

County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019

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Prepared by the Durham County Finance Department

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**INTRODUCTORY SECTION
(TAB)**



Letter of Transmittal

November 19, 2019

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, 2019.

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

Durham County's financial statements have been audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Durham County for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that Durham County's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

Durham County, incorporated in 1881, is located in the piedmont part of the state, which is considered to be the top growth area in the State, and one of the top growth areas in the country. Durham County currently occupies a land area of 299 square miles and serves a population of 308,194. Durham County is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

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

The annual budget serves as the foundation for Durham County's financial planning and control. All agencies of Durham County are required to submit requests for appropriation to the county manager on or before March 15th of each year. The county manager uses these requests as the starting point for developing a proposed budget. The county manager then presents this proposed budget to the commissioners for review prior to May 31st of each year. The board is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of Durham County's fiscal year. The adopted budget is prepared by fund, function (e.g., public safety), and department (e.g., sheriff). However, the appropriations are formally budgeted and approved on a functional basis. Budget-to-actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the community health trust fund, a major special revenue fund, this comparison is presented on pages 35-38 as part of the basic financial statements for the governmental funds. For other major funds and nonmajor governmental funds, with appropriated annual budgets, this comparison is presented in the other supplementary section of this report, which starts on page 133.

Factors Affecting Financial Condition

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

Local Economy

Economic Development

Durham County has an expanding, diversified economy with a strong foundation in electronics, metallurgy, telecommunications, health care, and medical related industries.

The City of Durham, the County's major municipality, is known as the City of Medicine because of the significant impact that biotechnology, health care and other medical related industries have on the economic base.

The County possesses a variety of technical resources and intellectual assets such as three nationally renowned doctoral based research universities with a strong entrepreneurial focus located in the region, state funded research centers in biotechnology and microelectronics, and a strong business support system. Close collaboration between the academic and business communities fosters a free flowing exchange of information and ideas beneficial to both groups. In July 2019 at the *National Association of Counties (NACo)* annual convention, Durham County leaped to 2th (originally 5th) place in the latest Digital Counties Survey. This award identifies the best technology practices amount U.S. Counties. *WRAL.com*, September 2019, announced that the U.S. Department of Education announced that J.D. Clement Early College High School was a 2019 National Blue-Ribbon School which is the nations' top honor. Durham continues to be one of the 5 up-and-coming tech hotspots of the trip of cities (Raleigh, Durham and Chapel Hill) that depicted the Durham area as one of the unexpected regions that's emerging as America's brightest, affordable, and inclusive tech hubs. Durham, along with Raleigh and Chapel Hill have a dense population of smart, young talent, as well as new start-ups that makes Durham an innovation center. *CNBC* named Durham in 2018 the "*Startup capital of the South*".

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. Durham experienced economic development in year 2018 totaling \$1.11 billion, with 6,773 jobs announced in the County. In addition, business expansions announced through the third quarter of calendar year 2019 totaled over \$1.2 billion with plans to create another 1,552 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. *WalletHub*, May 2019, ranked Durham #7 for the "Best Cities to Start a Business", #11 for "Access to Resources" and #8 for "Business Costs". In March 2019 ABC11.com ranked Durham #23 among the "Best Places to Live" in North Carolina. In March 2019, *Niche* ranked Durham #6 for one of the "2019 Healthiest Counties in North Carolina" for its diversity, a community that sticks together, and family friendly. In 2018 *CNBC.com* ranked Durham #5 "10 US cities with high-paying jobs and a low cost of living" and in April 2019, *US News* ranked Durham #19 for "The 25 Best Affordable Places to Live in the U.S. in 2019". In June 2019 *US News* named Durham as one of the "Best Places to Retire" in North Carolina due to affordable cost of living and low housing prices which help to improve your retirement finances.

Research and Development

Durham is located at the pinnacle of North Carolina's famous Research Triangle Park, formed in 1959 by business leaders, government officials and leaders from Duke University of Durham, North Carolina State University in Raleigh and the University of North Carolina at Chapel Hill. The Research Triangle Park (RTP) consists of 7,000 acres

of land, 95% of its corporate enterprises are located in Durham County. In its fifty-eighth year, RTP is the longest-operating research park in the country. RTP is also the nation's largest and most successful research and development-oriented business park. There is more than 300 tenant companies and organizations located in the Park that represent some of the world's largest and most prestigious corporate and government organizations in scientific and technological research. Businesses in the Park employ approximately 55,000 full-time employees and an estimated 8,000 contract employees.

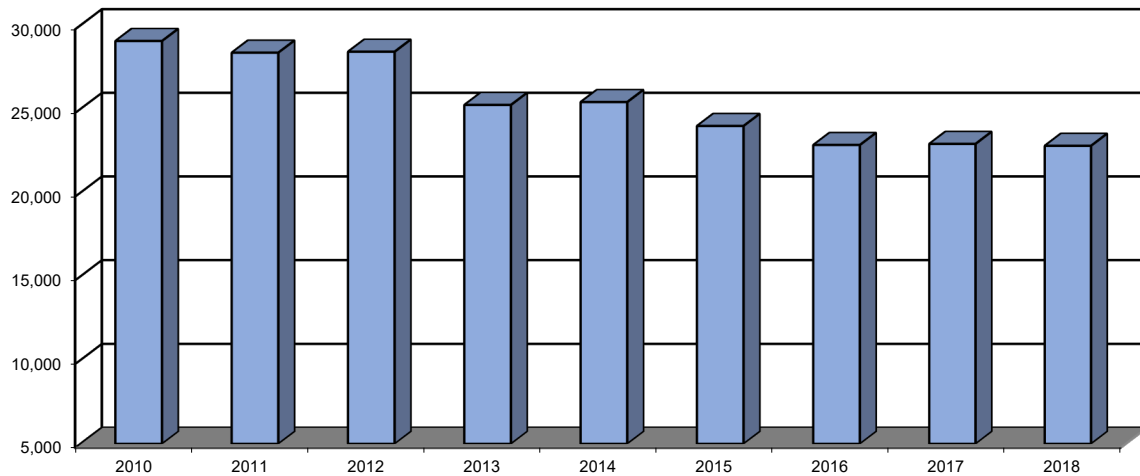
The number of research and development companies in the Park as well as other areas of the County continues to grow. In calendar year 2018, AveXis, a pharmaceutical products company, announced a new \$57 million facility with the creation of 200 new jobs and Strata Solar, a solar energy management company, invested \$13 million in a new facility creating 400 new jobs. In addition to new businesses, current businesses also announced expansions in Durham County and the Park. Businesses such as LabCorp, Corning, Biogen, Logistics Company and Sensus announced expansions in calendar year 2018 with an estimated investment of over \$230 million and over 2,240 new jobs. Other existing companies Locus Biosciences, Merck, Parexel, Pairwise, Cree, and Tergus announced planned expansions through the second quarter of calendar year 2019 with an estimated investment of over \$1.1 billion and the creation of over 1,352 jobs. In May 2019, a report from *WRAL TechWire* recognized Durham as the #7 "Best Cities to Start a Business" according to financial source cite WalletHub.

Research conducted in Durham County continues to cover a broad range of high tech fields such as biotechnology, medical instrumentation, metallurgy, electronic hardware and software development, health care products, digital switching and transmission systems, telecommunication and microelectronics. There also continues to be an abundance of highly skilled graduates from the region's research universities and prestigious law, business and medical schools. In August 2019, *Study International News*, ranked Duke #28 in "Top 50 Universities in Academic Ranking of World University's 2019" and July *US News*, ranked North Carolina Central University #7 in "Top Performers on Social Mobility" and #11 "Best Historically Black Colleges & Universities".

Health Care

The City of Durham is called the City of Medicine because of its vibrant healthcare industry, which includes more than 1,200 medical- and health-related companies that are located in Durham County. There is a wide spectrum of major medical centers in the area, including Duke University Medical Center. In July 2019, *US News & World Report* "Honor Roll List for Best Hospitals", ranks Duke as the 9th best hospital for ophthalmology and 11th for rheumatology; Duke also rated as high performing in 1 adult specialty and 9 procedures and conditions. *US News & World Report* "Best Regional Hospitals" ranked Duke #1 as "Best Hospitals in North Carolina". Duke is a world class academic and health care system; transforming medicine locally and globally through innovative medical research; and educating future clinical and scientific leaders. The result is that Durham County has four times the national average of physicians, three times the national average of nurses, and nearly one third of all workers in the labor force works in a health or medical related industry.

Manufacturing



Source: Employment Security Commission (ESC)

Durham County is a strong manufacturing center in the region. The manufacturing sector experienced a slight decrease in employment from 22,911 in 2017 to 22,796 in 2018. The County experienced a decrease of 115 manufacturing jobs in calendar year 2018. Although we experienced a decrease in jobs in this sector (.50%), the local economy continues to rebound with the decreases in the unemployment rates for the Nation, State, and the County. The County will continue to have strong representation in the manufacturing sector with the continuously improving economy.

Telecommunications

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

Quality of Life

Durham is a diverse down-home city, defined by a combination of a growing economy, quality of life, strong community, offering enough to interest big city lovers while maintaining its small town appeal. In March 2019, *Livability* ranked Durham #23 as the "2019 100 Best Places to Live" and *Oyster*, ranked Durham as one of the "The Best Summer Vacations to take in 2019" with tons of activities, events, festivals that focus on the city's history, innovation, and culture. In September 2019, Durham being a part of the Triangle (Durham, Raleigh, Chapel Hill) was named #2 Best in Nation for 2020 Real Estate by Triangle Business Journal. In addition, Durham boasts nationally acclaimed restaurants. In March 2018, *Cheatsheet.com* recognized Durham #4 for "Every Underrated Foodie City That's Actually Worth Visiting" which recognizes delicious, off-the-wall unheard-of places to eat that fancy your taste buds. Those restaurants mentioned were Monuts, Saltbox

Seafood Joint, Juju and Backyard BBQ Pit to just name a few. Durham has performance facilities such as the Durham Performing Arts Center (DPAC) and the Carolina Theater that host Broadway shows and other professional performances. Over the past 10 seasons, DPAC has been recognized regionally and nationally as one of the top theatres in the nation. *International Buyers Association* recognized DPAC in 2018 as “Theatre of the Year Award”, *Pollstar Magazine* recognized DPAC in 2019 (3rd quarter) as #3 in “Attendance in the US”, *Venues Now* ranked DPAC #2 in “Attendance in the US and Attendance Worldwide for 2,001-5000 Capacity Venues” and *Billboard Magazine* ranked DPAC #4 in “Gross Sales in the US for Venues up to 5,000 Capacity”. Durham has nationally recognized sports cultures, such as Duke University, North Carolina Central University, and the Triple A affiliate of the Tampa Bay Rays, the Durham Bulls. In March of 2019, *POPSUGAR. Living* ranked Durham #10 as one of the “30 Places in the US You Should Visit Before You Turn 30” stating that Durham was an emerging city, making it one of the most moved-to cities for millennials. 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. In February 2019, the *News & Observer* recognized Durham Distillery as “The Best in the United States at the World Gin Awards” and they were honored for the “Best Navy Strength Gin in the U.S.” at the 2019 World Gin Awards.

Major Employers

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

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

Source: Durham Chamber of Commerce

Capital Investment

Many companies are either locating to Durham County or expanding their already existing operations in the County. Economic development announcements for 2018 were over

\$1.11 billion. Economic development announcements occurring for 2019 amounted to over \$1.25 billion.

Economic Development Statistics

Per Capita Income

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

	2010	2011	2012	2013	2014	2015	2016	2017
Durham MSA	40,597	41,785	40,963	41,376	46,584	48,389	49,315	52,277
Raleigh MSA	39,497	40,631	42,709	43,947	47,346	49,714	50,444	52,444
North Carolina	36,028	36,520	37,910	38,683	39,365	40,759	42,244	44,233
United States	40,163	42,298	45,188	44,765	46,494	48,451	49,246	51,731

Source: Bureau of Economic Analysis

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

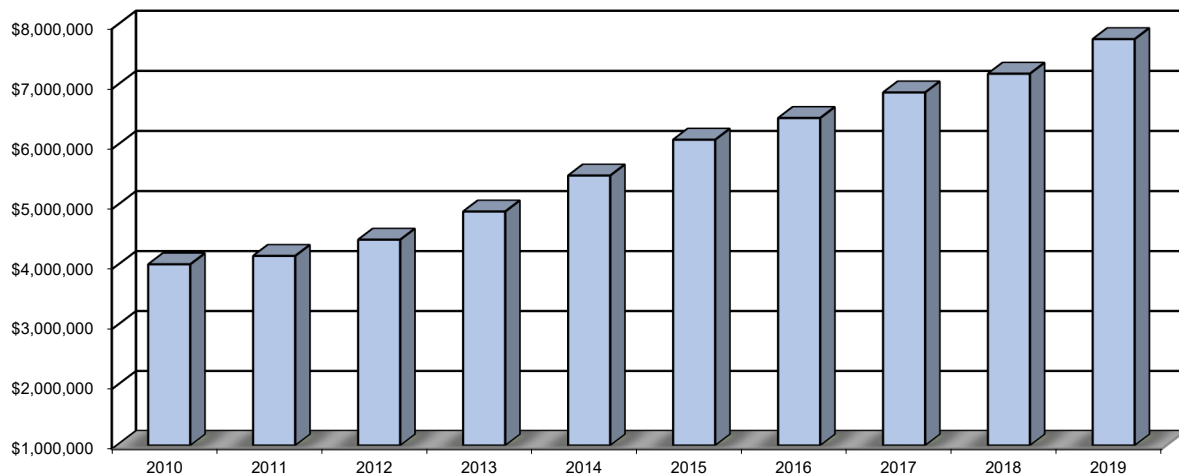
Note: The Bureau of Economic Analysis makes comprehensive revisions to the per capita income estimates annually. The latest revision was November 2015 for periods 1969-2013.

Note: The Bureau of Economic per capita personal income by Metropolitan Area
2014-2017 Durham MSA and Raleigh MSA

Retail Sales

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

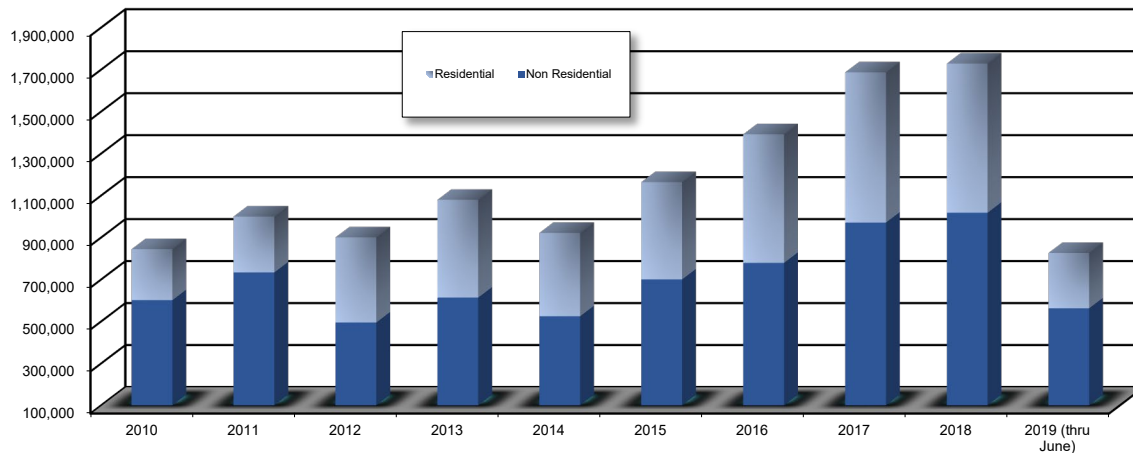
Year Ended June 30,	Total Taxable Sales (000's)	Percent Growth Over Previous Year
2010	\$ 4,022,518	10.81%
2011	4,163,246	3.50%
2012	4,434,078	6.51%
2013	4,902,628	10.57%
2014	5,501,325	12.21%
2015	6,097,770	10.84%
2016	6,458,506	5.92%
2017	6,884,030	6.59%
2018	7,195,550	4.53%
2019	7,771,144	8.00%



Since fiscal year 2009 when the economy started to slowly recover, Durham's retail sales have continued to increase from over \$7.19 billion in fiscal year 2018 to slightly over \$7.77 billion in fiscal year 2019. 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 2019, the total taxable sales reported were over \$7.77 billion, an increase of over \$576 million (8.00 %), reflecting continued positive growth in the County's economy.

Construction Activity

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

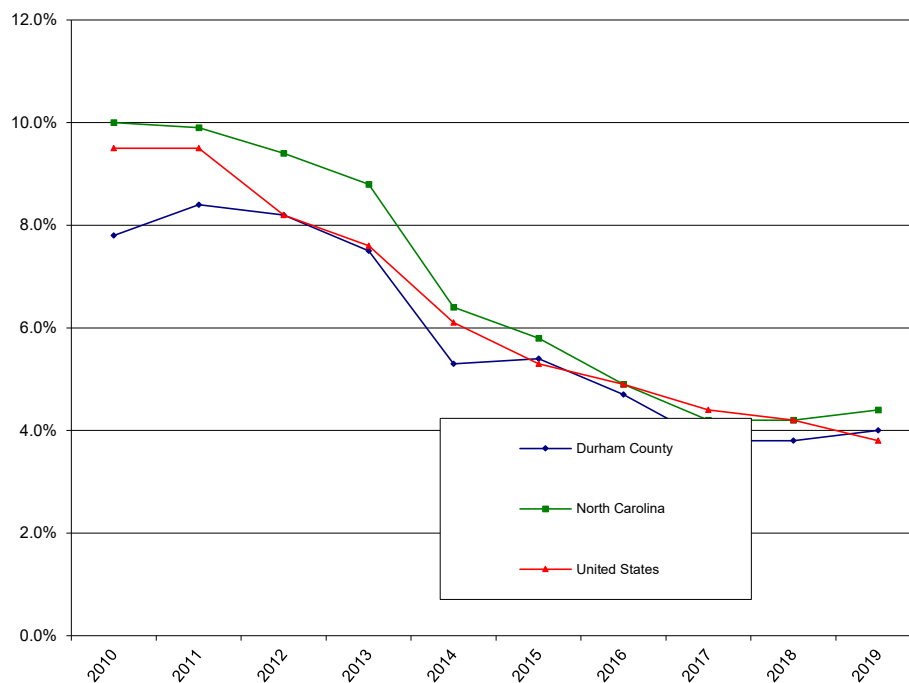


As of June 30, 2019, the total number of occupied dwelling units in Durham County was 131,721. Also, for the first six months of 2019, 2,129 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. From calendar year 2017 to 2018, there was an overall increase in the value of all building permits issued in the County. The increase was in the value of non-residential construction. The increase in the value of permits issued as well as increases in the number of permits issued is an indication of the continued economic growth in the County.

Unemployment

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

	Durham County	North Carolina	United States
2010	7.8%	10.0%	9.5%
2011	8.4%	9.9%	9.5%
2012	8.2%	9.4%	8.2%
2013	7.5%	8.8%	7.6%
2014	5.3%	6.4%	6.1%
2015	5.4%	5.8%	5.3%
2016	4.7%	4.9%	4.9%
2017	3.8%	4.2%	4.4%
2018	3.8%	4.2%	4.2%
2019	4.0%	4.4%	3.8%



As of June 2019, the County's unemployment rate was 4.0%, an increase of .2% from June 2018. Although the County's unemployment rate increased slightly, the County's unemployment rate compares favorably to the State's 4.4% and a small percentage higher than the average unemployment rate of 3.8% for the Nation. The County's primary commitment remains job creation and maintaining a strong economy.

Long-term Financial Planning

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

forecast (5 years) for the County's general fund and debt service fund. Listed below are several of the County's major accomplishments for the year.

Facility Master Plan

The Facility Master Plan that was originally approved in fiscal year 2000 and laid the groundwork for the future building needs of the County and was centered on sound planning and solid financial research. As of Fiscal Year 2013, the County no longer provides mental health services; as a result, the County had no facility needs for Mental Health. However, the County is currently renting the Human Services Complex space planned for use to provide mental health services to the MCO contracted to provide mental health services, Alliance Behavioral Healthcare, Inc. The most recent Master Plan, amended in fiscal year 2016, reflects the changes in facility needs and options for the County. The Facility Master Plan as currently amended serves as the basis for the facility projects included in the Capital Improvement Plan.

Capital Improvement Plan

The County maintains a 10-year Capital Improvement Plan (CIP), which is fully updated every two years. During 2018-2019 fiscal year, the Board of County Commissioners (BOCC) adopted the 2020-2029 Capital Improvement Plan (CIP). The plan itself provides a blueprint which the County uses to meet the growing facility needs of the schools, libraries, museum, court system, public safety, human service agencies, general government needs and open space. The CIP also provides a financial overview of the financing options for the existing capital projects as well as those capital projects not yet implemented but are projected in the 10-year plan. Annually, the financing options are reviewed, as well as the projects and their estimated costs.

Accomplishments during the past fiscal year include the completion of the following construction projects: Administration Building II Renovation (former Judicial Building) and Administration Building II 7th floor upfit. The Main Library Renovation construction is currently underway with an anticipated opening in spring 2020. Other projects in various stages of design, bidding, preliminary activities and/or regulatory approvals include the Administration Building 1 Renovation, Judicial Building Annex Renovation (old First Union), New EMS Station #1, Detention Center Officers Station Improvements, Detention Center HVAC Grill and Bunk Bed Replacement, Downtown Parking Decks/300 and 500 Block Mixed-use Development, New Durham County Youth Home, Additional EMS Stations as prioritized by the Emergency Medical Services Long Range Space Planning and Analysis (including two additional Joint City/County EMS/Fire Stations and three new County EMS stations), Extensions to the County Fiber Network through collaboration with the Duke Fiber Project, Triangle Wastewater Treatment Plant 2nd Administration Building, Solid Waste Convenience Site Upgrades, Alliance Behavioral Healthcare Space Reorganizations within the Human Services Building, Public Defender Office Modifications, New Public Safety Service Center, Upgrades to the Sheriff's Firing Range, Leasehold improvements for a new restaurant in Administration Building II, due diligence for the disposition of the old DSS Main building, and Bragtown Library and Animal Shelter feasibility studies.

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”, that new construction between 4,000 and 10,000 square feet shall achieve a minimum rating of LEED “Silver”, and that renovation projects obtain a “Certified” rating. Currently, the County has nine LEED certified buildings that have been completed which include the following: Triangle Wastewater Treatment Plant Administrative Building – “Certified”, East Regional Library – “Certified”, North Regional Library – “Silver”, South Regional Library – “Gold”, Animal Control Office Building - “Silver”, Southwest Library Renovation and Addition – “Silver”, the Criminal Justice Resource Center Third Floor Renovation – “Silver”, Durham County Courthouse – “Gold”, and the Human Services Facility – “Silver”. “Silver” LEED Certification is currently pending for the Administration Building II Renovation (former Judicial Building). The County is also seeking various levels of LEED Certification for the Main Library Renovation, Administrative Building Renovation, Judicial Building Annex, and the new EMS Station 1 which are current projects not yet completed. Additional projects are identified in the CIP which will also be designed using sustainable design guidelines.

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, 2018. This was the eighteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

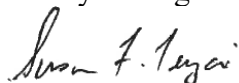
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Wendell M. Davis
County Manager



Susan Tezai
Chief Financial Officer

Durham County Board of County Commissioners



Wendy Jacobs
Chair



James Hill
Vice Chair



Heidi Carter



Brenda A. Howerton



Ellen W. Reckhow

Durham County Administration



Wendell M. Davis
County Manager



Susan F. Tezai, CPA
Chief Financial Officer





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, 2018

Christopher P. Morrell

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, 2019 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, 2019, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the community health trust fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplemental and Other Information

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

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019 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
November 19, 2019

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, 2019. 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 \$135,142,476 (*net position*). However, of this amount, unrestricted net position has a deficit balance of (\$155,341,746) (*unrestricted net position*) which is primarily because of the debt the County has issued on behalf of the school system, Durham Technical Community College and the Museum of Life and Science to fund capital outlay as required by State law. The assets funded by the County are owned by the Durham Public School System, Durham Technical Community College and the Museum of Life and Science and are capitalized in their financial statements. Therefore, the County, as the issuing government, has incurred a liability without a corresponding increase in assets.
- The government's total net position increased by \$20,203,536, an increase of 17.58 percent, due to increases in both the governmental activities' net position and the business-type activities' net position of just over \$17.07 million and \$3.13 million, respectively.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$283,647,591, an increase of \$31,680,660 in comparison with the prior year. Approximately 19.9 percent of this total amount, or \$56,424,929, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$166,383,335 or 35.31 percent of total general fund expenditures, compared to fiscal year 2018 which was \$166,040,841 or 36.99 percent of total general fund expenditures. The net change in fund balance for fiscal year 2019 in the general fund was an increase of \$3,749,815 with a 1.3 percent decrease in the fund balance available as a percentage of expenditures. The primary reasons for the increases are the revenue collections were 111.93 percent of budget while expenditures were 109.61 percent of budget. The net change in fund balance decreased by over \$8.8 million in fiscal year 2019 from fiscal year 2018. The primary reasons for the decrease in the net change in fund balance was the increase in transfers out of over \$11.3 million and the decrease of transfers in by almost \$4.4 million despite the increase in the ratio of excess revenues over expenditures of almost \$6.9 million.
- The County's total debt increased by \$25,773,714 (3.44 percent) during the current fiscal year. The key factors in this increase were the issuance of new debt in the amount of \$62,574,540 and the increase in the LGERS pension obligation of \$13,517,762, offset by the decrease in the County's total OPEB liability of \$13,508,280, and by the annual retirement of governmental and business-type activities debt.
- Durham County continues to maintain its AAA bond rating.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

Following the notes is the required supplementary information.

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

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

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

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

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

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

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

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

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

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

Proprietary funds. Durham County has one kind of proprietary fund. An *Enterprise fund* is 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 utility. 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. After the first year of operations, the water utility that services the Rougemont Community, a small rural area of the County, was deemed to not be self-sustaining based on user fees and was therefore closed into the General fund as of fiscal year 2017. The County will continue to provide water services to the Rougemont Community and subsidize the operations of this health-related service with funds from the General fund.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-122 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Durham County's progress in funding its obligation to provide pension benefits and postemployment benefits to its employees. Required supplementary information can be found on pages 123-130 of this report.

Following the required supplementary information, combining statements referred to earlier are provided to show details in connection with non-major governmental funds. Budgetary information for each fund as required by the North Carolina General Statutes and detailed comparative statements, including annually budgeted funds, can also be found in this section. Combining and individual fund statements and schedules can be found on pages 133-167 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 \$135,142,476 as of June 30, 2019. Net position is reported in three categories: net investment in capital assets, restricted net position and unrestricted net position.

The County's net position increased by \$20,203,536 for the fiscal year ended June 30, 2019. One of the largest portions in the amount of \$222,916,199 reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

DURHAM COUNTY'S NET POSITION

	Governmental Activities		Business - type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 330,122,673	\$ 300,972,373	\$ 41,427,438	\$ 37,898,194	\$ 371,550,111	\$ 338,870,567
Capital assets	475,286,089	448,987,111	70,113,516	71,153,750	545,399,605	520,140,861
Total assets	805,408,762	749,959,484	111,540,954	109,051,944	916,949,716	859,011,428
Total deferred outflows of resources	51,444,877	43,358,417	700,333	620,414	52,145,210	43,978,831
Long-term liabilities outstanding	758,708,180	731,676,016	1,290,711	17,989,430	1,290,711	749,665,446
Other liabilities	24,543,887	19,059,575	16,730,980	589,426	41,274,867	19,649,001
Total liabilities	783,252,067	750,735,591	18,021,691	18,578,856	801,273,758	769,314,447
Total deferred inflows of resources	32,645,472	18,697,005	33,220	39,867	32,678,692	18,736,872
Net position:						
Net investment in capital assets	169,099,967	62,072,041	53,816,232	53,624,526	222,916,199	115,696,567
Restricted	64,193,834	57,833,938	3,374,189	688,047	67,568,023	58,521,985
Unrestricted	(192,337,701)	(96,020,674)	36,995,955	36,741,062	(155,341,746)	(59,279,612)
Total net position	\$ 40,956,100	\$ 23,885,305	\$ 94,186,376	\$ 91,053,635	\$ 135,142,476	\$ 114,938,940

The second portion of the County's net position in the amount of \$67,568,023 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, 2019, the unrestricted net position is a deficit in the amount of (\$155,341,219). The unrestricted deficit is attributable primarily to the general obligation bonds issued by the County for the public schools, Durham Technical Community College, and the Museum for Life and Science. Even though the debt has been issued to finance the acquisition, construction and renovation for the public schools, Durham Technical Community College and the Museum of Life and Science, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it is not financing assets owned by the County. Therefore, this debt is reflected within the unrestricted portion of net position rather than as part of the category net investment in capital assets. In addition, as of fiscal year 2008, the unrestricted net position deficit includes pension liabilities for other postemployment benefits per GASB Statements No. 43 and No. 45. Also, as of fiscal year 2011, the restricted net position now includes Stabilization by State Statute per GASB Statement No. 54 which

further increases the unrestricted net position deficit. In addition, as of fiscal year 2015, the County implemented GASB Statements No. 68 and No. 71 reporting the County's proportionate share of the Register of Deeds' Supplemental Pension Fund's net pension asset, Local Government Employees' Retirement System's net pension liability and their respective deferred outflows of resources, deferred inflows of resources and pension expense. As of fiscal year 2017, the County also implemented GASB Statement No. 73 reporting the County's total pension liability for LEOSSA and its respective deferred outflows of resources, deferred inflows of resources and pension expense. As of fiscal year 2018, the County implemented GASB Statement No. 75 reporting the County's total OPEB liability and its respective deferred outflows of resources, deferred inflows of resources and OPEB expense. At the end of the current fiscal year, the County 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 (\$192,337,701) while the other two categories of net position, net investment in capital assets and restricted net position, and all three categories of net position of the business-type activities were positive. The unrestricted net position for the business-type activities had a positive balance of \$36,995,955.

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DURHAM COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business - type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 34,692,476	\$ 37,243,427	\$ 12,659,769	\$ 10,199,023	\$ 47,352,245	\$ 47,442,450
Operating grants and contributions	49,452,242	46,909,595	-	-	49,452,242	46,909,595
Capital grants and contributions	3,122,406	2,535,388	-	959,110	3,122,406	3,494,498
General revenues:						
Taxes	391,293,597	376,177,338	-	-	391,293,597	376,177,338
Investment and interest income	965,567	7,430,012	600,355	320,391	1,565,922	7,750,403
Other revenues	982,195	1,062,967	(3,524)	(6,957)	978,671	1,056,010
Total revenues	480,508,483	471,358,727	13,256,600	11,471,567	493,765,083	482,830,294
Expenses:						
General government	65,306,869	67,278,145	-	-	65,306,869	67,278,145
Public safety	86,231,267	83,743,115	-	-	86,231,267	83,743,115
Transportation	244,338	238,948	-	-	244,338	238,948
Economic and physical development	5,996,057	5,761,844	-	-	5,996,057	5,761,844
Environmental Protection	6,760,218	5,997,974	-	-	6,760,218	5,997,974
Human services	91,657,739	86,632,504	-	-	91,657,739	86,632,504
Education	172,358,720	155,678,995	-	-	172,358,720	155,678,995
Cultural and recreational	15,782,278	20,693,870	-	-	15,782,278	20,693,870
Interest and fiscal charges	19,100,202	16,547,326	-	-	19,100,202	16,547,326
Sewer utility	-	-	10,123,859	8,302,269	10,123,859	8,302,269
Total expenses	463,437,688	442,572,721	10,123,859	8,302,269	473,561,547	450,874,990
Increase (decrease) in net position	17,070,795	28,786,006	3,132,741	3,169,298	20,203,536	31,955,304
Net position, beginning, previously reported	23,885,305	110,942,378	91,053,635	87,884,337	114,938,940	198,826,715
Restatement	-	(115,843,079)	-	-	-	(115,843,079)
Net position, beginning, restated	23,885,305	(4,900,701)	91,053,635	87,884,337	114,938,940	82,983,636
Net position, ending	\$ 40,956,100	\$ 23,885,305	\$ 94,186,376	\$ 91,053,635	\$ 135,142,476	\$ 114,938,940

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

- Continued diligence in the collection of property taxes by maintaining an overall collection percentage of 99.67 percent for the current levy year for governmental activities.
- Planning and management of revenues and expenses through the use of financial models for capital and debt service.

- Continued low cost of bonded debt that is a direct result of the County's high bond rating by the rating agencies of Moody's and Standard and Poor's. The County considers this unique achievement to be a key factor in keeping the interest costs low on the County's outstanding debt.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.
- A multi-year budget forecast (5 years) for the County's general fund and debt service fund.

Governmental activities. The governmental activities increased the County's beginning net position by \$17,070,795 or 84.49 percent of the total increase in the net position of the County. This amount is an increase of 71.47 percent of the governmental activities beginning net position. This is down from a prior year increase of \$28,786,006 or 90.08 percent of the total increase in the net position of the County. However, revenues increased in fiscal year 2019 compared to fiscal year 2018 by over \$9.1 million (1.94 percent). Expenses increased as well, by over \$20.8 million (4.71 percent). In fiscal year 2019, property taxes levied for general purposes and for fire districts increased by over \$13.57 million (4.87 percent) and almost \$473 thousand (6.05 percent), respectively. This increase was primarily because of the increase in assessed property values as well as the North Carolina Vehicle Tax System (NCVTS) also known as the "Tag and Tax Together System" combined with the County's continued collection efforts including participation in the North Carolina Local Government Debt Setoff Clearinghouse Program. In addition, local option sales taxes increased for the ninth consecutive year by almost \$713 thousand (0.85 percent) as a result of increased spending and collections, an indicator of a healthy economic climate. Investments decreased by almost \$6.5 million (87.00 percent) which is primarily because of a decrease in fair market value of investments by just almost \$8.3 million compared to a prior year increase of just over \$3.5 million, offset in part by an increase of almost \$1.5 million in the value of the financial derivative instrument for the County's SWAP Agreement per GASB Statement No. 53 compared to a decrease in fiscal year 2018 by slightly over \$1 million, combined with an increase in accrued interest receivable of slightly over \$788 thousand whereas there was an increase of only over \$289 thousand in accrued interest receivable in the prior fiscal year, resulting in a variance of almost \$470 thousand compared to fiscal year 2018. The remaining balance of the decrease is due to an increase in investment earnings of over \$2.3 million.

Program revenues for charges for services decreased by \$2.55 million (6.85 percent) while operating grants and contributions increased by \$2.54 million (5.42 percent), combined with an increase in capital grants and contributions of \$587 thousand (23.15 percent).

Charges for services decreased for the human services function by over \$1.4 million primarily due to the decrease per the agreement in the Duke lease payment for hospital space. There were also decreases for the general government function of almost \$960 thousand due to decreases in rental income (almost \$232 thousand), election registration lists (almost \$400 thousand) as fiscal year 2019 was not an election year, register of deeds (almost \$300 thousand), and general government charges (over \$202 thousand). This decrease was partially offset by an increase of parking charges of \$83 thousand due to increased services. Public safety decreased by almost \$258 thousand due to the decrease in the EMS receivable by over \$112 thousand in the current fiscal year whereas it increased by \$212 thousand in fiscal year 2018. This decrease was partially offset by an increase in emergency

medical services charges of \$192 thousand due to increased services. Slight increases in environmental protection, economic and physical development and cultural and recreational functions were insignificant.

The operating grant program revenues for the general government function increased by over \$1 million (19.71 percent) due to increases in state hold harmless revenue for fiscal year 2019. Operating grant program revenues for the public safety function increased by \$614 thousand due to increased grant funding, despite an offsetting decrease in funding of \$378 thousand related to the City-County Fire merger between Durham County and the City of Durham per the interlocal agreement. The human services function increased by over \$338 thousand primarily due to increased levels of service, while economic development and cultural and recreational increased by \$308 thousand and over \$264 thousand, respectively. A slight decrease in the environmental protection function was insignificant.

The capital grant program revenues for the cultural and recreational function increased from \$0 in fiscal year 2018 to \$800 thousand due to funds received for furniture and equipment purchases for the Main Library which is currently under renovation. Capital grants and contributions for education increased by almost \$234 thousand related to construction on the Riverside High School Phase II project. This increase in capital grant program revenues was offset partially with a decrease in the environmental protection function of almost \$447 thousand because there were no revenues related to the Lincoln Community Health Center Phase II renovation project as there had been in fiscal year 2018. The County's finances continue to be strong, sound and stable because of solid, dedicated and committed financial management.

For the most part, increases in governmental activities' expenses closely paralleled inflation and growth in the demand for services. The County's total governmental activities' expenses increased by over \$20.8 million (4.71 percent). Education expenses increased by almost \$16.7 million (10.71 percent) of which over \$10.2 million is due to increased construction costs for Durham Public Schools (DPS) and Durham Technical Community College (DTCC). Funding for DPS increased by almost \$4.7 million, almost \$400 thousand for DTCC, and \$1.4 million for other education related to child care services.

Human services expenses increased by over \$5 million (5.80 percent) due in large part to an increase in social services of over \$3.2 million related to an increased level of service as well as to net pension expense and the pension liability combined with deferred inflows and outflows plus depreciation expense and the change in the accrued vacation liability being \$5.1 million in fiscal year 2019 compared to \$3.4 million in fiscal year 2018.

Interest and fiscal charges increased by over \$2.5 million (15.43 percent) mainly due to the increase in the amortization of the bond premium of \$317 thousand between fiscal year 2019 and 2018, an increase in fiscal charges paid of almost \$516 thousand, and an increase in the change of accrued interest payable of almost \$1.1 million, and an increase in additional funds received as a result of refunding for almost \$330 thousand.

Public safety expenses increased by almost \$2.5 million (2.97 percent) despite a net decrease over fiscal year 2018 of almost \$2 million due to decreases of over \$6 million in construction expenditures and increases in fire district expenditures of \$4.4 million, offset by a net decrease of almost \$364

thousand in public safety expenditures over prior year in the general fund. The increase is mainly due to a reduction of almost \$3.1 million in CIP additions over the prior year combined with an increase in the net pension expense and the pension liability combined with deferred inflows and outflows over prior year of \$1.85 million.

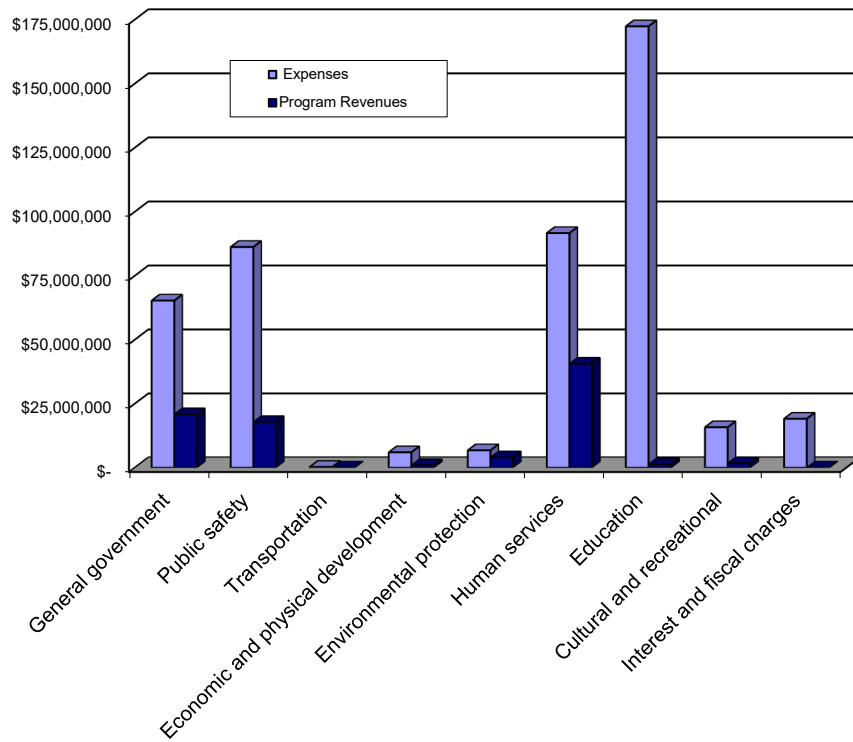
Cultural and recreational decreased by over \$4.9 million (23.73 percent) due to an increase of almost \$10.3 million in CIP additions compared to fiscal year 2018. This decrease was partially offset by an increase of almost \$4.7 million on related construction expenditures. There was also an increase in the net pension expense and the pension liability combined with deferred inflows and outflows over prior year of \$225 thousand.

General government expenses decreased by almost \$2 million (2.93 percent) despite an increase of \$811 thousand in general fund expenditures due to a decrease in capital outlay spending of \$2 million over fiscal year 2018, including construction spending of almost \$1.6 million, and net decreases of \$1.6 million in the change in the OPEB liability, expense, contributions and deferred inflows and outflows since prior year, offset by a net increase of \$755 thousand in LGERS pension expense, contributions, and the change in the liability and deferred inflows and outflows over prior year.

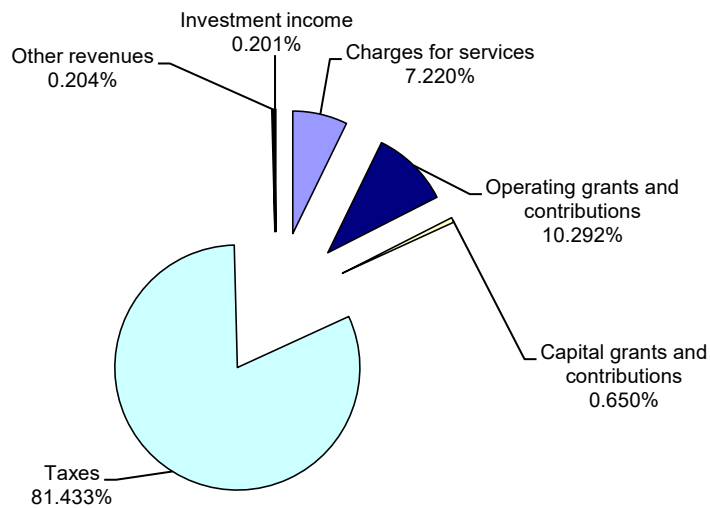
Increases in environmental protection, economic and physical development, and transportation were less significant.

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Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

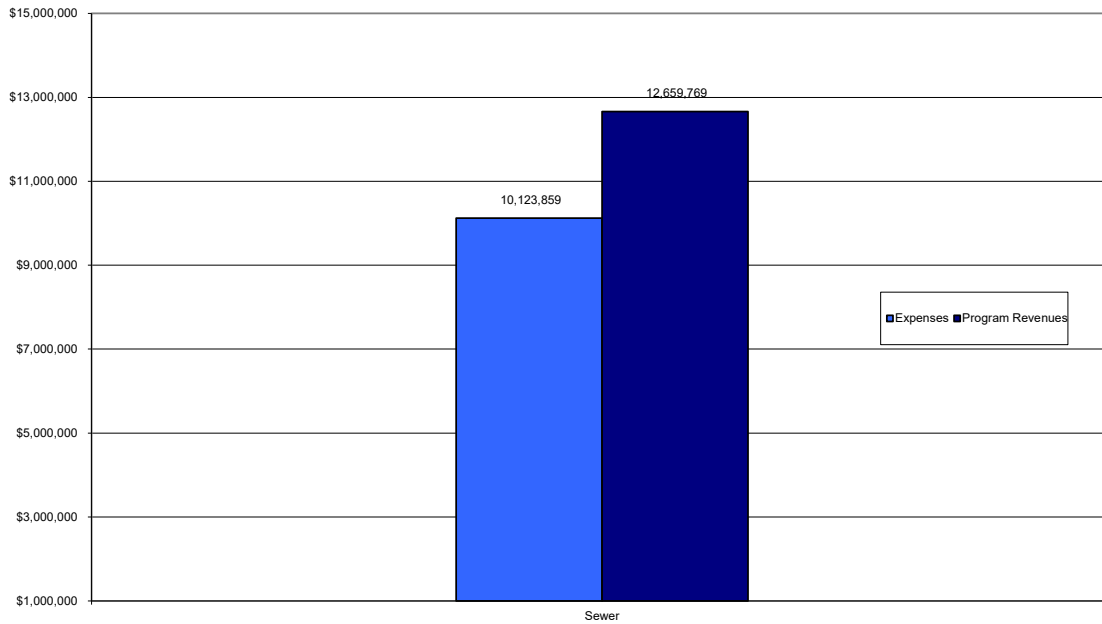


Business-type activities. Business-type activities increased the County's net position by \$3,132,741 accounting for 15.49 percent of the increase of the total growth in the government's net position. Key elements of this are as follows:

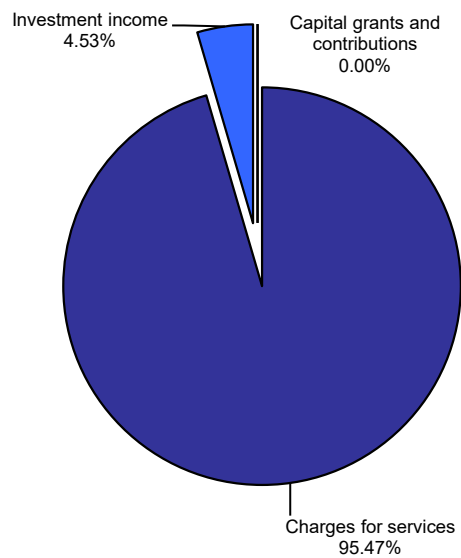
- Expenses increased \$1,821,590 (21.94 percent) because of increases in operating expenses mainly due to maintenance of \$1.5 million, as well as increases in personnel services and increases in services delivered, as demonstrated by a consistent operating margin year over year. There were no debt issuance costs for fiscal year 2019. Depreciation expense remained consistent in fiscal year 2019.
- Charges for services increased by \$2,460,746 (24.13 percent). The sewer rates were increased for fiscal year 2019 in the sewer utility fund. The consumption rate charge was increased by 5.0 percent for all customers, both residential and industrial, effective July 1, 2018. The rate increase was necessary to maintain operational expenses and funds for service debt. Other various service charges were increased, and fees also were adjusted. The monitoring charge for cyanide was increased by \$3.00 and the monitoring charge for gallium and indium was increased by \$2.00. The increase in monitoring charges coincide with the charges received from the contract laboratory. An increase in demand for the provision of sewer services from Durham County citizens contributed as well to the increase. The increase in charges is also due to greater development in the RTP area, leading to an increase of \$1,884,907 (125.74 percent) in sewer connection fees because of these new sewer connections. As of July 1, 2018, the County no longer charges capital recovery fees. Effective July 1, 2018, per house bill 406, Durham County charges system development fees so that new development shares in the cost of the emplacement, maintenance, and upkeep of existing sewer capacity.
- Investment and interest income increased by \$279,964 (87.38 percent) primarily because of an increase in annual earnings as well as an increase in the accrued interest receivable at year end of almost \$57 thousand.
- There were no capital contributions (sewer lines) from private developers in fiscal year 2019 compared to \$959,110 in fiscal year 2018.

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Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the County's Funds

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

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

As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$283,647,591, an increase of \$31,680,660 in comparison with the prior year. Approximately 80.11 percent of this total amount (\$227,222,662) 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 (\$1,360,180), 2) restricted by revenue source for specific purposes, programs and services (\$3,133,036), or 3) because it is restricted by State Statute (\$51,931,713).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, Durham County's fund balance available for appropriation in the general fund was \$166,383,335, while total fund balance reached \$211,153,276. The Board of County Commissioners of Durham County has determined that the County should maintain an available fund balance of 35 percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the County. As of June 30, 2019, the County has an available fund balance of 35.31 percent of general fund expenditures, while total fund balance represents 44.81 percent of that same amount. The percentage of available fund balance to total general fund expenditures decreased from 36.61 percent for fiscal year 2018 to 35.31 percent for fiscal year 2019, a decrease of 1.3 percent. The net change in fund balance for fiscal 2019 was an increase of over \$3.7 million. The primary reasons for the increases are the revenue collections were 111.93 percent of budget while expenditures were 109.61 percent of budget.

The fund balance of the County's general fund increased by \$3,749,815 during the current fiscal year. Key factors in the changes are as follows:

- The general fund taxes increased by 3.87 percent or \$14,221,974. This increase is for the most part the result of increased collections in the current year levy collections of \$12,561,094 (4.51 percent) combined with an increase in local option sales tax of \$712,980 (0.85 percent), an increase in the prior years' levy to \$418,516 from (\$96,074) in fiscal year 2018, and an increase in occupancy tax in the amount of \$340,013 (8.56 percent). Other taxes increased moderately which the exception of solid waste and white goods tax when decreased slightly. The increase in current year levy taxes was primarily because of the continued increased collections for the registered motor vehicles on the North Carolina Vehicle Tax System (NCVTS) also known as the "Tag and Tax Together System" combined with the County's continued collection efforts including participation in the North Carolina Debt Setoff Clearinghouse Program. The increase in the local option sales tax was mainly due to increased spending. This is the ninth consecutive year of

increased local option sales tax collections which is excellent. The increase in occupancy tax was mainly because of increased visitors to the County during the fiscal year.

- Intergovernmental revenues of the general fund increased slightly by 6.33 percent or \$2,916,877. The increase is primarily because of an increase in human services funding for social services of over \$1.63 million. There was also an increase in funding for other intergovernmental revenues of almost \$1.72 million, offset by a decrease in funding for public health of almost \$800 thousand, an increase in distribution from the ABC Board of \$100 thousand and an increase in funding for the library of over \$264 thousand.
- Charges for services decreased by \$742,376 (2.50 percent). This is in part due to a decrease of \$400 thousand in elections registration lists as fiscal year 2019 does not correspond to an election year. There were other decreases in register of deeds, and general government charges of almost \$300 thousand and just over \$200 thousand, respectively, offset by an increase in emergency medical services charges of \$192 thousand due to increased services during the year.
- Investment earnings increased by \$1.78 million (45.26 percent) mainly due to market conditions and rent decreased by over \$231 thousand due to a reduction in rentals of County property for outside events (20.43 percent).
- Licenses and permits increased by \$40,701 (2.48 percent) mainly because of an increase in construction permits of \$66,159 (5.95 percent) due to more construction, offset in part by decreases of almost \$17 thousand in cablevision and franchise fees and other licenses and permits of slightly over \$8 thousand.
- Other revenues decreased by \$93,260 (8.77 percent) primarily because of a \$77 thousand decrease in confiscated property for federal investigations.
- General government expenditures increased by \$811,687 (1.41 percent). Though the overall increase from prior year demonstrates a consistent level of expenditure, there were fluctuations at the department level that led to the net increase. Increases in general services (\$1,000,043) risk management (\$749,140) and legal (\$415,394) were some of the larger of the department level increases and these were in part offset by decreases in other general government (\$1,061,621), and information, systems and technology (IS&T) (\$481,741). Other increases in expenditures occurred in county manager (\$201,571), human resources (\$175,172), and finance (\$151,737). The increase in general services was related primarily increased employee benefits of over \$747 thousand and almost \$410 thousand in increased spending on security services due in part to the security staffing of the newly operational Administration II building. Salaries and operating costs also fluctuated based on service requirements. Risk management increased due to claims settlements and worker's compensation insurance by almost \$668 thousand and just over \$162 thousand, respectively, offset in part by a slight reduction in contracted services and fire insurance. Legal expenditures increased primarily due to increases in salaries and benefits of over \$373 thousand with the balance comprised of increases in operating costs. Other general government decreases relate to a reduction in the purchase of capital vehicle and machinery & equipment assets in the amounts of over \$958 thousand and over \$156 thousand, respectively. Decreases in IS&T expenditures are related to decreases of over \$1 million in capital software costs, reductions in training related travel (\$130 thousand) and contracted services (over \$113 thousand). These decreases were partially offset by spending on capital computer equipment of over \$219 thousand, maintenance on equipment (almost \$176 thousand), and non-capital software (over \$153 thousand), salaries (over \$111 thousand), and SAP shared services (\$89 thousand). Additional fluctuation in operating costs made up the difference in the decrease in expenditures. County manager expenditures increased due to the My Brother's Keeper program, the County strategic

plan, and operating costs. Human resources increased due to increases in benefit costs and spending for the wellness center. Finance increased due to additional salaries, benefits, and contracted services expenditures for budget, offset by reduced operating cost for finance. Public safety decreased by \$363,803 (0.53 percent). Of this decrease, county fire protection decreased by \$3,366,652 due to the City-County Fire Merger inter-local agreement which effectively transferred certain County fire protection obligations to the City of Durham on July 1, 2018 along with fire assets, fire protection employees, and other costs. This decrease was in part offset by increases in county sheriff (\$1,846,547), county jail (\$623,221), criminal justice partnership (\$337,067), and animal protective services (APS) (\$184,940). Expenditures increased for county sheriff due to increases of over \$1.4 million on salaries, benefits, and law enforcement officer (LEO) separation allowance with the remainder of the increase due to increases in operational expenditures in sheriff LEO services. Expenditures increased for county jail also due to increases in salaries and benefits (almost \$619 thousand). A portion of salary increases were due to the BOCC decision to implement the pay adjustments per the compensation and classification study for public safety employees during the year. Expenditures increased for criminal justice partnership due to increases in spending on contract services for juvenile crime prevention programs in the amount of \$464 thousand and increases in operating costs of approximately \$90 thousand for community-based corrections as well as slight increases in operational spending on re-entry, mental health, and pretrial services. Expenditures for APS increased due to increases in salaries, benefits, and operating increases.

- Transportation expenditures increased marginally by \$5,390 due to slightly increased funding to the GoTriangle transit program.
- Economic and physical development increased by \$171,565 (3.75 percent) primarily because of increased cooperative extension expenditures of \$457,169 primarily due to operational increases in related to increased services for agriculture & environment, 4-H development, community outreach, welcome baby, and family & consumer science programs. Increased payouts of public funds for local economic development agreements of \$185,000 also was a factor. New payments to Novozymes and Aurobindo of \$100 thousand each contributed to this increase. Almost \$143 thousand was remitted to Purdue Holdings in fiscal year 2019 compared to almost \$168 thousand in Cree Lighting in fiscal year 2018. Fiscal year 2018 also saw a return by Fidelity of \$10 thousand. Offsetting these increases were decreases in other economic and physical development expenditures of \$376,113 of which there was a decrease in payments out of \$295 thousand associated with the NC One Fund grant and a decrease of over \$158 thousand in contracted services, offset partially by an increase of over \$81 thousand in salaries and benefits. There were other less significant decreases in planning, open space management, and soil and water conservation.
- Human services' expenditures increased by \$3,290,842 (3.95 percent). This increase is due to the increase in social services of \$3,246,411 (6.66 percent). Of this amount, services increased by almost \$1.18 million of which benefits constituted over \$529 thousand and salaries over \$540 thousand. Public assistance increased by over \$901 thousand of which over \$543 thousand relates to salaries and benefits increases, and almost \$498 thousand relates to increased foster care services, offset to some degree by smaller fluctuations in operating expenditures. Additionally, social services administrative expenditures increased by almost \$759 thousand due to increases of almost \$231 thousand in salaries and over \$392 thousand in benefits and over \$135 thousand in operating costs. The remaining increase is due to higher benefit costs and operating costs in programs. Expenditures fluctuated with an increase of \$522,543 for public health due to increases

in salaries and benefits for public health administration, school health programs, and child health programs. Child health also saw an increase in expenditures of \$200 thousand for NC Community Care. General operating costs increased in line with a general increase in the level of service. These increases were offset in part by reductions of expenditures related to Durham Connects and the child health assessment program of \$309 thousand and almost \$328 thousand, respectively. There was a decrease of \$592,747 for other human services due to a decrease in contracted services for community-based alternatives of over \$388 thousand and transportation services of over \$190 thousand. There was a slight increase in mental health services of over \$114 thousand.

- Education increased by \$6,497,914 (4.55 percent) from the prior fiscal year. Of this increase, Durham Public Schools and Durham Technical Community College received increased funding for operating expenditures of \$4,685,516 and \$393,983, respectively. Other education increased by \$1,418,415 primarily due to the new contract for child care services.
- Cultural and recreational increased by \$357,875 (2.64 percent), with \$310,230 of this increase for the library system because of increased services, technology, vehicles, and resources spending in the areas of technology management, mobile services, and facilities administration. The remaining increase in other cultural and recreational of \$47,645 is primarily due to a \$75 thousand increase in funding for the N.C. Museum of Life and Science and over \$22 thousand in increased funding for the Durham Tourism Development Authority, offset by a \$50 thousand decrease in funding for the Durham Convention Center.
- Environmental protection increased by \$241,327 (4.83 percent) primarily due to an increase in expenditures for environmental engineering of over \$242 thousand due primarily to increases in benefits of over \$187 thousand and dues and subscriptions of \$103 thousand for the Upper Neuse River Basin Association. These increases were in part offset by a decrease in spending related to open space and real estate of \$37 thousand and other fluctuations in operating expenditures.

The Community Health Trust Fund has a total fund balance of \$1,484,768, all of which is financing resources to be used for health-related operating and capital expenditures as directed and approved by the Board of County Commissioners. The net decrease in fund balance during the current year in the community health trust fund was \$2,113,010. The decrease in fiscal year 2019 was more than the decrease in fiscal year 2018 by over \$522 thousand. This was due to a decrease in charges for services of \$1.35 million and combined with increased investment earnings of over \$17 thousand offset by a decrease in transfers out of over \$809 thousand due to decreased health-related funding for fiscal year 2019. The increase in investment earnings is a result of maintaining a greater proportion of the invested amount than prior year due to reduced transfers out as compared to prior year, as well as the market since these funds are managed by investment managers in the market as approved by special legislation.

In fiscal year 2019, the primary revenue activity was the recognition of the annual amount from the lease (\$2,600,000), a decrease of \$1,350,000 from fiscal year 2018. In addition, there was the recognition of a gain in investment earnings (\$55,490). Operating financing uses, transfers out (\$4,768,500) also occurred as a transfer into the general fund as a funding source for health-related expenditures in the general fund. The policy on managing the funds of the Community Health Trust is that the Board of County Commissioners allocates a percentage of the earnings from the previous calendar year to health-related expenditures and reinvests the balance which allows the fund to grow. However, in fiscal year 2019, 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 2019. 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 \$31,321,414, all of which is financing resources to be used for the acquisition, construction or improvement of major capital facilities other than those financed by proprietary funds. The net increase in fund balance during the current year in the capital projects' fund was \$13,473,511 due to funding for the fiscal year of intergovernmental revenues, transfers in, and the issuance of installment purchases being more than the expenditures for the acquisition, construction or improvement of major capital facilities for the County, School System, Durham Technical Community College and Museum of Life and Science. The County's activity was recorded to construction in progress in capital assets of the County while the Schools System's, Durham Technical Community College's and the Museum of Life and Science's activity was recorded in their capital assets as they hold title to those assets.

The primary revenue activity was the recognition of other financing sources, the issuance of installment purchases (\$62,574,540) and transfers in (\$13,590,033). The fund also recognized intergovernmental revenues (\$3,122,406) and investments (\$536,325). For expenditures, there was construction activity in the amount of \$70,638,681. In addition, there were other financing uses in the transfer out of \$1,000,000 from the Capital Projects Fund to the Debt Service Fund. The construction activity was primarily for cultural and recreational, education, and environmental protection in amounts of \$23,417,335, \$22,959,044, and \$13,017,246, respectively. Construction activity also occurred for general government and public safety in the amounts of \$8,285,134 and \$2,731,258, respectively.

The Debt Service Fund has a total fund balance of \$37,089,245, all of which is financing resources to be used for the retirement of the County's general long-term debt other than debt issued for and serviced by proprietary funds. The net increase in fund balance during the current year in the Debt Service Fund was \$16,789,431 because the revenues and other financing sources were more than the annual retirement of the principal and interest of the County's general long-term debt and other financing uses.

The primary funding activity was the recognition of other financing sources, the issuance of refunding bonds (\$87,720,000), the premium on the issuance of the refinancing (\$6,109,622) and transfers in (\$72,959,931). The fund also recognized intergovernmental revenues (\$487,117), charges for services (\$650,641) and investments (\$561,384). In the expenditures, there was principal and interest for the retirement of general long-term debt in the amounts of \$36,131,116 and \$20,122,333, respectively. In addition, there were debt issuance costs for the refunding bonds of \$701,235. The payment to refund the debt was \$93,500,000. Other financing uses, transfers was \$1,252,978.

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

At the end of the fiscal year, unrestricted net position of the sewer utility fund amounted to \$36,995,955. There was an increase in total net position of \$3,132,741. Other factors concerning the finances of this fund have already been addressed in the discussion of Durham County's business-type activities.

General Fund Budgetary Highlights

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

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services or initiate new programs where timing is critical. Amendments to the General Fund budget totaled \$18,249,350 and can be summarized briefly as follows:

- \$1,732,363 in decreases allocated to general administration were largely due to appropriating funds to honor commitments from fiscal year 2018 coupled with distributions of funds to the public safety function for pay adjustments per the compensation and classification study recommendation, distribution of funds to other functional areas for accrued compensation leave payouts, and distributions of additional funds to help support health benefits for County employees. \$4,694,824 in increases allocated to public safety were primarily to honor commitments from fiscal year 2018, to appropriate unspent restricted funds in fiscal year 2019, to receive the Edward J. Byrne Justice Assistance Grant Program JAG award which will provide funding for the Sheriff's Emergency Response Team, Hazardous Devices Unit, and Search and Recovery Team, and to receive a Complex Coordinated Terrorist Attack (CCTA) Regional Coordination Plan federal grant that will be used by Durham, Orange, and Wake Counties and their municipalities/towns in developing their individual Standard Operating Procedures/Guidelines so that there will be a common concept of operations when responding to an Active Assailant or CCTA incident, to purchase an upgrade of computer-aided dispatch and mobile systems for the Sheriff's Office, to fund public safety salary adjustments per the compensation and classification study recommendation, and acknowledge receipt of a Homeland Security Grant Program which will provide funding for bomb technician equipment for the Sheriff's Office.
- \$1,249,311 in increases allocated to economic and physical development were primarily to honor commitments from fiscal year 2018 as well as to recognize grant funds from the North Carolina Biotechnology Center for Local Economic Development Awards to be used to incentivize companies to expand and maintain business operations in Durham County, recognize economic development funds for AveXis to create 200 new jobs associated with addressing rare neurological genetic diseases, for LabCorp to create 422 new jobs to include information technology designers, software developers, operations staff, and senior and middle managers, and finally for Sensus USA to create 301 new jobs over five years to hire hardware engineers and software engineers, supply chain managers and technical support engineers in product development, customers support and supply chain management.
- \$433,092 in increases allocated to environmental protection were primarily to honor commitments from fiscal year 2018 and recognize funding for the Stormwater Utility Planning and Implementation contract to assist with requirements for stormwater under the Falls and Jordan Lake Rules as well as costs for employee benefit claims.

- \$6,360,384 in increases allocated to human services were primarily to honor commitments from fiscal year 2018, for appropriation of unspent restricted funds in fiscal year 2019, recognize a public health grant to implement one or more strategies from North Carolina's Opioid Action Plan to prevent fatal and non-fatal opioid overdoses, to increase access and linkages to care services for the most vulnerable populations, and build local capacity to respond to the overdose epidemic in North Carolina, to recognize federal grant funds to social services for the implementation of the Durham Integrated Domestic Violence Response System program, and funding for a 21% increase in foster care expenditures in DSS. Additional Medicaid cost settlement funds and costs for employee benefit claims also contribute to the budgetary increase.
- \$817,861 in increases allocated to cultural and recreational were primarily to honor commitments from fiscal year 2018 and recognize grant funding to continue implementation of the All of Us Durham program in collaboration with the public health, the Duke University Medical Center Library, and other community partners to better serve the public by providing access to on-line health resources, adding materials to the library collection, and implementing health related programs in the Durham community. Costs for employee benefit claims also contributed to the budgetary increase.
- There were no budget amendments for the transportation function during the 2019 fiscal year.
- \$8,352 in increases to Education were to honor commitments from fiscal year 2018 for a supply and demand study for Pre-K expansion.
- \$6,417,889 in increases in operating transfers was to support the County's contribution to various capital projects such as renovations at the Durham County Stadium to support construction and specification items needed in anticipation of the 2019 USA Track and Field event held at the Durham County Memorial Stadium, a Durham Technical Community College capital project for a new Applied Technology building, a renovation of the existing Newton Building and the construction of a new Facilities Services building, and a capital project for modifications to the jail beds and HVAC grilles in the direct supervision housing units of the Durham County Detention Center for improved detainee safety.

Of this net increase, \$2,418,635 was to be funded from intergovernmental revenues and charges for services. Operating transfers in increased funding by \$465,100. The remaining \$15,365,615 was to be budgeted from available fund balance. During the year, revenues exceeded budgetary estimates by \$11,072,678 while other financing sources did not exceed budgetary estimates by \$326,114; however, expenditures were far less than budgetary estimates with a positive variance of \$27,866,452, thus eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. Durham County's capital assets for its governmental and business-type activities as of June 30, 2019 totals \$545,399,605 (net of accumulated depreciation). These assets include land, easements, buildings, water systems, improvements, office furniture and equipment, machinery and equipment, computer hardware, computer software, vehicles and construction in progress. The total increase in the County's net capital assets for the current fiscal year was \$25,258,744 (4.86 percent). Governmental activities increased \$26,298,978 (5.86 percent) and business-type activities decreased by \$1,040,234 (1.46 percent).

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

- Construction continued on the collection systems rehabilitation in the amount of \$1,814,315.
- Construction for the Durham Public School Projects continued in fiscal year 2019 in the amount of \$22,615,600. The County did not capitalize this construction activity because the County does not hold title to these properties.
- Construction for Durham Technical Community College projects for building renovations occurred in fiscal year 2019 in the amount of \$1,638,926. The County did not capitalize this construction activity because the County does not hold title to this property.
- Construction activity for the Main Library upgrade continued in the amount of \$22,669,432 during fiscal year 2019.
- Construction for the Museum of Life and Science occurred in fiscal year 2019 in the amount of \$747,902. Construction occurred on the Museum of Life and Science exhibit upgrades and classroom expansion in the amount of 602,076, with the remaining balance for the new museum parking deck project. The County did not capitalize this construction activity because the County does not hold title to this property.
- Construction activity for environmental protection occurred in the amount of \$13,017,246 in environmental engineering primarily for the Administration Building II renovation (\$10,178,154). Other activity occurred in the judicial annex renovation (\$1,820,127), Administration Building refurbishment (\$503,878), and the Lincoln Community Health Center (LCHC) phase II renovations project (\$279,685). Other activity occurred on the open space and farmland preservation, Rougemont Community Water System pH control and improvements projects, and downtown parking deck project.
- Construction activity for general government occurred in the amount of \$8,285,135. Of this amount, the County capitalized \$6,617,980. The remaining amount of \$1,667,155 was not capitalized as the County does not hold title to these properties. Of the construction activity that was capitalized for general government, the major activity was the 18 County IT hardware upgrade (\$1,487,005), the 19 County IT hardware upgrade (\$1,217,557), Detention Center elevator upgrade (\$1,013,836), Durham County stadium capital improvements project (\$987,442), elections equipment (\$501,968), ongoing roof replacement (\$467,307), ongoing HVAC replacement (\$242,445), and 16 Sheriff technology project (\$217,785). Other activity on County owned projects occurred in the audio-visual tech life cycle replacement, County building envelope upgrade, Duke fiber project, 16 County IT hardware upgrade, ongoing parking resurfacing, 16 telecommunications upgrade, HCM SAP software upgrade project, and BOCC chambers audio-visual upgrade. Activity on projects not owned by the County was the W.G. Pearson/Student U renovation (\$1,500,000). Other activity occurred on projects not owned by the County in convenience center site upgrades.
- Construction activity for public safety occurred in the amount of \$1,292,844. The County capitalized the entire amount which was mainly for the Detention Center renovations in the amount of \$842,159 and the EMS Station #17 co-location project in the amount of \$423,424.
- Major capital asset increases net of disposals occurred in the asset classes of computer hardware (\$257,736), machinery and equipment (\$152,635), offset with a decrease in vehicles (\$168,327), in governmental activities.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental		Business - type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Land	\$ 8,673,131	\$ 8,673,131	\$ 185,226	\$ 185,226	\$ 8,858,357	\$ 8,858,357
Easements	1,954,981	1,954,981	5,000	5,000	1,959,981	1,959,981
Improvements- water and sewer lines	-	-	12,920,699	13,474,145	12,920,699	13,474,145
Buildings	323,530,746	334,436,384	43,014,530	45,386,965	366,545,276	379,823,349
Water systems	2,306,640	2,354,779	-	-	2,306,640	2,354,779
Office furniture and equipment	366,042	543,641	-	-	366,042	543,641
Machinery and equipment	4,565,818	5,856,534	653,009	571,071	5,218,827	6,427,605
Computer hardware	3,364,370	6,390,487	321	321	3,364,691	6,390,808
Computer software	964,245	1,377,183	22,048	30,949	986,293	1,408,132
Vehicles	6,322,376	7,622,985	80,434	82,140	6,402,810	7,705,125
Construction in progress	123,237,740	79,777,006	13,232,249	11,417,933	136,469,989	91,194,939
Total	\$ 475,286,089	\$ 448,987,111	\$ 70,113,516	\$ 71,153,750	\$ 545,399,605	\$ 520,140,861

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

Long-term debt. At the end of the current fiscal year, Durham County had total debt outstanding of \$568,624,720. Of this amount, \$280,732,596 comprises bonded debt backed by the full faith and credit of the government. Also included is \$6,655,000 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 \$244,550,606, installment notes in the amount of \$3,278,585, general obligation bond anticipation notes of \$21,345,113, and limited obligation bonds in the amount of \$2,467,893, and other financing agreements in the amount of \$9,594,927. The general obligation bond anticipation notes are also backed by the full faith and credit of the government.

The County's total debt excluding accrued compensated absences, net OPEB obligation, net LGERS pension obligation, and LEOSA total pension obligation increased by \$27,338,630 (5.21 percent) during the current fiscal year. The key factors in this increase were the annual retirement of governmental and business-type activities debt and the issuance of \$62,574,540, \$41,721,795 in general obligation bonds and \$20,852,745 in limited obligation bonds. There was a debt refunding that occurred in fiscal year 2019 through the issuance of general obligation bonds; however, they had no significant impact on the carrying value of debt. This is because of the premium that was received on the general obligation bonds refunding combined with the amount the County contributed towards the debt refunding.

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

	Governmental Activities		Business - type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 280,732,596	\$ 258,989,288	\$ -	\$ -	\$ 280,732,596	\$ 258,989,288
Revenue bonds	-	-	6,655,000	7,732,153	6,655,000	7,732,153
Certificates of participation	244,550,606	195,759,181	-	-	244,550,606	195,759,181
Installment notes payable	27,091,591	70,263,209	-	-	27,091,591	70,263,209
Other financing agreements	37,527	47,485	9,557,400	9,928,280	9,594,927	9,975,765
Total	\$ 552,412,320	\$ 525,059,163	\$ 16,212,400	\$ 17,660,433	\$ 568,624,720	\$ 542,719,596

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the County is \$2,988,920,686, leaving a legal debt margin of \$2,743,450,686. The net bonded debt per capita is \$876.

Additional information on the County's long-term debt can be found in Note E on pages 79-87 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is 4.0 percent as of June 2019, which is a slight increase from a rate of 3.8 percent as of June 2018. The County's unemployment rate is lower than the state's unemployment rate of 4.4 percent but slightly higher than the national rate of 3.8 percent as of June 2019.
- The construction activity for non-residential and residential construction was almost \$1.7 billion for calendar year 2018 compared to over \$1.6 billion for the calendar year 2017.
- The manufacturing sector employment had a minor decrease of 0.50 percent (115 positions) for calendar year 2018 (22,796) compared to calendar year 2017 (22,911).
- Reported retail sales are reported on total taxable sales based on sales and use tax returns. The total taxable sales for Durham County for 2019 reported were \$7.771 billion compared to \$7.196 billion reported for fiscal year 2018, an increase of almost \$576 million (8.00 percent). The increase in retail sales is another indication of the County's strong economy.
- Economic development announcements for 2018 were over \$1.111 billion, and economic announcements occurring for 2019 amounted to over \$1.252 billion.
- The per capita income for Durham MSA for 2017 is \$52,277, an increase of 6.01 percent over 2016. Raleigh has a per capita income of \$52,444. The per capita for North Carolina increased from 2016 to 2017 to \$44,233, an increase of 4.71 percent, while the per capita for the nation increased to \$51,731, an increase of 5.05 percent. The source for this information is the Bureau of Economic Analysis (BEA).

- Inflationary trends in the region compare favorably to the national indices.

All of these factors were considered in preparing the County's budget for the 2020 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$166,383,335 or 35.31 percent of total general fund expenditures, an increase of \$342,494 or 0.21 percent from the previous fiscal year. The County has appropriated \$18,081,595 of this amount for spending in the 2020 fiscal year budget. Property taxes in the current fiscal year 2019 levy are based on the assessed values as of January 1, 2016, effective date of the county's last general reappraisal. For fiscal year 2019, the property tax collection percentage established by the revaluation remains consistent at 99.60%, with the overall property valuation increasing by 3.97 percent. The tax rate assessed for the 2019 fiscal year is \$0.7779, an increase of \$0.0100 from the prior fiscal year. The last general reappraisal (revaluation) was effective January 1, 2019 which will be levied in fiscal year 2020. The tax rate for fiscal year 2020 is \$0.7122. Also, there were various fee adjustments in general fund charges for services for the 2020 fiscal year in the departments of environmental engineering including for water services, public health, board of elections, register of deeds. Transfers from the special revenue funds are budgeted for the 2020 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2020 fiscal year as a funding source for health-related spending.

The sewer rates were increased for fiscal year 2020 in the sewer utility fund. The consumption rate charge was increased by 4.7 percent for all customers, both residential and industrial, effective July 1, 2019. The rate increase was necessary to maintain operational expenses and funds to service debt. Monitoring charges for the following parameters were adjusted to reflect the charges from the contract laboratory for: aluminum, ammonia, antimony, arsenic, BOD5, Cadmium, chromium, copper, fluoride, gallium, indium, lead, molybdenum, nickel, total oil & grease, selenium, silver, tin, total toxic organics, volatile organic chemicals, zinc, and the pharmaceutical group. New monitoring charges were added for beryllium, bismuth, polar oil & grease, organic compounds, pesticides, tellurium, total petroleum hydrocarbons, and total residual chlorine. There was no increase in system development fees, which is paid by new development, to recover a proportional share of the costs of capital facilities constructed to provide service capacity for new customers connecting to the system.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, 201 East Main Street, 7th Floor, Durham, NC 27701. You can also visit our website at <http://www.dconc.gov>.

BASIC FINANCIAL STATEMENTS

DURHAM COUNTY, NORTH CAROLINA

**Statement of Net Position
June 30, 2019**

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Assets				
Cash and cash equivalents / investments	\$ 256,836,207	\$ 36,731,466	\$ 293,567,673	\$ 7,508,082
Cash and cash equivalents / investments - restricted	12,262,121	3,374,189	15,636,310	-
Receivables:				
Accounts receivable	1,914,454	165,963	2,080,417	-
Accrued interest receivable	1,538,709	122,546	1,661,255	-
Net property taxes receivable	2,061,715	-	2,061,715	-
Solid waste receivable	26,546	-	26,546	-
Animal taxes receivable	308,521	-	308,521	-
Water services receivable	649	-	649	-
Net emergency medical services receivable	2,566,636	-	2,566,636	-
WSR loan receivable	2,550,000	-	2,550,000	-
Inventory	1,055,832	-	1,055,832	2,992,687
Due from other governments - federal and state agencies	28,602,438	157,121	28,759,559	-
Due from other governments - local	4,356,777	867,701	5,224,478	-
Prepaid expenses	304,348	8,452	312,800	190,551
Investment in joint venture	9,542,749	-	9,542,749	-
Pension assets - ROD Supplemental Plan	510,441	-	510,441	-
Derivative financial instrument	5,684,530	-	5,684,530	-
Capital assets:				
Nondepreciable:				
Land	8,673,131	185,226	8,858,357	2,274,417
Easements	1,954,981	5,000	1,959,981	-
Construction in progress	123,237,740	13,232,249	136,469,989	105,643
Depreciable:				
Land improvements - sewer lines and systems	-	28,179,774	28,179,774	-
Buildings	435,212,323	56,854,766	492,067,089	5,242,643
Water systems	2,406,929	-	2,406,929	-
Office furniture and equipment	1,450,797	-	1,450,797	1,982,310
Machinery and equipment	13,258,048	1,431,699	14,689,747	-
Computer hardware	13,038,892	36,416	13,075,308	-
Computer software	16,289,990	73,157	16,363,147	-
Vehicles	21,769,809	422,246	22,192,055	421,849
Accumulated depreciation	(162,006,551)	(30,307,017)	(192,313,568)	(4,049,230)
Total assets	805,408,762	111,540,954	916,949,716	16,668,952
Deferred outflows of resources				
Contributions to pension plan in current fiscal year - ROD	35,914	-	35,914	-
Contributions to pension plan in current fiscal year - LGERS	8,114,541	103,253	8,217,794	-
Contributions to pension plan in current fiscal year - LEOSSA	262,406	-	262,406	-
Contributions to pension plan in current fiscal year - OPEB	3,480,472	-	3,480,472	-
ROD pension deferrals	117,465	-	117,465	-
LGERS pension deferrals	21,178,699	244,371	21,423,070	656,844
LEOSSA pension deferrals	239,445	-	239,445	-
OPEB deferrals	-	-	-	44,021
Unamortized loss on refundings	18,015,935	352,709	18,368,644	-
Total deferred outflows of resources	51,444,877	700,333	52,145,210	700,865
Liabilities				
Accounts payable	15,279,566	1,162,735	16,442,301	1,128,106
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	3,325,597	46,637	3,372,234	-
Accrued payroll and related amounts withheld	4,708,844	68,339	4,777,183	93,306
Due to other governments - federal and state agencies	19,610	-	19,610	755,501
Due to other governments - local	768,055	-	768,055	1,213,148
Security deposits	81,968	-	81,968	-
Retiree and COBRA prepaid benefit contributions	186,122	-	186,122	-
Escrow - register of deeds	174,125	-	174,125	-
Long-term liabilities:				
Accrued compensated absences due within one year	5,818,078	70,175	5,888,253	-
Bonds and other notes payable due within one year	45,499,601	1,468,033	46,967,634	-
Net pension liability - LGERS	36,957,871	437,593	37,395,464	778,128
Total pension liability - LEOSSA	6,248,325	-	6,248,325	-
Total OPEB liability	155,156,262	-	155,156,262	525,433
Accrued compensated absences	2,115,324	10,812	2,126,136	76,472
Bonds and other notes payable	506,912,719	14,744,367	521,657,086	-
Total liabilities	783,252,067	18,021,691	801,273,758	4,570,094

DURHAM COUNTY, NORTH CAROLINA

**Statement of Net Position
June 30, 2019**

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Deferred inflows of resources				
Prepaid rent	\$ 2,194	\$ -	\$ 2,194	\$ -
Prepaid taxes	663,676	-	663,676	-
ROD pension deferrals	27,621	-	27,621	-
LGERS pension deferrals	315,178	33,220	348,398	7,079
LEOSSA pension deferrals	373,150	-	373,150	-
OPEB deferrals	31,263,653	-	31,263,653	-
Total deferred inflows of resources	32,645,472	33,220	32,678,692	7,079
Net position				
Net investment in capital assets	169,099,967	53,816,232	222,916,199	5,977,632
Restricted for:				
Stabilization by State Statute	51,931,713	-	51,931,713	-
Capital projects	9,129,846	3,374,189	12,504,035	1,185,242
Grants and technology	2,888,747	-	2,888,747	-
Fire services	243,528	-	243,528	-
Working capital	-	-	-	-
Unrestricted net position	(192,337,701)	36,995,955	(155,341,746)	5,629,770
Total net position	\$ 40,956,100	\$ 94,186,376	\$ 135,142,476	\$ 12,792,644

DURHAM COUNTY, NORTH CAROLINA

**Statement of Activities
Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Durham County ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 65,306,869	\$ 13,568,132	\$ 6,297,110	\$ 1,000,000	\$ (44,441,627)	\$ -	\$ (44,441,627)	\$ -
Public safety	86,231,267	12,933,084	4,863,835	-	(68,434,348)	-	(68,434,348)	-
Transportation	244,338	-	-	-	(244,338)	-	(244,338)	-
Economic and physical development	5,996,057	47,202	899,686	-	(5,049,169)	-	(5,049,169)	-
Environmental protection	6,760,218	3,911,415	99,569	-	(2,749,234)	-	(2,749,234)	-
Human services	91,657,739	3,830,491	36,776,037	-	(51,051,211)	-	(51,051,211)	-
Education	172,358,720	-	-	1,322,406	(171,036,314)	-	(171,036,314)	-
Cultural and recreational	15,782,278	402,152	516,005	800,000	(14,064,121)	-	(14,064,121)	-
Interest and fiscal charges	19,100,202	-	-	-	(19,100,202)	-	(19,100,202)	-
Total governmental activities	463,437,688	34,692,476	49,452,242	3,122,406	(376,170,564)	-	(376,170,564)	-
Business-type activities:								
Sewer utility	10,123,859	12,659,769	-	-	-	2,535,910	2,535,910	-
Total business-type activities	10,123,859	12,659,769	-	-	-	2,535,910	2,535,910	-
Total primary government	\$ 473,561,547	\$ 47,352,245	\$ 49,452,242	\$ 3,122,406	(376,170,564)	2,535,910	(373,634,654)	-
Component units:								
Durham County ABC Board	\$ 38,621,537	\$ 40,317,691	\$ -	\$ -	-	-	-	1,696,154
Total component units	\$ 38,621,537	\$ 40,317,691	\$ -	\$ -	-	-	-	1,696,154
General revenues:								
Taxes:								
Property taxes, levied for general purposes					292,291,159	-	292,291,159	-
Property taxes, levied for fire districts					8,296,148	-	8,296,148	-
Property taxes, levied for other districts purposes					1,070,763	-	1,070,763	-
Local option sales tax					84,521,869	-	84,521,869	-
Occupancy tax					4,310,529	-	4,310,529	-
Gross receipts tax					571,291	-	571,291	-
Vehicle registration tax					231,838	-	231,838	-
Investment and interest income					965,567	600,355	1,565,922	91,457
Other revenues					982,195	(3,524)	978,671	-
Total general revenues					393,241,359	596,831	393,838,190	91,457
Change in net position					17,070,795	3,132,741	20,203,536	1,787,611
Net position, beginning					23,885,305	91,053,635	114,938,940	11,005,033
Net position, ending					\$ 40,956,100	\$ 94,186,376	\$ 135,142,476	\$ 12,792,644

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

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DURHAM COUNTY, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2019**

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents / investments	\$ 186,099,296	\$ 1,484,768	\$ 30,035,518	\$ 37,094,006	\$ 2,322,187	\$ 257,035,775
Cash and cash equivalents / investments - restricted	2,888,747	-	9,129,846	-	243,528	12,262,121
Receivables:						
Accounts receivable	1,913,343	-	-	1,111	-	1,914,454
Net property taxes receivable	2,001,126	-	-	-	60,589	2,061,715
Solid waste receivable	26,546	-	-	-	-	26,546
Animal taxes receivable	308,521	-	-	-	-	308,521
Water services receivable	649	-	-	-	-	649
Net emergency medical services receivable	2,566,636	-	-	-	-	2,566,636
WSR loan receivable	-	-	2,550,000	-	-	2,550,000
Inventory	1,055,832	-	-	-	-	1,055,832
Due from other governments - federal and state agencies	27,144,603	-	1,409,722	-	48,113	28,602,438
Due from other governments - local	4,356,777	-	-	-	-	4,356,777
Due from capital project fund	3,047,554	-	-	-	-	3,047,554
Prepaid expenditures	304,348	-	-	-	-	304,348
Total assets	<u>\$ 231,713,978</u>	<u>\$ 1,484,768</u>	<u>\$ 43,125,086</u>	<u>\$ 37,095,117</u>	<u>\$ 2,674,417</u>	<u>\$ 316,093,366</u>
Liabilities						
Accounts payable	\$ 9,067,372	\$ -	\$ 6,206,118	\$ 5,872	\$ 198	\$ 15,279,560
Accrued payroll and related amounts withheld	4,708,844	-	-	-	-	4,708,844
Due to other governments - federal and state agencies	19,610	-	-	-	-	19,610
Due to other governments - local	763,803	-	-	-	4,252	768,055
Due to general fund	-	-	3,047,554	-	-	3,047,554
Security deposits	81,968	-	-	-	-	81,968
Retiree and COBRA prepaid benefit contributions	186,122	-	-	-	-	186,122
Escrow - register of deeds	174,125	-	-	-	-	174,125
Total liabilities	<u>15,001,844</u>	<u>-</u>	<u>9,253,672</u>	<u>5,872</u>	<u>4,450</u>	<u>24,265,838</u>
Deferred inflows of resources						
Prepaid rent	2,194	-	-	-	-	2,194
Prepaid taxes	653,186	-	-	-	10,490	663,676
Net property taxes receivable	2,001,126	-	-	-	60,589	2,061,715
Solid waste receivable	26,546	-	-	-	-	26,546
Animal taxes receivable	308,521	-	-	-	-	308,521
Water services receivable	649	-	-	-	-	649
Net emergency medical services receivable	2,566,636	-	-	-	-	2,566,636
WSR loan receivable	-	-	2,550,000	-	-	2,550,000
Total deferred inflows of resources	<u>5,558,858</u>	<u>-</u>	<u>2,550,000</u>	<u>-</u>	<u>71,079</u>	<u>8,179,937</u>
Fund balances						
Non-spendable:						
Inventories	1,055,832	-	-	-	-	1,055,832
Prepaid expenditures	304,348	-	-	-	-	304,348
Restricted:						
Stabilization by State Statute	43,409,761	-	8,520,841	1,111	-	51,931,713
Museum	-	-	-	-	-	-
Tax technology	166,135	-	-	-	-	166,135
Sheriff	332,629	-	-	-	-	332,629
Fire marshal	185	-	-	-	243,528	243,713
Public health programs	350,819	-	-	-	-	350,819
Social services programs	994,951	-	-	-	-	994,951
Library programs	36,164	-	-	-	-	36,164
Criminal justice programs	24,500	-	-	-	-	24,500
Environmental protection programs	109,082	-	-	-	-	109,082
Register of deeds	865,579	-	-	-	-	865,579
Special butner	8,703	-	-	-	-	8,703
Education	-	-	761	-	-	761
Committed:						
Risk management	10,453,597	-	-	-	-	10,453,597
Public health	151	-	-	-	-	151
Debt service	13,867,522	-	-	-	-	13,867,522
Sheriff inmate	425,457	-	-	-	-	425,457
Education: Article 46	849,333	-	-	-	-	849,333
OPEB	52,788,319	-	-	-	-	52,788,319
Self-insured health benefits	2,320,848	-	-	-	-	2,320,848
Reappraisal reserve	211,077	-	-	-	-	211,077
LEO Special Separation Allowance	2,040,120	-	-	-	-	2,040,120
Assigned, reported in:						
General fund	18,081,595	-	-	-	-	18,081,595
Community health trust fund	-	1,484,768	-	-	-	1,484,768
Capital projects fund	-	-	22,799,812	-	-	22,799,812
Debt service	-	-	-	37,088,134	-	37,088,134
Assigned, reported in nonmajor:						
Special revenue	-	-	-	-	2,355,360	2,355,360
Unassigned, general	62,456,569	-	-	-	-	62,456,569
Total fund balances	<u>211,153,276</u>	<u>1,484,768</u>	<u>31,321,414</u>	<u>37,089,245</u>	<u>2,598,888</u>	<u>283,647,591</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 231,713,978</u>	<u>\$ 1,484,768</u>	<u>\$ 43,125,086</u>	<u>\$ 37,095,117</u>	<u>\$ 2,674,417</u>	<u>\$ 316,093,366</u>

DURHAM COUNTY, NORTH CAROLINA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2019

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

Total fund balance - governmental funds	\$ 283,647,591
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	484,828,838
Other long-term assets used in governmental activities are not a current financial resource and, therefore, are not reported in the funds.	6,194,971
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.	51,444,871
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	7,314,499
Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.	(31,979,602)
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.	(760,495,068)
Net position of governmental activities	<u>\$ 40,956,100</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, 2019**

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 381,563,690	\$ -	\$ -	\$ -	\$ 9,358,746	\$ 390,922,436
Licenses and permits	1,679,317	-	-	-	-	1,679,317
Intergovernmental revenues	48,961,162	-	3,122,406	487,117	3,963	52,574,648
Investments	5,710,161	55,490	536,325	561,384	83,947	6,947,307
Rent	902,528	-	-	-	-	902,528
Charges for services	28,925,163	2,600,000	-	650,641	-	32,175,804
Other revenues	969,707	-	4,090	8,398	-	982,195
Total revenues	468,711,728	2,655,490	3,662,821	1,707,540	9,446,656	486,184,235
Expenditures						
Current:						
General government	58,179,079	-	8,285,134	-	-	66,464,213
Public safety	68,163,927	-	2,731,258	-	7,654,292	78,549,477
Transportation	244,338	-	-	-	-	244,338
Economic and physical development	4,749,710	-	-	-	1,067,062	5,816,772
Environmental protection	5,240,836	-	13,017,246	-	-	18,258,082
Human services	86,525,498	-	-	-	-	86,525,498
Education	149,371,483	-	22,959,044	-	-	172,330,527
Cultural and recreational	13,902,945	-	23,417,335	-	-	37,320,280
Debt service:						
Principal retirement	-	-	-	36,131,116	-	36,131,116
Interest and fiscal charges	-	-	-	20,122,333	-	20,122,333
Debt issuance costs	-	-	228,664	701,235	-	929,899
Total expenditures	386,377,816	-	70,638,681	56,954,684	8,721,354	522,692,535
Excess (deficiency) of revenues over (under) expenditures	82,333,912	2,655,490	(66,975,860)	(55,247,144)	725,302	(36,508,300)
Other financing sources (uses)						
Transfers in	6,304,716	-	13,590,033	72,959,931	-	92,854,680
Transfers out	(84,888,813)	(4,768,500)	(1,000,000)	(1,252,978)	(944,389)	(92,854,680)
Premium on issuance of debt	-	-	5,284,798	-	-	5,284,798
Issuance of installment purchases	-	-	62,574,540	-	-	62,574,540
Premium on issuance of refinancing	-	-	-	6,109,622	-	6,109,622
Issuance of refunding bonds	-	-	-	87,720,000	-	87,720,000
Payment to refunded debt escrow agent	-	-	-	(93,500,000)	-	(93,500,000)
Total other financing sources (uses)	(78,584,097)	(4,768,500)	80,449,371	72,036,575	(944,389)	68,188,960
Net change in fund balances	3,749,815	(2,113,010)	13,473,511	16,789,431	(219,087)	31,680,660
Fund balance - beginning	207,403,461	3,597,778	17,847,903	20,299,814	2,817,975	251,966,931
Fund balance - ending	\$ 211,153,276	\$ 1,484,768	\$ 31,321,414	\$ 37,089,245	\$ 2,598,888	\$ 283,647,591

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, 2019

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

Net changes in fund balances - total governmental funds	\$ 31,680,660
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.	25,883,765
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.	8,086,454
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,489,062)
Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.	(15,260,485)
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.	(26,830,537)
Change in net position of governmental activities	<u>\$ 17,070,795</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, 2019

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Taxes				
Current levy	\$ 287,460,039	\$ 287,460,039	\$ 290,804,742	\$ 3,344,703
Prior years' levy	500,000	500,000	418,516	(81,484)
Tax penalties and interest	370,000	370,000	572,837	202,837
Advertising and selling	20,000	20,000	25,163	5,163
Payments in lieu of taxes	-	-	53,750	53,750
Local option sales tax	83,856,249	83,856,249	84,521,869	665,620
Animal tax	-	-	4,454	4,454
Occupancy tax	4,076,000	4,076,000	4,310,529	234,529
Gross receipts tax	425,000	425,000	571,291	146,291
Vehicle registration tax	500,000	500,000	231,838	(268,162)
Solid waste tax	35,000	35,000	19,056	(15,944)
White goods tax	9,000	9,000	29,645	20,645
Total taxes	377,251,288	377,251,288	381,563,690	4,312,402
Intergovernmental revenues				
Beer and wine tax	200,000	200,000	183,665	(16,335)
Social services	29,328,931	29,117,901	28,572,605	(545,296)
Public health	6,524,227	7,181,428	7,682,368	500,940
Library	242,940	611,514	516,005	(95,509)
ABC Board	2,300,000	2,300,000	2,300,000	-
Other	6,417,609	7,927,475	9,706,519	1,779,044
Total intergovernmental revenues	45,013,707	47,338,318	48,961,162	1,622,844
Charges for services				
Register of deeds	5,370,000	5,370,000	5,297,205	(72,795)
General government charges	6,171,545	6,155,569	6,308,294	152,725
Collection fees	1,582,000	1,582,000	1,701,298	119,298
Public protection	1,746,659	1,746,659	1,888,395	141,736
Environmental protection	254,685	254,685	45,764	(208,921)
Solid waste fees	2,192,129	2,192,129	2,293,842	101,713
Facilities fees	250,000	250,000	246,223	(3,777)
Library fees and charges	285,000	285,000	289,473	4,473
Public health	377,900	377,900	482,925	105,025
Social services	6,600	6,600	4,518	(2,082)
Emergency medical services charges	10,035,000	10,035,000	10,348,836	313,836
Other charges	44,575	44,575	18,390	(26,185)
Total charges for services	28,316,093	28,300,117	28,925,163	625,046
Investment and rental income				
Investment earnings	2,233,838	2,233,838	5,710,161	3,476,323
Rent	840,098	840,098	902,528	62,430
Total investment and rental income	3,073,936	3,073,936	6,612,689	3,538,753
Licenses and permits				
Construction permits	507,000	617,000	1,178,178	561,178
Cablevision and franchise fees	490,000	490,000	451,004	(38,996)
Wine and beer licenses	20,000	20,000	21,250	1,250
Other licenses and permits	35,000	35,000	28,885	(6,115)
Total licenses and permits	1,052,000	1,162,000	1,679,317	517,317

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, 2019**

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Revenues (continued)				
Other revenues				
Miscellaneous	\$ 303,391	\$ 303,391	\$ 386,484	\$ 83,093
Confiscated property				
federal investigation	-	-	17,102	17,102
Inmate welfare	160,000	160,000	149,985	(10,015)
Sale of surplus property and materials	-	-	93,909	93,909
Other	50,000	50,000	322,227	272,227
Total other revenues	513,391	513,391	969,707	456,316
Total revenues	455,220,415	457,639,050	468,711,728	11,072,678
Expenditures				
General administration				
Board of county commissioners	783,119	1,050,724	994,890	55,834
County manager	2,657,917	3,029,823	2,581,013	448,810
Finance	4,409,985	5,133,994	4,072,211	1,061,783
Tax	8,109,256	8,517,462	7,137,249	1,380,213
Legal	2,468,490	2,551,971	2,521,125	30,846
Court facilities	687,545	687,545	396,115	291,430
Human resources	12,377,514	7,435,263	7,313,643	121,620
Elections	1,777,355	1,839,588	1,484,431	355,157
Risk management and insurance	3,707,307	4,440,035	3,756,447	683,588
General services	14,030,012	15,313,606	13,815,249	1,498,357
Geographic information systems	477,968	477,968	477,968	-
Information systems and technology	8,543,594	9,498,376	8,647,257	851,119
Register of deeds	1,962,242	2,327,728	1,880,604	447,124
Other	6,962,133	4,917,991	3,100,877	1,817,114
Total general administration	68,954,437	67,222,074	58,179,079	9,042,995
Economic and physical development				
Planning	1,285,133	1,285,133	995,860	289,273
Cooperative extension	1,320,625	1,693,025	1,615,484	77,541
Soil and water conservation	640,464	640,464	602,310	38,154
Open space management	77,175	205,479	21,724	183,755
Industrial extension	2,177,277	2,904,534	422,857	2,481,677
Other	1,858,971	1,880,321	1,091,475	788,846
Total economic and physical development	7,359,645	8,608,956	4,749,710	3,859,246
Human services				
Public health	27,787,361	30,268,095	27,625,745	2,642,350
Mental health	6,245,859	6,245,859	6,245,859	-
Social services	51,486,850	55,197,267	52,001,819	3,195,448
Other	1,148,907	1,318,140	652,075	666,065
Total human services	86,668,977	93,029,361	86,525,498	6,503,863
Education				
Durham public schools				
Current	137,350,717	137,350,717	137,350,717	-
Capital	1,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	7,210,703	7,210,703	7,210,703	-
Capital	347,500	347,500	347,500	-
Other education	3,934,153	3,942,505	3,092,563	849,942
Total education	150,213,073	150,221,425	149,371,483	849,942

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, 2019

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Expenditures (continued)				
Public safety				
Criminal justice partnership	\$ 4,725,521	\$ 5,213,969	\$ 4,653,545	\$ 560,424
County sheriff	20,594,282	22,590,872	21,161,560	1,429,312
County jail	18,156,011	19,208,245	19,213,258	(5,013)
Youth home	1,472,991	1,521,814	1,356,842	164,972
Animal control	1,956,146	2,007,686	2,013,499	(5,813)
Emergency communications center	1,384,278	1,384,278	1,099,615	284,663
Emergency medical services	17,716,668	18,448,993	15,893,313	2,555,680
County fire protection	2,845,959	3,130,823	2,534,745	596,078
Medical examiner	225,000	265,000	237,550	27,450
Total public safety	69,076,856	73,771,680	68,163,927	5,607,753
Transportation				
Airport authority	12,500	12,500	12,500	-
Go Triangle	500,000	500,000	231,838	268,162
Total transportation	512,500	512,500	244,338	268,162
Environmental protection				
Solid waste	2,512,966	2,512,966	2,308,727	204,239
Environmental engineering	3,063,916	3,490,160	2,882,094	608,066
Other	113,269	120,117	50,015	70,102
Total environmental protection	5,690,151	6,123,243	5,240,836	882,407
Cultural and recreational				
Library	11,763,686	12,581,547	11,729,463	852,084
Other	2,173,482	2,173,482	2,173,482	-
Total cultural and recreational	13,937,168	14,755,029	13,902,945	852,084
Total expenditures	402,412,807	414,244,268	386,377,816	27,866,452
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	52,807,608	43,394,782	82,333,912	38,939,130
Other financing sources (uses)				
Transfers in	6,165,730	6,630,830	6,304,716	(326,114)
Appropriated fund balance	19,497,586	34,863,201	-	(34,863,201)
Transfers out	(78,470,924)	(84,888,813)	(84,888,813)	-
Total other financing uses	(52,807,608)	(43,394,782)	(78,584,097)	(35,189,315)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	\$ -	3,749,815	\$ 3,749,815
FUND BALANCE - BEGINNING OF YEAR			207,403,461	
FUND BALANCE - END OF YEAR			\$ 211,153,276	

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

DURHAM COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Community Health Trust Fund
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 55,490	\$ 55,490
Charges for services	2,600,000	2,600,000	2,600,000	-
Total revenues	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,655,490</u>	<u>55,490</u>
Other financing sources (uses)				
Transfers out	(4,768,500)	(4,768,500)	(4,768,500)	-
Appropriated fund balance	2,168,500	2,168,500	-	(2,168,500)
Total other financing uses	<u>(2,600,000)</u>	<u>(2,600,000)</u>	<u>(4,768,500)</u>	<u>(2,168,500)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	(2,113,010)	<u>\$ (2,113,010)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>3,597,778</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,484,768</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, 2019

	Enterprise Fund
	Sewer Utility Fund
Assets	
Current assets	
Cash and cash equivalents / investments	\$ 36,731,466
Cash and cash equivalents / investments - restricted	3,374,189
Receivables:	
Accounts receivable	165,963
Accrued interest receivable	122,546
Total receivables	288,509
Due from other governments - federal and state agencies	157,121
Due from other governments - local	867,701
Prepaid expenses	8,452
Total current assets	41,427,438
Noncurrent assets	
Capital assets:	
Land	185,226
Easements	5,000
Land improvements - sewer and water lines	28,179,774
Building treatment plant	56,854,766
Machinery and equipment	1,431,699
Vehicles	422,246
Computer hardware	36,416
Computer software	73,157
Construction in progress	13,232,249
Total capital assets	100,420,533
Less accumulated depreciation and amortization	(30,307,017)
Net capital assets	70,113,516
Total noncurrent assets	70,113,516
Total assets	111,540,954
Deferred outflows of resources	
Contributions to pension plan in current fiscal year	103,253
Pension deferrals - LGERS	244,371
Unamortized loss on refundings	352,709
Total deferred outflows of resources	700,333
Liabilities	
Current liabilities	
Current portion of accrued compensated absences	70,175
Current portion of long-term debt	1,468,033
Accounts payable	1,162,735
Arbitrage rebate payable	13,000
Accrued interest payable	46,637
Accrued payroll and related amounts withheld	68,339
Total current liabilities	2,828,919
Noncurrent liabilities	
Accrued compensated absences	10,812
Net pension liability - LGERS	437,593
Long-term debt	14,744,367
Total noncurrent liabilities	15,192,772
Total liabilities	18,021,691
Deferred inflows of resources	
Pension deferrals - LGERS	33,220
Total deferred inflows of resources	33,220
Net position	
Net investment in capital assets	53,816,232
Restricted for capital projects	3,374,189
Unrestricted	36,995,955
Total net position	\$ 94,186,376

DURHAM COUNTY, NORTH CAROLINA**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2019**

	Enterprise Fund
	Sewer Utility Fund
Operating revenues	
Charges for services	\$ 9,275,868
Total operating revenues	9,275,868
Operating expenses	
Personnel services	2,093,578
Utilities	538,451
Maintenance and other	3,924,008
Depreciation	3,152,486
Total operating expenses	9,708,523
Operating income	(432,655)
Nonoperating revenue (expense)	
Investment and interest income	600,355
Sewer connection fees	3,383,901
Interest and fiscal charges	(415,336)
Total nonoperating revenue (expense)	3,568,920
Income before transfers and contributions	3,136,265
Gain (loss) on asset disposal	(3,524)
Change in net position	3,132,741
Beginning net position	91,053,635
Total net position, ending	\$ 94,186,376

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, 2019**

	Enterprise Fund
	Sewer Utility Fund
Operating activities	
Cash received from sales	\$ 8,937,993
Cash paid to employees	(2,028,877)
Cash paid for operating plant	(3,763,048)
Prepaid	(53)
Net cash provided (used) by operating activities	3,146,015
Noncapital financing activities	
Sewer connection fees received	3,383,901
Net cash provided (used) by noncapital financing activities	3,383,901
Capital and related financing activities	
Principal payments on long-term debt	(1,416,146)
Interest paid	(407,033)
Acquisition and construction costs of capital assets	(2,115,774)
Net cash provided (used) by capital and related financing activities	(3,938,953)
Investing activities	
Investment income and dividends	543,489
Net cash provided (used) by investing activities	543,489
Net increase (decrease) in cash and cash equivalents/investments	3,134,452
Cash and cash equivalents/investments	
Beginning of year	36,971,203
End of year	\$ 40,105,655
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (432,655)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	3,152,486
Pension expense	144,603
Change in assets, deferred outflows of resources, and liabilities:	
Accounts receivable	(151,042)
Due from other governments - federal and state agencies	4,463
Due from other governments - local	(191,296)
Accounts payable	699,411
Compensated absences and accrued payroll	23,351
Deferred outflows of resources for pensions	(103,253)
Prepaid expenses	(53)
Total adjustments	3,578,670
Net cash provided (used) by operating activities	\$ 3,146,015

DURHAM COUNTY, NORTH CAROLINA

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

	Private-purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 46,621	\$ 2,864,064
Accounts receivable	1,850	163,750
Net property taxes receivable	-	1,214,236
Due from governmental agencies	-	1,330,393
Total assets	<u>48,471</u>	<u>\$ 5,572,443</u>
Liabilities		
Funds held for others	-	809,958
Due to governmental agencies	-	4,762,485
Total liabilities	<u>-</u>	<u>\$ 5,572,443</u>
Net position		
Held in trust for:		
Individuals, organizations, and other governments	48,471	
Total net position	<u>\$ 48,471</u>	

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Changes in Fiduciary Net Position Fiduciary Fund Year Ended June 30, 2019

	Private-purpose Trust Funds
Additions	
Employee contributions	\$ 1,850
Donations	279
Investment income	170
Total additions	<u>2,299</u>
Deductions	
Benefits	<u>200</u>
Total deductions	<u>200</u>
Change in net position	2,099
Total net position - beginning	<u>46,372</u>
Total net position - ending	<u><u>\$ 48,471</u></u>

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

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

Discretely Presented Component Unit

Durham County Board of Alcoholic Control (ABC Board)

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

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

Durham County ABC Board
2634 Durham Chapel Hill Boulevard, Suite #10
Durham, North Carolina 27707

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Durham County Industrial Facility and Pollution Control Financing Authority

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

2. Government-wide and Fund Financial Statements

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fiduciary Funds:

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

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

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

4. Budgetary Data Control

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

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

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following summarizes the supplementary appropriations made for the major governmental funds other than the capital projects fund during fiscal year 2019:

	<u>Original Budget</u>	<u>Total Amendments</u>	<u>Revised Budget</u>
General	<u>\$ 480,883,731</u>	<u>\$ 18,249,350</u>	<u>\$ 499,133,081</u>
Community Health Trust	<u>\$ 4,768,500</u>	<u>\$ -</u>	<u>\$ 4,768,500</u>
Debt Service	<u>\$ 73,404,600</u>	<u>\$ 79,235,436</u>	<u>\$ 152,640,036</u>

All annual appropriations lapse at each fiscal year-end.

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

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

Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Durham County ABC Board considers all highly liquid investments purchased with an original maturity of three months or less, to be cash and cash equivalents.

Deposits and Investments

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019, the County's deposits had a carrying amount of \$71,331,080 and a bank balance of \$81,212,894. Of the carrying amount, \$2,910,685 was related to fiduciary funds. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$80,462,894 was covered by collateral held under the Pooling Method.

At June 30, 2019, the ABC Board's deposits had a carrying amount of \$7,485,447 and a bank balance of \$7,982,626. All of the bank balance was insured by federal depository insurance or collateralized under the Pooling Method. North Carolina General Statute 159-30 authorizes the County and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States of America; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; 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 money market mutual fund allowable by G.S. 159-30(c)(8). 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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of June 30, 2019, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Valuation Measurement</u>	<u>Less Than 6</u>	<u>6-12 Months</u>	<u>1-5 Years</u>
		<u>Method</u>	<u>Months</u>		
US Government Agencies	\$ 77,954,418	Fair Value-Level 2	\$ 22,811,558	\$ 25,025,380	\$ 30,117,480
Commercial Paper	9,834,793	Fair Value-Level 2	9,834,793	-	-
NC Capital Management Trust-Government Portfolio*	145,203,619	Amortized Cost	145,203,619	N/A	N/A
NC Capital Management Trust-Term Portfolio**	5,271,445	Fair Value-Level 1	5,271,445	-	-
Certificate of Deposit	2,519,313	Fair Value-Level 1	2,519,313	-	-
Total:	<u>\$ 240,783,588</u>		<u>\$ 185,640,728</u>	<u>\$ 25,025,380</u>	<u>\$ 30,117,480</u>

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

* The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAm rating from S&P. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

**The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Interest Rate Risk:

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

Credit Risk:

The County has no formal policy regarding credit risk but maintains internal management procedures that limit the County's investments to the provisions of North Carolina General Statute 159-30 that restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County invests in commercial paper bearing the highest credit rating, as determined by nationally recognized statistical rating organizations (NRSROs) and banker's acceptances where the accepting bank or its holding company are incorporated in North Carolina. As of June 30, 2019, the County's investments in commercial paper were rated A1 by Standard & Poor's, F1 by Fitch Ratings, and P1 by Moody's Investors Service. In addition, all of the County's commercial paper carries a long-term debt rating of A or better. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2019. 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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

investments in US agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The County's formal policy indicates that the County shall utilize a third-party custodial agent for book entry transactions, all of which shall be a trust department authorized to do trust work in North Carolina who has an account with the Federal Reserve. Certificated securities shall be in the custody of the Chief Financial Officer.

Concentration of Credit Risk:

The County places no limit on the amount that the County may invest in any one issuer. More than 69 percent of the County's investments are in the Federal Farm Credit Bank and Federal Home Loan Mortgage Corp. These investments are 44% and 26% respectively, of the County's total investment portfolio. All securities owned by the County at June 30, 2019 were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank.

Interest rate swap:

Effective July 30, 2004, the County entered into a floating-to-floating or basis swap on \$125,810,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B and 2004 A&B General Obligation Bonds. Effective September 1, 2009, the swap was modified to increase the notional amount to \$186,365,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008A&B General Obligation Bonds and 2009A Certificates of Participation. Effective July 1, 2011, the swap was modified to increase the notional amount to \$216,051,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008 A&B, 2010 A&B General Obligation Bonds and 2009 A&B Certificates of Participation.

The notional amount of the Swap Agreement is equal to the par value of selected associated bonds. The objective of the swap was to create economics (generate present value savings) similar to a 65% of LIBOR synthetic fixed-rate financing without the County having to issue actual refunding bonds. The Swap Agreement provides for the County to make payments to the counterparty based on the taxable-equivalent Bond Market Association (BMA) index and for the counterparty to make reciprocal payments based on a floating rate priced at six-month LIBOR plus a net amount of 0.952%. The agreement matures March 1, 2031. The derivatives contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The basis swap agreement is an investment derivative under GASB Statement No. 53.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value:

As of June 30, 2019, the swap had a positive fair value totaling \$5,684,530, estimated using the zero-coupon method. This method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps. The positive fair value is reported as an asset, derivative financial instrument, with the accumulated increase in the fair value of the hedging derivative reported as deferred inflows of resources in the Statement of Net Position. The fair value increased by \$1,493,474 in fiscal year 2019. The changes in fair value are reported in investment income in the Statement of Activities.

<u>Associated Bond Issues</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Variable Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008 A&B 2009 A Certificates of Participation General Obligation Bonds and Certificates of Participation	\$216,051	7/1/11	3/1/31	3.733% + BMA/ * Divisor	1.132% + 6-month LIBOR	\$5,684,530	Aaa/AA

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

Risks:

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

Credit risk:

As of June 30, 2019, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding swap in the amount of \$5,684,530 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.

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, 2019.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Receivables

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables at the government-wide level at June 30, 2019, were as follows:

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Taxes</u>	<u>Solid Waste</u>	<u>Emergency Medical Services</u>	<u>Community Development Mortgage Loans</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental activities:								
General	\$ 2,008,818	\$ 1,466,853	\$ 2,429,139	\$ 26,546	\$ 60,169,732	\$ 343,327	\$ 31,501,380	\$ 97,945,795
Capital projects	2,550,000	71,856	-	-	-	-	1,409,722	4,031,578
Debt Service	1,111	-	-	-	-	-	-	1,111
Other governmental	-	-	62,260	-	-	-	48,113	110,373
Total receivables	4,559,929	1,538,709	2,491,399	26,546	60,169,732	343,327	32,959,215	102,088,857
Allowance for doubtful accounts	(94,826)	-	(121,163)	-	(57,603,096)	(343,327)	-	(58,162,412)
Total governmental activities	<u>\$ 4,465,103</u>	<u>\$ 1,538,709</u>	<u>\$ 2,370,236</u>	<u>\$ 26,546</u>	<u>\$ 2,566,636</u>	<u>\$ -</u>	<u>\$ 32,959,215</u>	<u>\$ 43,926,445</u>
Business-type activities:								
Sewer utility	\$ 165,963	\$ 122,546	\$ -	\$ -	\$ -	\$ -	\$ 1,024,822	\$ 1,313,331
Total receivables	165,963	122,546	-	-	-	-	1,024,822	1,313,331
Allowance for doubtful accounts	-	-	-	-	-	-	-	-
Total business-type activities	<u>\$ 165,963</u>	<u>\$ 122,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,024,822</u>	<u>\$ 1,313,331</u>

The Community Development Mortgage Loans Receivable consists of certain proceeds from bonds that have been used to make non-interest-bearing loans to qualifying individuals in accordance with the County's Community Development Program. These loans contain various provisions, including deferral periods and forgiveness of indebtedness if certain conditions are met. Due to the uncertainty of collectability, the full amount of the outstanding loans receivable balance as of June 30, 2019 of \$343,327 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Deferred Outflows/Inflows of Resources

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

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

8. Inventories and Prepaid Items

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

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

9. Capital Assets

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

at acquisition value.

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

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

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

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<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
Water system	50 years
Construction in progress (CIP)	N/A
Capital leases	Life of the lease
Easements	Indefinite, to be monitored for impairment

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

<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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Long-term Obligations

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

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

11. Compensated Absences

Permanent employees of the County can earn vacation leave at the rate of 11 days per year for the first two years up to a maximum of 25 days per year after twenty-five years. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is 30 days. At the end of each calendar year, the accumulated vacation leave in excess of 225 hours for employees who work a 37.5 hour workweek, 240 hours for employees who work a 40 hour work week, 252 hours for employees who work a 42 hour workweek, and 336 hours for employees who work a 56 hour workweek as of the first full pay period in January is converted to sick leave. The maximum amount of vacation leave that can be carried forward to January 1 is 225, 240, 252, and 336 hours, respectively. At termination, employees are paid for any accumulated vacation leave up to the maximum amount. Accumulated vacation leave and salary related payments at June 30, 2019 amounted to \$8,014,389. Of this amount, \$7,933,402 is recorded as a liability in the government-wide financial statements for governmental activities, and \$80,987 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, 2019 and 2018 amounted to \$76,472 and \$107,139. 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, 2019 amounted to \$29,093,590 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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

leave with the County used as retirement credit is limited to one month for every 20 days of sick leave. Since neither the County nor the ABC Board has any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

12. Encumbrances

As required by North Carolina General Statutes, encumbrance accounting is employed in the governmental funds. The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. These amounts are included in the Stabilization by State Statute amount in restricted fund balance. Amounts outstanding at June 30, 2019 are as follows:

Major Funds				Nonmajor Funds
General Fund	Community Health Trust	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
<u>\$ 6,947,484</u>	<u>\$ -</u>	<u>\$ 7,111,119</u>	<u>\$ -</u>	<u>\$ -</u>

13. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- Restricted for Stabilization of State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. This statute restricts appropriation of fund balance in any fund 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 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted for criminal justice programs – portion of fund balance that is restricted by revenue source for criminal justice programs.
- Restricted for environmental protection programs – portion of fund balance that is restricted by revenue source for environmental protection programs.
- Restricted for register of deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds Office.
- Restricted for Special Butner – portion of fund balance that is restricted by revenue source for the Special Butner area of Durham County.
- Restricted for education – portion of fund balance restricted by revenue source that can be used only for school capital or school debt service for Durham Public Schools.

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

- Committed for risk management – portion of fund balance that can only be used for catastrophic occurrences.
- Committed for public health – portion of fund balance that can only be used for public health purposes.
- Committed for debt service – portion of fund balance that can only be used for debt service.
- Committed for sheriff inmate – portion of fund balance that can only be used for supporting items or services that directly benefit the inmates.
- Committed for education; article 46 – portion of fund balance that can only be used for education purposes.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The following schedule presents the assigned fund balances at June 30, 2019:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Special Revenue Funds
Assigned Fund Balance:					
Assigned for subsequent year	\$ 18,081,595	\$ -	\$ -	\$ -	\$ -
Assigned for health related purposes	-	1,484,768	-	-	-
Assigned for capital projects	-	-	22,799,812	-	-
Assigned for fire districts	-	-	-	-	2,262,010
Assigned for economic development purposes	-	-	-	-	93,350
Assigned for debt service	-	-	-	37,088,134	-
	<u>\$ 18,081,595</u>	<u>\$ 1,484,768</u>	<u>\$ 22,799,812</u>	<u>\$ 37,088,134</u>	<u>\$ 2,355,360</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Durham County has an adopted fund balance policy. Included in the policy for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Chief Financial Officer may deviate from this priority after consultation with the County Manager. In addition, per the policy, the goal for the unassigned fund balance of the General Fund is 16% of total actual prior fiscal expenditures and the goal of total fund balance available as a percentage of expenditures is 35%. Once the 35% level has been achieved, the amount over 35% shall be used to fund the annual OPEB contribution to meet the OPEB obligation, pay-as-you-go capital projects or other non-reoccurring expenditures. In addition, the OPEB portion of the total fund balance for the general fund shall not exceed 25% of the total fund balance to ensure that the committed for OPEB portion of fund balance remains reasonably proportionate to the total fund balance for the general fund as a whole to include unassigned fund balance. Management has been instructed to conduct business in such a manor to achieve these goals. As of June 30, 2019, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 13.25% and 35.31%, respectively.

14. Use of Estimates

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

15. Interest rate swap

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

16. Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Register of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit

pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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 \$(242,691,491) 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)	\$475,286,089
Investment in joint venture	<u>9,542,749</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$484,828,838</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	\$ 5,684,530
Pension asset – ROD	<u>510,441</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 6,194,971</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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

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

Pension deferrals – LGERS	\$ 29,293,234
Pension deferrals – ROD	153,379
Pension deferrals – LEOSSA	501,851
OPEB deferrals	3,480,472
Unamortized loss on debt refundings	<u>18,015,935</u>

Net adjustment to increase total fund balance for
the governmental funds to arrive at net position for
governmental activities \$ 51,444,871

4. “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.”

Property taxes receivable (net)	\$ 2,061,715
Solid waste receivable	26,546
Animal taxes receivable	308,521
Emergency medical services receivable (net)	2,566,636
Water services receivable	649
WSR loan receivable	2,550,000
Investments (fair market value)	<u>(199,568)</u>

Net adjustment to increase total fund balance for
the governmental funds to arrive at net position for
governmental activities \$ 7,314,499

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

Pension deferrals – LGERS	\$ (315,178)
Pension deferrals – ROD	(27,621)
Pension deferrals – LEOSSA	(373,150)
OPEB deferrals	<u>(31,263,653)</u>

Net adjustment to decrease total fund balance for
the governmental funds to arrive at net position for
governmental activities \$ (31,979,602)

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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

6. "Long-term liabilities, including bonds payable and other post employment 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	\$ (45,499,601)
Bonds and other notes payable	(506,912,719)
Total OPEB liability	(155,156,262)
Net pension liability – LGERS	(36,957,871)
Total pension liability – LEOSSA	(6,248,325)
Accrued compensated absences	(7,933,402)
Accrued interest payable	<u>(3,325,597)</u>
 Subtotal	 (762,033,777)
 Less: accrued interest receivable	 <u>1,538,709</u>
 Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	 <u><u>\$(760,495,068)</u></u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

**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 \$(14,609,865) 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	\$ 46,138,594
Less: depreciation expense	(19,839,616)
Plus: decrease in investment in joint venture	<u>(415,213)</u>

Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities	<u>\$ 25,883,765</u>
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2. "Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds."

Pension deferrals – LGERS	\$ 9,979,604
Pension deferrals – ROD	(27,472)
Pension deferrals – LEOSSA	(67,640)
Contributions to the pension plan current fiscal year – LGERS	315,345
Contributions to the pension plan current fiscal year – ROD	9,541
Contributions to the pension plan current fiscal year – LEOSSA	89,601
Contributions to the pension plan current fiscal year – OPEB	(220,789)
Amortization on loss of debt refunding	<u>(1,991,736)</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>\$ 8,086,454</u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

**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."

Increase in deferred revenue of taxes (net)	\$ 424,317
Decrease in deferred revenue of emergency medical services receivable (net)	(112,512)
Decrease in deferred revenue of animal tax receivable	(4,484)
Decrease in deferred revenue of solid waste receivable	(1,473)
Increase in derivative financial instrument	1,493,474
Increase in water services receivable	141
Decrease in pension asset – ROD	(24,594)
Decrease in investment earnings (fair market value)	<u>(8,263,931)</u>

Net adjustment to decrease net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities \$ (6,489,062)

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

Decrease in pension deferrals – LGERS	\$ 522,384
Increase in pension deferrals – ROD	(11,161)
Increase in pension deferrals – LEOSA	(188,777)
Decrease in deferrals – OPEB	1,868,916
County's portion of collective pension expense – LGERS	(10,814,966)
County's portion of collective pension expense – ROD	(89,600)
County's portion of collective pension expense – LEOSA	(441,739)
County's portion of collective OPEB expense	<u>\$ (6,105,542)</u>

Net adjustment to increase net changes in fund balances for the governmental funds to arrive at changes in net position of governmental activities \$ (15,260,485)

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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

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

Principal repayments	\$ 36,131,116
Increase in debt (net)	(56,794,540)
Decrease in OPEB liability	13,508,280
Increase in pension liability – LGERS	(13,517,762)
Decrease in pension liability – LEOSSA	204,080
Increase in accrued interest payable	(431,297)
Decrease in accrued compensated absences	126,395
Increase in accrued interest receivable	788,717
Increase in WSR loan receivable	173,831
Increase in premium due to issuance of debt	(5,284,798)
Increase in premium due to issuance of refinancing	(6,109,622)
Additional funds received due to refunding	(329,622)
Amortization of bond premium	<u>4,704,685</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>\$ (26,830,537)</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

C. PROPERTY TAXES

Property Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes in the current fiscal year 2019 levy are based on the assessed values as of January 1, 2016, effective date of the county's last general reappraisal. A general reappraisal (revaluation) of all real property is required to be performed at least once every eight years to establish market value, however the statutes allow for a shorter reappraisal cycle. The last general reappraisal (revaluation) was effective January 1, 2019 which will be levied in fiscal year 2020. The next general reappraisal (revaluation) will be effective January 1, 2023.

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

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

Legislation was enacted during the 2017 General Assembly Session establishing the requirements and procedures to conduct gap billing. Gap billing of property taxes occurs when there are one or more months (a gap) in billed property taxes between the expiration of a vehicle's registration and the renewal of that registration or the issuance of a new registration. The vehicle is an unregistered vehicle during the gap in registration. In February 2018, Durham County Tax Administration began monthly mailing of property tax notices for those situations and is responsible for the collection of those taxes.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,673,131	\$ -	\$ -	\$ 8,673,131
Easements	1,954,981	-	-	1,954,981
Construction in progress	79,777,006	43,597,502	(136,768)	123,237,740
Total nondepreciable capital assets	<u>90,405,118</u>	<u>43,597,502</u>	<u>(136,768)</u>	<u>133,865,852</u>
Depreciable capital assets:				
Buildings	435,212,323	-	-	435,212,323
Water Systems	2,406,929	-	-	2,406,929
Office furniture and Equipment	1,443,270	7,527	-	1,450,797
Machinery and Equipment	13,105,413	597,808	(445,173)	13,258,048
Computer Hardware	12,781,156	257,736	-	13,038,892
Computer Software	16,203,911	269,237	(183,158)	16,289,990
Vehicles	21,938,136	3,140,212	(3,308,539)	21,769,809
Total depreciable capital assets	<u>503,091,138</u>	<u>4,272,520</u>	<u>(3,936,870)</u>	<u>503,426,788</u>
Less accumulated depreciation for:				
Buildings	100,775,939	10,905,638	-	111,681,577
Water Systems	52,150	48,139	-	100,289
Office furniture and Equipment	899,629	185,126	-	1,084,755
Machinery and Equipment	7,248,879	1,878,764	(435,413)	8,692,230
Computer Hardware	6,390,669	3,283,853	-	9,674,522
Computer Software	14,826,728	682,175	(183,158)	15,325,745
Vehicles	14,315,151	2,855,921	(1,723,639)	15,447,433
Total accumulated depreciation	<u>144,509,145</u>	<u>19,839,616</u>	<u>(2,342,210)</u>	<u>162,006,551</u>
Total depreciable capital assets, net	<u>358,581,993</u>	<u>(15,567,096)</u>	<u>(1,594,660)</u>	<u>341,420,237</u>
Governmental activities capital assets, net	<u>\$448,987,111</u>	<u>\$28,030,406</u>	<u>\$ (1,731,428)</u>	<u>\$475,286,089</u>

During 2019, the County incurred \$21,146,286 of expenses for public school construction. The County maintains school construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to these Durham County Board of Education properties. Durham County does not own infrastructure and, therefore, does not report infrastructure.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

D. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 13,913,187
Public safety	4,091,039
Environmental protection	1,043,285
Economic and physical development	9,236
Human Services	328,341
Educational	202,024
Cultural and recreational	252,504
Total depreciation expense	<u><u>\$ 19,839,616</u></u>

Business-type Activities/Sewer Utility Fund:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 185,226	\$ -	\$ -	\$ 185,226
Easements	5,000	-	-	5,000
Construction In Progress	11,417,933	1,814,316	-	13,232,249
Total nondepreciable capital assets	<u>11,608,159</u>	<u>1,814,316</u>	<u>-</u>	<u>13,422,475</u>
Depreciable capital assets:				
Land Improvements: Water and Sewer Lines	28,179,774	-	-	28,179,774
Buildings	56,854,766	-	-	56,854,766
Machinery and Equipment	1,184,534	260,719	(13,554)	1,431,699
Computer Hardware	36,416	-	-	36,416
Computer Software	60,192	12,965	-	73,157
Vehicles	412,695	27,775	(18,224)	422,246
Total depreciable capital assets	<u>86,728,377</u>	<u>301,459</u>	<u>(31,778)</u>	<u>86,998,058</u>
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	14,705,629	553,446	-	15,259,075
Buildings	11,467,801	2,372,435	-	13,840,236
Machinery and Equipment	613,463	175,258	(10,031)	778,690
Computer Hardware	36,095	-	-	36,095
Computer Software	29,244	21,865	-	51,109
Vehicles	330,554	29,482	(18,224)	341,812
Total accumulated depreciation	<u>27,182,786</u>	<u>3,152,486</u>	<u>(28,255)</u>	<u>30,307,017</u>
Total depreciable capital assets, net	<u>59,545,591</u>	<u>(2,851,027)</u>	<u>(3,523)</u>	<u>56,691,041</u>
Business-type activities capital assets, net	<u><u>\$ 71,153,750</u></u>	<u><u>\$ (1,036,711)</u></u>	<u><u>\$ (3,523)</u></u>	<u><u>\$ 70,113,516</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 2,274,417	-	-	\$ 2,274,417
Work in Process	-	105,643	-	105,643
Total nondepreciable capital assets	<u>2,274,417</u>	<u>105,643</u>	<u>-</u>	<u>2,380,060</u>
Depreciable capital assets:				
Buildings and improvements	5,229,943	12,700	-	5,242,643
Furniture and Equipment	1,828,271	154,494	(455)	1,982,310
Vehicles	383,349	38,500	-	421,849
Total depreciable capital assets	<u>7,441,563</u>	<u>205,694</u>	<u>(455)</u>	<u>7,646,802</u>
Less accumulated depreciation for:				
Buildings and improvements	2,108,911	198,482	-	2,307,393
Furniture and Equipment	1,472,020	171,966	-	1,643,986
Vehicles	84,392	13,459	-	97,851
Total accumulated depreciation	<u>3,665,323</u>	<u>383,907</u>	<u>-</u>	<u>4,049,230</u>
Total depreciable capital assets, net	<u>3,776,240</u>	<u>(178,213)</u>	<u>(455)</u>	<u>3,597,572</u>
ABC Board capital assets, net	<u>\$ 6,050,657</u>	<u>\$ (72,570)</u>	<u>\$ (455)</u>	<u>\$ 5,977,632</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 226,455,000	\$ 44,220,000	\$ 25,205,000	\$ 245,470,000	\$ 27,425,000
Certificates of participation	3,090,000	-	3,090,000	-	-
Limited obligation bonds	172,960,000	54,860,000	6,940,000	220,880,000	12,650,000
Direct installment notes draw program*	66,707,812	51,214,540	94,109,346	23,813,006	-
Unamortized bond premium	52,243,469	11,394,418	4,704,685	58,933,202	5,128,872
Direct installment placement financing*	3,555,397	-	276,812	3,278,585	285,771
Total OPEB liability	168,664,542	-	13,508,280	155,156,262	-
Accrued compensated absences	8,059,797	5,220,016	5,346,411	7,933,402	5,818,078
Net pension liability (LGERS)	23,440,109	13,517,762	-	36,957,871	-
Total pension liability (LEOSSA)	6,452,405	-	204,080	6,248,325	-
Other financing agreements	47,485	-	9,958	37,527	9,958
Total governmental activities	<u>\$ 731,676,016</u>	<u>\$ 180,426,736</u>	<u>\$ 153,394,572</u>	<u>\$ 758,708,180</u>	<u>\$ 51,317,679</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
State revolving loans	\$ 9,928,280	\$ -	\$ 671,146	\$ 9,257,134	\$ 671,146
Revenue bonds	7,400,000	-	745,000	6,655,000	765,000
Unamortized bond premium	332,153	-	31,887	300,266	31,887
Accrued compensated absences	63,409	82,929	65,351	80,987	70,175
Net pension liability (LGERS)	265,588	172,005	-	437,593	-
Total business-type activities	<u>\$ 17,989,430</u>	<u>\$ 254,934</u>	<u>\$ 1,513,384</u>	<u>\$ 16,730,980</u>	<u>\$ 1,538,208</u>

*Note: Due to the implementation of GASB Statement No. 88, what was reported in previous fiscal years as "Installment notes payable" is now reported as "Direct installment notes draw programs" and "Direct installment note placement financing."

Installment purchases

In March 2017, the County entered a \$72,200,000 direct installment financing draw program to finance the reconstructing and renovations of the prior judicial building and the judicial annex building of the County. The judicial building was initially pledged as the collateral on the direct installment financing

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

E. LONG-TERM OBLIGATIONS (continued)

draw program. However, once the renovations of the judicial building were initially completed (now the County's Administration II Building), the County issued debt to repay that portion of the direct installment financing draw program in the amount of \$43,500,000 and changed the collateral for the remainder of the draw program to the County's judicial annex building. Thereby, reducing the amount of the direct installment financing draw program to \$28,700,000. Of this amount, \$2,467,893 has been spent and drawn as of June 30, 2019. The County is reimbursed from the draw program for actual cost on a monthly basis until the project or projects are complete. The County pays interest to the financing institution at an agreed upon interest rate on the funds drawn until the closing of the draw program. At that time, the County will issue fixed rate debt to pay off the direct installment financing draw program. As of June 30, 2019, the County has an unused line of credit for this direct installment financing draw program in the amount of \$26,246,632.

In June 2019, the County entered a \$70,000,000 direct installment financing draw program to finance projects from the 2016 bond referendum. Because the funding source to repay this direct installment financing draw program once completed is General Obligation Bonds (GO Bonds), collateral does not have to be pledged. Thus, no collateral is attached to this direct installment financing draw program. Of this amount, \$21,345,113 has been spent and drawn as of June 30, 2019, and an unused line of credit for this direct installment financing draw program in the amount of \$48,654,887.

When the County enters into a direct installment financing draw program, the County funds the expenditures up front and draws the amount expended on a monthly basis from the financing institution to reimburse County funds per the agreement for the agreed upon project or projects being financed. After the period as per the agreement, the County issues debt at a fixed rate to repay/refund the financing institution for what was expended and funded in the financing draw program.

In September 2012, the County entered into a \$4,549,999 direct installment placement contract to finance energy and water conservation measures to reduce energy and water consumption and/or energy-related operating cost. The direct financing placement contract required principal and interest payments beginning in fiscal year 2015 with a fixed interest rate of 2.285%. As of June 30, 2019, the debt amount remaining is \$3,278,585.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$285,771	\$73,287
2021	294,826	66,731
2022	309,084	59,916
2023	323,732	52,768
2024	338,712	45,288
2024-2028	<u>1,726,460</u>	<u>101,538</u>
Total	<u>\$3,278,585</u>	<u>\$399,528</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

E. LONG-TERM OBLIGATIONS (continued)

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

For governmental activities and business-type activities, the total OPEB liability and total pension LEOSA liability are liquidated by the General Fund while the net LGERS pension liability is liquidated by the General Fund and Sewer Utility Fund, respectively.

The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to eight percent (8%) of the appraised value of property subject to taxation less property valued for abatement. At June 30, 2019, such statutory limit for the County was \$2,988,920,686 providing a legal debt margin of \$2,743,450,686.

Defeasance of debt

In fiscal year 2010, the County defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2010, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$48,609,998. The carrying values of the Refunding Bonds, Series 2009, which refunded 2000 Public Improvement Bonds and 2002B Public Improvement Bonds, were adjusted for the loss from defeasance (net of amortization) of \$4,239,510. As of June 30, 2019, the loss from defeasance (net of amortization) was \$1,035,178. 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, 2019, the loss from defeasance (net of amortization) was \$2,085,406. 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

E. LONG-TERM OBLIGATIONS (continued)

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

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

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

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

In fiscal year 2016, the County defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2016, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$31,690,000. The carrying values of the Refunding Bonds, Series 2016, which refunded 2008A Public Improvement Bonds and 2008B Public Improvement Bonds, were adjusted for the loss from defeasance (net of amortization) of \$3,071,981. As of June 30, 2019, the loss from defeasance (net of amortization) was \$1,956,526. This advance refunding was undertaken to reduce the total debt service payments over the next 11 years by \$3,315,659 and resulted in an economic gain of \$2,543,844.

In fiscal year 2016, the County defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2016, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$37,095,000. The carrying values of the Refunding Bonds, Series 2016, which refunded 2009A Certificate of Participation Bonds were adjusted for the loss from defeasance (net of amortization) of

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

E. LONG-TERM OBLIGATIONS (continued)

\$4,346,426. As of June 30, 2019, the loss from defeasance (net of amortization) was \$3,361,296. This advance refunding was undertaken to reduce the total debt service payments over the next 15 years by \$4,824,160 and resulted in an economic gain of \$3,777,918.

In fiscal year 2017, the County defeased various bond issues by creating irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2017, the amount of the defeased debt outstanding and removed from the County's liabilities amounted to \$103,895,000. The carrying values of the Refunding Bonds, Series 2017, which refunded variable rate 2016 Bond Anticipation Notes, 2014 Public Improvement Bonds, 2012 Refunded Public Improvement Bonds, and 2010B Build America Bonds were adjusted for the loss from defeasance (net of amortization) of \$11,127,770. As of June 30, 2019, the loss from defeasance (net of amortization) was \$9,577,529. This advance refunding was undertaken to reduce the total debt service payments over the next 20 years by \$5,896,895 and resulted in an economic gain of \$4,615,584.

General obligation bonds

Durham County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the County. The County pledges full faith and credit and taxing power as security for General Obligation Bonds. General obligation bonds were issued for government activities in the amount of \$44,220,000 in fiscal year 2019.

Interest requirements for the general obligation bonds are payable semi-annually at annual rates varying from 2.00% to 5.50%. 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 of the County. The County pledges full faith and credit and taxing power as security for 2/3s bonds. There were no 2/3s bonds issued in fiscal year 2019.

Certificates of participation

Durham County issues certificates of participation (COPs) for the acquisition and construction of major capital facilities. There were no COPs issued in fiscal year 2019.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

E. LONG-TERM OBLIGATIONS (continued)

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.

LOBs issued in fiscal year 2013 are collateralized with the County's Justice Plaza (e.g., Justice Center, Jail and Parking Deck). The amount of debt outstanding for this issuance as of June 30, 2019 was \$89,980,000.

LOBs issued in fiscal years 2012 and 2016 were refundings for Certificates of Participation (COPs) 2009A and COPs 2009B, respectively, that are collateralized with the County's Health and Human Services Building. The amount of debt outstanding for these issuances as of June 30, 2019 were \$41,450,000 and \$34,590,000, respectively.

LOBs issued in fiscal year 2019 are collateralized with the County's Administrative II Building. The amount of debt outstanding for this issuance as of June 30, 2019 was \$54,860,000.

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 \$70,000,000 outstanding at any time. The BANs are general obligations of the County, and the County has pledged its faith and credit to the payment of principal and interest on the BANs. In addition, the County has entered into a Standby Note Purchase Agreement which expires when the BANs will mature on June 12, 2022 and is subject to prior redemption at the option of the County. The BANs will be replaced by general obligation bonds. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

E. LONG-TERM OBLIGATIONS (continued)

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2019 are as follows:

<u>Purpose:</u>	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Outstanding June 30, 2019
<u>Governmental activities:</u>					
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	\$ 43,272,209	\$ 15,775,000
Public improvement, Series 2010B	3.51% to 5.23%	11/10/2010	11/1/2030	34,020,000	6,385,000
Refunding 2011	3.00% to 5.00%	6/8/2011	11/1/2022	61,750,000	28,205,000
Public improvement, Series 2012	3.00% to 5.00%	4/25/2012	4/1/2032	64,670,000	8,640,000
Public improvement refunding, Series 2014	2.00% to 5.00%	6/3/2014	4/1/2034	44,635,000	17,855,000
Public improvement refunding, Series 2015	3.00% to 5.00%	7/9/2015	10/1/2026	29,340,000	28,160,000
Public improvement refunding, Series 2016	3.00% to 5.00%	9/26/2016	10/1/2036	96,460,000	93,190,000
Public improvement, Series 2017	3.23%	3/16/2017	10/1/2026	3,800,000	3,040,000
Public improvement refunding, Series 2019	3.00% to 5.00%	3/5/2019	6/1/2039	44,220,000	44,220,000
Limited Obligation Bonds, 2012	2.00% to 5.00%	3/29/2012	6/1/2032	63,780,000	41,450,000
Limited Obligation Bonds, 2013	1.50% to 5.00%	3/28/2013	6/1/2043	112,470,000	89,980,000
Limited Obligation Bonds, 2015 Refunding	4.00% to 5.00%	4/1/2016	12/1/2030	34,590,000	34,590,000
Limited Obligation Bonds, 2018	3.00% to 5.00%	9/6/2018	10/1/2038	54,860,000	54,860,000
Bond Anticipation Notes	Variable Rate	3/23/2017	3/23/2020	633,295	21,345,113
Installment purchase, utility performance	2.285%	9/18/2012	9/18/2028	4,549,000	3,278,585
Other financing agreements					
Installment financing purchase	Variable Rate	3/30/2017	3/30/2020	15,837,224	2,467,893
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	37,527
Total governmental activities					<u>\$ 493,479,118</u>
<u>Business-type activities:</u>					
Refunding Revenue bonds, 2012					
sewer plant expansion/improvements	2.49%	8/23/2012	6/11/2027	13,985,000	6,655,000
Enterprise State Revolving Loan I	2.22%	10/7/2012	5/1/2032	-	1,805,812
Enterprise State Revolving Loan II	2.22%	1/28/2011	5/1/2033	-	7,451,322
Total business-type activities					<u>15,912,134</u>
Total bonded indebtedness					<u>\$ 509,391,252</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2019 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		Limited Obligation Bonds		Installment Note Payable*		Other Financing Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 27,425,000	\$ 17,796,460	\$ 12,650,000	\$ 9,501,863	\$ 285,769	\$ 73,287	\$ 9,958	\$ -	\$ 40,370,727	\$ 27,371,610
2021	27,680,000	9,375,627	12,620,000	9,071,463	294,826	66,731	9,958	-	40,604,784	18,513,821
2022	27,140,000	7,956,157	12,595,000	8,544,988	309,084	59,916	9,958	-	40,054,042	16,561,061
2023	19,135,000	6,650,083	12,595,000	8,068,713	323,732	52,768	7,653	-	32,061,385	14,771,564
2024	16,815,000	5,757,934	12,570,000	7,477,213	338,712	45,288	-	-	29,723,712	13,280,435
2025-2029	63,500,000	16,119,908	62,730,000	28,725,438	1,726,462	101,538	-	-	127,956,462	44,946,884
2030-2034	46,410,000	6,216,625	47,670,000	15,306,438	-	-	-	-	94,080,000	21,523,063
2035-2039	17,365,000	1,628,125	32,450,000	6,858,000	-	-	-	-	49,815,000	8,486,125
2040-2044	-	-	15,000,000	1,500,000	-	-	-	-	15,000,000	1,500,000
	<u>\$ 245,470,000</u>	<u>\$ 71,500,919</u>	<u>\$ 220,880,000</u>	<u>\$ 95,054,116</u>	<u>\$ 3,278,585</u>	<u>\$ 399,528</u>	<u>\$ 37,527</u>	<u>\$ -</u>	<u>\$ 469,666,112</u>	<u>\$ 166,954,563</u>

Business-type activities:

Year Ending June 30,	General Obligation Bonds		Limited Obligation Bonds		State Revolving Loan		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ -	\$ -	\$ 671,146	\$ 205,508	\$ 765,000	\$ 165,710	\$ 1,436,146	\$ 371,218
2021	-	-	-	-	671,146	190,609	785,000	146,661	1,456,146	337,270
2022	-	-	-	-	671,146	175,709	800,000	127,115	1,471,146	302,824
2023	-	-	-	-	671,146	160,810	820,000	107,195	1,491,146	268,005
2024	-	-	-	-	671,146	145,911	840,000	86,777	1,511,146	232,688
2025-2029	-	-	-	-	3,355,729	506,061	2,645,000	132,842	6,000,729	638,903
2030-2034	-	-	-	-	2,545,675	136,659	-	-	2,545,675	136,659
2035-2039	-	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,257,134</u>	<u>\$ 1,521,267</u>	<u>\$ 6,655,000</u>	<u>\$ 766,300</u>	<u>\$ 15,912,134</u>	<u>\$ 2,287,567</u>

*NOTE: The installment note payable principal amount on the above schedule amortizing outstanding debt as of June 30, 2019 does not include the outstanding bond anticipation notes (BANs) or installment financing contract (IFC) that are included in the summary of transactions affecting the County's long-term obligations for the year ended and in the outstanding debt with interest rates, date of issue, maturity dates, original issue amount and amount outstanding at year end. The BANs are not included in the above schedule because there is no annual payment. The County is authorized to utilize a draw-down program whereby funds are drawn to reimburse the County for capital project expenditures over a three year period. At the end of the three years (or less), the County issues fixed rate debt to pay off this debt. With the current draw program, the County is authorized to borrow up to \$70,000,000 of BANs and \$72,200,000 of IFCs. Of the amounts, \$21,345,113 and \$2,467,893 respectively, are currently outstanding as of June 30, 2019.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

E. LONG-TERM OBLIGATIONS (continued)

Revenue bonds

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

In fiscal year 2003, \$24,515,000 of revenue bonds was issued to finance the construction project to expand the existing wastewater treatment facilities. In fiscal year 2013, \$13,985,000 of refunded revenue bonds were issued to refund the 2003 revenue bonds outstanding. The bonds are payable through 2027. The total principal and interest remaining to be paid on the bonds is \$7,421,300. Principal and interest paid for the year and total customer revenues were \$929,260 and \$8,806,564, respectively. Interest requirements for the revenue bonds are also payable annually at a fixed rate of 2.49%. These debt obligations are secured by a pledge of and lien upon, and payable solely from, the net receipts of the enterprise system and, in certain circumstances, by proceeds of the revenue bonds, investment earnings and certain net insurance and other proceeds. The revenue bonds are additionally secured by and payable from money and securities of certain funds, accounts and sub-accounts held by the trustee under the trust agreement and the first supplemental trust agreement. Sewer Utility Fund revenues are used to repay sewer utility long-term obligations. There were no revenue bonds issued in fiscal year 2019.

The ABC Board's did not have any long-term debt as of June 30, 2019.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$595,425 for the year ended June 30, 2019. The future minimum rental payments due under the leases at June 30, 2019 are as follows:

YEAR ENDING JUNE 30,	COUNTY	ABC BOARD
2020	\$502,301	\$ 139,576
2021	180,410	121,094
2022	127,704	72,990
2023	85,137	-
2024	49,131	-
TOTAL	\$944,683	\$ 333,660

Leased Facilities

Pursuant to agreements executed between the County, Duke Regional Hospital (formerly Durham Regional Hospital, effective July 1, 2013) and Duke, effective July 1, 1998, the County began leasing its Hospital facilities to Duke under the terms of an operating lease expiring on June 30, 2019. The cost of leased facilities to the County was \$63,605,860, and the accumulated depreciation and carrying value as of June 30, 2019 were \$33,387,949 and \$30,217,911, respectively. Under the terms of the original agreement, annual minimum lease payments remitted to the County for use of the facility were \$2,600,000. These funds were 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 (LCHC), formerly a component unit of the Hospital, for the provision of health services to the citizens of the County. The County has treated this agreement as an operating lease.

A revision to the agreement was entered into on June 29, 2007. Under the terms of the revised agreement, Duke agreed to release its interest in the portion of Durham Regional Hospital commonly known as the Oakleigh Building and the adjacent lot to the Oakleigh Building to be used as a mental health and substance abuse treatment facility by the mental health services of the County. Additionally, a one-time payment of \$500,000 was paid to the County upon the full execution of the amendment, and the annual minimum lease payments to be remitted to the County for use of the facility were reduced to \$3,200,000 effective for fiscal year 2009. Also, effective fiscal year 2009, Duke paid the County \$100,000 annually over a ten-year period for the support of mental health services. There were no changes regarding emergency medical services or medical services provided at LCHC.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

F. COMMITMENTS (continued)

On November 24, 2008, a second amendment to the lease agreement and a first amendment to the operating agreement were approved by the Board of County Commissioners, Durham County Hospital Corporation and Duke University Health System. Under the terms of the revised agreement, beginning January 1, 2009, the term of the lease agreement was extended for an additional 40-year term until June 30, 2049, with the term automatically extending each year for one additional year. Under this agreement, the County was paid an additional \$375,000 for fiscal year 2009. From July 1, 2009 until June 30, 2018, the County received payments of \$3,950,000 per year. For fiscal year 2019, the County received 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 2018 and 2019, the County received \$2,447,042 and \$2,560,167 for these services, respectively. Through the remainder of the lease terms, payments made to the County will be adjusted for inflation using the CPI Index Adjustment. Under the revised agreement, Duke paid an additional \$375,000 to Lincoln Community Health Center for fiscal year 2009. LCHC received payments of \$3,170,032 and \$3,316,580 for fiscal year 2018 and 2019, 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 THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019 are as follows:

YEAR ENDING JUNE 30,	Governmental activities	
	PRINCIPAL	INTEREST
2020	\$ 2,100,000	\$ -
2021	2,909,614	-
2022	1,670,487	-
2023	1,657,987	-
2024	1,658,587	-
2025-2029	2,695,795	-
2030-2034	1,324,365	-
	<u>\$ 14,016,835</u>	<u>\$ -</u>

Interest requirements related to the Industrial Extensions Policy are nominal.

3. School Facilities

In 2016, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2017 – 2026 that included new Durham Public school projects totaling \$240,000,000 funded through voter-approved general obligation bond referendums in November 2016 and proposed for November 2020. Total construction in progress for fiscal year 2019 for these projects was \$21,146,286 while total combined construction in progress since inception was \$227,241,222.

4. Construction

The total ten-year estimated and funded project costs of the CIP through June of 2026 is \$1,072,582,235. 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, Limited Obligation Bonds (LOB's), Bank Financing, County contributions (PayGo), Revenue Bonds (Enterprise Fund), and other miscellaneous revenues.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

F. COMMITMENTS (continued)

The CIP allocated funding for fiscal year 2019 in the amount of \$45,644,588. Funds provided \$25,044,588 for capital projects of governmental activities and \$20,600,000 for business-type activities. Of the governmental activities, \$21,796,963 was for general government activities, \$300,000 was for public safety activities, \$2,000,000 was for environmental protection activities, and \$947,625 for cultural and recreational activities.

As part of the ten-year CIP for fiscal years 2017-2026, a general obligation bond referendum totaling \$170,000,000 was approved by Durham County citizens as a funding source. The referendum funded \$90,870,000 for school facilities, \$20,195,000 for community colleges, \$44,725,000 for library facilities, and \$14,210,000 for museum facilities. As of fiscal year end, \$50,000,000 of the November 2016 voter-approved general obligations bonds was issued.

On June 24, 2019, the Board approved an updated 10-year CIP effective for fiscal years 2020-2029.

5. Capital commitments

The County had commitments at June 30, 2019 of \$1,912,845 for the expansion of the wastewater treatment plant and construction of sewer distribution systems.

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

6. Other commitments

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019:

Due to:

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

Due from:

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

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

G. INTERFUND BALANCES AND ACTIVITIES (continued)

Transfers:

The following is a summary of transfers for the year ended June 30, 2019:

	Transfers in:			Total
	General Fund	Capital Projects Fund	Debt Service Fund	
Transfers out:				
General fund	\$ -	\$ 12,963,846	\$ 71,924,967	\$ 84,888,813
Community health trust fund	4,768,500	-	-	4,768,500
Capital projects fund	-	-	1,000,000	1,000,000
Debt service fund	626,791	626,187	-	1,252,978
Nonmajor governmental funds	909,425	-	34,964	944,389
Total transfers	<u>\$ 6,304,716</u>	<u>\$ 13,590,033</u>	<u>\$ 72,959,931</u>	<u>\$ 92,854,680</u>

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

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

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

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

Transfers from Nonmajor Governmental Funds to the General Fund and the Debt Service Fund are for funding public safety expenditures and public safety debt service expenditures, respectively.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

1. North Carolina Local Governmental Employees' Retirement System

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

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County and ABC employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75 % for general employees and firefighters. Employer contributions, combined with employee contributions and investment income, are expected to fund the costs of benefits earned by employees during the year and reduce liabilities related to the plan. Contributions to the pension plan from the County were \$8,217,794 for the year ended June 30, 2019. The ABC Board's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the ABC Board were \$181,112 and \$171,914 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

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

At June 30, 2019, the County reported a liability of \$37,395,464 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions used in the valuation. The County's proportionate share of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the County's proportionate share was 1.576%, which was an increase of 0.024% from its proportion measured as of June 30, 2017.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

For the year ended June 30, 2019, the County recognized pension expense of \$10,959,569. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 5,769,232	\$ 193,587
Changes of Assumptions	9,923,313	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,133,286	-
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	597,239	154,811
County Contributions Subsequent to the Measurement Date	8,217,794	-
Total	\$ 29,640,864	\$ 348,398

\$8,217,794 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 10,237,088
2021	6,605,163
2022	1,193,078
2023	3,039,343
2024	-
Thereafter	-
	\$ 21,074,672

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	3.50 to 8.10% *
Investment Rate of Return	7.00% **

*includes inflation and productivity of 3.50%

**includes inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future and ad hoc cost of living adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 6.00%, or 1-percentage-point higher, 8.00%, than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
County's proportionate share of the net pension liability (asset)	\$ 89,827,145	\$ 37,395,464	\$ (6,417,268)

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

2. Law Enforcement Officers' Special Separation Allowance

Plan Description. The County administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the valuation date, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	21
Active Plan Members	<u>185</u>
Total	<u><u>206</u></u>

A separate report was not issued for the plan.

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

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

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

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

Actuarial Assumptions. Costs in the December 31, 2017 valuation were determined using the Entry Age Normal Actuarial Cost Method. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.50 to 7.35% *
Discount Rate	3.64%

*includes inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions on a pay-as-you-go basis. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the separation allowance are financed through investment earnings. In the year ended June 30, 2019, the County paid \$477,705 as the benefit became due.

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

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

At June 30, 2019, the County reported a total pension liability of \$6,248,325. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$441,739.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 119,885
Changes of Assumptions and Other Inputs	239,445	253,265
Benefit Payments and Administrative Expenses Subsequent to the Measurement Date	262,406	-
Total	<u>\$ 501,851</u>	<u>\$ 373,150</u>

The County paid \$262,406 in benefit payments, which included \$1,298 in administrative expenditures, reported subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized as a decrease to pension expense as follows:

Year Ended June 30:	
2020	\$ 26,915
2021	26,915
2022	25,802
2023	25,996
2024	28,077
Thereafter	-
	<u>\$ 133,705</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.64% as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 2.64%, or 1-percentage-point higher, 4.64% than the current rate:

	1% Decrease 2.64%	Discount Rate 3.64%	1% Increase 4.64%
Total Pension Liability	\$6,735,777	\$6,248,325	\$5,801,324

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

	2019
Beginning Balance	\$ 6,452,405
Service Cost	270,911
Interest on the Total Pension Liability	197,743
Change of Benefit Terms	-
Differences between Expected and Actual Experience in the Measurement of the Total Pension Liability	(54,529)
Changes of Assumptions and Other Inputs	(228,803)
Benefit Payments	(389,402)
Other Changes	-
Ending Balance of the Total Pension Liability	<u>\$ 6,248,325</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.16% at December 31, 2017 to 3.64% at December 31, 2018.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County and the ABC Board contribute to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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. Article 12 E of G.S. Chapter 143 requires the County and the ABC Board to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2019 were \$823,315, which consisted of \$505,015 from the County and \$318,300 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, 2019 totaled \$9,875 which consisted of \$7,772 from the ABC Board and \$2,103 from the law enforcement officers employed by the ABC Board. The County's required contributions and the officers' voluntary contributions represented 5% and 3.15%, respectively, of the covered payroll.

4. Registers of Deeds' Supplemental Pension Fund

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

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$35,914 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$510,441 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2018, the County's proportion was 3.082%, which was a decrease of 0.052% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$89,600. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 4,499	\$ 23,298
Changes of Assumptions	24,007	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	81,358	-
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	7,601	4,323
County Contributions subsequent to the Measurement Date	35,914	-
Total	<u>\$ 153,379</u>	<u>\$ 27,621</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

\$35,914 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 43,301
2021	9,932
2022	23,976
2023	12,635
2024	-
Thereafter	-
	<u>\$ 89,844</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	3.50 to 7.75% *
Investment Rate of Return	3.75% **

*includes inflation and productivity of 3.50%

**includes inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2018 is 1.4%.

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

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

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

	1% Decrease 2.75%	Discount Rate 3.75%	1% Increase 4.75%
County's Proportionate share of the net pension liability (asset)	\$ (402,447)	\$ (510,441)	\$ (601,498)

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

The net pension liability (asset) for LGERS and RODSPF was measured as of December 31, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of December 31, 2018, with an actuarial valuation date of December 31, 2017. The County's proportion of the net pension liability (asset) was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. The following information is related to the County's proportionate share and pension expense:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>ROD</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	\$ 37,395,464	\$ -	\$ (510,441)	\$ 36,885,023
Proportion of the net pension liability (asset)	1.576%	N/A	3.082%	
Total pension liability	\$ -	\$ 6,248,325	\$ -	\$ 6,248,325
Pension expense	\$ 10,959,569	\$ 441,739	\$ 89,600	\$ 11,490,908

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

At June 30, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	LEOSSA	ROD	Total
Deferred Outflows of Resources				
Differences Between Expected and Actual Experience	\$ 5,769,232	\$ -	\$ 4,499	\$ 5,773,731
Changes of Assumptions	9,923,313	239,445	24,007	10,186,765
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,133,286	-	81,358	5,801,249
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	597,239	-	7,601	604,840
Costs Subsequent to the Measurement Date*	8,217,794	262,406	35,914	8,516,114
*Contributions are for LGERS and RODSPF, Benefit and Administration Costs are for LEOSSA				
Deferred Inflows of Resources				
Differences between Expected and Actual Experience	\$ 193,587	\$ 119,885	\$ 23,298	\$ 336,770
Changes of Assumptions	-	253,265	-	253,265
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	154,811	-	4,323	159,134

5. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. All regular and volunteer firemen whose qualifications are certified by the Board of County Commissioners are eligible to participate in the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF). The State of North Carolina contributes, on behalf of the County, to the Firefighters' and Rescue Squad Workers' Pension Fund, a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees. The FRSWPF is included in the Comprehensive Annual Financial Report (CAFR) of the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for FRSWPF. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Members are eligible to receive the monthly benefit at age 55 with 20 years of fully credited service as a firefighter or rescue squad worker, regardless of whether the member has terminated paid employment. Disabled members may be able to receive benefits after attaining age 55, under certain provisions. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the fund. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected. A survivorship benefit for members was added effective June 1, 2016 and provides that

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

beneficiaries will receive the same benefit that the deceased member would have received beginning when the deceased would have reached age 55.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The County does not contribute to the fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2018, the State contributed \$17,952,000 to the plan. Durham County's proportionate share of the State's contribution is \$5,639.

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

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

At June 30, 2019, the County reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the County through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the County and supported by the State was \$15,342. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the County is not projected to make any future contributions to the plan, its proportionate share at June 30, 2018 and at June 30, 2017 was 0%.

For the year ended June 30, 2019, the County recognized pension expense of \$4,363 and revenue of \$4,363 for support provided by the State. At June 30, 2019, the County reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	Not Applicable
Investment Rate of Return	7.00% *
*includes inflation	

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from State appropriations will continue to follow current funding policy. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

Funding Policy. The County's contributions were calculated using a covered payroll amount of \$94,588,466. Total contributions for the year ended June 30, 2019 were \$7,714,169 which consisted of \$4,736,034 from the County and \$2,978,135 from the non-law enforcement personnel.

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

The County's required contribution and the non-law enforcement personnel's voluntary contribution represented 8.16% of the covered payroll amount.

7. Other Post-Employment Benefits

Plan Description. Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (HCB Plan). For employees hired on or after July 1, 2006, this plan provides post-employment healthcare benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least thirty years of continuous service with the County. Also, the plan provides post-employment healthcare benefits to employees hired on or after July 1, 2006 who are at least age 60 with twenty-five years or more of continuous service. Prior to July 1, 2006, employees qualified for the same level of benefits after at least twenty years of continuous service with the County. If

the service-hour requirement is met, the County pays the full cost of standard coverage for these benefits until the retiree reaches age 65 or until the retiree is eligible to receive Medicare benefits, whichever comes first. The cost is prorated for employees that do not meet the service-hour requirement. At the time coverage is terminated, and the County pays full cost of a Medicare supplemental policy. Retirees with at least ten years of service can purchase coverage at the County's group rates for themselves. Retirees can purchase coverage for their dependents at the County's group rate for healthcare, dental and vision until they become Medicare eligible. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The BOCC may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Inactive Members or Beneficiaries	
Currently Receiving Benefits	634
Inactive Members Entitled to but not yet	
Receiving Benefits	-
Active Members	1,906
Total Membership	<u><u>2,540</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

**Health Insurance - Retirees eligible for
County cost coverage**

Retiree Only	\$ -
Retiree & Children	437
Retiree & Spouse	651
Retiree & Family	1,172

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

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

Retiree Only	\$ 636
Retiree & Children	1,073
Retiree & Spouse	1,287
Retiree & Family	1,809

Retirees with ten or more years of service can participate in the County's dental plan at the County's group rates for themselves and dependents. The monthly cost of coverage is:

Dental Insurance

Retiree Only	\$ 49
Retiree & Children	102
Retiree & Spouse	112
Retiree & Family	140

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

Retirees with ten or more years of service can also participate in the County's vision plan at the County's group rates for themselves and dependents. The monthly rates are:

Vision Insurance

Retiree Only	\$ 10
Retiree & Children	16
Retiree & Spouse	16
Retiree & Family	25

For the current year, the County did not contribute to an irrevocable trust but rather set aside funding for the HCB Plan in the fund balance of the General Fund. The total committed fund balance for OPEB as of fiscal year end for the General Fund was \$52,788,319.

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The County's total OPEB liability of \$155,156,262 was measured as of June 30, 2018 and was determined based on an actuarial valuation as of June 30, 2018.

Actuarial Methods and Assumptions. The total OPEB liability is based upon an actuarial valuation performed as of the valuation date, June 30, 2018. The measurement date was also June 30, 2018, therefore a roll forward was not necessary. The total OPEB liability as of the June 30, 2018 measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurements unless otherwise specified:

Inflation	2.50%
Real Wage Growth	1.00%
Wage Inflation	3.50%
Salary Increases, including Wage Inflation	
General Employees	3.50 to 7.75%
Firefighters	3.50 to 7.75%
Law Enforcement Officers	3.50 to 7.35%
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.89%
Healthcare Cost Trends	
Pre-Medicare	7.25% *
Medicare	5.38% *

*Listed rate is for 2018, decreasing to an ultimate rate of 4.75% by 2028

The discount rate to measure the total OPEB liability was based on the June average of the Bond Buyer 20- year General Obligation Bond Index published weekly by The Bond Buyer, and the discount rate used is the Municipal Bond Index Rate as of the measurement date.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2017	\$ 168,664,542
Changes for the Year:	
Service Cost at the End of Year*	5,738,411
Interest on Total OPEB Liability and Cash Flows	5,939,151
Change in Benefit Terms	-
Difference between Expected and Actual Experience	(13,631,775)
Changes of Assumptions	(7,852,805)
Net Benefit Payments	(3,701,262)
Other	-
Net Changes	<u>\$ (13,508,280)</u>
Total OPEB Liability as of June 30, 2018	<u><u>\$ 155,156,262</u></u>

*The Service Cost includes interest for the year

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

Demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions used the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower, 2.89%, or 1-percentage point higher, 4.89%, than the current discount rate, 3.89%:

	1% Decrease 2.89%	Discount Rate 3.89%	1% Increase 4.89%
Total OPEB Liability	<u>\$ 183,674,627</u>	<u>\$ 155,156,262</u>	<u>\$ 132,732,258</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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

	1% Decrease	Discount Rate	1% Increase
	Pre-Medicare 6.25%	Pre-Medicare 7.25%	Pre-Medicare 8.25%
	Medicare 4.38%	Medicare 5.38%	Medicare 6.38%
Total OPEB Liability	\$ 131,614,884	\$ 155,156,262	\$ 185,659,492

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

For the year ended June 30, 2019, the County recognized OPEB expense of \$6,105,542. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 11,930,675
Changes of Assumptions	-	19,332,978
Benefit Payments and Administrative Costs Made Subsequent to the Measurement Date	3,480,472	-
Total	<u>\$ 3,480,472</u>	<u>\$ 31,263,653</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

\$3,480,472 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date, June 30, 2018, will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period	
Year Ended June 30:	
2019	\$ (5,572,020)
2020	(5,572,020)
2021	(5,572,020)
2022	(5,572,020)
2023	(5,572,020)
Thereafter	<u>(3,403,553)</u>
	<u>\$ (31,263,653)</u>

8. Other Employment Benefits

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

All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. Contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. For the fiscal year ended June 30, 2019 the County made contributions to the State for death benefits of \$62,063. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.05% and 0.14% of covered payroll, respectively. The net position of the Death Benefit Plan is not available for future benefit payments but will be used to reduce future contribution requirements.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

I. RISK MANAGEMENT

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

Benefits Plan – The County has a partially self-funded benefits plan. The County funds a core plan (health, dental, vision, life insurance and dependent coverage). The County's health and dental are fully self-funded. The County reports claims expenditures and liabilities in the General Fund. During fiscal year 2019, a total of \$28,051,624 was incurred for benefits and administrative costs of the County's benefit plan. As of June 30, 2019, the incurred but not reported liability for health and dental was \$2,709,671.

The following is a reconciliation of changes in liabilities for self-insured claims from amounts reported June 30, 2017 to the current fiscal year ended June 30, 2019:

	<u>Dental Claims</u>	<u>Health Claims</u>
Balance June 30, 2017	\$ 95,000	\$ 1,950,000
Claims reported and changes in estimates for FY 2018	1,735,558	14,970,863
Claims paid in FY 2018	<u>(1,735,558)</u>	<u>(14,935,863)</u>
Balance June 30, 2018	95,000	1,985,000
Claims reported and changes in estimates for FY 2019	1,956,734	18,237,568
Claims paid in FY 2019	<u>(1,826,348)</u>	<u>(17,738,283)</u>
Balance June 30, 2019	<u>\$ 225,386</u>	<u>\$ 2,484,285</u>

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

I. RISK MANAGEMENT (continued)

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

J. LITIGATION

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

K. JOINTLY GOVERNED ORGANIZATIONS

Triangle J Council of Governments

Durham County, in conjunction with five other counties and thirty municipalities, established the Triangle J Council of Governments ("Council"). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$60,371 to the Council during the fiscal year ended June 30, 2019. There is no on-going financial interest or responsibility by the County.

Triangle Transit Authority

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

L. JOINT VENTURES WITHOUT EQUITY INTEREST

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

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

Raleigh-Durham Airport Authority

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

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

Durham Technical Community College

Durham County provides funds to Durham Technical Community College, primarily for capital improvement and maintenance of facilities. In accordance with State law, the County appoints four of the thirteen Board of Trustee members. The County does not designate management or significantly influence operations, and the College is not accountable to the County for its fiscal matters beyond the County's appropriation to the College. The County's fiscal year 2019 appropriation of approximately \$7.210 million to the College represents approximately 18.69% of its total current non-operating revenues, with the majority of funding being provided by the State of North Carolina Department of Community Colleges. In addition, the County contributed \$347,500 to capital outlay bringing the County's contribution to Durham Technical Community College capital outlay to 14.76%. The County

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

L. JOINT VENTURES WITHOUT EQUITY INTEREST (continued)

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, 2019. 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, 2019, the County recorded an equity interest in the Bureau of \$263,000 which is included in the investment in joint venture in the statement of net position. Complete financial statements may be obtained at the administrative offices at 101 East Morgan Street, Durham, North Carolina 27701.

Durham Civic Center Authority

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

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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

M. JOINT VENTURES WITH EQUITY INTEREST (continued)

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, 2019, the County's equity interest in the Authority was \$9,279,749.

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 2019, the amount funded by the County was approximately \$50,000. Complete financial statements for the Authority may be obtained from the City of Durham's administrative offices at 101 City Hall Plaza, Durham, North Carolina 27701.

The total investment in joint venture for Durham County recorded in the statement of net position for governmental activities for the above two ventures at June 30, 2019 is \$9,542,749.

N. SUBSEQUENT EVENTS

The County has evaluated subsequent events through November 19, 2019, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION
(TAB)**

DURHAM COUNTY, NORTH CAROLINA

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

	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	1.576%	1.552%	1.581%	1.503%	1.430%	1.397%
County's proportionate share of the net pension liability (asset) \$	\$ 37,395,464	\$ 23,705,697	\$ 33,574,721	\$ 6,748,246	\$ (8,435,963)	\$ 16,834,393
County's covered payroll	\$ 93,103,342	\$ 97,510,119	\$ 97,483,272	\$ 89,938,408	\$ 84,777,497	\$ 80,776,038
County's proportion of the net pension liability (asset) as a percentage of covered payroll	40.17%	24.31%	34.44%	7.50%	(9.95)%	20.84%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

*Information is not available for years prior to 2014

DURHAM COUNTY, NORTH CAROLINA**Local Governmental Employees' Retirement System
Schedule of the County's Contributions
Last Six Fiscal Years**

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 8,217,794	\$ 7,905,425	\$ 7,204,103	\$ 6,610,387	\$ 6,377,809	\$ 6,003,706
Contributions in relation to the contractually required contribution	8,217,794	7,905,425	7,204,103	6,610,387	6,377,809	6,003,706
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 105,137,402	\$ 93,103,342	\$ 97,510,119	\$ 97,483,272	\$ 89,938,408	\$ 84,777,497
Contributions as a percentage of covered payroll	7.82%	8.49%	7.39%	6.78%	7.09%	7.08%

*Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA**Register of Deeds' Supplemental Pension Fund****Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)****Last Six Fiscal Years***

	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	3.082%	3.134%	3.113%	3.014%	2.897%	2.772%
County's proportionate share of the net pension liability (asset) \$	\$ (510,441)	\$ (535,035)	\$ (581,930)	\$ (698,462)	\$ (656,716)	\$ (592,253)
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

*Information is not available for years prior to 2014

DURHAM COUNTY, NORTH CAROLINA**Register of Deeds' Supplemental Pension Fund
Schedule of the County's Contributions
Last Six Fiscal Years***

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 35,914	\$ 26,373	\$ 27,235	\$ 25,427	\$ 24,117	\$ 23,656
Contributions in relation to the contractually required contribution	35,914	26,373	27,235	25,427	24,117	23,656
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Information is not available for years prior to 2014.

DURHAM COUNTY, NORTH CAROLINA

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

	2019	2018	2017	2016	2015
County's proportion of the net pension liability %	0.00%	0.00%	0.00%	0.00%	0.00%
County's proportionate share of the net pension liability \$	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the County	15,342	22,117	43,304	26,131	9,735
Total	<u>\$ 15,342</u>	<u>\$ 22,117</u>	<u>\$ 43,304</u>	<u>\$ 26,131</u>	<u>\$ 9,735</u>
County's covered payroll	N/A	N/A	N/A	N/A	N/A
County's proportion of the net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%

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

*Information is not available for years prior to 2015.

DURHAM COUNTY, NORTH CAROLINA**Law Enforcement Officers' Special Separation Allowance
Schedule of Changes in Total Pension Liability
Last Three Fiscal Years**

	2019	2018	2017
Beginning balance	\$ 6,452,405	\$ 6,214,839	\$ 6,160,911
Service cost	270,911	236,502	241,762
Interest on the total pension liability	197,743	228,799	213,538
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(54,529)	(117,655)	-
Changes of assumptions and other inputs	(228,803)	374,725	(132,489)
Benefit payments	(389,402)	(394,805)	(358,883)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 6,248,325</u>	<u>\$ 6,542,405</u>	<u>\$ 6,124,839</u>

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

DURHAM COUNTY, NORTH CAROLINA

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

	2019		2018		2017	
Total pension liability	\$	6,248,325	\$	6,452,405	\$	6,124,839
Covered payroll		10,206,729		10,102,994		9,604,677
Total pension liability as a percentage of covered payroll		61.22%		63.87%		63.77%

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

DURHAM COUNTY, NORTH CAROLINA

Other Post-Employment Benefits (OPEB) Schedule of Changes in the Total OPEB Liability Last Two Fiscal Years*

	2019	2018
Total OPEB Liability - Beginning	\$ 168,664,542	\$ 177,636,687
Service cost	5,738,411	6,568,857
Interest	5,939,151	5,302,656
Changes of benefit terms	-	-
Differences between expected and actual experience	(13,631,775)	(316,743)
Changes of assumptions	(7,852,805)	(17,567,533)
Benefit payments	(3,701,262)	(2,959,382)
Other	-	-
Total OPEB Liability - Ending	\$ 155,156,262	\$ 168,664,542
Discount rate**	3.89%	3.56%

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

**Changes of assumptions reflect the effects of changes in the discount rate for each period.

Note to Schedule: Contributions to the County's OPEB plan are not based on a measurement of pay, therefore no payroll measurements are presented.

**OTHER SUPPLEMENTARY INFORMATION
(TAB)**

**COMBINING and INDIVIDUAL
FUND STATEMENTS and SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

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

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

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DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Debt Service Fund
Year Ended June 30, 2019**

	Budget			Positive (Negative)
	Original	Final	Actual	Variance
Revenues				
Investments	\$ -	\$ -	\$ 561,384	\$ 561,384
Intergovernmental revenues	368,221	368,221	487,117	118,896
Charges for services	500,000	500,000	650,641	150,641
Other revenues	-	-	8,398	8,398
Total revenues	868,221	868,221	1,707,540	839,319
Expenditures				
Debt service:				
Principal retirement	45,564,036	56,339,036	36,131,116	20,207,920
Interest and fiscal charges	27,213,773	31,668,460	20,122,333	11,546,127
Debt issuance costs	-	517,170	701,235	(184,065)
Total expenditures	72,777,809	88,524,666	56,954,684	31,569,982
Excess (deficiency) of revenues over (under) expenditures	(71,909,588)	(87,656,445)	(55,247,144)	32,409,301
Other financing sources (uses)				
Transfers in	72,953,467	72,959,931	72,959,931	-
Transfers out	(626,791)	(1,252,978)	(1,252,978)	-
Premium on issuance of refinancing	-	-	6,109,622	6,109,622
Issuance of refunding bonds	-	78,245,079	87,720,000	9,474,921
Payment to refunded debt escrow agent	-	(62,862,392)	(93,500,000)	(30,637,608)
Appropriated fund balance	(417,088)	566,805	-	(566,805)
Total other financing sources (uses)	71,909,588	87,656,445	72,036,575	(15,619,870)
Net change in fund balances	\$ -	\$ -	16,789,431	\$ 16,789,431
Fund balance - beginning			20,299,814	
Fund balance - ending			<u>\$ 37,089,245</u>	

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Expenditures Compared with Project Authorizations
Capital Projects Fund
From Project Inception and for the Fiscal Years Ended June 30, 2019**

PROJECT	EXPENDITURES		SPENT TO DATE	REMAINING COMMITMENT
	CURRENT YEAR	PRIOR YEARS		
Durham Public School Projects	\$ 21,146,286	\$ 53,919,954	\$ 75,066,240	\$ 406,673,551
Whitted School	-	7,074,394	7,074,394	1,275,606
E911 Facility County	-	2,924,443	2,924,443	-
Emergency Responder Radio Upgrade	13,978	3,447,805	3,461,783	2,638,217
Museum Exhibit Upgrades and Ma	602,076	251,647	853,723	1,199,819
Museum Classrooms Expansion	35,907	2,787	38,694	3,055,828
Museum New Parking Deck	109,919	6,579,456	6,689,375	410,625
Elections Equipment	501,968	-	501,968	358,032
Judicial Building Renovation Phase II	10,178,154	39,310,366	49,488,520	920,609
Ongoing Parking Resurfacing Project	10,786	800,848	811,634	703,548
Ongoing HVAC Replacement Project	242,445	1,055,212	1,297,657	618,558
Jail Elevator Upgrade	1,013,836	722,923	1,736,759	1,055,812
County Building Envelope Upgrade	97,413	485,956	583,369	916,631
Standord L. Warren Library Upgrade	-	7,500	7,500	42,500
(Leased) Convenience Cntr Site Upgrades	142,016	-	142,016	226,314
(Owned) Convenience Cntr Site Upgrades	25,139	-	25,139	189,808
Durham County Stadium Cap Improvements	987,442	-	987,442	483,961
County Security Improvements	208	226,628	226,836	612,040
Open Space/Farmland Preservation	50,773	7,391,408	7,442,181	6,000,355
Detention Center officer's Station Improvement	418,123	-	418,123	431,877
Detention Center Jail Beds/HVAC Grills	378,074	-	378,074	568,412
Dentention Center Renovations	45,963	147,509	193,472	356,528
DTCC Main Campus Exp	-	-	-	1,800,000
DTCC Campus Improvements	-	-	-	12,080,000
DTCC Newton Building	-	-	-	320,000
DTCC Northern Durham	-	988,400	988,400	11,600
DTCC Newton Building Renovations	1,032,893	629,490	1,662,383	20,337,617
DTCC-Health Technologies Build	606,033	16,461	622,494	1,377,506
Scattered Site Housing III Project	-	412,000	412,000	-
EMS Station #1 Renovations	13,283	349,533	362,816	1,335,683
EMS Station #17 Co-Location PR	423,424	793,036	1,216,460	23,136
Single Family Rehabilitation Program	-	292,828	292,828	1,972
Single Family Rehabilitation 13	-	167,585	167,585	2,415
Main Library Upgrade	22,669,432	14,902,886	37,572,318	10,314,214
Hollow Rock/New Hope	-	222,290	222,290	443,647
BOCC Chambers AV Upgrade	8,520	370,322	378,842	38,352
Ongoing Roof Replacement	467,307	1,857,705	2,325,012	632,038
W.G. Pearson/Student Union Renovation	1,500,000	2,750,000	4,250,000	-
16 IT Hardware Upgrade	74,931	3,605,530	3,680,461	539
HCM SAP Software Upgrade	45,251	344,645	389,896	48,525
16 Telecommunications Upgrade	15,833	567,151	582,984	443,016
16 Sheriff Technology Upgrade	217,785	172,107	389,892	209,508
Audio-Visual Life Cycle Replacement	138,032	-	138,032	155,200
19 IT Hardware Upgrade	1,217,557	-	1,217,557	1,675,443
18 IT Hardware Upgrade Project	1,487,005	468,434	1,955,439	221,561
Duke Fiber Project	91,661	27,140	118,801	1,405,364
Administration Building Refurbish	503,878	45,333	549,211	582,533
Downtown Parking Deck Project	33,550	213,979	247,529	228,231
LCHC Phase II Renovations	279,685	1,909,041	2,188,726	2,794
New Junction Road Industrial	-	1,356,501	1,356,501	(41,501)
RCWS Improvement Project	123,496	-	123,496	106,462
Rouge mont Comm Water System pH Control	27,584	-	27,584	79,591
Judicial Annex Building Renovation	1,820,127	117,936	1,938,063	2,712,364
Research Triangle Foundation	-	934,562	934,562	19,065,438
Convenience Center Site Upgrade	-	150	150	168,030
	<u>\$ 68,797,773</u>	<u>\$ 157,863,881</u>	<u>\$ 226,661,654</u>	<u>\$ 504,519,909</u>

FIDUCIARY FUNDS

Private-purpose Trust Funds

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

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

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DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Net Position

Private-purpose Trust Funds

June 30, 2019

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Assets			
Cash and cash equivalents	\$ 5,964	\$ 40,657	\$ 46,621
Accounts receivable	-	1,850	1,850
Total assets	5,964	42,507	48,471
Net position			
Held in trust for:			
Individuals, organizations, and other governments	5,964	42,507	48,471
Total net position	\$ 5,964	\$ 42,507	\$ 48,471

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Net Position
Private-purpose Trust Funds
Year Ended June 30, 2019**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Additions			
Employee contributions	\$ -	\$ 1,850	\$ 1,850
Donations	-	279	279
Investment income	79	91	170
Total additions	79	2,220	2,299
Deductions			
Benefits	-	200	200
Total deductions	-	200	200
Change in net position	79	2,020	2,099
Total net position - beginning	5,885	40,487	46,372
Total net position - ending	\$ 5,964	\$ 42,507	\$ 48,471

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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DURHAM COUNTY, NORTH CAROLINA

Combined Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Special Revenue Funds
Assets	
Cash and cash equivalents / investments	\$ 2,322,187
Cash and cash equivalents / investments - restricted	243,528
Net property taxes receivable	60,589
Due from other governments - federal and state agencies	48,113
Total assets	\$ 2,674,417
Liabilities	
Accounts payable	\$ 198
Due to other governments - local	4,252
Total liabilities	4,450
Deferred inflows of resources	
Prepaid taxes	10,490
Net property taxes receivable	60,589
Total deferred inflows of resources	71,079
Fund balances	
Restricted:	
Firefighters' relief funds	243,528
Assigned	2,355,360
Total fund balances	2,598,888
Total liabilities, deferred inflow of resources and fund balances	\$ 2,674,417

DURHAM COUNTY, NORTH CAROLINA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2019

	Special Revenue Funds
Revenues	
Taxes	\$ 9,358,746
Intergovernmental revenues	3,963
Investments	83,947
Total revenues	<u>9,446,656</u>
Expenditures	
Current:	
Public safety	7,654,292
Economic and physical development	1,067,062
Total expenditures	<u>8,721,354</u>
Excess (deficiency) of revenues over (under) expenditures	<u>725,302</u>
Other financing sources (uses)	
Transfers out	(944,389)
Total other financing sources (uses)	<u>(944,389)</u>
Net change in fund balances	(219,087)
Fund balance - beginning	<u>2,817,975</u>
Fund balance - ending	<u><u>\$ 2,598,888</u></u>

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DURHAM COUNTY, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019**

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Assets				
Cash and cash equivalents / investments	\$ 245	\$ 194,047	\$ 35	\$ 199,355
Cash and cash equivalents / investments - restricted	-	-	-	-
Net property taxes receivable	1,653	10,071	801	23,923
Due from other governments - federal and state agencies	-	11,878	-	8,174
Total assets	\$ 1,898	\$ 215,996	\$ 836	\$ 231,452
Liabilities				
Accounts payable	\$ -	\$ 39	\$ -	\$ 6
Due to other governments - local	-	-	-	-
Total liabilities	-	39	-	6
Deferred inflows of resources				
Prepaid taxes	-	204	-	119
Net property taxes receivable	1,653	10,071	801	23,923
Total deferred inflows of resources	1,653	10,275	801	24,042
Fund balances				
Restricted:				
Firefighters' relief funds	-	-	-	-
Assigned	245	205,682	35	207,404
Total fund balances	245	205,682	35	207,404
Total liabilities , deferred inflows of resources and fund balances	\$ 1,898	\$ 215,996	\$ 836	\$ 231,452

			Bethesda Service Tax District	Durham County Fire and Rescue Service Tax District	Special Park Tax District	Total Nonmajor Special Revenue Funds
New Hope	Eno	Bahama				
\$ 11,400	\$ 42,706	\$ 269,830	\$ 323,358	\$ 1,187,298	\$ 93,913	\$ 2,322,187
-	-	-	-	243,528	-	243,528
448	18	8,399	4,716	9,173	1,387	60,589
447	270	4,458	-	22,748	138	48,113
<u>\$ 12,295</u>	<u>\$ 42,994</u>	<u>\$ 282,687</u>	<u>\$ 328,074</u>	<u>\$ 1,462,747</u>	<u>\$ 95,438</u>	<u>\$ 2,674,417</u>
\$ -	\$ -	\$ 3	\$ -	\$ 124	\$ 26	\$ 198
-	-	-	-	4,252	-	4,252
-	-	3	-	4,376	26	4,450
47	-	7,669	-	1,776	675	10,490
448	18	8,399	4,716	9,173	1,387	60,589
495	18	16,068	4,716	10,949	2,062	71,079
-	-	-	-	243,528	-	243,528
11,800	42,976	266,616	323,358	1,203,894	93,350	2,355,360
11,800	42,976	266,616	323,358	1,447,422	93,350	2,598,888
<u>\$ 12,295</u>	<u>\$ 42,994</u>	<u>\$ 282,687</u>	<u>\$ 328,074</u>	<u>\$ 1,462,747</u>	<u>\$ 95,438</u>	<u>\$ 2,674,417</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2019**

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Revenues				
Taxes	\$ -	\$ 1,329,927	\$ 36	\$ 1,056,384
Intergovernmental revenues	-	-	-	-
Investments	-	10,176	-	10,775
Total revenues	-	1,340,103	36	1,067,159
Expenditures				
Current:				
Public safety	-	591,048	-	1,054,976
Economic and physical development	-	-	-	-
Total expenditures	-	591,048	-	1,054,976
Excess (deficiency) of revenues over (under) expenditures	-	749,055	36	12,183
Other financing sources (uses)				
Transfers out	-	(852,685)	(156)	-
Total other financing sources (uses)	-	(852,685)	(156)	-
Net change in fund balances	-	(103,630)	(120)	12,183
Fund balance - beginning	245	309,312	155	195,221
Fund balance - ending	\$ 245	\$ 205,682	\$ 35	\$ 207,404

			Bethesda Service Tax District	Durham County Fire and Rescue Service Tax District	Special Park Tax District	Total Nonmajor Special Revenue Funds
New Hope	Eno	Bahama				
\$ 102,886	\$ 37,049	\$ 1,529,523	\$ -	\$ 4,232,058	\$ 1,070,883	\$ 9,358,746
-	-	-	-	3,963	-	3,963
856	976	16,772	5,076	27,679	11,637	83,947
103,742	38,025	1,546,295	5,076	4,263,700	1,082,520	9,446,656
142,246	37,080	1,522,630	-	4,306,312	-	7,654,292
-	-	-	-	-	1,067,062	1,067,062
142,246	37,080	1,522,630	-	4,306,312	1,067,062	8,721,354
(38,504)	945	23,665	5,076	(42,612)	15,458	725,302
-	-	-	-	(91,548)	-	(944,389)
-	-	-	-	(91,548)	-	(944,389)
(38,504)	945	23,665	5,076	(134,160)	15,458	(219,087)
50,304	42,031	242,951	318,282	1,581,582	77,892	2,817,975
\$ 11,800	\$ 42,976	\$ 266,616	\$ 323,358	\$ 1,447,422	\$ 93,350	\$ 2,598,888

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, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 -	 <u>\$ -</u>
 Fund balance - beginning			 <u>245</u>	
 Fund balance - ending			 <u>\$ 245</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, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,309,619	\$ 1,309,619	\$ 1,329,927	\$ 20,308
Investments	-	-	10,176	10,176
Total revenues	<u>1,309,619</u>	<u>1,309,619</u>	<u>1,340,103</u>	<u>30,484</u>
Expenditures				
Public safety	<u>540,196</u>	<u>592,196</u>	<u>591,048</u>	<u>1,148</u>
Total expenditures	<u>540,196</u>	<u>592,196</u>	<u>591,048</u>	<u>1,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>769,423</u>	<u>717,423</u>	<u>749,055</u>	<u>31,632</u>
Other financing sources (uses)				
Transfers out	(770,439)	(880,439)	(852,685)	27,754
Appropriated fund balance	<u>1,016</u>	<u>163,016</u>	-	<u>(163,016)</u>
Total other financing sources (uses)	<u>(769,423)</u>	<u>(717,423)</u>	<u>(852,685)</u>	<u>(135,262)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(103,630)</u>	<u>\$ (103,630)</u>
Fund balance - beginning			<u>309,312</u>	
Fund balance - ending			<u>\$ 205,682</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, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ 36	\$ 36
Intergovernmental revenues	-	-	-	-
Investments	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>36</u>	<u>36</u>
Other financing sources (uses)				
Transfers out	-	(156)	(156)	-
Appropriated fund balance	-	156	-	(156)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(156)</u>	<u>(156)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(120)	<u>\$ (120)</u>
Fund balance - beginning			<u>155</u>	
Fund balance - ending			<u>\$ 35</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, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 984,318	\$ 984,318	\$ 1,056,384	\$ 72,066
Investments	-	-	10,775	10,775
Total revenues	<u>984,318</u>	<u>984,318</u>	<u>1,067,159</u>	<u>82,841</u>
Expenditures				
Public safety	1,055,814	1,055,814	1,054,976	838
Total expenditures	<u>1,055,814</u>	<u>1,055,814</u>	<u>1,054,976</u>	<u>838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(71,496)</u>	<u>(71,496)</u>	<u>12,183</u>	<u>83,679</u>
Other financing sources (uses)				
Appropriated fund balance	71,496	71,496	-	(71,496)
Total other financing sources (uses)	<u>71,496</u>	<u>71,496</u>	<u>-</u>	<u>(71,496)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	12,183	<u>\$ 12,183</u>
Fund balance - beginning			<u>195,221</u>	
Fund balance - ending			<u>\$ 207,404</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, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 102,264	\$ 102,264	\$ 102,886	\$ 622
Investments	-	-	856	856
Total revenues	<u>102,264</u>	<u>102,264</u>	<u>103,742</u>	<u>1,478</u>
Expenditures				
Public safety	102,290	142,290	142,246	44
Total expenditures	<u>102,290</u>	<u>142,290</u>	<u>142,246</u>	<u>44</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26)</u>	<u>(40,026)</u>	<u>(38,504)</u>	<u>1,522</u>
Other financing sources (uses)				
Appropriated fund balance	26	40,026	-	(40,026)
Total other financing sources (uses)	<u>26</u>	<u>40,026</u>	<u>-</u>	<u>(40,026)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(38,504)</u>	<u>\$ (38,504)</u>
Fund balance - beginning			<u>50,304</u>	
Fund balance - ending			<u>\$ 11,800</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, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 37,086	\$ 37,086	\$ 37,049	\$ (37)
Investments	-	-	976	976
Total revenues	<u>37,086</u>	<u>37,086</u>	<u>38,025</u>	<u>939</u>
Expenditures				
Public safety	<u>37,108</u>	<u>37,108</u>	<u>37,080</u>	<u>28</u>
Total expenditures	<u>37,108</u>	<u>37,108</u>	<u>37,080</u>	<u>28</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22)</u>	<u>(22)</u>	<u>945</u>	<u>967</u>
Other financing sources (uses)				
Appropriated fund balance	<u>22</u>	<u>22</u>	-	(22)
Total other financing sources (uses)	<u>22</u>	<u>22</u>	-	(22)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	945	<u>\$ 945</u>
Fund balance - beginning			<u>42,031</u>	
Fund balance - ending			<u>\$ 42,976</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, 2019**

	Original	Final	Actual	Positive (Negative) Variance
Revenues				
Taxes	\$ 1,584,250	\$ 1,584,250	\$ 1,529,523	\$ (54,727)
Investments	-	-	16,772	16,772
Total revenues	<u>1,584,250</u>	<u>1,584,250</u>	<u>1,546,295</u>	<u>(37,955)</u>
Expenditures				
Public safety	<u>1,584,714</u>	<u>1,584,714</u>	<u>1,522,630</u>	<u>62,084</u>
Total expenditures	<u>1,584,714</u>	<u>1,584,714</u>	<u>1,522,630</u>	<u>62,084</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(464)</u>	<u>(464)</u>	<u>23,665</u>	<u>24,129</u>
Other financing sources (uses)				
Appropriated fund balance	<u>464</u>	<u>464</u>	<u>-</u>	<u>(464)</u>
Total other financing sources (uses)	<u>464</u>	<u>464</u>	<u>-</u>	<u>(464)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>23,665</u>	<u>\$ 23,665</u>
Fund balance - beginning			<u>242,951</u>	
Fund balance - ending			<u>\$ 266,616</u>	

DURHAM COUNTY, NORTH CAROLINA**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- Bethesda Service Tax District Special Revenue Fund
Year Ended June 30, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Investments	-	-	5,076	5,076
Total revenues	<u>-</u>	<u>-</u>	<u>5,076</u>	<u>5,076</u>
Other financing sources (uses)				
Transfers out	-	-	-	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	5,076	<u>\$ 5,076</u>
Fund balance - beginning			<u>318,282</u>	
Fund balance - ending			<u>\$ 323,358</u>	

DURHAM COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual- Durham County Fire and Rescue Service Tax District Special Revenue Fund Year Ended June 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 4,173,629	\$ 4,173,629	\$ 4,232,058	\$ 58,429
Intergovernmental revenues	-	-	3,963	3,963
Investments	-	-	27,679	27,679
Total revenues	<u>4,173,629</u>	<u>4,173,629</u>	<u>4,263,700</u>	<u>90,071</u>
Expenditures				
Public safety	<u>4,152,946</u>	<u>4,317,946</u>	<u>4,306,312</u>	<u>11,634</u>
Total expenditures	<u>4,152,946</u>	<u>4,317,946</u>	<u>4,306,312</u>	<u>11,634</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,683</u>	<u>(144,317)</u>	<u>(42,612)</u>	<u>101,705</u>
Other financing sources (uses)				
Transfers out	(28,500)	(389,908)	(91,548)	298,360
Appropriated fund balance	<u>7,817</u>	<u>534,225</u>	<u>-</u>	<u>(534,225)</u>
Total other financing sources (uses)	<u>(20,683)</u>	<u>144,317</u>	<u>(91,548)</u>	<u>(235,865)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(134,160)</u>	<u>\$ (134,160)</u>
Fund balance - beginning			<u>1,581,582</u>	
Fund balance - ending			<u>\$ 1,447,422</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, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,091,656	\$ 1,091,656	\$ 1,070,883	\$ (20,773)
Investments	-	-	11,637	11,637
Total revenues	<u>1,091,656</u>	<u>1,091,656</u>	<u>1,082,520</u>	<u>(9,136)</u>
Expenditures				
Economic and physical development	<u>1,091,706</u>	<u>1,091,706</u>	<u>1,067,062</u>	<u>24,644</u>
Total expenditures	<u>1,091,706</u>	<u>1,091,706</u>	<u>1,067,062</u>	<u>24,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50)</u>	<u>(50)</u>	<u>15,458</u>	<u>15,508</u>
Other financing sources (uses)				
Appropriated fund balance	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
Total other financing sources (uses)	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>15,458</u>	<u>\$ 15,458</u>
Fund balance - beginning			<u>77,892</u>	
Fund balance - ending			<u>\$ 93,350</u>	

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ENTERPRISE FUND

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

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DURHAM COUNTY, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual -
(Non-GAAP Basis) Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2019**

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 9,541,000	\$ 8,937,993	\$ (603,007)
Expenditures:			
Operating	6,741,858	5,988,369	753,489
Repairs and maintenance	640,225	502,967	137,258
Excess (deficiency) of revenues over (under) expenditures	2,158,917	2,446,657	287,740
Other Financing Sources (Uses):			
Capital expenses	(2,581,664)	(2,115,774)	465,890
Debt service	(1,825,814)	(1,823,179)	2,635
Investment income	35,000	543,489	508,489
Sewer connection fees	804,080	3,383,901	2,579,821
Total other financing sources (uses)	(3,568,398)	(11,563)	3,556,835
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,409,481)	2,435,094	3,844,575
Fund balance appropriated	1,409,481	-	1,409,481
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 2,435,094	\$ 2,435,094

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2019**

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$ 2,435,094
RECONCILING ITEMS:	
Capital outlay	2,115,774
Debt principal payments	1,416,146
Decrease in accrued interest payable	3,899
Increase in accrued vacation	(5,773)
Increase in accrued interest receivable	56,866
Increase in accounts receivable	337,875
Depreciation	(3,152,486)
Loss on disposal of capital assets	(3,524)
Pension expense	(144,603)
Deferred outflows of resources for pensions, current fiscal year contributions	103,253
Amortization of loss on refundings	(44,089)
Amortization of bond premium	31,887
CHANGE IN NET POSITION (GAAP BASIS)	\$ 3,132,741

FIDUCIARY FUNDS

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

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2019

	Child Support Trust Fund	Sheriff's Evidence Trust Fund	Jail Inmate Trust Fund	Sheriff's Trust Fund
Assets				
Cash and cash equivalents	\$ 193,482	\$ 503,804	\$ 62,559	\$ 50,113
Accounts receivable	-	-	-	-
Net property taxes receivable	-	-	-	-
Due from governmental agencies	-	-	-	-
Total assets	<u>\$ 193,482</u>	<u>\$ 503,804</u>	<u>\$ 62,559</u>	<u>\$ 50,113</u>
Liabilities				
Funds held for others	\$ 193,482	\$ 503,804	\$ 62,559	\$ 50,113
Due to governmental agencies	-	-	-	-
Total liabilities	<u>\$ 193,482</u>	<u>\$ 503,804</u>	<u>\$ 62,559</u>	<u>\$ 50,113</u>

Durham Public School Fund	Town of Chapel Hill Tax Fund	City of Durham Tax Fund	City of Raleigh Tax Fund	Town of Morrisville Tax Fund	Totals
\$ 6,384	\$ 83,936	\$ 1,927,977	\$ 34,654	\$ 1,155	\$ 2,864,064
134,720	190	28,805	35	-	163,750
-	3,611	1,208,254	2,284	87	1,214,236
-	19,108	1,304,041	7,152	92	1,330,393
<u>\$ 141,104</u>	<u>\$ 106,845</u>	<u>\$ 4,469,077</u>	<u>\$ 44,125</u>	<u>\$ 1,334</u>	<u>\$ 5,572,443</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 809,958
141,104	106,845	4,469,077	44,125	1,334	4,762,485
<u>\$ 141,104</u>	<u>\$ 106,845</u>	<u>\$ 4,469,077</u>	<u>\$ 44,125</u>	<u>\$ 1,334</u>	<u>\$ 5,572,443</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2019**

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
<u>Child Support Trust Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 284,386</u>	<u>\$ 1,161,140</u>	<u>\$ 1,252,044</u>	<u>\$ 193,482</u>
Liabilities				
Funds held for others	<u>\$ 284,386</u>	<u>\$ 1,161,140</u>	<u>\$ 1,252,044</u>	<u>\$ 193,482</u>
<u>Sheriff's Evidence Trust Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 429,756</u>	<u>\$ 300,713</u>	<u>\$ 226,665</u>	<u>\$ 503,804</u>
Liabilities				
Funds held for others	<u>\$ 429,756</u>	<u>\$ 300,713</u>	<u>\$ 226,665</u>	<u>\$ 503,804</u>
<u>Jail Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 35,375</u>	<u>\$ 767,447</u>	<u>\$ 740,263</u>	<u>\$ 62,559</u>
Liabilities				
Funds held for others	<u>\$ 35,375</u>	<u>\$ 767,447</u>	<u>\$ 740,263</u>	<u>\$ 62,559</u>
<u>Sheriff's Trust Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 10,460</u>	<u>\$ 1,038,770</u>	<u>\$ 999,117</u>	<u>\$ 50,113</u>
Liabilities				
Funds held for others	<u>\$ 10,460</u>	<u>\$ 1,038,770</u>	<u>\$ 999,117</u>	<u>\$ 50,113</u>
<u>Durham Public School Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 12,507</u>	<u>\$ 897,183</u>	<u>\$ 903,306</u>	<u>\$ 6,384</u>
Accounts receivable	<u>118,178</u>	<u>1,103,572</u>	<u>1,087,030</u>	<u>134,720</u>
Total assets	<u>\$ 130,685</u>	<u>\$ 2,000,755</u>	<u>\$ 1,990,336</u>	<u>\$ 141,104</u>
Liabilities				
Due to governmental agencies	<u>\$ 130,685</u>	<u>\$ 1,685,549</u>	<u>\$ 1,675,130</u>	<u>\$ 141,104</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2019**

	July 1, 2018	Additions	Deductions	June 30, 2019
<u>Town of Chapel Hill Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 57,976	\$ 5,641,803	\$ 5,615,843	\$ 83,936
Accounts receivable	210	60	80	190
Net property taxes receivable	2,772	2,573,420	2,572,581	3,611
Due from governmental agencies	18,126	19,108	18,126	19,108
Total assets	<u>\$ 79,084</u>	<u>\$ 8,234,391</u>	<u>\$ 8,206,630</u>	<u>\$ 106,845</u>
Liabilities				
Due to governmental agencies	<u>\$ 79,084</u>	<u>\$ 5,382,775</u>	<u>\$ 5,355,014</u>	<u>\$ 106,845</u>
<u>City of Durham Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 559,196	\$ 353,527,099	\$ 352,158,318	\$ 1,927,977
Accounts receivable	30,128	1,455	2,778	28,805
Net property taxes receivable	947,431	164,843,050	164,582,227	1,208,254
Due from governmental agencies	1,295,025	1,304,041	1,295,025	1,304,041
Total assets	<u>\$ 2,831,780</u>	<u>\$ 519,675,645</u>	<u>\$ 518,038,348</u>	<u>\$ 4,469,077</u>
Liabilities				
Due to governmental agencies	<u>\$ 2,831,780</u>	<u>\$ 343,857,044</u>	<u>\$ 342,219,747</u>	<u>\$ 4,469,077</u>
<u>City of Raleigh Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 16,899	\$ 1,800,137	\$ 1,782,382	\$ 34,654
Accounts receivable	35	30	30	35
Net property taxes receivable	787	856,607	855,110	2,284
Due from governmental agencies	9,683	7,152	9,683	7,152
Total assets	<u>\$ 27,404</u>	<u>\$ 2,663,926</u>	<u>\$ 2,647,205</u>	<u>\$ 44,125</u>
Liabilities				
Due to governmental agencies	<u>\$ 27,404</u>	<u>\$ 1,825,189</u>	<u>\$ 1,808,468</u>	<u>\$ 44,125</u>
<u>Town of Morrisville Tax Fund</u>				
Cash and cash equivalents	\$ 413	\$ 117,650	\$ 116,908	\$ 1,155
Net property taxes receivable	9	58,434	58,356	87
Due from governmental agencies	88	92	88	92
Total assets	<u>\$ 510</u>	<u>\$ 176,176</u>	<u>\$ 175,352</u>	<u>\$ 1,334</u>
Liabilities				
Due to governmental agencies	<u>\$ 510</u>	<u>\$ 118,637</u>	<u>\$ 117,813</u>	<u>\$ 1,334</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 1,406,968	\$ 365,251,942	\$ 363,794,846	\$ 2,864,064
Accounts receivable	148,551	1,105,117	1,089,918	163,750
Net property taxes receivable	950,999	168,331,511	168,068,274	1,214,236
Due from governmental agencies	1,322,922	1,330,393	1,322,922	1,330,393
Total assets	<u>\$ 3,829,440</u>	<u>\$ 536,018,963</u>	<u>\$ 534,275,960</u>	<u>\$ 5,572,443</u>
Liabilities				
Funds held for others	\$ 759,977	\$ 3,268,070	\$ 3,218,089	\$ 809,958
Due to governmental agencies	3,069,463	352,869,194	351,176,172	4,762,485
Total liabilities	<u>\$ 3,829,440</u>	<u>\$ 356,137,264</u>	<u>\$ 354,394,261</u>	<u>\$ 5,572,443</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 Activity¹ as of June 30, 2019**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
General Government:					
County commissioners	\$ 948,128	\$ -	\$ -	\$ -	\$ -
Finance	3,967,201	-	-	-	-
Tax administration	3,380,732	-	-	-	-
County Attorney	6,190	-	-	-	-
Risk management	50,070	-	-	-	-
Court facilities	13,739,306	-	-	13,739,306	-
Register of deeds	2,467,094	-	-	-	944,572
General services	365,032,564	4,790,491	-	355,838,072	359,642
Information Technology	18,037,184	-	-	-	29,298
Human resources	22,350	-	-	-	11,530
Budget	10,897	-	-	-	-
Total general government	407,661,716	4,790,491	-	369,577,378	1,345,042
Public Safety:					
Sheriff	51,485,042	1,398,962	-	39,455,838	-
County fire protection	1,709,348	-	-	1,244,463	6,744
Emergency Management	1,563,069	-	-	1,144,636	45,635
Animal control	3,777,698	-	-	3,259,400	20,704
Criminal Justice Partnership	912,262	-	-	844,521	-
Youth home	528,239	-	-	367,000	-
Emergency medical services	12,755,164	-	-	1,947,348	-
Total public safety	72,730,822	1,398,962	-	48,263,206	73,083
Environmental Protection:					
Environmental engineering	8,688,489	1,523,280	-	77,873	7,315
Open Space and Real Estate	2,908,879	953,898	1,954,981	-	-
Total Environmental Protection	11,597,368	2,477,178	1,954,981	77,873	7,315
Economic and Physical Development:					
Cooperative extension	37,257	-	-	-	-
Planning	6,500	6,500	-	-	-
Soil and Erosion	84,511	-	-	-	-
Total Economic and Physical Development	128,268	6,500	-	-	-
Human Services:					
Public health	1,117,715	-	-	-	17,830
Mental health	713,709	-	-	-	-
Social services	4,002,604	-	-	3,101,314	-
Other human services	568,221	-	-	-	-
Total human services	6,402,249	-	-	3,101,314	17,830

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Water System	Construction in Progress
\$ 948,128	\$ -	\$ -	\$ -	\$ -	\$ -
27,381	15,553	-	3,924,267	-	-
84,428	37,911	279,676	2,978,717	-	-
-	6,190	-	-	-	-
-	-	50,070	-	-	-
-	-	-	-	-	-
46,652	110,272	-	1,365,598	-	-
2,325,957	15,800	1,646,907	55,695	-	-
133,904	12,523,190	-	5,350,792	-	-
-	10,820	-	-	-	-
-	10,897	-	-	-	-
3,566,450	12,730,633	1,976,653	13,675,069	-	-
1,700,126	109,364	8,251,622	569,130	-	-
128,841	-	263,211	66,089	-	-
129,851	15,183	150,764	77,000	-	-
78,903	-	380,668	38,023	-	-
-	-	67,741	-	-	-
111,468	-	49,771	-	-	-
2,530,936	46,095	7,686,681	544,104	-	-
4,680,125	170,642	16,850,458	1,294,346	-	-
4,507,354	8,998	156,740	-	2,406,929	-
-	-	-	-	-	-
4,507,354	8,998	156,740	-	2,406,929	-
-	-	37,257	-	-	-
-	-	-	-	-	-
-	-	56,795	27,716	-	-
-	-	94,052	27,716	-	-
156,087	13,666	882,051	48,081	-	-
42,324	6,165	-	665,220	-	-
39,757	79,126	581,625	200,782	-	-
-	-	568,221	-	-	-
238,168	98,957	2,031,897	914,083	-	-

DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹ as of June 30, 2019**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
Education:					
Public school building	\$ 8,080,942	\$ -	\$ -	\$ 8,080,942	\$ -
Cultural and Recreational:					
Library	7,453,535	-	-	6,111,610	7,527
Capital Projects:					
Construction in progress	123,237,740	-	-	-	-
Total Capital Assets	<u>\$ 637,292,640</u>	<u>\$ 8,673,131</u>	<u>\$ 1,954,981</u>	<u>\$ 435,212,323</u>	<u>\$ 1,450,797</u>

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

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Water System	Construction in Progress
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
265,951	29,662	660,009	378,776	-	-
-	-	-	-	-	123,237,740
<u>\$ 13,258,048</u>	<u>\$13,038,892</u>	<u>\$ 21,769,809</u>	<u>\$ 16,289,990</u>	<u>\$ 2,406,929</u>	<u>\$ 123,237,740</u>

DURHAM COUNTY, NORTH CAROLINA

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity¹

Year Ended June 30, 2019

	Capital Assets July 1, 2018	Additions	Transfers and Deletions	Capital Assets June 30, 2019
General Government:				
Board of county commissioners	\$ 948,128	\$ -	\$ -	\$ 948,128
Finance	3,956,056	11,145	-	3,967,201
Tax administration	3,380,732	-	-	3,380,732
County attorney	6,190	-	-	6,190
Risk management	50,070	-	-	50,070
Court facilities	13,739,306	-	-	13,739,306
Register of deeds	2,464,807	2,287	-	2,467,094
General services	364,548,864	480,605	3,095	365,032,564
Information Technology	17,680,741	356,443	-	18,037,184
Risk management	-	-	-	-
Human Resources	22,350	-	-	22,350
Budget	10,897	-	-	10,897
Total general government	406,808,141	850,480	3,095	407,661,716
Public Safety:				
County sheriff	50,380,610	1,241,449	(137,017)	51,485,042
Fire marshal	2,912,572	1,515,539	(2,718,763)	1,709,348
Emergency management	2,014,780	-	(451,711)	1,563,069
Criminal justice partnership	926,857	-	(14,595)	912,262
Animal control	3,790,984	6,171	(19,457)	3,777,698
Youth home	528,239	-	-	528,239
Emergency medical services	12,718,247	201,265	(164,348)	12,755,164
Total public safety	73,272,289	2,964,424	(3,505,891)	72,730,822
Environmental Protection:				
Environmental engineering	8,688,489	-	-	8,688,489
Open Space	2,908,879	-	-	2,908,879
Total Environmental Protection	11,597,368	-	-	11,597,368

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

DURHAM COUNTY, NORTH CAROLINA

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity¹

Year Ended June 30, 2019

	Capital Assets July 1, 2018	Additions	Transfers and Deletions	Capital Assets June 30, 2019
Economic and Physical Development:				
Cooperative extension	\$ 37,257	\$ -	\$ -	\$ 37,257
Planning	6,500	-	-	6,500
Soil and Erosion	76,683	37,560	(29,732)	84,511
Total Economic and Physical Development	120,440	37,560	(29,732)	128,268
Human Services:				
Public health	1,461,172	48,885	(392,342)	1,117,715
Mental health	713,709	-	-	713,709
Social services	3,899,093	103,511	-	4,002,604
Other human services	568,221	-	-	568,221
Total human services	6,642,195	152,396	(392,342)	6,402,249
Education:				
DPS Building	8,080,942	-	-	8,080,942
Cultural and Recreational:				
Library	7,197,875	267,660	(12,000)	7,453,535
Capital Projects:				
Construction in progress	79,777,006	43,597,502	(136,768)	123,237,740
Total Capital Assets	\$ 593,496,256	\$ 47,870,022	\$ (4,073,638)	\$ 637,292,640

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

DURHAM COUNTY, NORTH CAROLINA

**Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2019**

DESCRIPTION	INTEREST	ISSUE	AMOUNT	ISSUED	ADJUSTED	DEFEASED
	RATE	DATE	OUTSTANDING 6-30-18	DURING YEAR	DURING YEAR	DURING YEAR
GENERAL LONG-TERM DEBT						
BONDED DEBT						
REFUNDING, SERIES 2009	2.00%-5.00%	11/3/09	\$ 21,050,000	\$ -	\$ -	\$ -
PUBLIC IMPROVEMENT,SERIES 2010A	2.00%-5.00%	11/10/10	3,260,000	-	-	-
PUBLIC IMPROVEMENT,SERIES 2010B	3.51%-5.23%	11/10/10	6,385,000	-	-	-
REFUNDING, SERIES 2011	3.00%-5.00%	6/08/11	36,550,000	-	-	-
PUBLIC IMPROVEMENT, SERIES 2012	3.00%-5.00%	4/25/12	11,535,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING, SERIES 2014	2.00%-5.00%	6/3/14	20,090,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING, SERIES 2015	3.00%-5.00%	07/09/15	29,340,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING, SERIES 2016	3.00%-5.00%	09/29/16	94,825,000	-	-	-
PUBLIC IMPROVEMENT, SERIES 2017	3.23%	03/16/17	3,420,000	-	-	-
PUBLIC IMPROVEMENT REFUNDING, SERIES 2019	3.00%-5.00%	03/5/19	-	44,220,000	-	-
UNAMORTIZED BOND PREMIUM			32,534,288	6,109,622	-	-
Total Bonded Debt			258,989,288	50,329,622	-	-
OTHER LONG-TERM DEBT						
INSTALLMENT PURCHASE AGREEMENTS:						
CERTIFICATES OF PARTICIPATION:						
COPS 2009 FIXED			3,090,000	-	-	-
LOBS 2012	2.00%-5.00%	03/29/12	44,640,000	-	-	-
LOBS 2013	1.50%-5.00%	03/28/13	93,730,000	-	-	-
LOBS 2016	4.00%-5.00%	04/01/16	34,590,000	-	-	-
LOBS 2018	4.00%-5.00%	09/06/18	-	54,860,000	-	-
UNAMORTIZED BOND PREMIUM			19,709,181	5,284,796	-	-
Total Certificates of Participation			195,759,181	60,144,796	-	-
OTHER FINANCING AGREEMENTS						
Total Installment Purchase Agreements			70,310,694	51,214,540	-	93,500,000
EARNED VACATION PAY			8,059,797	5,220,016	-	-
NET PENSION LIABILITY (LGERS)			23,440,109	13,517,782	-	-
TOTAL PENSION LIABILITY (LEOSSA)			6,452,405	-	204,080	-
NET OPEB OBLIGATION			168,664,542	-	13,508,280	-
Total Other Long-Term Debt			472,686,728	130,097,133	13,712,360	93,500,000
TOTAL GENERAL LONG-TERM DEBT			\$ 731,676,016	\$ 180,426,756	\$ 13,712,360	\$ 93,500,000

DUE FISCAL YEAR			DUE FISCAL YEAR		
2018- 2019		AMOUNT OUTSTANDING 6-30-19	2019- 2020		LONG-TERM PRINCIPAL DUE THEREAFTER
PRINCIPAL	INTEREST		PRINCIPAL	INTEREST	
\$ 5,275,000	\$ 1,052,500	\$ 15,775,000	\$ 5,265,000	\$ 788,750	\$ 10,510,000
3,260,000	81,500	-	-	-	-
-	228,527	6,385,000	3,230,000	171,921	3,155,000
8,345,000	1,606,050	28,205,000	8,390,000	1,190,975	19,815,000
2,895,000	490,250	8,640,000	2,890,000	345,500	5,750,000
2,235,000	920,875	17,855,000	2,235,000	809,125	15,620,000
1,180,000	1,368,950	28,160,000	1,180,000	1,309,950	26,980,000
1,635,000	3,855,550	93,190,000	1,640,000	3,781,850	91,550,000
380,000	104,330	3,040,000	380,000	92,055	2,660,000
-	481,988	44,220,000	2,215,000	2,017,625	42,005,000
3,381,314	-	35,262,596	3,756,825	-	31,505,771
28,586,314	10,190,520	280,732,596	31,181,825	10,507,751	249,550,771
3,090,000	154,500	-	-	-	-
3,190,000	1,758,875	41,450,000	3,190,000	1,666,925	38,260,000
3,750,000	4,171,313	89,980,000	3,745,000	3,983,813	86,235,000
-	1,626,450	34,590,000	2,970,000	1,567,050	31,620,000
-	1,331,916	54,860,000	2,745,000	2,284,075	52,115,000
1,323,371	-	23,670,606	1,372,047	-	22,298,559
11,353,371	9,043,054	244,550,606	14,022,047	9,501,863	230,528,559
896,116	876,631	27,129,118	295,729	73,287	26,833,389
12,249,487	9,919,685	271,679,724	14,317,776	9,575,150	257,361,949
5,346,411	-	7,933,402	5,818,078	-	2,115,324
-	-	36,957,871	-	-	36,957,871
-	-	6,248,325	-	-	6,248,325
-	-	155,156,262	-	-	155,156,262
17,595,898	9,919,685	477,975,584	20,135,854	9,575,150	457,839,731
<u>\$ 46,182,212</u>	<u>\$ 20,110,205</u>	<u>\$ 758,708,180</u>	<u>\$ 51,317,679</u>	<u>\$ 20,082,901</u>	<u>\$ 707,390,501</u>

DURHAM COUNTY, NORTH CAROLINA

**Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2019 (continued)**

DESCRIPTION	INTEREST	ISSUE	AMOUNT	ISSUED	ADJUSTED	DEFEASED
	RATE	DATE	6-30-18	DURING YEAR	DURING YEAR	DURING YEAR
PROPRIETARY DEBT						
ENTERPRISE FUND						
ENTERPRISE REVOLOVING LOAN	2.22%	7/1/10	\$ 1,944,721	\$ -	\$ -	\$ -
ENTERPRISE REVOLOVING II LOAN	2.22%	7/1/10	7,983,559	-	-	-
REVENUE BONDS REFUNDING, SERIES 2012	2.49%	08/23/12	7,400,000	-	-	-
UNAMORTIZED BOND PREMIUM			332,153	-	-	-
Total Enterprise Fund Bonded Debt			17,660,433	-	-	-
EARNED VACATION PAY			63,409	82,929	-	-
NET PENSION LIABILITY (LGERS)			265,588	172,005	-	-
TOTAL PROPRIETARY DEBT			\$ 17,989,430	\$ 254,934	\$ -	\$ -
TOTAL GENERAL LONG-TERM DEBT AND PROPRIETARY DEBT			\$ 749,665,446	\$ 180,681,690	\$ 13,712,360	\$ 93,500,000

DUE FISCAL YEAR			DUE FISCAL YEAR		
2018- 2019		AMOUNT OUTSTANDING 6-30-19	2019- 2020		LONG-TERM PRINCIPAL DUE THEREAFTER
PRINCIPAL	INTEREST		PRINCIPAL	INTEREST	
\$ 138,909	\$ 43,173	\$ 1,805,812	\$ 138,909	\$ 40,089	\$ 1,666,903
532,237	177,235	7,451,322	532,237	165,419	6,919,085
745,000	184,260	6,655,000	765,000	165,710	5,890,000
31,887	-	300,266	31,887	-	268,379
1,448,033	404,668	16,212,400	1,468,033	371,218	14,744,367
65,351	-	80,987	70,175	-	10,812
-	-	437,593	-	-	437,593
\$ 1,513,384	\$ 404,668	\$ 16,730,980	\$ 1,538,208	\$ 371,218	\$ 15,192,772
\$ 47,695,596	\$ 20,514,873	\$ 775,439,160	\$ 52,855,887	\$ 20,454,119	\$ 722,583,273

DURHAM COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy Fiscal Year Ending June 30, 2019

Property Valuations

Real property	\$	30,692,283,357
Personal property		3,619,859,514
Public service		580,268,564
DMV-registered vehicles		<u>2,469,097,142</u>

Total subject to tax	\$	<u><u>37,361,508,577</u></u>
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Real property/personal property/corporate excess levy	\$	437,803,068
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DMV -registered vehicles levy		<u>31,257,579</u>
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Gross Levy	\$	469,060,647
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Abatements/discoveries		<u>1,813,738</u>
------------------------	--	------------------

Net Levy		470,874,386
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Uncollected at June 30, 2019		<u>1,539,477</u>
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Current year taxes collected	\$	<u>469,334,909</u>
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Percent of current taxes collected		<u><u>99.67%</u></u>
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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, 2019**

Year of Levy	Uncollected Balance July 1, 2018	Current Year Gross Levy	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2019
2018	\$ -	\$ 469,060,647	\$ 469,334,908	\$ 1,813,738	\$ 1,539,477
2017	779,451	-	446,608	(72,466)	260,377
2016	248,300	-	75,575	(4,411)	168,314
2015	247,294	-	35,552	(2,884) (2,752)	208,858
2014	119,554	-	25,849	(2,587)	90,953
2013	273,762	-	18,148	(263,622)	253,027
2012 and prior	1,178,870	-	21,473		893,775
	<u>\$ 2,847,231</u>	<u>\$ 469,060,647</u>	<u>\$ 469,958,113</u>	<u>\$ 1,465,016</u>	<u>3,414,781</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(199,419)</u>
Ad valorem taxes receivable (net)					<u><u>\$ 3,215,362</u></u>
Receivable by fund, net:					
General Fund				\$ 1,781,083	
Capital financing				<u>220,043</u>	
General Fund					2,001,126
City of Durham				1,208,254	
City of Chapel Hill				3,611	
City of Raleigh				2,284	
Town of Morrisville				<u>87</u>	
Agency funds					<u>1,214,236</u>
					<u><u>\$ 3,215,362</u></u>

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

DURHAM COUNTY, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable by Levy Year
Year Ended June 30, 2019**

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 469,060,647	\$ 469,334,908	\$ 1,813,738	\$ 1,539,477
2017-2018	779,451	-	446,608	(72,466)	260,377
2016-2017	248,300	-	75,575	(4,411)	168,314
2015-2016	247,294	-	35,552	(2,884)	208,858
2014-2015	119,554	-	25,849	(2,752)	90,953
2013-2014	273,762	-	18,148	(2,587)	253,027
2012 and prior	1,178,870	-	21,473	(263,622)	893,775
	<u>\$ 2,847,231</u>	<u>\$ 469,060,647</u>	<u>\$ 469,958,113</u>	<u>\$ 1,465,016</u>	<u>3,414,781</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(199,419)</u>
Ad valorem taxes receivable (net)					<u>\$ 3,215,362</u>
Reconcilement with revenues:					
Taxes - ad valorem - governmental funds					\$ 290,804,742
Taxes - ad valorem - agency funds					<u>178,530,166</u>
Total collections and credits					<u>\$ 469,334,908</u>

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

STATISTICAL SECTION (TAB)

FINANCIAL TRENDS INFORMATION

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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	\$ 169,099,967	\$ 62,072,041	\$ 171,070,634	\$ 120,531,058	\$ 34,987,961	\$20,701,314	\$ 7,789,264	\$ 20,244,058	\$ 70,418,094	\$ 34,361,023
Restricted	64,193,834	57,833,938	52,646,580	56,579,115	57,772,872	52,415,572	81,325,452	95,772,487	122,052,513	176,971,865
Unrestricted	(192,337,701)	(96,020,674)	(112,774,836)	(89,071,940)	(44,425,284)	(69,263,012)	(94,227,528)	(109,675,884)	(159,248,940)	(141,958,766)
Total governmental activities net position	<u>\$ 40,956,100</u>	<u>\$ 23,885,305</u>	<u>\$ 110,942,378</u>	<u>\$ 88,038,233</u>	<u>\$ 48,335,549</u>	<u>\$ 3,853,874</u>	<u>\$ (5,112,812)</u>	<u>\$ 6,340,661</u>	<u>\$ 33,221,667</u>	<u>\$ 69,374,122</u>
Business-type activities										
Net investment in capital assets	\$ 53,816,232	\$ 53,624,526	\$ 53,217,258	\$ 53,957,575	\$ 49,473,281	\$47,154,452	\$44,714,405	\$ 46,827,067	\$ 37,969,224	\$ 34,304,997
Restricted	3,374,189	688,047	1,332,847	952,588	5,781,893	7,854,486	6,232,518	8,650,213	7,635,822	6,303,037
Unrestricted	36,995,955	36,741,062	33,334,232	28,459,495	25,993,181	21,724,599	19,318,687	15,010,061	13,012,822	10,980,746
Total business-type activities net position	<u>\$ 94,186,376</u>	<u>\$ 91,053,635</u>	<u>\$ 87,884,337</u>	<u>\$ 83,369,658</u>	<u>\$ 81,248,355</u>	<u>\$76,733,537</u>	<u>\$70,265,610</u>	<u>\$ 70,487,341</u>	<u>\$ 58,617,868</u>	<u>\$ 51,588,780</u>
Primary government										
Net investment in capital assets	\$ 222,916,199	\$115,696,567	\$ 224,287,892	\$ 174,488,633	\$ 84,461,242	\$67,855,766	\$52,503,669	\$ 67,071,125	\$108,387,318	\$ 68,666,020
Restricted	67,568,023	58,521,985	53,979,427	57,531,703	63,554,765	60,270,058	87,557,970	104,422,700	129,688,335	183,274,902
Unrestricted	(155,341,746)	(59,279,612)	(79,440,604)	(60,612,445)	(18,432,103)	(47,538,413)	(74,908,841)	(94,665,823)	(146,236,118)	(130,978,020)
Total primary government net position	<u>\$ 135,142,476</u>	<u>\$114,938,940</u>	<u>\$ 198,826,715</u>	<u>\$ 171,407,891</u>	<u>\$ 129,583,904</u>	<u>\$80,587,411</u>	<u>\$65,152,798</u>	<u>\$ 76,828,002</u>	<u>\$ 91,839,535</u>	<u>\$ 120,962,902</u>

DURHAM COUNTY, NORTH CAROLINA

Changes in Net Position Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities:										
General government	\$ 65,306,869	\$ 67,278,145	\$ 64,194,870	\$ 60,091,561	\$ 57,622,575	\$ 55,772,804	\$ 57,034,487	\$ 50,482,000	\$ 45,989,651	\$ 12,365,748
Public safety	86,231,267	83,743,115	75,533,420	69,100,186	63,834,548	61,569,018	57,767,228	54,806,448	53,964,797	55,255,454
Transportation	244,338	238,948	353,001	205,873	309,017	12,500	12,500	12,500	12,500	12,500
Economic and physical development	5,996,057	5,761,844	7,368,799	7,343,752	4,773,955	5,490,387	4,916,125	4,616,413	5,272,311	28,751,080
Environmental protection	6,760,218	5,997,974	5,966,371	4,303,325	3,860,175	3,657,826	3,632,359	3,694,850	3,542,985	2,456,029
Human services	91,657,739	86,632,504	93,649,136	92,160,946	87,852,834	85,440,041	88,141,193	115,743,251	109,093,936	108,607,392
Education	172,358,720	155,678,995	149,192,760	144,524,127	137,832,688	148,666,331	151,919,349	159,834,958	185,533,592	176,005,516
Cultural and recreational	15,782,278	20,693,870	14,802,765	12,762,810	12,240,868	12,671,110	11,688,669	12,075,639	12,510,214	25,220,574
Interest and fiscal charges	19,100,202	16,547,326	12,999,003	19,749,259	20,880,870	22,953,477	19,814,600	17,226,788	17,368,443	11,499,010
Total governmental activities	463,437,688	442,572,721	424,060,125	410,241,839	389,207,530	396,233,494	394,926,510	418,492,847	433,288,429	420,173,303
Business-type activities:										
Sewer utility	10,123,859	8,302,269	7,970,882	7,447,186	7,187,975	6,387,907	5,761,082	5,563,907	5,356,000	5,061,620
Total primary government expenses	473,561,547	450,874,990	432,031,007	417,689,025	396,395,505	402,621,401	400,687,592	424,056,754	438,644,429	425,234,923
Program Revenues										
Governmental activities:										
Charges for services:										
General government	13,568,132	14,528,090	13,196,914	13,473,564	13,672,364	9,710,327	9,250,904	9,276,517	8,399,578	8,835,568
Public safety	12,933,084	13,190,898	12,301,993	11,700,522	11,029,058	8,861,551	8,376,150	7,873,528	6,608,128	7,062,164
Economic and physical development	47,202	44,544	52,116	67,361	68,673	18,654	24,524	13,564	21,352	47,284
Environmental protection	3,911,415	3,830,149	3,298,084	3,217,315	2,862,153	2,898,313	2,441,809	2,095,494	2,228,883	2,464,213
Human services	3,830,491	5,251,427	5,096,785	5,306,527	5,359,752	4,354,144	4,750,608	4,580,101	4,890,085	4,804,562
Cultural and recreational	402,152	398,319	386,919	456,385	473,764	299,711	298,180	284,754	270,157	234,076
Operating grants and contributions:										
General government	6,297,110	5,260,234	5,686,528	3,499,215	4,683,445	4,464,142	2,807,583	3,349,194	3,524,446	3,160,839
Public safety	4,863,835	4,249,789	4,840,111	5,270,013	4,789,575	4,549,651	4,483,911	4,544,100	4,522,824	5,445,725
Economic and physical development	899,686	591,505	334,540	542,097	618,300	588,110	732,984	857,200	1,086,038	1,453,149
Environmental protection	99,569	119,019	74,244	169,636	193,511	52,678	62,078	103,703	41,268	45,083
Human services	36,776,037	36,437,658	48,568,587	47,419,147	46,346,963	40,084,357	44,706,570	70,908,533	66,461,771	69,803,505
Cultural and recreational	516,005	251,390	287,840	355,168	240,335	266,690	223,253	246,509	268,013	322,150
Capital grants and contributions:										
General government	1,000,000	999,880	1,260,807	2,361,838	1,639,435	1,123,462	1,044,849	1,213,509	6,079,370	1,000,000
Public safety	-	-	-	-	655,147	1,341,125	257,499	-	-	-
Environmental protection	-	446,622	2,004,287	24,007	233,750	-	-	3,191,675	1,390,353	250,691
Education	1,322,406	1,088,886	1,821,738	1,978,837	907,707	1,469,322	102,473	172,946	1,086,766	1,063,268
Cultural and recreational	800,000	-	-	-	-	-	96,181	-	-	-
Total governmental activities program revenues	87,267,124	86,688,410	99,211,493	95,841,632	93,773,932	80,082,237	79,659,556	108,711,327	106,879,032	105,992,277
Business-type activities:										
Charges for services: sewer utility	12,659,769	10,199,023	12,331,995	9,200,098	11,243,175	12,007,107	11,748,514	11,181,310	10,594,336	9,563,353
Capital grants and contributions: sewer utility	-	959,110	42,925	284,195	600,000	780,802	471,600	6,260,051	1,784,691	32,330
Total business-type activities program revenues	12,659,769	11,158,133	12,374,920	9,484,293	11,843,175	12,787,909	12,220,114	17,441,361	12,379,027	9,595,683
Total primary government program revenues	99,926,893	97,846,543	111,586,413	105,325,925	105,617,107	92,870,146	91,879,670	126,152,688	119,258,059	115,587,960

DURHAM COUNTY, NORTH CAROLINA

Changes in Net Position (continued)

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2013	2013	2012	2011	2010
Net (Expense)/Revenue										
Governmental activities	\$ (376,170,564)	\$ (355,884,311)	\$ (324,848,632)	\$ (314,400,207)	\$ (295,433,598)	\$ (316,151,257)	\$ (315,266,954)	\$ (309,781,520)	\$ (326,409,397)	\$ (314,181,026)
Business-type activities	2,535,910	2,855,864	4,404,038	2,037,107	4,655,200	6,400,002	6,459,032	11,877,454	7,023,027	4,534,063
Total primary government net expense	(373,634,654)	(353,028,447)	(320,444,594)	(312,363,100)	(290,778,398)	(309,751,255)	(308,807,922)	(297,904,066)	(319,386,370)	(309,646,963)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	292,291,159	278,719,636	262,886,545	259,451,036	252,758,385	244,922,483	229,853,877	224,187,284	222,573,221	208,903,551
Property taxes, levied for fire districts	8,296,148	7,823,215	7,870,019	7,826,322	7,482,408	6,661,282	6,064,378	5,803,682	5,669,812	5,664,512
Property taxes, levied for other districts purposes	1,070,763	1,145,501	1,219,855	959,142	754,365	736,793	739,049	713,502	723,815	714,072
Local option sales tax	84,521,869	83,808,889	76,855,214	74,471,794	70,484,647	61,414,402	59,047,561	51,371,060	44,546,245	41,675,831
Occupancy tax	4,310,529	3,970,516	3,961,343	3,509,649	3,014,169	2,592,696	2,436,586	2,246,761	2,116,103	1,932,872
Animal tax	-	-	-	-	-	(1,277,314)	540,618	915,504	1,184,766	907,395
Gross receipts tax	571,291	483,133	479,899	429,419	410,964	406,605	347,226	345,126	333,207	329,430
Vehicle registration tax	231,838	226,448	340,501	193,373	296,517	-	-	-	-	-
Investment and interest income	965,567	7,430,012	(1,149,566)	4,684,275	13,472,042	5,086,255	1,977,962	9,886,557	7,335,369	3,216,562
Other revenues	982,195	1,062,967	1,090,502	953,890	1,300,117	4,574,741	4,709,427	8,604,913	5,774,404	1,047,400
Amortization of bond premium	-	-	-	-	-	-	-	-	-	-
Total governmental activities	393,241,359	384,670,317	353,554,312	352,478,900	349,973,614	325,117,943	305,716,684	304,074,389	290,256,942	264,391,625
Business-type activities:										
Investment and interest income	600,355	320,391	110,656	71,355	16,054	42,036	29,074	(7,981)	5,121	52,902
Other revenues	(3,524)	(6,957)	-	12,841	-	25,889	493	-	940	3,792
Amortization of bond premium	-	-	-	-	-	-	-	-	-	-
Total business-type activities	596,831	313,434	110,656	84,196	16,054	67,925	29,567	(7,981)	6,061	56,694
Total primary government	393,838,190	384,983,751	353,664,968	352,563,096	349,989,668	325,185,868	305,746,251	304,066,408	290,263,003	264,448,319
Change in Net Position										
Government activities	17,070,795	28,786,006	28,705,680	38,078,693	54,540,016	8,966,686	(9,550,270)	(5,707,131)	(36,152,455)	(49,789,401)
Business-type activities	3,132,741	3,169,298	4,514,694	2,121,303	4,671,254	6,467,927	6,488,599	11,869,473	7,029,088	4,590,757
Total primary government	\$ 20,203,536	\$ 31,955,304	\$ 33,220,374	\$ 40,199,996	\$ 59,211,270	\$ 15,434,613	\$ (3,061,671)	\$ 6,162,342	\$ (29,123,367)	\$ (45,198,644)

Notes:

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

DURHAM COUNTY, NORTH CAROLINA

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

June 30	General Fund						All Other Governmental Funds						All Governmental Funds Total
	Nond spendable	Restricted	Committed	Assigned	Unassigned	Total	Nond spendable	Restricted	Committed	Assigned	Unassigned	Total	Total
2019	\$ 1,360,180	\$ 46,298,508	\$ 82,956,424	\$ 18,081,595	\$ 62,456,569	\$ 211,153,276	\$ -	\$ 8,766,241	\$ -	\$ 63,728,074	\$ -	\$ 72,494,315	\$ 283,647,591
2018	1,013,215	43,359,986	87,367,837	19,497,586	56,164,833	207,403,457	-	7,177,485	-	37,385,982	-	44,563,467	251,966,924
2017	1,010,444	37,293,252	80,631,128	14,421,763	61,442,303	194,798,890	-	5,353,342	-	38,432,063	-	43,785,405	238,584,295
2016	972,635	38,115,182	67,133,359	13,289,584	63,235,816	182,746,576	-	6,079,462	-	38,122,417	-	44,201,879	226,948,455
2015	995,989	34,787,668	66,909,089	11,521,144	57,461,506	171,675,396	-	7,438,733	-	36,197,068	-	43,635,801	215,311,197
2014	1,015,631	30,579,201	59,573,800	13,961,475	42,228,729	147,358,836	5,000	3,720,664	-	45,814,049	-	49,539,713	196,898,549
2013	1,002,364	30,539,412	51,109,294	16,348,230	35,630,010	134,629,310	-	10,529,068	-	56,003,778	(232,519)	66,300,327	200,929,637
2012	1,055,346	30,431,788	47,694,892	11,612,648	45,477,059	136,271,733	-	21,048,123	-	46,976,875	-	68,024,998	204,296,731
2011	869,092	25,392,181	33,904,565	8,148,653	49,205,996	117,520,487	-	33,189,054	-	51,139,509	-	84,328,563	201,849,050
2010	810,373	27,702,979	26,675,483	6,203,505	40,241,722	101,634,062	-	41,636,490	-	76,976,301	-	118,612,791	220,246,853

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Taxes	\$ 390,922,436	\$ 376,306,638	\$ 353,995,914	\$ 347,348,935	\$ 336,011,104	\$ 317,692,860	\$ 299,126,290	\$ 285,218,594	\$ 277,130,082	\$ 260,158,664
Licenses and permits	1,679,317	1,638,616	1,393,097	1,535,091	1,119,886	1,357,467	826,580	794,976	703,439	688,093
Intergovernmental	52,574,648	49,444,983	64,878,682	61,619,958	61,652,361	54,190,412	54,163,701	84,587,369	84,463,129	82,439,834
Investments	6,947,307	4,645,417	3,985,884	4,181,190	4,233,162	4,600,076	4,637,119	2,543,564	3,617,037	5,021,717
Rent	902,528	1,134,280	972,562	988,807	1,058,153	1,077,167	824,104	591,285	555,648	507,071
Charges for services	32,175,804	34,182,908	31,855,249	31,035,290	31,092,863	23,450,422	23,350,074	22,667,005	21,226,569	22,062,286
Other revenues	982,195	1,062,967	1,090,502	953,890	1,300,117	4,563,275	4,372,836	8,282,993	5,519,764	753,316
Total revenues	486,184,235	468,415,809	458,171,890	447,663,161	436,467,646	406,931,679	387,300,704	404,685,786	393,215,668	371,630,981
Expenditures										
General government	66,464,213	64,068,864	60,722,635	57,491,702	54,099,981	51,067,380	69,537,969	74,378,948	85,546,409	47,288,312
Public safety	78,549,477	80,538,865	70,917,455	67,063,053	64,652,305	60,700,087	56,386,531	53,832,256	52,050,280	51,139,790
Transportation	244,338	238,948	353,001	205,873	309,017	12,500	12,500	12,500	12,500	12,500
Economic and physical development	5,816,772	5,643,177	7,350,476	7,364,572	4,841,896	5,479,543	4,914,778	4,606,868	5,158,399	5,378,982
Environmental protection	18,258,082	26,246,637	23,860,525	7,207,867	5,771,300	13,469,306	20,301,762	20,700,688	26,494,114	30,505,276
Human services	86,525,498	83,234,656	92,909,696	93,140,635	89,516,898	85,339,186	91,592,879	109,066,287	108,524,800	107,552,239
Education	172,330,527	155,476,971	151,366,905	144,322,104	137,630,665	148,464,307	151,717,325	159,632,934	185,338,838	143,481,659
Cultural and recreational	37,320,280	32,283,359	15,509,314	13,202,921	12,197,724	12,348,532	11,454,684	12,032,600	13,687,066	20,714,654
Debt service:										
Principal retirement	36,131,116	37,322,892	37,427,611	35,596,413	36,159,495	34,261,816	34,520,922	109,738,119	53,158,145	25,431,125
Interest and fiscal charges	20,122,333	19,606,512	18,653,456	20,599,097	22,573,434	23,354,161	19,468,651	17,434,904	16,477,835	16,568,325
Debt issuance costs	929,899	247	1,002,975	741,165	23,000	644,769	818,130	1,115,755	1,060,066	994,584
Total expenditures	522,692,535	504,661,128	480,074,049	446,935,402	427,775,715	435,141,587	460,726,131	562,551,859	547,508,452	449,067,446
Excess of revenues over (under) expenditures	(36,508,300)	(36,245,319)	(21,902,159)	727,759	8,691,931	(28,209,908)	(73,425,427)	(157,866,073)	(154,292,784)	(77,436,465)
Other Financing Sources (Uses)										
Transfers in	92,854,680	85,501,782	83,641,265	77,667,072	76,982,606	73,181,182	61,645,051	114,501,549	52,214,136	52,852,625
Transfers out	(92,854,680)	(85,501,782)	(83,641,250)	(77,667,072)	(76,982,606)	(73,169,716)	(61,308,460)	(114,179,629)	(51,959,497)	(52,558,541)
Premium on issuance of debt	5,284,798	-	-	-	-	-	-	7,299,951	3,738,451	-
Issuance of bonds	-	-	3,800,000	-	-	-	-	49,105,000	60,000,000	-
Premium on issuance of refinancing	6,109,622	-	17,940,846	13,031,538	-	7,025,669	-	-	-	-
Issuance of refunding bonds	87,720,000	-	96,460,000	63,930,000	-	44,635,000	125,002,399	73,276,601	71,955,824	49,171,920
Payment to refunded debt escrow agent	(93,500,000)	-	(115,022,770)	(77,226,102)	-	(51,200,000)	(124,462,399)	(72,630,409)	(71,425,002)	(48,776,331)
Issuance of installment purchases	62,574,540	49,627,948	30,359,908	9,550,072	9,720,717	23,706,685	66,114,555	102,940,691	71,371,069	29,019,411
Total other financing sources (uses)	68,188,960	49,627,948	33,537,999	9,285,508	9,720,717	24,178,820	66,991,146	160,313,754	135,894,981	29,709,084
Net change in fund balances	\$ 31,680,660	\$ 13,382,629	\$ 11,635,840	\$ 10,013,267	\$ 18,412,648	\$ (4,031,088)	\$ (6,434,281)	\$ 2,447,681	\$ (18,397,803)	\$ (47,727,381)
Debt service as a percentage of noncapital expenditures	11.80%	12.41%	12.49%	12.95%	14.10%	13.86%	12.88%	24.70%	14.78%	9.72%

Notes:

(1) As of Fiscal Year 2014, the County reports the premium on the issuance of refunding bonds in a separate line item. Prior to fiscal year 2014 they were included in the "issuance of refunding bonds" with the new refunding debt issued.

DURHAM COUNTY, NORTH CAROLINA

Government-wide Expenses by Function Last Ten Fiscal Years

Fiscal Year Ended	General Government	Public Safety	Transportation	Economic and Physical Development	Environmental Protection
2019	\$ 65,306,869	\$ 86,231,267	\$ 244,338	\$ 5,996,057	\$ 6,760,218
2018	67,278,145	83,743,115	238,948	5,761,844	5,997,974
2017	64,194,870	75,533,420	353,001	7,368,799	5,966,371
2016	60,091,561	69,100,186	205,873	7,343,752	4,303,325
2015	57,622,575	63,834,548	309,017	4,773,955	3,860,175
2014	55,772,804	61,569,018	12,500	5,490,387	3,657,826
2013	57,034,487	57,767,228	12,500	4,916,125	3,632,359
2012	50,482,000	54,806,448	12,500	4,616,413	3,694,850
2011	45,989,651	53,964,797	12,500	5,272,311	3,542,985
2010	12,365,748	55,255,454	12,500	28,751,080	2,456,029

	Human Services	Education	Cultural and Recreational	Interest and Fiscal Charges	Sewer Utility	Total
\$	91,657,739	\$ 172,358,720	\$ 15,782,278	\$ 19,100,202	\$ 10,123,859	\$ 473,561,547
	86,632,504	155,678,995	20,693,870	16,547,326	8,302,269	450,874,990
	93,649,136	149,192,760	14,802,765	12,999,003	7,970,882	432,031,007
	92,160,946	144,524,127	12,762,810	19,749,259	7,447,186	417,689,025
	87,852,834	137,832,688	12,240,868	20,880,870	7,187,975	396,395,505
	85,440,041	148,666,331	12,671,110	22,953,477	6,387,907	402,621,401
	88,141,193	151,919,349	11,688,669	19,814,600	5,761,082	400,687,592
	115,743,251	159,834,958	12,075,639	17,226,788	5,563,907	424,056,754
	109,093,936	185,533,592	12,510,214	17,368,443	5,356,000	438,644,429
	108,607,392	176,005,516	25,220,574	11,499,010	5,061,620	425,234,923

DURHAM COUNTY, NORTH CAROLINA

Government-wide Revenues Last Ten Fiscal Years

Fiscal Year Ended	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment and Interest Income
2019	\$ 47,352,245	\$ 49,452,242	\$ 3,122,406	\$ 391,293,597	\$ 1,565,922
2018	47,442,450	46,909,595	3,494,498	376,177,338	7,750,403
2017	46,664,806	59,791,850	5,129,757	353,613,376	(1,038,910)
2016	43,421,772	57,255,276	4,648,877	346,840,735	4,755,630
2015	44,708,939	56,872,129	4,036,039	335,201,455	13,488,096
2014	38,149,807	50,005,628	4,714,711	315,456,947	5,128,291
2013	36,890,689	53,016,379	1,972,602	299,029,295	2,007,036
2012	35,305,268	80,009,239	10,838,181	285,582,919	9,878,576
2011	33,012,519	75,904,360	10,341,180	277,147,169	7,340,490
2010	33,011,220	80,230,451	2,346,289	260,127,663	3,269,464

Other Revenues		Total	
\$	978,671	\$	493,765,083
	1,056,010		482,830,294
	1,090,502		465,251,381
	966,731		457,889,021
	1,300,117		455,606,775
	4,600,630		418,056,014
	4,709,920		397,625,921
	8,604,913		430,219,096
	5,775,344		409,521,062
	1,051,192		380,036,279

DURHAM COUNTY, NORTH CAROLINA

Governmental Expenditures by Function¹ Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Government	Public Safety	Transportation	Environmental Protection	Education
2019	\$ 66,464,213	\$ 78,549,477	\$ 244,338	\$ 18,258,082	\$ 172,330,527
2018	64,068,864	80,538,865	238,948	26,246,637	155,476,971
2017	60,722,635	70,917,455	353,001	23,860,525	151,366,905
2016	57,491,702	67,063,053	205,873	7,207,867	144,322,104
2015	54,099,981	64,652,305	309,017	5,771,300	137,630,665
2014	51,067,380	60,700,087	12,500	13,469,306	148,464,307
2013	69,537,969	56,386,531	12,500	20,301,762	151,717,325
2012	74,378,948	53,832,256	12,500	20,700,688	159,632,934
2011	85,546,409	52,050,280	12,500	26,494,114	185,338,838
2010	47,288,312	51,139,790	12,500	30,505,276	143,481,659

Notes:

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

Human Services	Economic and Physical Development	Cultural and Recreational	Debt Service	Total
\$ 86,525,498	\$ 5,816,772	\$ 37,320,280	\$ 57,183,348	\$ 522,692,535
83,234,656	5,643,177	32,283,359	56,929,651	504,661,128
92,909,696	7,350,476	15,509,314	57,084,042	480,074,049
93,140,635	7,364,572	13,202,921	56,936,675	446,935,402
89,516,898	4,841,896	12,197,724	58,755,929	427,775,715
85,339,186	5,479,543	12,348,532	58,260,746	435,141,587
91,592,879	4,914,778	11,454,684	54,807,703	460,726,131
109,066,287	4,606,868	12,032,600	128,288,778	562,551,859
108,524,800	5,158,399	13,687,066	70,696,046	547,508,452
107,552,239	5,378,982	20,714,654	42,994,034	449,067,446

DURHAM COUNTY, NORTH CAROLINA

General Government Revenues by Source¹ Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Property Taxes	Other Local Taxes	Licenses and Permits	Intergovernmental Revenues
2019	\$ 301,233,754	\$ 89,688,682	\$ 1,679,317	\$ 52,574,648
2018	287,741,392	88,565,246	1,638,616	49,444,983
2017	272,300,032	81,695,882	1,393,097	64,878,682
2016	268,685,962	78,662,973	1,535,091	61,619,958
2015	261,746,652	74,264,452	1,119,886	61,652,361
2014	253,158,020	64,534,840	1,357,467	54,190,412
2013	236,671,981	62,454,309	826,580	54,163,701
2012	223,996,640	61,221,954	794,976	84,587,369
2011	223,069,172	54,060,910	703,439	84,463,129
2010	209,175,709	50,982,955	688,093	82,439,834

Notes:

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

Rental Income	Investment Income	Charges for Services	Other Revenues	Total
\$ 902,528	\$ 6,947,307	\$ 32,175,804	\$ 982,195	\$ 486,184,235
1,134,280	4,645,417	34,182,908	1,062,967	468,415,809
972,562	3,985,884	31,855,249	1,090,502	458,171,890
988,807	4,181,190	31,035,290	953,890	447,663,161
1,058,153	4,233,162	31,092,863	1,300,117	436,467,646
1,077,167	4,600,076	23,450,422	4,563,275	406,931,679
824,104	4,637,119	23,350,074	4,372,836	387,300,704
591,285	2,543,564	22,667,005	8,282,993	404,685,786
555,648	3,617,037	21,226,569	5,519,764	393,215,668
507,071	5,021,717	22,062,286	753,316	371,630,981

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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, 2019

Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2019			Fiscal Year 2010		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
AW North Carolina Inc.	\$ 410,735,963	1	1.10%	\$ 297,334,057	3	1.02%
Cree Inc.	362,207,988	2	0.97%	254,457,489	4	0.88%
Duke Energy Carolinas LLC	262,579,947	3	0.70%	196,905,675	5	0.68%
Southpoint Mall LLC	182,563,357	4	0.49%	169,444,545	7	0.58%
International Business Machines	173,177,896	5	0.46%	487,779,340	2	1.68%
Pamer RTP LLC	163,613,626	6	0.44%	-	-	-
IBM Corporation	162,935,238	7	0.44%	-	-	-
Merck Sharp & Dohme Corp.	152,913,506	8	0.41%	109,089,029	10	0.38%
EMC Corporation	137,966,937	9	0.37%	-	-	-
Biomerieux Inc.	134,446,940	10	0.36%	-	-	-
GlaxoSmithKline	-	-	-	861,138,476	1	2.97%
Verizon South Inc.	-	-	-	184,428,842	6	0.64%
Eisai Inc.	-	-	-	130,546,427	8	0.45%
Time Warner Entertainment	-	-	-	109,243,301	9	0.38%
	<u>\$ 2,143,141,398</u>		<u>5.74%</u>	<u>\$ 2,800,367,181</u>		<u>9.66%</u>

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year	Real Property	Personal Property	Public Service Companies	Registered Vehicles	Total	County Direct Tax Rate ³	Special Tax Districts Tax Rate ³	Average County Tax Rate ³
2019	\$ 30,692,283,357	\$ 3,619,859,514	\$ 580,268,564	\$ 2,469,097,142	\$ 37,361,508,577	0.7779	0.0778-0.2080	0.8070
2018	29,641,340,413	3,594,119,882	575,537,361	2,348,224,018	36,159,221,674	0.7679	0.0778-0.1880	0.7987
2017	28,894,972,479	3,483,300,069	565,369,921	2,286,702,778	35,230,345,247	0.7404	0.0778-0.1880	0.7727
2016	26,213,161,494	3,524,686,233	553,248,101	2,163,704,337	32,454,800,165	0.7931	0.0799-0.1779	0.8276
2015	25,730,862,172	3,462,350,676	510,732,429	2,032,233,042	31,736,178,319	0.7931	0.0799-0.1514	0.8073
2014	25,254,108,336	3,300,458,222	489,915,862	2,980,521,352	32,025,003,772	0.7744	0.0600-0.1518	0.8047
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
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
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
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

Notes:

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

DURHAM COUNTY, NORTH CAROLINA

Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year		Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in the Subsequent Year	Total Collections to Date	
	(Original Levy)	Adjustments		Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2019	\$ 469,060,647	\$ 1,813,738	\$ 470,874,385	\$ 469,334,909	99.67%	\$ -	\$ 469,334,909	99.67%
2018	449,249,843	467,101	449,716,944	448,937,493	99.83%	446,608	449,384,101	99.93%
2017	422,882,431	133,369	423,015,800	422,143,612	99.79%	181,536	422,325,148	99.84%
2016	411,676,610	1,001,471	412,678,081	411,447,291	99.70%	854,574	412,301,865	99.91%
2015	402,438,892	373,436	402,812,328	401,244,673	99.61%	1,181,131	402,425,804	99.90%
2014	387,365,732	267,700	387,633,432	385,068,858	99.34%	1,273,755	386,342,613	99.67%
2013	360,277,056	7,885,151	368,162,207	364,152,559	98.91%	2,669,340	366,821,899	99.64%
2012	353,038,243	3,837,833	356,876,076	352,704,112	98.83%	3,051,031	355,755,143	99.69%
2011	358,766,287	4,398,601	363,164,888	358,623,043	98.75%	2,953,608	361,576,651	99.56%
2010	329,213,965	13,906,211	343,120,176	338,558,945	98.67%	3,839,537	342,398,482	99.79%

Notes:

(1) Amounts included above for fiscal years 2010 & 2011 represent taxes in the General Fund, the Special Tax District Funds and the Agency Funds.

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

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	Durham County	Fire Tax Districts						
		Bethesda	Lebanon	Parkwood	Redwood	Eno	New Hope	Bahama
2019	\$ 272,768,246	\$ -	\$ 1,192,442	\$ 3,262	\$ 963,619	\$ 33,967	\$ 98,190	\$ 1,472,816
2018	260,979,012	-	1,184,526	-	917,481	34,105	96,852	1,563,470
2017	245,385,571	-	1,086,554	-	905,668	33,582	95,610	1,490,454
2016	241,808,196	-	1,037,940	-	883,358	30,246	87,109	1,414,475
2015	236,807,235	4,945	1,034,889	1,544,137	864,854	85,484	29,930	1,341,389
2014	234,323,543	2,220,189	1,033,842	1,546,613	733,673	30,882	82,004	802,114
2013	229,802,881	1,760,488	1,075,946	1,522,095	764,284	24,325	76,341	854,020
2012	224,310,246	1,603,344	1,073,640	1,461,650	766,788	24,336	74,677	806,759
2011	223,648,890	1,502,509	1,070,918	1,550,213	728,283	24,035	57,296	749,909
2010	209,323,910	1,602,205	1,071,167	1,472,700	738,849	23,983	44,825	714,101

Effective July 1, 2011, the County collects Town of Morrisville taxes levied within Durham County. Effective July 1, 2015, Durham County Fire & Rescue replaced both the Bethesda Service and Parkwood Tax Districts.

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

- Taxes are due September 1 of each year.
- Taxes are considered delinquent on January 6 (lien date) of the subsequent year.
- Discount on all County tax levies are at the discretion of the Board of Commissioners.
- 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.
- Procedures allowed for collection of delinquent taxes include the use of garnishment, the North Carolina Debt Set Off Program and the sale of taxable property.

RTP Special District	Butner Safety District	Durham County Fire & Rescue	City of Durham	City of Raleigh	Town of Chapel Hill	Town of Morrisville	Total Tax Levies
\$ 1,068,856	\$ -	\$ 4,081,365	\$ 163,559,969	\$ 854,979	\$ 2,569,983	\$ 58,432	\$ 448,726,126
1,148,704	-	3,670,864	156,293,284	790,433	2,469,665	27,274	429,175,670
1,218,468	-	3,855,057	146,313,199	777,666	2,543,760	29,329	403,734,919
970,743	-	3,932,013	139,621,148	724,895	2,686,409	25,475	393,222,005
760,735	-	-	136,753,317	679,966	2,675,644	46,487	382,633,956
735,854	3	-	132,998,548	623,283	2,689,258	16,747	377,836,553
746,927	315	-	135,132,373	595,878	2,619,338	11,738	374,986,949
696,499	17,059	-	129,390,469	550,646	2,614,275	10,440	363,400,828
709,205	17,631	-	12,983,774	485,766	2,636,459	-	246,164,888
722,154	17,585	-	124,304,979	452,134	2,631,582	-	343,120,175

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$100 of assessed value)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
County direct rate										
Operating rate	\$ 0.6808	\$ 0.6708	\$ 0.6608	\$ 0.7078	\$ 0.6951	\$ 0.6850	\$ 0.6850	\$ 0.6865	\$ 0.6911	\$ 0.6604
Capital rate	0.0971	0.0971	0.0796	0.0853	0.0980	0.0894	0.0594	0.0594	0.0548	0.0477
Total general fund direct rate	<u>0.7779</u>	<u>0.7679</u>	<u>0.7404</u>	<u>0.7931</u>	<u>0.7931</u>	<u>0.7744</u>	<u>0.7444</u>	<u>0.7459</u>	<u>0.7459</u>	<u>0.7081</u>
Fire district rates	0.0778-0.1451	0.0778-0.1344	0.0778-0.1344	0.0799-0.1386	0.0799-0.1386	0.0600-0.1300	0.0599-0.1150	0.0599-0.1125	0.0599-0.1100	0.0570-0.1100
Other special district rates	0.0000-0.2080	0.0000-0.1880	0.0000-0.1880	0.000-0.1779	0.1514-0.1729	0.1518-0.1668	0.1374-0.1524	0.1474-0.2500	0.1460-0.2500	0.1461-0.2500
Municipality Rates										
City of Durham	0.5786	0.5786	0.5607	0.5912	0.5912	0.5675	0.5675	0.5575	0.5519	0.5400
City of Durham BID	0.6486	0.6486	0.6307	0.6612	0.6612	0.6375	0.6375	-	-	-
Town of Chapel Hill	0.5280	0.5080	0.5240	0.5240	0.5240	0.5140	0.4940	0.4940	0.4940	0.4940
City of Raleigh	0.4382	0.4253	0.4183	0.4210	0.4038	0.3826	0.3826	0.3735	0.3735	0.3735
Town of Morrisville	0.3900	0.3900	0.3900	0.4100	0.3900	0.3900	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, 2016.

DEBT CAPACITY INFORMATION

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

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

Legal Debt Margin Information

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

Direct and Overlapping Governmental Activities Debt

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

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

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

Ratios of General Bonded Debt Outstanding

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

Ratios of Outstanding Debt by Type

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

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	Population Estimate¹	Taxable Property Assessed Value	Debt Limit	Gross Bonded Debt	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Property Assessed Value²	Net Bonded Debt Per Capita
2019	320,639	\$ 37,361,508,577	\$ 2,988,920,686	\$ 280,732,596	\$ 280,732,596	0.75	\$876
2018	308,194	36,159,221,674	2,892,737,734	258,989,288	258,989,288	0.72	840
2017	301,243	35,230,345,247	2,818,246,797	288,086,321	288,086,321	0.82	956
2016	293,647	32,454,800,165	2,596,384,013	243,775,000	243,775,000	0.75	830
2015	290,874	31,736,178,319	2,538,894,266	270,905,000	270,905,000	0.85	931
2014	284,437	32,025,003,772	2,562,000,302	295,905,000	295,905,000	0.92	1040
2013	277,588	30,446,750,204	2,435,740,016	273,900,000	273,900,000	0.90	987
2012	275,960	29,842,363,341	2,387,389,067	298,585,000	298,585,000	1.00	1082
2011	272,156	29,460,598,354	2,356,847,868	272,680,000	272,680,000	0.93	1002
2010	267,849	29,032,891,346	2,322,631,308	233,930,000	233,930,000	0.81	873

NOTES:

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

(2) Calculated per \$100 of assessed value.

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DURHAM COUNTY, NORTH CAROLINA

Legal Debt Margin Information Last Ten Years

	2019	2018	2017	2016	2015
Assessed Value of Property	\$ 37,361,508,577	\$ 36,159,221,674	\$ 35,230,345,247	\$ 32,454,800,165	\$ 31,736,178,319
Debt Limit, 8% of Assessed Value (Statutory Limitation)	2,988,920,686	2,892,737,734	2,818,427,620	2,596,384,013	2,538,894,266
Amount of Debt Applicable to Limit General Obligation Bonds	245,470,000	226,455,000	252,270,000	243,775,000	270,905,000
Less: Resources Restricted to Paying Principal	-	-	-	-	-
Total net debt applicable to limit	245,470,000	226,455,000	252,270,000	243,775,000	270,905,000
Legal Debt Margin	\$ 2,743,450,686	\$ 2,666,282,734	\$ 2,566,157,620	\$ 2,352,609,013	\$ 2,267,989,266
Total net debt applicable to limit as a percentage of debt limit	8.21%	7.83%	8.95%	9.39%	10.67%

Notes:

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

2014	2013	2012	2011	2010
\$ 32,025,003,772	\$ 30,446,750,204	\$ 29,842,363,341	\$ 29,460,598,354	\$ 29,032,891,346
2,562,000,302	2,435,740,016	2,387,389,067	2,356,847,868	2,322,631,308
295,905,000	273,900,000	298,585,000	272,680,000	233,930,000
-	-	-	-	-
295,905,000	273,900,000	298,585,000	272,680,000	233,930,000
\$ 2,266,095,302	\$ 2,161,840,016	\$ 2,088,804,067	\$ 2,084,167,868	\$ 2,088,701,308
11.55%	11.25%	12.51%	11.57%	10.07%

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Governmental Activities Debt As of June 30, 2019

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Municipality:			
City of Durham	\$ 245,864,465	100%	\$ 245,864,465
Town of Chapel Hill	38,093,000	0%	-
City of Raleigh	902,633,000	0%	-
Overlapping debt	<u>1,186,590,465</u>		<u>245,864,465</u>
Direct debt	552,397,793		552,397,793
Total direct and overlapping debt	<u><u>\$ 1,738,988,258</u></u>		<u><u>\$ 798,262,258</u></u>

Notes:

Percentage of overlap based on assessed property values.
Source: Overlapping debt provided by each municipality.

DURHAM COUNTY, NORTH CAROLINA

**RATIO OF ANNUAL DEBT SERVICE FOR DEBT TO TOTAL
EXPENDITURES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	DEBT SERVICE EXPENDITURES				Total Governmental Expenditures	Ratio of Total Debt Service to Total Governmental Expenditures
	Principal	Interest and Fiscal Charges	Other Expenditures	Total Debt Service Expenditures		
2019	\$ 36,131,116	\$ 20,122,333	\$ 701,235	\$ 56,954,684	\$ 522,692,535	10.90%
2018	37,322,892	19,606,512	247	56,929,651	504,661,128	11.28%
2017	37,427,611	18,653,456	617,443	56,698,510	480,074,049	11.81%
2016	35,596,413	20,599,097	741,165	56,936,675	446,935,402	12.74%
2015	36,159,495	22,573,434	7,300	58,740,229	427,775,715	13.73%
2014	34,261,816	23,354,161	644,769	58,260,746	435,141,587	13.39%
2013	34,520,922	19,468,651	818,130	54,807,703	460,726,131	11.90%
2012	109,738,119	17,434,904	1,115,755	128,288,778	562,551,859	22.80%
2011	53,158,145	16,477,835	1,060,066	70,696,046	547,508,452	12.91%
2010	25,431,125	16,568,325	994,584	42,994,034	449,067,446	9.57%

DURHAM COUNTY, NORTH CAROLINA

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property¹	Per Capita²
2019	\$ 280,732,596	0.75%	\$ 875.54
2018	258,989,288	0.72%	840.35
2017	288,086,321	0.82%	956.33
2016	243,775,000	0.75%	830.16
2015	270,905,000	0.85%	931.35
2014	295,905,000	0.96%	1,040.32
2013	273,900,000	0.90%	986.71
2012	298,585,000	1.00%	1,081.99
2011	272,680,000	0.93%	1,001.93
2010	233,930,000	0.82%	873.37

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

Governmental Activities					
Fiscal Year	General Obligation Bonds	Certificates of Participation	Limited Obligation Bonds	Installment Purchases	Total Governmental Activities
2019	\$ 280,732,596	\$ -	\$ 244,550,606	\$ 27,129,118	\$ 552,412,320
2018	258,989,288	3,090,000	192,669,181	70,310,694	525,059,163
2017	288,086,321	6,185,000	200,709,554	22,160,638	517,141,513
2016	271,397,457	9,280,000	208,754,927	29,409,748	518,842,132
2015	295,033,765	49,470,000	174,556,822	21,213,474	540,274,061
2014	321,259,230	52,565,000	182,118,853	13,321,654	569,264,737
2013	293,099,857	55,660,000	189,366,572	43,123,317	581,249,746
2012	309,594,156	146,886,804	67,752,814	17,613,939	541,847,713
2011	274,834,584	175,502,889	-	41,513,714	491,851,187
2010	228,692,055	132,724,828	-	46,985,373	408,402,256

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.

(2) The personal income used in this calculation is for 2017, the latest year for which information is available.

Business-Type Activities						
General Obligation Bonds	Refunding Revenue Bonds	State Revolving Loans	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income^{1,2}	Per Capita¹
\$ -	\$ 6,955,266	\$ 9,257,134	\$ 16,212,400	\$ 568,624,720	3.82%	\$ 1,773.41
-	7,732,153	9,928,280	17,660,433	542,719,596	3.86%	1,760.97
-	8,489,040	10,599,426	19,088,466	536,229,979	4.00%	1,780.06
32,343	9,294,315	11,270,571	20,597,229	539,439,361	4.28%	1,837.03
604,728	10,084,590	11,941,717	22,631,035	562,905,096	4.72%	1,935.22
1,304,131	10,854,865	12,612,864	24,771,860	594,036,597	5.19%	2,088.46
2,357,603	11,268,200	13,408,267	27,034,070	608,283,816	5.76%	2,191.32
2,911,318	14,315,087	-	17,226,405	559,074,118	5.49%	2,025.92
3,671,868	14,926,976	-	18,598,844	510,450,031	4.89%	1,875.58
4,010,321	16,641,908	-	20,652,229	429,054,485	4.20%	1,601.85

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OPERATING INFORMATION

Full-time Equivalent County Government Employees by Function

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

Operating Indicators by Function

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

Capital Asset Statistics by Function

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

DURHAM COUNTY, NORTH CAROLINA

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

Function/Program	2019	2018	2017	2016
General government	352	342	287	267
Public safety	783	814	717	687
Economic and physical development	39	17	34	29
Environmental protection	22	18	15	21
Human services	772	775	672	639
Cultural and recreational	106	110	106	100
Utilities	27	27	21	20
Total	2,101	2,103	1,852	1,763

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

DURHAM COUNTY, NORTH CAROLINA

**Operating Indicators By Function
Last Ten Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Function/Program										
General Administration										
Registered voters ⁵	218,123	223,921	210,644	233,602	210,644	201,880	199,756	195,050	182,192	180,403
Taxable real estate parcels ⁶	111,154	110,839	108,026	105,588	103,976	104,350	103,757	102,556	86,008	87,245
Tax bills ^{8*}	159,805	147,264	146,332	144,540	146,193	143,659	377,327	317,556	240,597	237,229
Human Services										
Adult care home residents served through on-site inspections ⁷	1,050	1,069	997	982	994	941	885	875	845	853
Persons testing for HIV/STD ⁸	19,791	20,378	22,412	22,532	37,280	38,482	52,251	43,265	53,584	66,169
Food assistance individuals ⁷	34,708	37,430	30,853	40,358	43,745	43,289	49,281	44,238	42,034	34,178
Education										
Students attending public school ¹	32,448	32,374	33,151	33,501	33,626	33,295	32,484	32,671	32,566	32,551
Public school teachers ¹	2,426	2,393	2,267	2,416	2,329	2,318	2,247	2,300	2,245	2,671
Community college students-average semester ²	8,919	12,898	10,819	19,027	22,341	20,470	22,974	24,416	24,769	25,561
Community college faculty ²	347	355	355	355	333	328	322	337	162	161
Community Development and Cultural⁴										
Residential permits issued **	2,233	2,152	1,726	1,927	1,426	1,270	1,141	856	997	933
Commercial permits issued **	98	101	155	158	132	135	83	109	93	73
Building permits - additional, alterations **	2,749	2,959	2,666	2,592	2,451	2,320	2,362	2,533	2,368	2,212
Inspections performed	33,884	43,292	43,031	38,946	38,481	38,801	31,589	27,635	26,086	26,295
Environmental Services										
Animal control service calls ⁹	12,670	10,967	12,191	12,889	12,568	11,859	11,111	15,682	13,911	15,628
Animals impounded ⁹	3,659	2,087	2,516	2,869	2,166	3,025	3,361	6,315	6,397	6,921
Sanitation inspections ⁸	3,643	3,343	3,149	3,327	6,146	7,243	5,841	7,040	6,876	7,462
Public Safety										
Detention intake ¹⁰	7,513	8,417	7,558	11,013	11,838	11,967	12,350	12,457	12,267	11,926
Civil processes served ¹⁰	18,477	24,755	20,505	33,147	26,407	28,482	35,842	33,181	32,472	35,210
Pistol permits processed ¹⁰	3,514	3,136	2,108	3,266	2,486	1,446	1,715	1,938	1,923	1,726
Average daily jail population ¹⁰	426	498	472	481	520	521	560	551	554	582
Fire/medical incidents responded to by contracting fire departments ¹¹	3,531	3,320	2,025	2,587	4,544	9,152	11,096	11,870	12,402	11,733
Durham EMS incidents ³	47,494	48,547	46,934	44,222	44,388	32,882	28,337	27,742	26,696	27,405

Notes:

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

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

(1) Durham County Public Schools.

(2) Durham Technical Community College.

(3) Durham County Emergency Management Department.

(4) Durham City/County Planning Department.

(5) Durham County Board of Elections.

(6) Durham County Tax Department.

(7) Durham County Department of Social Services.

(8) Durham County Public Health Department.

(9) Durham County Animal Control.

(10) Durham County Sheriff Department.

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

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

DURHAM COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government¹										
Rentable square footage	749,361	762,932	762,932	762,932	767,652	767,652	767,652	766,682	733,361	733,361
Human Services²										
Number of centers	2	2	2	2	2	2	4	4	4	4
Education³										
Number of schools	53	53	54	54	54	56	56	56	55	53
Number of higher education institutor	4	4	4	4	4	4	4	4	4	4
Community Development and Cultural										
Libraries - branches ⁴	7	7	7	7	7	7	8	8	8	8
Volume of library books ⁴	716,746	682,379	670,695	692,526	694,145	704,947	698,715	704,093	661,687	603,930
Number of County parks ¹	2	2	2	2	2	2	2	2	2	2
Public Safety										
Sheriff - Stations ⁵	5	5	5	5	5	5	5	5	5	5
Detention capacity ⁵	736	736	736	736	736	736	736	736	736	736
Fire protection - City Stations ⁶	17	17	16	16	16	16	16	16	15	15
Fire protection - Volunteer Stations ⁶	12	12	12	12	12	12	12	12	11	11
EMS - Stations ⁷	10	10	9	9	12	11	9	6	6	6

Notes:

(1) Durham County Open Space Department

(2) Durham County Public Health and Social Services Departments

(3) Durham Public Schools

(4) Durham County Public Library

(5) Durham County Sheriff's Department

(6) Durham County Fire Department

(7) Durham County Emergency Medical Services

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DEMOGRAPHIC & ECONOMIC INFORMATION

Property Value and Construction

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

Demographic and Economic Statistics

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

Principal Employers

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

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DURHAM COUNTY, NORTH CAROLINA

Property Value and Construction Last Ten Fiscal Years

Fiscal Year Ended June 30,	Building Value of Permits Issued (1)	Assessed Valuation (2)
2019	\$ 1,884,975,303	\$ 37,361,508,577
2018	1,347,736,663	36,159,221,674
2017	1,501,331,982	35,230,345,247
2016	1,194,358,281	32,454,800,165
2015	1,117,161,089	31,736,178,319
2014	1,107,015,215	30,796,658,950
2013	912,531,665	30,444,978,195
2012	782,358,521	29,842,363,341
2011	918,447,009	29,460,598,354
2010	854,185,593	29,032,891,346

NOTES:

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

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

DURHAM COUNTY, NORTH CAROLINA

Demographic and Economic Statistics Last Ten Years

Year	Population Estimates ¹	Personal Income ² (thousands of dollars)	Per Capita Personal Income ³	School Enrollment ⁴	Unemployment Rate ⁵
2019	320,639	*	*	32,343	4.00%
2018	308,941	*	*	32,629	3.80%
2017	301,243	\$ 14,904,230	\$ 47,825	32,907	3.80%
2016	293,647	14,064,619	45,931	33,144	4.70%
2015	290,874	13,394,612	44,507	33,626	5.40%
2014	284,437	12,611,613	42,830	33,296	5.30%
2013	277,588	11,921,155	41,376	32,484	7.60%
2012	275,960	11,454,941	40,963	32,671	8.20%
2011	271,238	10,567,605	38,654	32,566	8.40%
2010	267,849	10,190,008	38,795	32,551	7.80%

Notes:

* Information not yet available

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

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

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

2008-2015 is actual per capita income provided by Bureau of Economic Analysis, last update November 17, 2016.

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

(5) North Carolina Employment Security Commission.

DURHAM COUNTY, NORTH CAROLINA

Principal Employers Current Year and Nine Years Ago

Employer	2019			2010		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Duke University & Health System	38,880	1	18.63%	32,848	1	18.49%
International Business Machines (IBM)	8,000	2	3.83%	10,000	2	5.63%
Durham Public Schools	4,600	3	2.20%	5,389	3	3.03%
Blue Cross Blue Shield of North Carolina	4,281	4	2.05%	2,400	5	1.35%
Fidelity Investments	3,700	5	1.77%	1,900	9	1.07%
IQVIA (Formerly Quintiles Transnational Corp.)	3,000	6	1.44%			
Cree, Inc.	2,542	7	1.22%	1,750	10	0.99%
Durham City Government	2,466	8	1.18%	2,250	7	1.27%
Research Triangle Institute(RTI)	2,276	9	1.09%	2,300	6	1.29%
Lenovo Group, Ltd.	2,200	10	1.05%			
GlaxoSmithKline				5,000	4	2.81%
Veterans Affairs (VA) Medical Center				2,160	8	1.22%
	<u>71,945</u>		<u>34.47%</u>	<u>65,997</u>		<u>37.16%</u>

Source: Durham Chamber of Commerce and Bureau of Labor Statistics

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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, 2019; as defined in the Series 2003 Revenue Bonds official statement for the Trust Agreement dated December 1, 2002 with First-Citizens Bank & Trust Company.

Management’s Responsibility for the Schedule

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the schedule referred to above is presented fairly, in all material respects as, described in the Trust Agreement referred to in the first paragraph, of the County as of and for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Restricted Use

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

A handwritten signature in black ink, appearing to read "Cherry Bolant" followed by a stylized flourish or initials.

Raleigh, North Carolina
November 19, 2019

DURHAM COUNTY, NORTH CAROLINA

Schedule of Debt Covenant Compliance Year Ended June 30, 2019

	Enterprise Fund Sewer Utility Fund
Operating revenues	
Charges for services	\$ 9,275,868
Total operating revenues	<u>9,275,868</u>
Operating expenses	
Personnel services	2,052,228
Utilities	538,451
Maintenance and other	3,924,008
Depreciation	<u>3,152,486</u>
Total operating expenses	<u>9,667,173</u>
Operating income (loss)	<u>(391,305)</u>
Add:	
Depreciation expense	<u>3,152,486</u>
Income available for debt service	<u><u>\$ 2,761,180</u></u>
Fiscal year revenue bond debt payments	\$ 929,260
Fiscal year total debt payments	\$ 1,820,814
Senior lien debt service coverage	2.97
Total debt service coverage	1.52
Series 2003 Revenue Bond Covenant Requirement	
Senior lien debt service coverage	1.20
Total debt service coverage	1.00



Acknowledgments

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

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

Jessica Brown-Linton, Deputy Chief Financial Officer

Crystally Wright, Compliance Manager

Sonya Long, CPA, Executive Accountant

Tiffany Long, Senior Accountant

Kimberly Thompson, Senior Accountant

Michelle Robinson, Payroll Manager

Chrystal Thomas, AP Manager

Tonia Hernandez, Accountant

Jose Rivera, Accountant

Yolanda Deaver, Contractor

