-	-	-
3,190,000	2,396,875	60,590,000	3,190,000	2,333,075	57,400,000
-	-	112,470,000	3,750,000	5,672,063	108,720,000
198,641	-	16,306,572	307,719	-	15,998,853
6,483,641	5,836,135	245,026,572	10,342,719	10,605,294	234,683,853
4,274,582	456,793	43,123,317	2,308,348	256,983	40,814,969
10,758,223	6,292,928	288,149,889	12,651,067	10,862,277	275,498,822
4,119,560	-	6,941,126	3,850,738	-	3,090,388
2,656,561	-	40,984,987	-	-	40,984,987
17,534,344	6,292,928	336,076,002	16,501,805	10,862,277	319,574,197
\$ 43,052,166	\$ 19,223,917	\$ 629,175,859	\$ 39,976,755	\$ 23,037,947	\$ 589,199,104

DURHAM COUNTY, NORTH CAROLINA

Gross Bonded Debt and Other Long-Term Debt  
Year Ended June 30, 2013 (continued)

Description	Interest Rate	Issue Date	Amount Outstanding 6-30-12	Issued During Year	Adjusted During Year	Defeased During Year
<b>Proprietary Debt</b>						
Enterprise Fund:						
Revenue Bonds, Series 2003	3.00%-4.75%	12/1/02	\$ 13,860,000	\$ -	\$ -	\$ 13,255,000
Refunding, Series 2009	3.00%-4.75%	12/1/02	2,739,323	-	-	-
Enterprise Revolving Loan	2.22%	7/1/10	-	-	3,323,740	-
Enterprise Revolving Loan II	2.22%	7/1/10	-	-	10,250,714	-
Revenue Bonds Refunding, Series 2012	2.49%	08/23/12	-	13,985,000	-	-
Unamortized Bond Premium			865,415	-	-	-
Total Enterprise Fund Bonded Debt			<u>17,464,738</u>	<u>13,985,000</u>	<u>13,574,454</u>	<u>13,255,000</u>
Earned Vacation Pay			93,771	-	46,844	-
<b>Total Proprietary Debt</b>			<u>\$ 17,558,509</u>	<u>\$ 13,985,000</u>	<u>\$ 13,621,298</u>	<u>\$ 13,255,000</u>
<b>Total General Long-Term and Proprietary Debt</b>			<u>\$ 610,797,701</u>	<u>\$ 205,101,954</u>	<u>\$ 25,955,576</u>	<u>\$ 137,717,399</u>

Due Fiscal Year 2012-2013		Amount Outstanding 6-30-13	Due Fiscal Year 2013-2014		Long-Term Principal Due Thereafter
Principal	Interest		Principal	Interest	
\$ 605,000	\$ 23,595	\$ -	\$ -	\$ -	\$ -
723,660	116,513	2,015,663	711,531	87,567	1,304,132
166,187	94,306	3,157,553	166,187	70,098	2,991,366
-	-	10,250,714	552,605	346,524	9,698,109
3,140,000	211,223	10,845,000	655,000	270,041	10,190,000
100,275	-	765,140	100,275	-	664,865
<u>4,735,122</u>	<u>445,637</u>	<u>27,034,070</u>	<u>2,185,598</u>	<u>774,230</u>	<u>24,848,472</u>
36,114	-	104,501	42,568	-	61,933
<u>\$ 4,771,236</u>	<u>\$ 445,637</u>	<u>\$ 27,138,571</u>	<u>\$ 2,228,166</u>	<u>\$ 774,230</u>	<u>\$ 24,910,405</u>
<u>\$ 47,823,402</u>	<u>\$ 19,669,554</u>	<u>\$ 656,314,430</u>	<u>\$ 42,204,921</u>	<u>\$ 23,812,177</u>	<u>\$ 614,109,509</u>

## DURHAM COUNTY, NORTH CAROLINA

### Analysis of Current Tax Levy Fiscal Year Ended June 30, 2013

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#### Property Valuations

Real property	\$ 24,909,554,030
Personal property	3,304,053,564
Public service	494,110,311
DMV-registered vehicles	<u>1,739,032,299</u>
Total subject to tax	<u>\$ 30,446,750,204</u>
Real property/personal property/corporate excess levy	\$ 337,874,416
DMV -registered vehicles levy	<u>22,402,640</u>
<b>Gross Levy</b>	<b>\$ 360,277,056</b>
Abatements/discoveries	<u>7,885,151</u>
<b>Net Levy</b>	<b>368,162,207</b>
Uncollected at June 30, 2013	<u>(4,009,648)</u>
Current year taxes collected	<u>\$ 364,152,559</u>
Percent of current taxes collected	<u>98.91%</u>

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



**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Ad Valorem Taxes Receivable By Fund  
Year Ended June 30, 2013**

<b>Year of Levy</b>	<b>Uncollected Balance July 1, 2012</b>	<b>Current Year Gross Levy</b>	<b>Collections</b>	<b>Abatements/ Discoveries</b>	<b>Uncollected Balance June 30, 2013</b>
2012	\$ -	\$ 360,277,056	\$ 364,152,559	\$ 7,885,151	\$ 4,009,648
2011	4,171,964	-	3,103,688	(182,021)	886,255
2010	1,154,571	-	332,134	(55,905)	766,532
2009	476,595	-	71,377	(40,062)	365,156
2008	253,464	-	29,711	(38,651)	185,102
2007	99,931	-	9,893	(15,080)	74,958
2006 and prior	399,037	-	(357,974)	(514,233)	242,778
	<u>\$ 6,555,562</u>	<u>\$ 360,277,056</u>	<u>\$ 367,341,388</u>	<u>\$ 7,039,199</u>	<u>6,530,429</u>

Less allowance for uncollectible ad valorem taxes receivable (17,127)

Ad valorem taxes receivable (net) \$ 6,513,302

Receivable by fund, net:

General Fund	\$ 3,660,221	
Capital financing	<u>312,871</u>	
General Fund		3,973,092
City of Durham	2,519,387	
City of Chapel Hill	15,955	
City of Raleigh	4,855	
Town of Morrisville	<u>13</u>	
Agency funds		<u>2,540,210</u>
		<u>\$ 6,513,302</u>

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

**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Ad Valorem Taxes Receivable by Levy Year  
June 30, 2013**

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2012</b>	<b>Additions</b>	<b>Collections</b>	<b>Abatements/ Discoveries</b>	<b>Uncollected Balance June 30, 2013</b>
2012-2013	\$ -	\$ 360,277,056	\$ 364,152,559	\$ 7,885,151	\$ 4,009,648
2011-2012	4,171,964	-	3,103,688	(182,021)	886,255
2010-2011	1,154,571	-	332,134	(55,905)	766,532
2009-2010	476,595	-	71,377	(40,062)	365,156
2008-2009	253,464	-	29,711	(38,651)	185,102
2007-2006	99,931	-	9,893	(15,080)	74,958
2006 and prior	399,037	-	(357,974)	(514,233)	242,778
	<u>\$ 6,555,562</u>	<u>\$ 360,277,056</u>	<u>\$ 367,341,388</u>	<u>\$ 7,039,199</u>	6,530,429
Less allowance for uncollectible ad valorem taxes receivable					<u>(17,127)</u>
Ad valorem taxes receivable (net)					<u>\$ 6,513,302</u>
Reconcilement with revenues:					
Taxes - ad valorem - governmental funds					\$ 229,184,397
Taxes - ad valorem - agency funds					<u>138,156,992</u>
Total collections and credits					<u>\$ 367,341,389</u>

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

**STATISTICAL SECTION**  
**(TAB)**



## **FINANCIAL TRENDS INFORMATON**

### **Schedule of Net Position by Component**

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

### **Schedule of Changes in Net Position**

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

### **Schedule of Fund Balances, Governmental Funds**

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

### **Schedule of Changes in Fund Balances of Governmental Funds**

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

### **Government-wide Expenses by Function**

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

### **Government-wide Revenues**

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

### **General Government Expenditures by Function**

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

### **General Government Revenues by Source**

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

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DURHAM COUNTY, NORTH CAROLINA

Net Position by Component  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
Net investment in capital assets										
Restricted	\$ 33,692,576	\$ 58,793,546	\$ 63,614,759	\$ 80,186,886	\$ 126,736,015	\$ 50,531,593	\$ 34,361,023	\$ 70,418,094	\$ 20,244,058	\$ 7,789,264
Unrestricted	123,921,275	99,001,424	130,208,539	110,473,407	148,287,555	268,604,489	176,971,865	122,052,513	95,772,487	81,325,452
	(94,155,080)	(79,696,301)	(98,865,832)	(82,503,842)	(134,159,338)	(197,614,990)	(141,958,766)	(159,248,940)	(109,675,884)	(94,227,528)
Total governmental activities net position	\$ 63,458,771	\$ 78,098,669	\$ 94,957,466	\$ 108,156,451	\$ 140,864,232	\$ 121,521,092	\$ 69,374,122	\$ 33,221,667	\$ 6,340,661	\$ (5,112,812)
<b>Business-type activities</b>										
Net investment in capital assets										
Restricted	\$ 13,063,666	\$ 20,812,310	\$ 24,680,549	\$ 27,357,125	\$ 28,475,844	\$ 31,884,317	\$ 34,304,997	\$ 37,969,224	\$ 46,827,067	\$ 44,714,405
Unrestricted	4,307,582	750,592	963,121	2,180,110	6,217,552	6,263,697	6,303,037	7,635,822	8,650,213	6,232,518
	13,933,360	10,471,031	10,636,796	10,104,513	8,481,270	8,850,009	10,980,746	13,012,822	15,010,061	19,318,687
Total business-type activities net position	\$ 31,304,608	\$ 32,033,933	\$ 36,280,466	\$ 39,641,748	\$ 43,174,666	\$ 46,998,023	\$ 51,588,780	\$ 58,617,868	\$ 70,487,341	\$ 70,265,610
<b>Primary government</b>										
Net investment in capital assets										
Restricted	\$ 46,756,242	\$ 79,605,856	\$ 88,295,308	\$ 107,544,011	\$ 155,211,859	\$ 82,415,910	\$ 68,666,020	\$ 108,387,318	\$ 67,071,125	\$ 52,503,669
Unrestricted	128,228,857	99,752,016	131,171,660	112,653,517	154,505,107	274,868,186	183,274,902	129,688,335	104,422,700	87,557,970
	(80,221,720)	(69,225,270)	(86,229,036)	(72,399,329)	(125,678,068)	(188,764,981)	(130,978,020)	(146,236,118)	(94,665,823)	(74,908,841)
Total primary government net position	\$ 94,763,379	\$ 110,132,602	\$ 131,237,932	\$ 147,798,199	\$ 184,038,898	\$ 168,519,115	\$ 120,962,902	\$ 91,839,535	\$ 76,828,002	\$ 65,152,798

DURHAM COUNTY, NORTH CAROLINA

Changes in Net Position  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental activities:										
General government	\$ 26,032,334	\$ 26,351,619	\$ 28,142,742	\$ 61,082,121	\$ 53,369,519	\$ 47,393,464	\$ 12,365,748	\$ 45,989,651	\$ 50,482,000	\$ 57,034,487
Public safety	40,967,085	45,099,164	52,182,047	49,069,987	51,025,747	52,889,080	55,255,454	53,964,797	54,806,448	57,767,228
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Economic and physical development	2,478,868	2,243,791	3,246,027	10,262,137	4,483,362	6,746,267	28,751,080	5,272,311	4,616,413	4,916,125
Environmental protection	2,288,155	2,760,078	2,817,714	3,022,401	3,261,121	3,800,688	2,456,029	3,542,985	3,694,850	3,632,359
Human services	302,529,857	341,183,062	344,328,289	371,034,045	405,376,336	437,677,600	108,607,392	109,093,936	115,743,251	86,141,193
Education	104,597,540	104,106,885	105,485,526	106,234,157	117,349,760	143,520,618	176,005,516	185,533,592	159,834,958	151,919,349
Cultural and recreational	7,089,954	7,375,565	11,569,884	12,136,121	10,909,020	11,998,176	25,220,574	12,510,214	12,075,639	11,688,669
Nondepartmental	10,644,972	11,197,360	15,342,913	-	-	-	-	-	-	-
Interest and fiscal charges	12,845,931	16,740,531	11,422,405	15,535,909	14,218,611	14,785,542	11,499,010	17,368,443	17,226,788	19,814,600
Total governmental activities	509,487,196	557,070,555	574,550,047	628,389,378	660,003,976	718,823,945	420,173,303	433,288,429	418,492,847	394,926,510
Business-type activities:										
Sewer utility	4,111,848	5,306,714	4,210,944	5,124,493	5,870,964	5,277,448	5,061,620	5,356,000	5,563,907	5,761,082
Total primary government expenses	513,599,044	562,377,269	578,760,991	633,513,871	665,875,940	724,101,393	425,234,923	438,644,429	424,056,754	400,687,592
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	6,556,766	7,419,425	8,427,778	8,787,807	9,670,581	8,052,809	8,835,568	8,399,578	9,276,517	9,250,904
Public safety	6,317,160	7,100,689	7,958,685	9,458,116	9,205,688	(272,050)	7,082,164	6,608,128	7,873,528	8,376,150
Transportation	2,619	15,323	-	-	-	-	-	-	-	-
Economic and physical development	1,414,760	10,588	10,588	5,956	15,523	25,867	47,284	21,352	13,564	24,524
Environmental protection	21,653,068	5,824,811	7,183,222	2,856,342	2,652,466	2,279,440	2,484,213	2,228,883	2,095,494	2,441,809
Human services	56,264	28,870,290	27,649,080	4,470,817	6,478,384	4,895,166	4,804,562	4,890,085	4,580,101	4,750,608
Cultural and recreational	500	279,545	260,841	289,708	233,515	236,530	234,076	270,157	284,754	296,180
Nondepartmental	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions:										
General government	2,963,721	2,463,328	2,590,512	2,505,275	2,240,883	1,795,706	3,160,839	3,524,446	3,349,194	2,807,583
Public safety	2,356,010	2,148,442	3,231,746	4,262,803	2,604,222	4,970,328	5,445,725	4,522,824	4,544,100	4,483,911
Economic and physical development	405,071	380,608	440,969	551,745	711,079	1,685,798	1,453,149	1,086,038	857,200	732,984
Environmental protection	67,061	-	-	10,476	10,476	45,221	45,083	41,268	103,703	62,078
Human services	245,224,200	273,354,673	275,404,044	328,749,307	352,332,661	390,413,674	69,803,505	66,461,771	70,908,533	44,706,570
Cultural and recreational	290,522	250,378	386,952	297,356	263,204	362,201	322,150	268,013	246,509	223,253
Capital grants and contributions:										
General government	88,764	416,024	-	45,271	113,804	5,319,847	1,000,000	6,079,370	1,213,509	1,044,849
Public safety	-	24,580	-	-	-	-	-	-	-	257,489
Environmental protection	-	-	335,000	419,511	500,000	501,087	250,691	1,390,353	3,191,675	-
Education	-	140,637	2,565,712	8,083,680	26,352,299	13,481,375	1,063,268	1,086,766	172,946	102,473
Cultural and recreational	-	-	-	-	-	-	-	-	-	96,181
Nondepartmental	199,796	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	287,596,282	328,699,341	336,445,129	370,785,694	413,384,787	433,792,999	105,992,277	106,879,032	108,711,327	79,659,556
Business-type activities:										
Charges for services: sewer utility	4,693,790	5,376,090	7,650,033	7,848,710	8,333,612	8,595,153	9,563,353	10,594,336	11,181,310	11,748,514
Capital grants and contributions: sewer utility	1,824,929	-	159,600	-	126,416	164,857	32,330	1,784,691	6,260,051	471,600
Total business-type activities program revenues	6,518,719	5,376,090	7,809,633	7,848,710	8,460,028	8,760,010	9,595,683	12,379,027	17,441,361	12,220,114
Total primary government program revenues	294,115,001	334,075,431	344,254,762	378,634,404	421,844,815	442,553,009	115,587,960	119,258,059	126,152,688	91,879,670



**DURHAM COUNTY, NORTH CAROLINA**

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (221,890,914)	\$ (228,371,214)	\$ (238,104,918)	\$ (257,603,684)	\$ (246,621,189)	\$ (285,030,946)	\$ (314,181,026)	\$ (326,409,397)	\$ (309,781,520)	\$ (315,266,954)
Business-type activities	2,406,871	69,376	3,598,689	2,724,217	2,593,064	3,482,562	4,534,063	7,023,027	11,877,454	6,459,032
Total primary government net expense	<u>(219,484,043)</u>	<u>(228,301,838)</u>	<u>(234,506,229)</u>	<u>(254,879,467)</u>	<u>(244,028,125)</u>	<u>(281,548,384)</u>	<u>(309,646,963)</u>	<u>(319,386,370)</u>	<u>(297,904,066)</u>	<u>(308,807,922)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	154,787,435	165,038,984	174,904,779	180,257,334	197,270,197	204,580,914	208,903,551	222,573,221	224,187,284	229,853,877
Property taxes, levied for fire districts	3,664,756	3,739,469	3,985,570	4,067,755	4,857,931	5,461,784	5,664,512	5,669,812	5,803,682	6,064,378
Property taxes, levied for other districts purposes	-	324,597	327,758	323,940	671,192	656,807	714,072	723,815	713,502	739,049
Local option sales tax	42,455,992	45,384,056	49,624,207	55,347,280	56,069,488	47,108,208	41,675,831	44,546,245	51,371,060	59,047,561
Occupancy tax	2,858,358	2,433,608	2,210,411	2,466,816	2,640,307	2,211,214	1,932,872	2,116,103	2,246,761	2,436,586
Animal tax	466,748	482,165	443,996	437,639	405,546	938,241	907,395	1,184,766	915,504	540,618
Gross receipts tax	200,066	185,738	199,465	204,714	220,678	230,687	329,430	333,207	345,126	347,226
Other taxes	1,626	-	-	-	-	-	-	-	-	-
Investment and interest income	3,602,549	9,320,860	10,141,571	13,321,460	7,650,534	3,123,327	3,216,562	7,335,369	9,886,557	1,977,962
Licenses and permits	2,008,911	-	-	-	-	-	-	-	-	-
Other revenues	10,762,996	11,139,896	12,923,685	14,127,991	813,880	1,096,491	1,047,400	5,774,404	8,604,913	4,709,427
Amortization of bond premium	193,174	193,174	202,273	247,770	251,141	280,133	-	-	-	-
Total governmental activities	<u>221,003,611</u>	<u>238,242,547</u>	<u>254,963,715</u>	<u>270,802,669</u>	<u>270,850,894</u>	<u>265,687,806</u>	<u>264,391,625</u>	<u>290,256,942</u>	<u>304,074,389</u>	<u>305,716,684</u>
Business-type activities:										
Investment and interest income	166,107	626,115	611,070	603,131	847,304	306,961	52,902	5,121	(7,981)	29,074
Other revenues	-	-	2,940	100	62,716	-	3,792	940	-	483
Amortization of bond premium	55,031	33,834	33,834	33,834	33,834	33,834	-	-	-	-
Total business-type activities	<u>221,138</u>	<u>659,949</u>	<u>647,844</u>	<u>637,065</u>	<u>943,854</u>	<u>340,795</u>	<u>56,694</u>	<u>6,061</u>	<u>(7,981)</u>	<u>29,567</u>
Total primary government	<u>221,224,749</u>	<u>238,902,496</u>	<u>255,611,559</u>	<u>271,439,734</u>	<u>271,794,748</u>	<u>266,028,601</u>	<u>264,448,319</u>	<u>290,263,003</u>	<u>304,066,408</u>	<u>305,746,251</u>
<b>Change in Net Position</b>										
Government activities	(887,303)	9,871,333	16,858,797	13,198,985	24,229,705	(19,343,140)	(49,789,401)	(36,152,455)	(5,707,131)	(9,550,270)
Business-type activities	2,628,009	729,325	4,246,533	3,361,282	3,532,918	3,823,357	4,590,757	7,023,088	11,869,473	6,488,599
Total primary government	<u>\$ 1,740,706</u>	<u>\$ 10,600,658</u>	<u>\$ 21,105,330</u>	<u>\$ 16,560,267</u>	<u>\$ 27,762,623</u>	<u>\$ (15,519,783)</u>	<u>\$ (45,198,644)</u>	<u>\$ (29,129,367)</u>	<u>\$ 6,162,342</u>	<u>\$ (3,061,671)</u>

**Notes:**

- (1) Investment and rental income were combined and reported until Fiscal Year 2007. Therefore, the amounts in "Investments" for Fiscal Years 2002 through 2006 represent both investments and rental income. As of Fiscal Year 2007, rental income is reported as program revenue of the function that generates the revenue.
- (2) As of Fiscal Year 2005, licenses and permits are no longer reported under general revenues but rather as charges for services in the appropriate functional area.
- (3) As of Fiscal Year 2007, the County no longer reports "Nondepartmental" revenues and expenses. These revenues and expenses are now reported in the function they pertain to, general government.
- (4) As of Fiscal Year 2010, the amortization of the bond premium is no longer reported under "General Revenues and Other Changes in Net Assets" but rather as a component of interest and fiscal charges expense.

**DURHAM COUNTY, NORTH CAROLINA**

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

June 30	General Fund				All Other Governmental Funds					All Governmental Funds Total			
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Nonspendable	Restricted	Committed		Assigned	Unassigned	Total
2013	\$ 1,002,364	\$ 30,539,412	\$ 51,109,294	\$ 16,348,230	\$ 35,630,010	\$ 134,629,310	\$ -	\$ 10,529,068	\$ -	\$ 56,003,778	\$ (232,519)	\$ 66,300,327	\$ 200,929,637
2012	1,055,346	30,431,788	47,694,892	11,612,648	45,477,059	136,271,733	-	21,048,123	-	46,976,875	-	68,024,998	204,296,731
2011	869,092	25,392,181	33,904,565	8,148,653	49,205,996	117,520,487	-	33,189,054	-	51,139,509	-	84,328,563	201,849,050
2010	810,373	27,702,979	26,675,483	6,203,505	40,241,722	101,634,062	-	41,636,490	-	76,976,301	-	118,612,791	220,246,853
2009	790,316	27,353,153	18,151,896	7,592,000	38,300,379	92,187,744	33,922	82,039,274	-	93,713,294	-	175,786,490	267,974,234
2008	802,015	32,479,932	12,053,302	17,548,466	32,229,265	95,112,980	-	20,341,463	-	98,329,236	-	118,670,699	213,763,679
2007	767,010	27,586,231	12,865,309	19,209,735	32,375,511	92,803,796	-	333,754	-	105,117,653	-	105,451,407	198,255,203
2006	677,533	25,557,710	4,912,289	14,232,400	29,881,008	75,260,940	-	1,108,764	-	130,877,671	-	131,986,435	207,247,375
2005	469,045	31,151,323	4,547,678	14,990,000	16,378,545	67,536,591	-	2,742,602	-	90,120,604	-	92,863,206	160,399,797
2004	402,514	19,738,232	5,971,776	10,800,000	24,545,532	61,458,054	-	917,602	-	119,490,443	-	120,408,045	181,866,099

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**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 205,017,041	\$ 217,778,065	\$ 231,888,087	\$ 243,726,551	\$ 262,694,951	\$ 259,542,906	\$ 260,158,664	\$ 277,130,082	\$ 285,218,594	\$ 299,126,290
Licenses and permits	2,009,911	4,065,033	5,312,774	880,944	1,049,599	744,881	688,093	703,439	794,976	826,580
Intergovernmental	80,584,148	92,975,384	97,702,568	126,958,857	132,739,075	129,353,073	82,439,834	84,463,129	84,587,369	54,163,701
Investments	3,901,835	9,291,592	10,073,093	12,776,308	7,764,319	3,039,158	5,021,717	3,617,037	2,543,564	4,637,119
Rent	-	-	-	1,985,592	2,088,862	607,818	507,071	555,648	591,285	824,104
Charges for services	36,366,056	43,684,623	44,676,761	21,906,991	23,815,640	20,891,632	22,062,286	21,228,569	22,667,005	23,350,074
Other revenues	10,762,996	11,139,896	12,923,685	14,127,991	659,642	943,020	753,316	5,519,764	8,282,993	4,372,836
Total revenues	<u>338,641,987</u>	<u>378,940,593</u>	<u>402,576,968</u>	<u>422,363,234</u>	<u>430,812,088</u>	<u>415,122,488</u>	<u>371,630,981</u>	<u>393,215,668</u>	<u>404,685,786</u>	<u>387,300,704</u>
<b>Expenditures</b>										
General government	23,770,689	24,030,548	25,873,688	53,083,781	40,055,970	43,642,897	47,286,312	85,546,409	74,378,948	69,537,969
Public safety	38,777,865	42,812,116	45,997,598	48,084,025	49,037,837	51,260,744	51,139,790	52,050,280	53,832,256	56,386,531
Transportation	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Economic and physical development	3,073,701	2,966,331	2,725,118	3,250,610	4,468,630	6,726,068	5,378,982	5,158,399	4,606,868	4,914,778
Environmental protection	2,193,159	2,403,268	2,821,303	2,991,804	10,742,700	8,853,660	30,505,276	26,494,114	20,700,688	20,301,762
Human services	132,033,272	155,005,806	158,201,370	156,237,699	172,690,598	162,360,553	107,552,239	108,524,800	109,066,287	91,592,879
Education	78,662,943	83,044,943	89,560,342	96,175,984	135,475,191	154,707,374	143,481,659	185,338,838	159,632,934	151,717,325
Cultural and recreational	7,194,385	7,492,517	8,188,661	9,894,487	11,508,607	14,618,455	20,714,654	13,687,066	12,032,600	11,454,684
Nondepartmental	10,644,972	11,197,360	15,342,913	-	-	-	-	-	-	-
Capital projects	47,982,843	41,033,820	37,337,665	23,050,573	-	-	-	-	-	-
Debt service:										
Principal retirement	19,061,212	21,476,140	23,163,537	25,140,527	25,249,056	27,266,955	25,431,125	53,158,145	109,738,119	34,520,922
Interest and fiscal charges	11,428,032	13,440,112	12,771,432	14,362,230	13,257,396	14,376,279	16,568,325	16,477,835	17,434,904	19,468,651
Debt issuance costs	-	-	-	123,167	83,939	1,546,769	994,584	1,060,066	1,115,755	818,130
Amortization of lease discount	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	-	-	-	-	-
Total expenditures	<u>375,985,573</u>	<u>406,585,461</u>	<u>423,146,127</u>	<u>433,557,387</u>	<u>463,732,424</u>	<u>485,372,254</u>	<u>449,067,446</u>	<u>547,508,452</u>	<u>562,551,859</u>	<u>460,726,131</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(37,343,586)</u>	<u>(27,644,868)</u>	<u>(20,569,159)</u>	<u>(11,194,153)</u>	<u>(32,920,336)</u>	<u>(70,249,766)</u>	<u>(77,436,465)</u>	<u>(154,292,784)</u>	<u>(157,866,073)</u>	<u>(73,425,427)</u>
<b>Other Financing Sources (Uses)</b>										
Transfers in	34,705,447	39,523,513	43,462,928	49,535,192	54,831,910	50,509,388	52,852,625	52,214,136	114,501,549	61,645,051
Transfers out	(34,455,445)	(39,523,513)	(43,462,928)	(49,493,211)	(54,677,672)	(50,349,388)	(52,558,541)	(51,959,497)	(114,179,629)	(61,308,460)
Costs on issuance of debt	(193,744)	-	(1,000)	-	-	-	-	-	-	-
Premium on issuance of debt	42,591	-	982,737	-	404,574	1,207,038	-	3,738,451	7,299,951	-
Issuance of bonds	57,200,000	-	60,605,000	-	46,190,000	-	-	60,000,000	49,105,000	-
Issuance of refunding bonds	-	-	-	-	-	-	49,171,920	71,955,824	73,276,601	-
Payment to refunded debt escrow agent	-	-	-	-	-	-	(48,776,331)	(71,425,002)	(72,630,409)	125,002,399
Issuance of installment purchases	21,027,000	1,410,000	5,830,000	2,160,000	1,700,000	123,073,283	29,019,411	71,371,069	102,940,691	66,114,555
Total other financing sources (uses)	<u>78,325,849</u>	<u>1,410,000</u>	<u>67,416,737</u>	<u>2,201,981</u>	<u>48,448,812</u>	<u>124,440,321</u>	<u>29,709,084</u>	<u>135,894,981</u>	<u>160,313,754</u>	<u>66,991,146</u>
<b>Net change in fund balances</b>	<u>\$ 40,982,263</u>	<u>\$ (26,234,868)</u>	<u>\$ 46,847,578</u>	<u>\$ (8,992,172)</u>	<u>\$ 15,528,476</u>	<u>\$ 54,190,555</u>	<u>\$ (47,727,381)</u>	<u>\$ (18,397,803)</u>	<u>\$ 2,447,681</u>	<u>\$ (6,434,281)</u>
Debt service as a percentage of noncapital expenditures	8.96%	9.35%	9.20%	9.75%	9.69%	9.80%	9.95%	15.00%	24.92%	13.08%

**Notes:**

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

## DURHAM COUNTY, NORTH CAROLINA

### Government-wide Expenses by Function Last Ten Fiscal Years

Fiscal Year Ended	General Government	Public Safety	Transportation	Economic and Physical Development	Environmental Protection	Human Services
2004	\$ 26,032,334	\$ 40,967,085	\$ 12,500	\$ 2,478,868	\$ 2,288,155	\$ 302,529,857
2005	26,351,619	45,099,164	12,500	2,243,791	2,760,078	341,183,062
2006	28,142,742	52,182,047	12,500	3,246,027	2,817,714	344,328,289
2007	61,082,121	49,069,987	12,500	10,262,137	3,022,401	371,034,045
2008	53,369,519	51,025,747	12,500	4,483,362	3,261,121	405,376,336
2009	47,393,464	52,889,080	12,500	6,746,267	3,800,698	437,677,600
2010	12,365,748	55,255,454	12,500	28,751,080	2,456,029	108,607,392
2011	45,989,651	53,964,797	12,500	5,272,311	3,542,985	109,093,936
2012	50,482,000	54,806,448	12,500	4,616,413	3,694,850	115,743,251
2013	57,034,487	57,767,228	12,500	4,916,125	3,632,359	88,141,193

Notes:

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

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<b>Education</b>	<b>Cultural and Recreational</b>	<b>Nondepartmental Charges</b>	<b>Interest and Fiscal Charges</b>	<b>Sewer Utility</b>	<b>Total</b>
\$ 104,597,540	\$ 7,089,954	\$ 10,644,972	\$ 12,845,931	\$ 4,111,848	\$ 513,599,044
104,106,885	7,375,565	11,197,360	16,740,531	5,306,714	562,377,269
105,485,526	11,569,884	15,342,913	11,422,405	4,210,944	578,760,991
106,234,157	12,136,121	-	15,535,909	5,124,493	633,513,871
117,349,760	10,909,020	-	14,218,611	5,870,964	665,876,940
143,520,618	11,998,176	-	14,785,542	5,277,448	724,101,393
176,005,516	25,220,574	-	11,499,010	5,061,620	425,234,923
185,533,592	12,510,214	-	17,368,443	5,356,000	438,644,429
159,834,958	12,075,639	-	17,226,788	5,563,907	424,056,754
151,919,349	11,688,669	-	19,814,600	5,761,082	400,687,592

## DURHAM COUNTY, NORTH CAROLINA

### Government-wide Revenues Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Investment and Rental Income</u>
2004	\$ 40,694,927	\$ 251,306,585	\$ 288,560	\$ 204,434,981	\$ 3,768,656
2005	54,896,761	278,597,429	581,241	217,588,617	9,946,975
2006	59,140,227	282,054,223	3,060,312	231,696,186	10,752,641
2007	33,719,456	336,366,486	6,204,903	243,105,448	-
2008	36,589,771	358,162,525	27,092,519	262,135,339	-
2009	23,812,915	399,272,928	19,467,166	261,187,855	-
2010	33,011,220	80,230,451	2,346,289	260,127,663	-
2011	33,012,519	75,904,360	10,341,180	277,147,169	-
2012	35,305,268	80,009,239	10,838,181	285,582,919	-
2013	36,890,689	53,016,379	1,972,602	299,029,295	-

Notes:

- (1) As of Fiscal Year 2007, investment income and rental income are reported separately with rental income being reported as program revenue of the function that generates the revenue.
- (2) As of Fiscal Year 2005, licenses and permits are no longer reported under general revenues but rather as charges for services in the appropriate functional area.
- (3) As of Fiscal Year 2010, the amortization of the bond premium is no longer reported under "General Revenues and Other Changes in Net Assets" but rather as a component of interest and fiscal charges expense.
- (4) 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.

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<b>Investment and Interest Income</b>	<b>Licenses and Permits</b>	<b>Other Revenues</b>	<b>Amortization of Bond Premium</b>	<b>Total</b>
\$ -	\$ 2,009,911	\$ 10,762,996	\$ 248,205	\$ 513,514,821
-	-	11,139,896	227,008	572,977,927
-	-	12,926,625	236,107	599,866,321
13,924,591	-	14,128,091	281,604	647,730,579
8,497,838	-	876,596	284,975	693,639,563
3,430,288	-	1,096,491	313,967	708,581,610
3,269,464	-	1,051,192	-	380,036,279
7,340,490	-	5,775,344	-	409,521,062
9,878,576	-	8,604,913	-	430,219,096
2,007,036	-	4,709,920	-	397,625,921

**DURHAM COUNTY, NORTH CAROLINA**

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

<b>Fiscal Year Ended June 30,</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Transportation</b>	<b>Environmental Protection</b>	<b>Education</b>	<b>Human Services</b>
2004	\$ 23,770,689	\$ 38,777,865	\$ 12,500	\$ 2,193,159	\$ 78,662,943	\$ 132,033,272
2005	24,030,548	42,812,116	12,500	2,403,268	83,044,943	155,505,806
2006	25,873,688	45,997,598	12,500	2,821,303	89,560,342	158,201,370
2007	53,083,781	48,084,025	12,500	2,991,804	96,175,984	156,237,699
2008	40,055,970	49,037,837	12,500	10,742,700	135,475,191	172,690,598
2009	43,642,897	51,260,744	12,500	8,853,660	154,707,374	162,360,553
2010	47,288,312	51,139,790	12,500	30,505,276	143,481,659	107,552,239
2011	85,546,409	52,050,280	12,500	26,494,114	185,338,838	108,524,800
2012	74,378,948	53,832,256	12,500	20,700,688	159,632,934	109,066,287
2013	69,537,969	56,386,531	12,500	20,301,762	151,717,325	91,592,879

Notes:

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



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<b>Economic and Physical Development</b>	<b>Non- Departmental Charges</b>	<b>Cultural and Recreational</b>	<b>General Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
\$ 3,073,701	\$ 10,644,972	\$ 7,194,385	\$ 31,639,244	\$ 48,176,587	\$ 376,179,317
2,986,331	11,197,360	7,492,517	36,066,252	41,033,820	406,585,461
2,725,118	15,342,913	8,188,661	37,084,969	37,337,665	423,146,127
3,250,610	-	9,894,487	40,775,924	23,050,573	433,557,387
4,468,630	-	11,508,607	39,740,391	-	463,732,424
6,726,068	-	14,618,455	43,190,003	-	485,372,254
5,378,982	-	20,714,654	42,994,034	-	449,067,446
5,158,399	-	13,687,066	70,696,046	-	547,508,452
4,606,868	-	12,032,600	128,288,778	-	562,551,859
4,914,778	-	11,454,684	54,807,703	-	460,726,131

## DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	General Property Taxes	Other Local Taxes	Licenses and Permits	Intergovernmental Revenues
2004	\$ 155,278,002	\$ 49,739,039	\$ 2,009,911	\$ 80,584,148
2005	165,160,775	52,617,290	4,065,033	92,975,384
2006	175,025,932	56,862,155	5,312,774	97,702,568
2007	180,787,796	62,938,755	880,944	126,958,857
2008	197,270,197	65,424,754	1,049,599	132,739,075
2009	203,361,955	56,180,951	744,881	129,353,073
2010	209,175,709	50,982,955	688,093	82,439,834
2011	223,069,172	54,060,910	703,439	84,463,129
2012	223,996,640	61,221,954	794,976	84,587,369
2013	236,671,981	62,454,309	826,580	54,163,701

Notes:

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

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<b>Rental Income</b>	<b>Investment Income</b>	<b>Charges for Services</b>	<b>Other Revenues</b>	<b>Total</b>
\$ -	\$ 3,901,835	\$ 36,366,056	\$ 10,762,996	\$ 338,641,987
-	9,297,592	43,684,623	11,139,896	378,940,593
-	10,073,095	44,676,760	12,923,685	402,576,969
1,985,592	12,776,308	21,906,991	14,127,991	422,363,234
2,088,862	7,764,319	23,815,640	659,642	430,812,088
607,818	3,039,158	20,891,632	943,020	415,122,488
507,071	5,021,717	22,062,286	753,316	371,630,981
555,648	3,617,037	21,226,569	5,519,764	393,215,668
591,285	2,543,564	22,667,005	8,282,993	404,685,786
824,104	4,637,119	23,350,074	4,372,836	387,300,704

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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, 2013**

**Current Year and Nine Years Ago**

<b>Taxpayer</b>	<b>Fiscal Year 2013</b>			<b>Fiscal Year 2004</b>		
	<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Valuation</b>	<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Valuation</b>
International Business Machine	\$537,620,386	1	1.87%	\$554,112,462	2	2.76%
GlaxoSmithKline	490,134,296	2	1.71%	637,758,856	1	3.18%
Cree Inc	385,996,271	3	1.34%	99,050,796	6	0.49%
AW North Carolina Inc	306,265,079	4	1.07%			
Merck Sharp & Dohme Corp	285,128,867	5	0.99%			
Duke Energy Corp	198,892,209	6	0.69%	164,596,552	4	0.82%
SouthPoint Mall LLC	171,926,928	7	0.60%	82,926,225	8	0.41%
EMC Corporation	161,316,645	8	0.56%			
EISAI Inc	123,330,961	9	0.43%			
Frontier Communications	113,355,689	10	0.39%			
Verizon South Inc	-	-	-	247,089,391	3	1.23%
Highwoods/Forsyth Limited Part	-	-	-	106,250,975	5	0.53%
CMD Properties Inc	-	-	-	67,617,206	9	0.34%
State Street Bank & Trust	-	-	-	83,584,221	7	0.42%
Vac Ltd Partnership	-	-	-	<u>66,579,533</u>	10	<u>0.33%</u>
	<u>\$2,773,967,331</u>		<u>9.65%</u>	<u>\$2,109,566,217</u>		<u>10.51%</u>

DURHAM COUNTY, NORTH CAROLINA

Assessed Value and Actual Value of Taxable Property<sup>1</sup>  
Last Ten Fiscal Years

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

Notes:

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



**DURHAM COUNTY, NORTH CAROLINA**

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

Fiscal Year	Taxes Levied for the Fiscal Year		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Percentage of Original Levy	Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year (Original Levy)				Amount	Percentage of Original Levy			Amount	Adjusted Levy
2004	\$ 233,435,165		\$ 7,551,814	\$ 240,986,979	\$ 236,816,081	98.27%	\$ 4,020,535	\$ 240,836,616	99.94%	
2005	254,087,231		6,044,986	260,132,217	255,882,258	98.37%	4,026,444	259,908,702	99.91%	
2006	268,261,053		7,235,630	275,496,683	271,744,257	98.64%	3,523,473	275,267,730	99.92%	
2007	279,649,301		9,638,188	289,287,489	285,179,105	98.58%	3,085,723	288,264,828	99.65%	
2008	300,961,051		16,452,438	317,413,489	313,396,710	98.73%	2,976,591	316,373,301	99.67%	
2009	331,748,220		5,476,495	337,224,715	331,357,242	98.26%	4,748,060	336,105,302	99.67%	
2010	329,213,965		13,906,211	343,120,176	338,558,945	98.67%	3,718,894	342,277,839	99.75%	
2011	358,766,287		4,398,601	363,164,888	358,623,043	98.75%	2,465,889	361,088,932	99.43%	
2012	353,038,243		3,837,833	356,876,076	352,704,112	98.83%	3,118,383	355,822,495	99.70%	
2013	360,277,056		7,885,151	368,162,207	364,152,559	98.91%	-	364,152,559	98.91%	

Notes:

- (1) Amounts included above for fiscal years 2003 through 2011 represent taxes in the General Fund, the Special Tax District Funds and the Agency Funds.
- (2) Amounts included above for fiscal year 2012 represent taxes in the General Fund and the Agency Funds.

**DURHAM COUNTY, NORTH CAROLINA**

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

Fiscal Year Ended June 30,	Durham County	Fire Tax Districts					
		Bethesda	Lebanon	Parkwood	Redwood	Eno	New Hope
2004	\$ 155,082,240	\$ 925,009	\$ 555,182	\$ 972,907	\$ 454,755	\$ 17,762	\$ 41,030
2005	163,927,481	999,637	630,488	1,113,464	470,247	18,237	39,978
2006	174,366,392	1,005,133	711,260	1,123,278	581,169	16,126	38,913
2007	180,373,799	1,005,468	735,683	1,124,990	593,633	16,905	42,190
2008	198,126,081	1,412,365	945,480	1,126,263	672,045	17,304	43,986
2009	205,500,231	1,563,641	1,078,805	1,399,989	744,154	23,125	52,735
2010	209,323,910	1,602,205	1,071,167	1,472,700	738,849	23,983	44,825
2011	223,648,890	1,502,509	1,070,918	1,550,213	728,283	24,035	57,296
2012	224,310,246	1,603,344	1,073,640	1,461,650	766,788	24,336	74,677
2013	229,802,881	1,760,488	1,075,946	1,522,095	764,284	24,325	76,341

**Notes**

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

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

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

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<b>Bahama</b>	<b>Special Park District</b>	<b>Butner Safety District</b>	<b>City of Durham</b>	<b>City of Raleigh</b>	<b>Town of Chapel Hill</b>	<b>Town of Morrisville</b>	<b>Total Tax Levies</b>
\$ 336,807	\$ 351,846	\$ 11,989	\$ 81,543,504	\$ 137,842	\$ 1,340,481	\$ -	\$ 241,771,354
466,101	313,982	11,710	90,893,322	196,329	1,748,777	-	260,829,753
495,685	312,622	15,152	95,880,460	249,910	1,458,824	-	276,254,924
545,082	306,857	16,189	102,559,123	323,866	1,512,542	-	289,156,326
696,347	657,705	16,203	110,402,329	351,249	2,946,132	-	317,413,489
662,490	666,263	20,319	122,039,098	419,553	3,054,312	-	337,224,715
714,101	722,154	17,585	124,304,979	452,134	2,631,582	-	343,120,175
749,909	709,205	17,631	12,983,774	485,766	2,636,459	-	246,164,888
806,759	696,499	17,059	129,390,469	550,646	2,614,275	10,440	363,400,828
854,020	746,927	315	135,132,373	595,878	2,619,338	11,738	374,986,949

**DURHAM COUNTY, NORTH CAROLINA**

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

(rate per \$100 of assessed value)

	2004	2005	2006	2007	2008 <sup>2</sup>	2009	2010	2011	2012	2013
<b>County direct rate</b>										
Operating rate	\$ 0.6910	\$ 0.7019	\$ 0.7144	\$ 0.7536	\$ 0.7801	\$ 0.6594	\$ 0.6604	\$ 0.6911	\$ 0.6865	\$ 0.6850
Capital rate	0.0720	0.0881	0.0946	0.0554	0.0539	0.0487	0.0477	0.0548	0.0594	0.0594
Total general fund direct rate	0.7630	0.7900	0.8090	0.8090	0.8340	0.7081	0.7081	0.7459	0.7459	0.7444
<b>Fire district rates</b>	0.0550-0.0900	0.0600-0.1100	0.0570-0.1100	0.0570-0.1100	0.0570-0.1150	0.0570-0.1100	0.0570-0.1100	0.0599-0.1100	0.0599-0.1125	0.0599-0.1150
<b>Other special district rates</b>	0.1087-0.2000	0.1287-0.2000	0.1287-0.2500	0.1287-0.2500	0.1474-0.2500	0.1461-0.2500	0.1461-0.2500	0.1460-0.2500	0.1474-0.2500	0.1374-0.1524
<b>Municipality Rates</b>										
City of Durham	0.5450	0.5830	0.5830	0.6030	0.6180	0.5400	0.5400	0.5519	0.5575	0.5675
City of Durham BID	-	-	-	-	-	-	-	-	-	0.6375
Town of Chapel Hill	0.5530	0.5750	0.5220	0.5220	0.5220	0.5810	0.4940	0.4940	0.4940	0.4940
City of Raleigh	0.3850	0.3950	0.3950	0.4350	0.4350	0.3735	0.3735	0.3735	0.3735	0.3826
Town of Morrisville	-	-	-	-	-	-	-	-	0.3665	0.3665

**Notes:**

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

## **DEBT CAPACITY INFORMATION**

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

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

### **Legal Debt Margin Information**

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

### **Direct and Overlapping Governmental Activities Debt**

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

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

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

### **Ratios of General Bonded Debt Outstanding**

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

### **Ratios of Outstanding Debt by Type**

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

**DURHAM COUNTY, NORTH CAROLINA**

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

<b>Fiscal Year Ended June 30,</b>	<b>Population Estimate (1)</b>	<b>Taxable Property Assessed Value</b>	<b>Debt Limit</b>	<b>Gross Bonded Debt</b>
2004	242,000 (1)	\$ 20,071,879,031	\$ 1,605,750,322	\$ 239,020,001
2005	246,924 (1)	20,601,509,290	1,648,120,743	221,945,003
2006	249,654 (1)	21,280,715,939	1,702,457,275	265,660,004
2007	254,902 (1)	22,035,372,134	1,762,829,771	247,445,003
2008	261,206 (1)	23,136,584,132	1,850,926,731	275,570,001
2009	265,670 (1)	28,540,855,952	2,283,268,476	255,335,000
2010	267,849 (1)	29,032,891,346	2,322,631,308	233,930,000
2011	272,156 (1)	29,460,598,354	2,356,847,868	272,680,000
2012	275,960 (1)	29,842,363,341	2,387,389,067	298,585,000
2013	277,588 (1)	30,446,750,204	2,435,740,016	273,900,000

**NOTE:**

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

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<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Taxable Property Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ 239,020,001	1.2	960
221,945,003	1.0	873
265,660,004	1.2	1,041
247,445,003	1.1	950
275,570,001	1.2	1,037
255,335,000	0.89	961
233,930,000	0.81	873
272,680,000	0.93	1,002
298,585,000	1.00	1,082
273,900,000	0.90	987

**DURHAM COUNTY, NORTH CAROLINA**

**Legal Debt Margin Information  
Last Ten Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Assessed Value of Property	\$ 20,071,879,031	\$ 20,601,509,290	\$ 21,280,715,939	\$ 22,035,372,134	\$ 23,136,584,132
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,605,750,322	1,648,120,743	1,702,457,275	1,762,829,771	1,850,926,731
Amount of Debt Applicable to Limit General Obligation Bonds	<u>239,020,001</u>	<u>221,945,003</u>	<u>265,660,003</u>	<u>247,445,003</u>	<u>275,570,002</u>
Total net debt applicable to limit	<u>239,020,001</u>	<u>221,945,003</u>	<u>265,660,003</u>	<u>247,445,003</u>	<u>275,570,002</u>
Legal Debt Margin	<u>\$ 1,366,730,321</u>	<u>\$ 1,426,175,740</u>	<u>\$ 1,436,797,272</u>	<u>\$ 1,515,384,768</u>	<u>\$ 1,575,356,729</u>
Total net debt applicable to limit as a percentage of debt limit	<u>14.89%</u>	<u>13.47%</u>	<u>15.60%</u>	<u>14.04%</u>	<u>14.89%</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.



<b>2009</b>	<b>Fiscal Year 2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$ 28,540,855,952	\$ 29,032,891,346	\$ 29,460,598,354	\$ 29,842,363,341	\$ 30,446,750,204
2,283,268,476	2,322,631,308	2,356,847,868	2,387,389,067	2,435,740,016
<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>
<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>
<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>
<u>11.18%</u>	<u>10.07%</u>	<u>11.57%</u>	<u>12.51%</u>	<u>11.25%</u>

**DURHAM COUNTY, NORTH CAROLINA**

**Direct and Overlapping Governmental Activities Debt  
As of June 30, 2013**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Municipality:</b>			
City of Durham	\$ 243,095,007	100%	\$ 243,095,007
Town of Chapel Hill	30,820,000	0%	-
City of Raleigh	<u>327,775,001</u>	0%	<u>-</u>
<b>Overlapping debt</b>	<u>601,690,008</u>		<u>243,095,007</u>
<b>Direct debt</b>	581,249,746		581,249,746
<b>Total direct and overlapping debt</b>	<u><u>\$ 1,182,939,754</u></u>		<u><u>\$ 824,344,753</u></u>

**Source:** Overlapping debt provided by each municipality.

**Note:** Percentage of overlap based on assessed property values.

**DURHAM COUNTY, NORTH CAROLINA**

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

Fiscal Year Ended June 30,	Debt Service Expenditures				General Governmental Expenditures	Ratio of Total Debt Service to General Governmental Expenditures
	Principal	Interest on Bonds	Other Expenses	Total Debt Service		
2004	\$ 19,061,212	\$ 11,428,032	\$ 3,600	\$ 30,492,844	\$ 376,179,317	8.11
2005	21,476,140	13,440,112	-	34,916,252	406,585,461	8.59
2006	23,335,688	12,613,289	3,500	35,952,477	342,123,072	10.51
2007	25,321,777	13,441,166	3,350	38,766,293	356,860,759	10.86
2008	25,249,056	13,254,045	3,350	38,506,451	373,328,462	10.31
2009	27,266,955	14,372,730	3,350	41,643,035	374,809,528	11.11
2010	25,431,125	16,349,362	231,637	42,012,124	314,831,306	13.34
2011	53,158,145	15,794,753	683,053	69,635,951	323,275,838	21.54
2012	109,738,120	16,642,611	540,070	126,920,801	329,489,901	38.52
2013	39,155,769	19,669,554	244,735	59,070,058	331,823,530	17.80

## DURHAM COUNTY, NORTH CAROLINA

### Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property<sup>1</sup></b>	<b>Per Capita<sup>2</sup></b>
2004	\$ 239,020,001	1.19%	987.69
2005	221,945,003	1.08%	898.84
2006	265,660,003	1.25%	1,064.11
2007	247,445,003	1.12%	970.75
2008	275,570,002	1.19%	1,054.99
2009	255,335,002	0.89%	961.10
2010	233,930,000	0.82%	873.37
2011	272,680,000	0.93%	1,001.93
2012	298,585,000	1.00%	1,081.99
2013	273,900,000	0.90%	986.71

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**

<b>Governmental Activities</b>					
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Certificates of Participation</b>	<b>Limited Obligation Bonds</b>	<b>Installment Purchases</b>	<b>Total Governmental Activities</b>
2004	\$ 234,569,363	\$ 26,690,000	\$ -	\$ 24,813,943	\$ 286,073,306
2005	217,267,904	24,560,000	-	23,807,269	265,635,173
2006	261,832,322	22,325,000	-	30,123,804	314,281,126
2007	250,643,354	19,985,000	-	27,018,746	297,647,100
2008	270,784,681	17,525,000	-	23,506,871	311,816,552
2009	251,040,046	132,775,000	-	23,806,105	407,621,151
2010	228,692,055	132,724,828	-	46,985,373	408,402,256
2011	274,834,584	175,502,889	-	41,513,714	491,851,187
2012	309,594,156	146,886,804	67,752,814	17,613,939	541,847,713
2013	293,099,857	55,660,000	189,366,572	43,123,317	581,249,746

**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**

	<b>General Obligation Bonds</b>	<b>Refunding Revenue Bonds</b>	<b>State Revolving Loans</b>	<b>Total Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income<sup>1</sup></b>	<b>Per Capita<sup>1</sup></b>
\$	6,788,928	\$ 24,515,000	\$ -	\$ 31,303,928	\$ 317,377,234	4.03%	1,301.81
	6,280,895	23,245,000	-	29,525,895	295,161,068	3.75%	1,188.86
	5,778,015	21,935,000	-	27,713,015	341,994,141	4.35%	1,362.06
	5,279,734	20,580,000	-	25,859,734	323,506,834	3.86%	1,235.88
	4,785,321	19,155,000	-	23,940,321	335,756,873	3.82%	1,285.41
	4,294,956	17,660,000	-	21,954,956	429,576,107	4.51%	1,616.95
	4,010,321	16,641,908	-	20,652,229	429,054,485	4.20%	1,601.85
	3,671,868	14,926,976	-	18,598,844	510,450,031	4.89%	1,875.58
	2,911,318	14,315,087	-	17,226,405	559,074,118	5.49%	2,025.92
	2,357,603	11,268,200	13,408,267	27,034,070	608,283,816	5.76%	2,191.32

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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

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<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government	220	213	216	243	252
Public safety	559	585	585	590	600
Economic and physical development	6	8	8	30	33
Environmental protection	24	29	28	11	13
Human services	686	659	644	651	677
Cultural and recreational	75	74	73	90	99
Utilities	5	5	5	4	6
Total	<u>1,575</u>	<u>1,573</u>	<u>1,559</u>	<u>1,619</u>	<u>1,680</u>

Source: Durham County Human Resources Department

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<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
248	245	247	253	264
624	599	610	616	644
31	32	30	30	30
14	18	18	16	16
692	700	681	700	610
98	105	101	105	105
21	18	20	21	21
<u>1,728</u>	<u>1,717</u>	<u>1,707</u>	<u>1,741</u>	<u>1,690</u>

# DURHAM COUNTY, NORTH CAROLINA

## Operating Indicators By Function Last Ten Fiscal Years

Function/Program	2013	2012	2010	2009	2008	2007	2006	2005	2004
<b>General Administration</b>									
Registered voters (6)	199,756	195,050	180,403	181,012	156,879	146,097	161,350	154,645	161,708
Taxable real estate parcels (7)	103,757	102,556	87,245	105,618	104,548	100,427	92,600	89,785	87,608
Tax bills (7)**	377,327	317,556	237,229	271,331	300,886	267,305	327,282	310,855	301,008
<b>Human Services</b>									
Adult care home residents served through on-site inspections (8)	885	875	853	826	811	889	886	884	855
Persons testing for HIV/STD (9)	52,251	43,265	66,169	65,924	67,765	60,122	62,013	64,698	62,177
Food assistance individuals (8)	49,281	44,238	34,178	29,727	23,730	22,527	21,706	20,291	19,012
<b>Education</b>									
Students attending public school (1)	32,484	32,671	32,551	31,938	31,732	32,749	31,981	31,719	30,947
Public school teachers (2)	2,247	2,300	2,671	2,326	2,368	2,419	2,368	2,293	2,184
Community college students-average semester (3)	22,974	24,416	25,561	25,810	25,509	25,444	24,849	25,230	22,794
Community college faculty (3)	322	337	161	150	154	148	139	139	131
<b>Community Development and Cultural (5)</b>									
Residential permits issued - new ***	1,141	856	993	883	1,713	2,153	2,284	2,058	1,983
Commercial permits issued - new ***	83	109	73	81	209	274	229	301	243
Building permits - additional, alterations ***	2,362	2,533	2,212	2,230	1,694	1,705	1,739	1,581	1,724
Inspections performed	31,589	27,635	26,295	25,183	*	*	*	*	*
<b>Environmental Services</b>									
Animal control service calls (10)	11,111	15,682	15,628	18,152	16,213	12,390	12,526	11,405	10,423
Animals impounded (10)	3,361	6,315	6,921	7,148	6,755	6,684	6,613	6,906	6,358
Sanitation inspections (9)	5,841	7,040	7,462	6,860	7,606	8,130	8,419	8,433	8,209
<b>Public Safety</b>									
Detention intake (11)	12,350	12,457	11,926	12,219	12,395	12,456	12,743	12,672	12,447
Civil processes served (11)	35,842	33,181	35,210	33,727	33,643	32,967	33,174	34,281	30,819
Pistol permits processed (11)	1,715	1,938	1,726	1,774	1,687	1,051	1,261	1,373	1,287
Average daily jail population (11)	560	551	582	598	629	597	549	509	470
Fire/medical incidents responded to by contracting fire departments (4)	11,096	11,870	11,733	12,344	11,925	10,000	6,239	7,599	7,549
Durham EMS trips (4)	28,337	27,742	27,405	26,260	25,111	23,132	21,766	19,839	19,001

\* Information not available.

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

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

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

(2) Durham County Public Schools.

(3) Durham Technical Community College.

(4) Durham County Emergency Management Department.

(5) Durham City/County Planning Department.

(6) Durham County Board of Elections.

(7) Durham County Tax Department.

(8) Durham County Department of Social Services.

(9) Durham County Public Health Department.

(10) Durham County Animal Control.

(11) Durham County Sheriff Department.

# DURHAM COUNTY, NORTH CAROLINA

## Capital Asset Statistics by Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General Government (1)</b>										
Rentable square footage	767,652	766,682	733,361	733,361	744,461	726,461	726,461	721,454	*	*
<b>Human Services (2)</b>										
Number of centers	4	4	4	4	4	6	6	6	6	7
<b>Education (3)</b>										
Number of schools	56	56	55	53	53	46	46	46	46	44
Number of higher education institutions	4	4	4	4	4	4	4	5	5	5
<b>Community Development and Cultural (4)</b>										
Libraries - branches	8	8	8	8	8	8	8	9	8	8
Volume of library books	698,715	704,093	661,687	603,930	565,245	609,544	584,299	514,958	496,926	475,730
Number of County parks	2	2	2	2	2	2	2	2	60	59
<b>Public Safety</b>										
Sheriff - Stations (5)	5	5	5	5	5	5	5	5	5	5
Detention capacity (5)	736	736	736	736	736	736	736	736	736	736
Fire protection - City Stations (6)	16	16	15	15	15	15	15	14	14	14
Fire protection - Volunteer Stations (6)	12	12	11	11	11	11	11	11	11	12
EMS - Stations (7)	9	6	6	6	6	6	6	6	6	6

\*Information not available.

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

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## **DEMOGRAPHIC & ECONOMIC INFORMATION**

### **Property Value and Construction**

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

### **Demographic and Economic Statistics**

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

### **Principal Employers**

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

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## DURHAM COUNTY, NORTH CAROLINA

### Property Value and Construction Last Ten Fiscal Years

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<b>Fiscal Year Ended June 30,</b>	<b>Building Value of Permits Issued (1)</b>	<b>Assessed Valuation (2)</b>
2004	\$ 700,759,078	\$ 20,180,457,105
2005	897,110,133	20,601,509,290
2006	833,845,052	21,280,715,939
2007	908,064,082	22,035,372,939
2008	937,163,464	23,136,584,132
2009	832,707,556	28,540,855,952
2010	854,185,593	29,032,891,346
2011	918,447,009	29,460,598,354
2012	782,358,521	29,842,363,341
2013	912,531,665	30,444,978,195

NOTES:

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

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

## DURHAM COUNTY, NORTH CAROLINA

### Demographic and Economic Statistics Last Ten Years

Year	Population Estimates <sup>1</sup>	Personal Income <sup>2</sup> (thousands of dollars)	Per Capita Personal Income <sup>3</sup>	School Enrollment <sup>4</sup>	Unemployment Rate <sup>5</sup>
2004	242,000	\$ 7,849,791	\$ 32,482	30,889	4.2%
2005	246,924	8,235,669	33,505	30,947	4.6%
2006	249,654	8,784,739	37,262	31,719	3.9%
2007	254,902	9,526,901	36,388	31,981	3.8%
2008	261,206	10,204,867	38,923	32,749	5.5%
2009	265,670	10,435,368	39,383	32,854	8.0%
2010	267,849	10,190,008	38,795	32,551	7.8%
2011	271,238	10,567,605	38,654	32,566	8.4%
2012	275,960	*	*	32,671	8.2%
2013	277,588	*	*	32,484	7.6%

\* Information not yet available

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

**DURHAM COUNTY, NORTH CAROLINA**

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

<b>Employer</b>	<b>2013</b>			<b>2004</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Duke University & Health System	34,863	1	19.22%	19,205	1	11.51%
International Business Machines (IBM)	10,000	2	5.51%	14,000	2	8.39%
Durham Public Schools	4,600	3	2.54%	4,500	5	2.70%
GlaxoSmithKline	3,700	4	2.04%	5,000	3	3.00%
Blue Cross Blue Shield of North Carolina	2,725	5	1.50%	2,500	6	1.50%
Durham City Government	2,437	6	1.34%	1,979	7	1.19%
Fidelity Investments	2,400	7	1.32%			
Quintiles Transnational Corp.	2,300	8	1.27%			
RTI International	2,300	9	1.27%			
Veterans Affairs (VA) Medical Center	2,162	10	1.19%	1,600	10	0.96%
Nortel Networks				3,100	5	1.86%
Research Triangle Institute				1,800	9	1.08%
Durham County Government				1,815	8	1.09%
	<u>67,487</u>		<u>37.20%</u>	<u>55,499</u>		<u>33.28%</u>

**Source:** Durham Chamber of Commerce and Bureau of Labor Statistics

## **COMPLIANCE SECTION**



## **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, 2013 as defined in the official statement for the Trust Agreement, dated December 1, 2002, with First-Citizens Bank & Trust Company.

### **Management's Responsibility for the Schedule**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the schedule referred to above is presented fairly, in all material respects as, described in the Trust Agreement referred to in the first paragraph, of the County as of and for the year ended June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

We have audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the County, as of and for the year ended June 30, 2013, and have issued our report thereon dated October 28, 2013, expressed as an unmodified opinion on those financial statements. We did not audit the financial statements of the Durham County ABC Board (the "Board"). Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board is based solely on the reports of the other auditors.

**Restricted Use**

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

A handwritten signature in black ink, appearing to read "Cheryl Bokant CP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina  
October 28, 2013

**DURHAM COUNTY, NORTH CAROLINA**

**Schedule of Debt Covenant Compliance  
Year Ended June 30, 2013**

	<b>Enterprise Fund Sewer Utility Fund</b>
	<u>                    </u>
<b>Operating revenues</b>	
Charges for services	\$ 11,108,013
Total operating revenues	<u>11,108,013</u>
 <b>Operating expenses</b>	
Personnel services	1,522,115
Utilities	530,827
Maintenance and other	2,078,637
Depreciation	728,626
Total operating expenses	<u>4,860,205</u>
 <b>Operating income (loss)</b>	<u>6,247,808</u>
 <b>Add:</b>	
Depreciation expense	<u>728,626</u>
 <b>Income available for debt service</b>	<u><u>\$ 6,976,434</u></u>
 <b>Fiscal year revenue bond debt payments</b>	\$ 3,979,818
<b>Fiscal year total debt payments</b>	\$ 5,080,484
 <b>Senior lien debt service coverage</b>	1.75
<b>Total debt service coverage</b>	1.37
 <b>Series 2003 Revenue Bond Covenant Requirement</b>	
Senior lien debt service coverage	1.20
Total debt service coverage	1.00







## **Acknowledgments**

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

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

**Jessica Brown-Linton, Assistant Chief Financial Officer**

**Dennis Roberts, Senior Accountant**

**Sarah Hill, Accountant**

**Dave Jerrido, Accountant**

**Kimerly Mann, Accountant**

**Kimberly Thompson, Accountant**

**Tiffany Long, Accountant**

**Catherine Davis, Compliance Manager**

