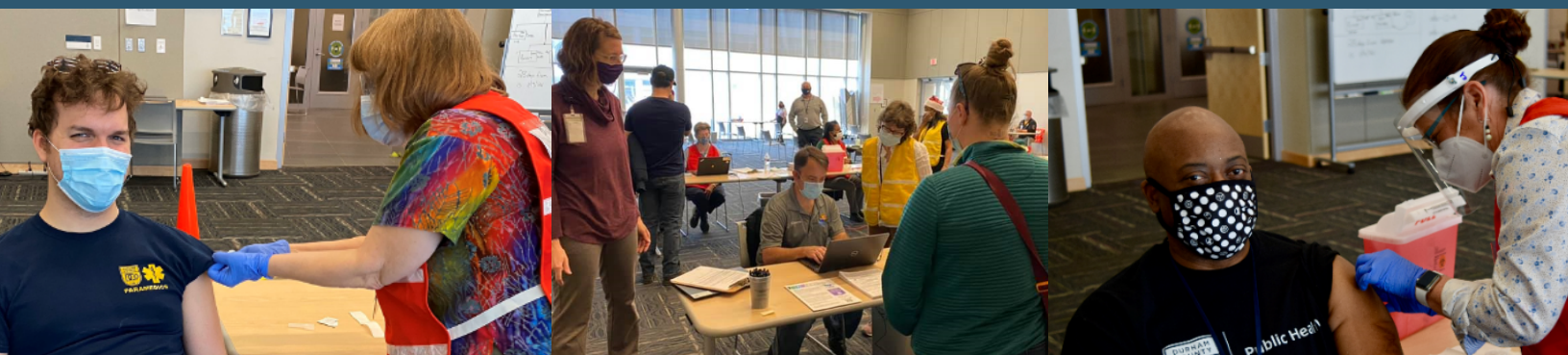


COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020



COUNTY OF DURHAM, NORTH CAROLINA



County of Durham, North Carolina



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020

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Prepared by the Durham County Finance Department

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**INTRODUCTORY SECTION
(TAB)**



Letter of Transmittal

January 13, 2020

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, 2020.

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, 2020 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, 2020 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 331,807. 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 2020 Durham County was selected as a “Top 10 Digital County” by placing as the #3 digital county in the nation for the population category in the latest Digital Counties Survey. This award identifies the best technology practices amount U.S. Counties. In July 2020 Wallethub ranked Durham #4 in “Most Educated Cities” in America. Durham continues to be ranked as one of the up-and-coming tech hotspots of metro areas. In November 2020, CompTIA ranks Durham-Chapel Hill metro at #13 on “Top 20 Best Tech Cities for IT Jobs” expecting more high-tech jobs and continuous growth in the tech field. In December 2019, WalletHub recognized Durham as “Most Caring Cities in America” depicting Durham as having a connection with others and being concerned about others wellbeing. Inc. ranked Durham #7 as one of the “15 Best Cities for Women Entrepreneurs” that has a large percentage of women business owners self-employed.

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 2019 totaling \$1.2 billion, with 1,981 jobs announced in the County. In addition, business expansions announced for calendar year 2020 totaled over \$1.4 billion with plans to create another 3,438 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. Moody’s analytics analyzed U.S. metro areas capabilities for a strong recovery post-coronavirus and Durham County was reported as one of the top 100 U.S. cities best positioned to bounce back from the coronavirus pandemic. The Common Traveler reported in August 2020 that Durham is a “Great Small City” for up-and-coming cities. In 2020, Forbes ranked Durham #16 as “best places for business and careers” and U.S. News ranked Durham #24 in “Fastest-Growing Places” as being known for research/technology roots. Niche, for 2020, ranked Durham 30 out of 228 “Most Diverse Cities in America” and #8 “Most Diverse Places to Live in North Carolina.” OnQFinancial ranked Durham as one of the “10 Most Affordable Places to Live in North Carolina” stating that Durham has everything needed “wrapped in a single location, all the while maintaining its affordability.”

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 2020, Beam Therapeutics, a Boston-based biotechnology company developing precision medicines through DNA based editing, announced plans to build a \$83 million facility with the creation of 201 new jobs and Eli Lilly announced their return to RTP, a pharmaceutical company, investing \$474 million in the old GlaxoSmithKline campus for a massive manufacturing complex, creating more than 460 new jobs. Many of the announcements that occurred in calendar year 2020 have expanded Durham County's international reputation as one of the premiere locations for Life Science companies. In January, Eli Lilly and Company, a global healthcare and biopharmaceutical company as well as Fortune 150 company, announced a project investment of \$440 million, creating over 460 new jobs. Additional announcements by Life Science Companies followed with GRAIL, Inc. Beam Therapeutics and BioAgilytix. Further company expansion includes Nuvotronics, producer of microelectronics through their patented PolyStrata technology and Clorox will relocate their headquarters for their Better Health Vitamins, Minerals and Supplement (VMS) business line in Durham. In sum, calendar year project announcements totaled 2,588 new jobs and \$777,500,000 in new investments that are expected to generate more than \$10 million in new property tax revenue over the course of the projects' first five years. In December 2019, CEOWorld Magazine ranked Durham #3 for the "50 Best Cities in America for Starting a Business in 2020".

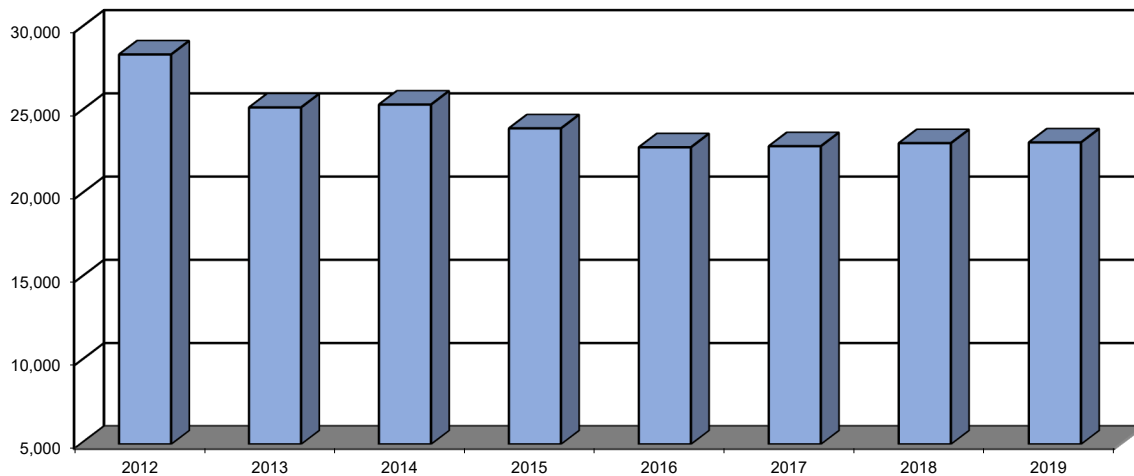
Research conducted in Durham County continues to cover a broad range of high-tech fields such as biotechnology, medical instrumentation, metallurgy, electronic hardware and software development, health care products, digital switching and transmission systems, telecommunication and microelectronics. There also continues to be an abundance of highly skilled graduates from the region's research universities and prestigious law, business and medical schools. In September 2020, US News, ranked Duke #12 in "National Universities" and ranked North Carolina Central University #10 in "Biological/Agricultural" and #9 "Software Engineering."

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 2020, US News & World Report ranked Duke University School of Nursing #2 "best graduate nursing school" and #1 "best nursing school for Nurse Practitioner: Family"; Duke also nationally ranked as high performing in 11 adult specialties and 9 children's specialties. US News & World Report "Best Regional Hospitals" ranked Duke #1 as "Best Hospitals in Raleigh-Durham, NC". 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 increase in employment from 23,092 in 2018 to 23,137 in 2019. The County experienced an increase of 45 (.19 percent) manufacturing jobs in calendar year 2019. With this slight increase in jobs in this sector, the local economy continues to remain stable even with the rise 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 2020, Livability ranked Durham #9 as "2020 Top 100 Best Places to Live" with a cozy city booming with opportunity and US News ranked Durham #2 "Best Places to Live in North Carolina in 2020-21." In February 2019, Ecophiles.com named Durham Farmer's Market at the "Top 9 Farmer's Markets to Visit Across America" where you can go to purchase fresh foods and other goodies. In March of 2019, Moving.Com ranked Durham #4 in "15 Affordable Cities with a High Quality of

Life” noting that Durham is exceptional livable with the abundance of jobs and cultural events. In July 2019, Durham being a part of the Triangle (Durham, Raleigh, Chapel Hill) was named #4 Best in most educated city in U.S. out of 150 largest metropolitan areas. In addition, Durham boasts nationally acclaimed restaurants. In 2020, The Washington Duke Fairview Dining Room received the “AAA Four Diamond Award” of which it has been honored to receive this award for 24 consecutive years. 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. Currently, due to the pandemic and prohibitions on large events by the State of North Carolina and City of Durham, DPAC has suspended all public events. But prior to the pandemic in 2020 Billboard Magazine ranked the DPAC #7 in “Gross Sales in the US for Venues up to 5,000 Capacity; Pollstar Magazine ranked them #5 in “Attendance in the US”; and Venues Now ranked them #3 in “Attendance in the US for 2,001-5,000 Capacity Venues”. 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. Baseball America ranked Durham “6th Best Minor League Ballpark; Smartasset ranked Durham “#5 Best Minor League Baseball Town”, and Homebuyer ranked Durham “Best City in the US for Millennials. In January 2020, POPSUGAR Living ranked Durham #10 as one of the “30 Places in the US You Should Visit Before You Turn 20s” stating that Durham was an emerging city with hip lounges, locally brewed beer and cider, and small boutiques making it one of the most moved-to cities for young people. 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 November 2020, VacationIdea Magazine name the Sarah P Duke Gardens in Durham #2 “25 Best Things to Do in North Carolina” a place to see beautiful landscaped wooded terrain with five miles of paths and walkways.

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)
 US Department of Veterans Affairs
 Cree, Inc.
 AW North Carolina, Inc.
 US Environmental Protection Agency (EPA)
 Durham County Government
 North Carolina Central University
 Amazon
 Biogen
 Harris Teeter
 BASF Corporation Agricultural Products Group
 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 2019 were over \$1.2 billion. Economic development announcements occurring for 2020 amounted to over \$1.4 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.

	2012	2013	2014	2015	2016	2017	2018	2019
Durham MSA	40,963	41,376	46,584	48,389	49,315	52,277	52,727	54,423
Raleigh MSA	42,709	43,947	47,346	49,714	50,444	52,444	56,207	57,851
North Carolina	37,910	38,683	39,365	40,759	42,244	44,233	46,216	47,766
United States	45,188	44,765	46,494	48,451	49,246	51,731	54,606	56,490

Source: Bureau of Economic Analysis

Note: Effective for the fiscal year 2012 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 for the calendar year prior to the previous calendar year.

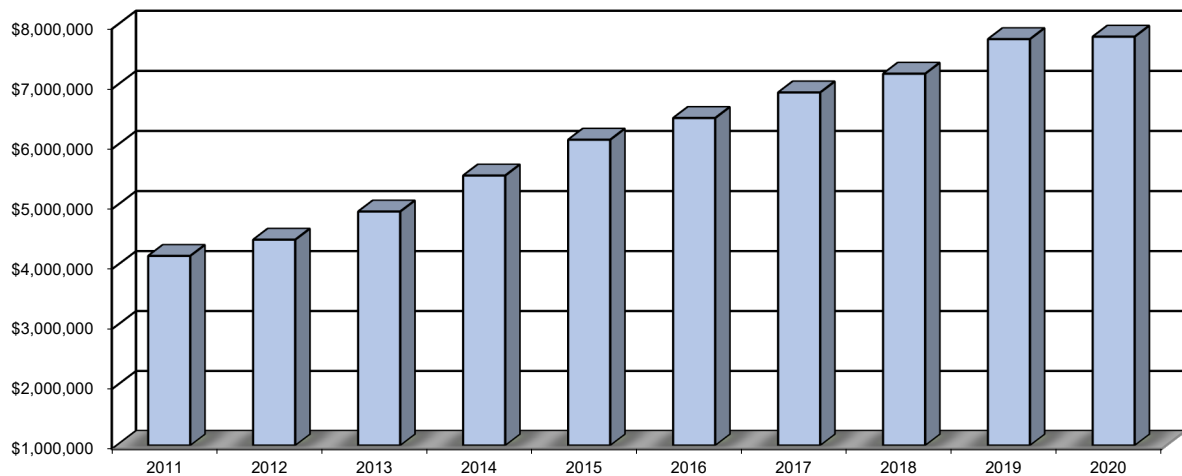
Note: The Bureau of Economic Analysis makes comprehensive revisions to the per capita income estimates annually. The latest revision was November 2015 for periods 1969-2013.

Note: The Bureau of Economic per capita personal income by Metropolitan Area 2017-2019 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.

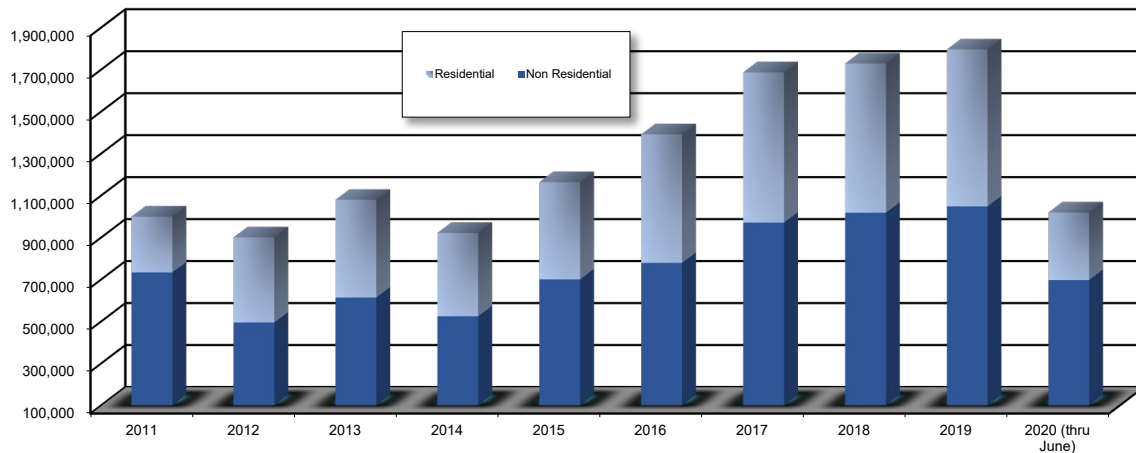
Year Ended June 30,	Total Taxable Sales (000's)	Percent Growth Over Previous Year
2011	\$ 4,163,246	3.50%
2012	4,434,078	6.51%
2013	4,902,628	10.57%
2014	5,501,325	12.21%
2015	6,097,770	10.84%
2016	6,458,506	5.92%
2017	6,884,030	6.59%
2018	7,195,550	4.53%
2019	7,771,144	8.00%
2020	7,811,731	0.50%



Since fiscal year 2009 when the economy started to slowly recover, Durham's retail sales have continued to increase from over \$7.77 billion in fiscal year 2019 to slightly over \$7.81 billion in fiscal year 2020. 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 2020, the total taxable sales reported were over \$7.81 billion, an increase of over \$41 million (0.50%), 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.

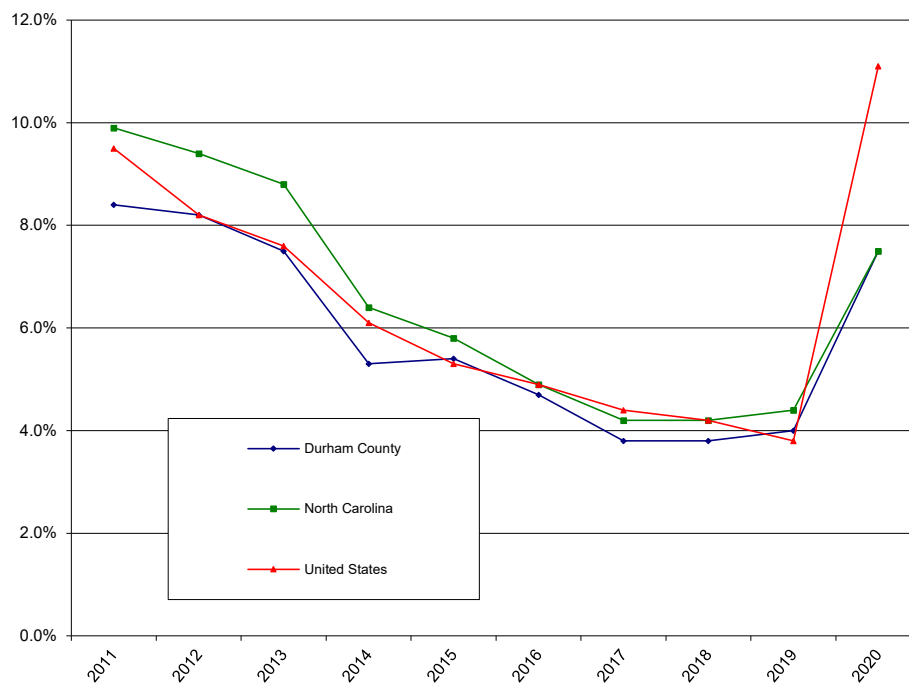


As of June 30, 2020, the total number of occupied dwelling units in Durham County was 123,791. Also, for the first six months of 2020, 2,148 residential permits have been issued for new residences and for improvements, repairs and expansions of existing residences. From calendar year 2018 to 2019, there was an overall increase in the value of all building permits issued in the County. The increase was in the value of non-residential and commercial 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
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%
2020	7.5%	7.5%	11.1%



As of June 2020, the County's unemployment rate was 7.5%, an increase of 3.5% from June 2019. Although the County's unemployment rate increased considerably, the County's unemployment rate compares favorably to the State's 7.5% and a considerably percentage lower than the average unemployment rate of 11.1% 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. The most recent Master Plan, amended in fiscal year 2018, 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 2019-2020 fiscal year, the Board of County Commissioners (BOCC) updated 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: Main Library Renovation, Detention Center Officers Station Improvements, Detention Center HVAC Grill and Bunk Bed Replacement, Public Defender Office Modifications and the Judicial Building Annex Renovation (old First Union). Several projects are currently in the construction phase including the following: Administration Building 1 Renovation, New EMS Station #1, Extensions to the County Fiber Network through collaboration with the Duke Fiber Project and the Alliance Behavioral Healthcare Space Reorganizations within the Human Services Building. Other projects are in various stages of design, bidding, preliminary activities and/or regulatory approvals include the following: 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), Triangle Wastewater Treatment Plant Administration Building, Solid Waste Convenience Site Upgrades, and Upgrades to the Sheriff's Firing Range, Leasehold improvements for a new restaurant in Administration Building II, and the Pre-development Process with DFI for the old DSS Main building. Feasibility studies for the Animal Shelter and the EOC facility will be used in upcoming CIP discussions/presentations to the BOCC have also been completed and/or currently nearing completion.

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 ten 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”, the Human Services Facility – “Silver”, and most recently the Main Library Renovation obtained a “Gold” Certification. “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 Administrative Building Renovation, Judicial Building Annex, and the new EMS Station 1 which are current projects under construction and/or recently 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, 2019. 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.

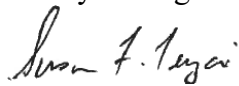
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2019

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION (TAB)

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durham County, North Carolina (the "County"), as of and for the year then ended June 30, 2020 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, 2020, 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 January 13, 2021 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.

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

Raleigh, North Carolina
January 13, 2021

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, 2020. 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 2020 fiscal year by \$149,924,865 (*total net position*). However, of this amount, unrestricted net position has a deficit balance of (\$151,535,380) (*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 \$14,782,389, an increase of 10.94 percent, due to increases in both the governmental activities' net position and the business-type activities' net position of just under \$12.45 million and \$2.34 million, respectively.
- As of the close of the 2020 fiscal year, the County's governmental funds reported combined ending fund balances of \$310,987,243, an increase of \$27,339,652 in comparison with the prior year. Approximately 16.5 percent of this total amount, or \$51,346,199, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$178,944,755 or 36.25 percent of total general fund expenditures, compared to fiscal year 2019 which was \$166,383,335 or 35.31 percent of total general fund expenditures. The net change in fund balance for fiscal year 2020 in the general fund was an increase of \$8,959,214 with a 0.94 percent decrease in the fund balance available as a percentage of expenditures. The primary reasons for the increases are the revenue collections were 102.27 percent of budget while expenditures were 93.89 percent of budget. The net change in fund balance increased by almost \$5.21 million in fiscal year 2020 from fiscal year 2019. The primary reasons for the increase in the net change in fund balance was the increase in the ratio of excess revenues over expenditures of over \$1.2 million, plus the decrease in transfers out of over \$6.4 million offset in part by the decrease of transfers in by over \$2.4 million.
- The County's total debt increased by \$36,939,895 (4.76 percent) during the 2020 fiscal year. The key factors in this increase were the issuance of new debt (including premium and refunding) in the amount of \$51,843,345 and the increase in the LGERS pension obligation of \$4,108,560, as well as by the increase in the County's total OPEB liability of \$18,082,128, offset by the annual

retirement of governmental and business-type activities debt. Durham County continues to maintain its AAA bond rating.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

Following the notes is the required supplementary information.

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include general government, public safety, transportation, economic and physical development, environmental protection, human services, education, cultural and recreational and interest and fiscal charges.

Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include sewer utility services offered by Durham County. The final category is the component units. Durham County ABC Board is legally separate from the County however the County is financially accountable for the Board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

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

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

Governmental funds. *Governmental funds* are used to account for those functions reported as *governmental activities* in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resource 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 \$149,924,865 as of June 30, 2020. 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 \$14,782,389 for the fiscal year ended June 30, 2020. One of the largest portions in the amount of \$191,607,174 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 369,680,087	\$ 330,122,673	\$ 42,235,591	\$ 41,427,438	\$ 411,915,678	\$ 371,550,111
Capital assets	485,289,325	475,286,089	69,994,795	70,113,516	555,284,120	545,399,605
Total assets	854,969,412	805,408,762	112,230,386	111,540,954	967,199,798	916,949,716
Total deferred outflows of resources	55,143,576	51,444,877	603,106	700,333	55,746,682	52,145,210
Long-term liabilities outstanding	797,025,045	758,708,180	15,354,010	16,730,980	15,354,010	759,998,891
Other liabilities	26,810,407	24,543,887	923,353	1,290,711	27,733,760	41,274,867
Total liabilities	823,835,452	783,252,067	16,277,363	16,730,980	840,112,815	799,983,047
Total deferred inflows of resources	32,874,201	32,645,472	34,599	33,220	32,908,800	32,678,692
Net position:						
Net investment in capital assets	136,546,994	169,099,967	55,060,180	53,816,232	191,607,174	222,916,199
Restricted	68,391,721	64,193,834	2,108,332	3,374,189	70,500,053	67,568,023
Unrestricted	(151,535,380)	(192,337,701)	39,353,018	36,995,955	(112,182,362)	(155,341,746)
Total net position	\$ 53,403,335	\$ 40,956,100	\$ 96,521,530	\$ 94,186,376	\$ 149,924,865	\$ 135,142,476

The second portion of the County's net position in the amount of \$70,500,053 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, 2020, the unrestricted net position is a deficit in the amount of (\$112,182,362). 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 LEOSA 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 (\$151,535,380) 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 \$39,353,018.

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DURHAM COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business - type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 34,442,617	\$ 34,692,476	\$ 11,658,657	\$ 12,659,769	\$ 46,101,274	\$ 47,352,245
Operating grants and contributions	54,132,867	49,452,242	-	-	54,132,867	49,452,242
Capital grants and contributions	1,530,189	3,122,406	-	-	1,530,189	3,122,406
General revenues:						
Taxes	418,664,907	391,293,597	-	-	418,664,907	391,293,597
Investment and interest income	8,800,011	965,567	382,011	600,355	9,182,022	1,565,922
Other revenues	788,094	982,195	-	(3,524)	788,094	978,671
Total revenues	518,358,685	480,508,483	12,040,668	13,256,600	530,399,353	493,765,083
Expenses:						
General government	89,530,531	65,306,869	-	-	89,530,531	65,306,869
Public safety	96,780,516	86,231,267	-	-	96,780,516	86,231,267
Transportation	228,549	244,338	-	-	228,549	244,338
Economic and physical development	9,416,002	5,996,057	-	-	9,416,002	5,996,057
Environmental Protection	8,349,531	6,760,218	-	-	8,349,531	6,760,218
Human services	101,256,274	91,657,739	-	-	101,256,274	91,657,739
Education	182,574,991	172,358,720	-	-	182,574,991	172,358,720
Cultural and recreational	17,520,440	15,782,278	-	-	17,520,440	15,782,278
Interest and fiscal charges	254,616	19,100,202	-	-	254,616	19,100,202
Sewer utility	-	-	9,705,514	10,123,859	9,705,514	10,123,859
Total expenses	505,911,450	463,437,688	9,705,514	10,123,859	515,616,964	473,561,547
Increase (decrease) in net position	12,447,235	17,070,795	2,335,154	3,132,741	14,782,389	20,203,536
Net position, beginning	40,956,100	23,885,305	94,186,376	91,053,635	135,142,476	114,938,940
Net position, ending	\$ 53,403,335	\$ 40,956,100	\$ 96,521,530	\$ 94,186,376	\$ 149,924,865	\$ 135,142,476

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 99.29 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 \$12,447,235 or 84.20 percent of the total increase in the net position of the County. This amount is an increase of 30.39 percent of the governmental activities beginning net position. This is down from a prior year increase of \$17,070,795 or 84.49 percent of the total increase in the net position of the County. However, revenues increased in fiscal year 2020 compared to fiscal year 2019 by over \$37.85 million (7.88 percent). Expenses increased as well, by over \$42.47 million (9.16 percent). In fiscal year 2020, property taxes levied for general purposes and for fire districts increased by over \$24.6 million (8.42 percent) and almost \$512 thousand (6.17 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 tenth consecutive year by over \$2.98 million (3.53 percent) as a result of increased spending and collections, especially collections of sales tax from online purchases, an indicator of a robust economic climate. Investments increased by over \$7.83 million (811.38 percent) which is primarily because of a increase in fair market value of investments by \$3.63 million compared to a prior year decrease of almost \$8.3 million, offset in part by an increase of only almost \$25 thousand in fiscal year 2020 in the value of the financial derivative instrument for the County's SWAP Agreement per GASB Statement No. 53 compared to an increase of almost \$1.5 million in fiscal year 2019, combined with a decrease in accrued interest receivable of slightly over \$297 thousand whereas there was an increase of over \$788 thousand in accrued interest receivable in the prior fiscal year, resulting in a variance of over \$1.08 million compared to fiscal year 2019. The increase is additionally partially offset by a decrease in investment earnings of over \$1.5 million.

Program revenues for charges for services decreased by just under \$250 thousand (0.72 percent) while operating grants and contributions increased by \$4.68 million (9.46 percent), and capital grants and contributions decreased by \$1.59 million (50.99 percent).

Charges for services increased for general government by just under \$1.9 million, but this increase was more than offset by decreased revenue of \$1.4 million for the human services function primarily due to the decrease per the agreement in the Duke lease payment for hospital space of \$1.35 million and almost \$598 thousand for public safety. The increase in the general government charges for services was due mainly to \$603 thousand in revenue related to the 2020 election and over \$1.14 million in increased charges for register of deeds. Additional increases in general charges of \$409 thousand and collection fees of \$192 thousand were offset by a net increase of almost \$600 thousand comprised of a \$1.16 million increase in the change in the net property tax receivable partially offset

by a decrease of almost \$565 thousand due to the decrease in the change of the EMS receivable in the current fiscal year. Slight decreases in revenue for cultural and recreational, environmental protection, and economic and physical development functions were insignificant.

The operating grant program revenues for the general government function increased by almost \$2.78 million (44.11 percent) due to increases in state hold harmless revenue for fiscal year 2020 of almost \$2 million with an increase of \$681 thousand from the City of Durham for debt service purposes compared to \$0 in prior year. Operating grant program revenues for the public safety function increased by \$1.04 million (21.41 percent) due to increased grant funding, especially with regards to the County jail, emergency management, and emergency medical services departments. The human services function increased by over almost \$1.67 million primarily due to shifting levels of service associated with the ongoing COVID-19 pandemic, while economic development decreased by just under \$614 thousand. Decreases in the environmental protection and cultural and recreational functions were insignificant.

The capital grant program revenues for the general government function decreased by \$1 million as the County did not receive the NC Lottery proceeds of \$1 million in the current fiscal year, despite receiving these funds in fiscal year 2019 and before. Cultural and recreational function decreased by \$400 thousand due to the receipt of funds in fiscal year 2019 for furniture and equipment purchases for the Main Library which is currently under renovation compared to the current fiscal year. Capital grants and contributions for education decreased by \$192 thousand related to fluctuations in construction activity. The County's finances continue to be strong, sound and stable because of solid, dedicated and committed financial management.

Though in certain functional areas, increases in the governmental activities' expenses closely paralleled inflation and growth in the demand for services, the COVID-19 pandemic as well as the March 2020 ransomware cyberattack upon the County led to increased levels of spending in other areas, mainly public safety, human services, and general government. The County's total governmental activities' expenses increased by over \$42.47 million (9.16 percent).

Education expenses increased by almost \$10.2 million (5.93 percent). The County expended funds of \$22.98 million during the year for education-related construction primarily for Durham Public Schools (DPS), and Durham Technical Community College (DTCC) which is consistent with the over \$22.78 million spent in fiscal year 2019. Funding for DPS increased by \$7.25 million, almost \$342 thousand for DTCC, and almost \$2.43 million for other education related to childcare services.

Human services expenses increased by almost \$9.6 million (10.47 percent) due in large part to an increase in public health spending of \$2.13 million mainly for confronting the COVID-19 pandemic and an increase in social services of over \$1.92 million related to an increased level of service in large part attributable to the pandemic as well. Pension expense and the net pension liability combined with deferred inflows and outflows increased by over \$6.266 million offset by an increase in net capital asset additions of \$805 thousand.

Interest and fiscal charges decreased by over \$18.84 million (98.67 percent) due to the \$16.6 million difference in refunding proceeds compared to the cost of debt refunding from the advance taxable bond refunding undertaken in fiscal year 2020. Also contributing to the decrease is an increase in the

amortization of the bond premium of \$496 thousand between fiscal year 2020 and 2019, a decrease in fiscal charges paid of \$412 thousand, and a net decrease in the change of the accrued interest payable of almost \$787 thousand, and an increase in additional funds received as a result of refunding for over \$648 thousand.

Public safety expenses increased by almost \$10.55 million (12.23 percent) in large part due to a net increase of almost \$6.82 million in public safety expenditures over prior year in the general fund. This increase is mainly due to the County's continuing response to the COVID-19 pandemic and appears largely in the expenditures of the emergency management and sheriff departments. There was also an increase of \$1.36 million in construction activity in fiscal year 2020. The increase is also due to an increase in the LGERS pension expense and net pension liability combined with deferred inflows and outflows since prior year of over \$6.26 million offset in part by an increase of almost \$3.2 million in CIP additions over the prior year.

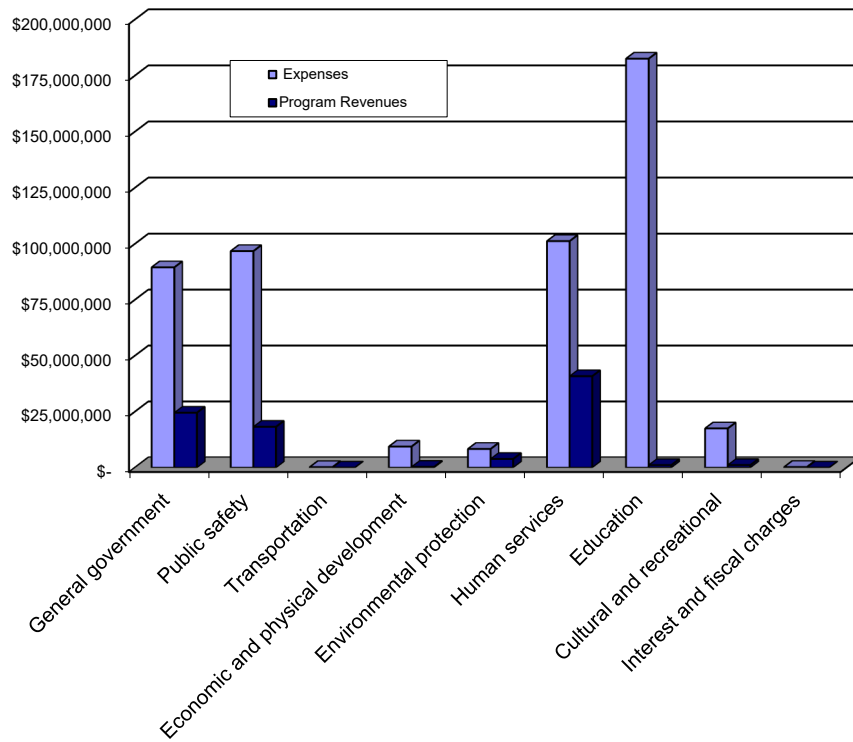
General government expenses increased by over \$24.22 million (37.09 percent) due to an increase of \$4.43 million in general fund expenditures mainly due to a \$2 million increase in information technology spend in order to recover from the March 2020 ransomware cyberattack perpetrated against the County, plus an increase of \$985 thousand in election expenditures as 2020 was a presidential election year, in addition to increases in finance and legal of over \$545 thousand and \$465 thousand, respectively. Less significant fluctuations in other departments contributed to the remainder of the net increase in general fund expenditures. This increase is offset by a reduction in construction spending of \$2.84 million over prior year. The main component of the net increase is increase of \$26.98 million in the change in the OPEB liability, expense, contributions and deferred inflows and outflows since prior year, offset by a net increase of \$3.74 million in LGERS pension expense, contributions, and the change in the liability and deferred inflows and outflows over prior year.

Economic and physical development expenses increased by almost \$3.42 million (57.04 percent) mainly due to increases in industrial extension policy payments of over \$1.94 million and construction spending of \$1.17 million compared to no construction spending in prior year.

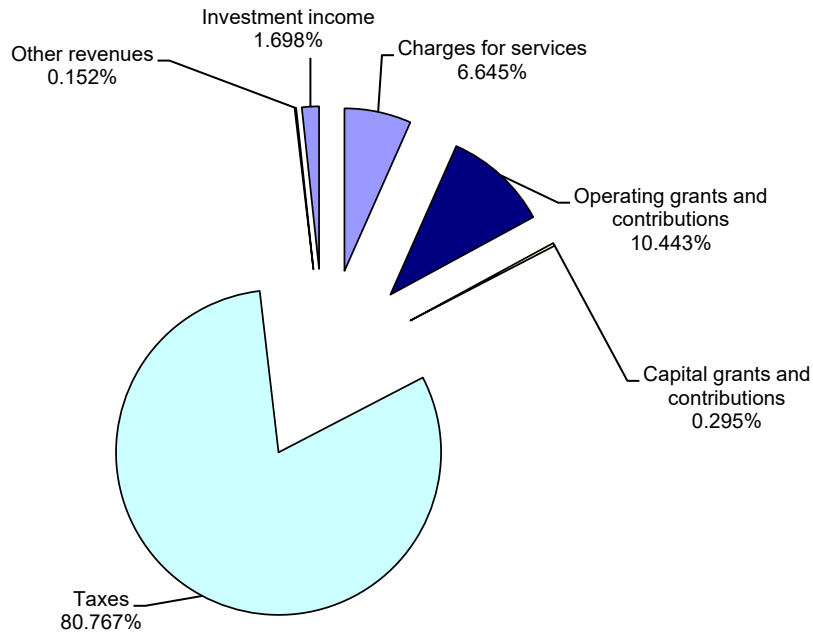
Increases in expenses for the cultural and recreational and environmental protection functional areas were less significant. There was an insignificant decrease in transportation.

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Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

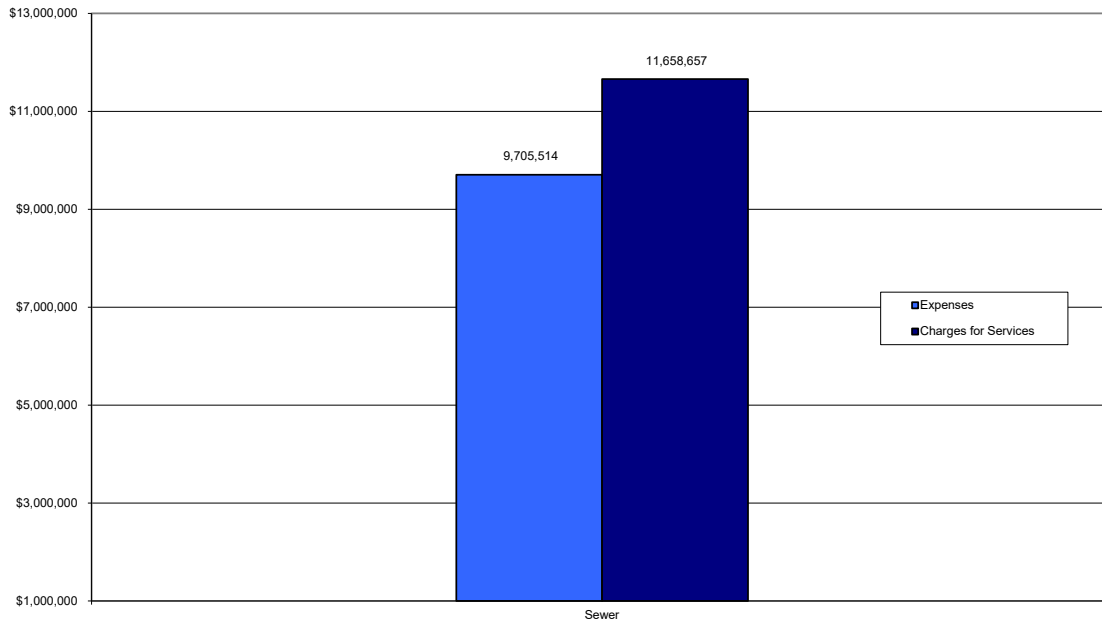


Business-type activities. Business-type activities increased the County's net position by \$2,335,154 accounting for 15.8 percent of the total growth in the government's net position. Key elements of this are as follows:

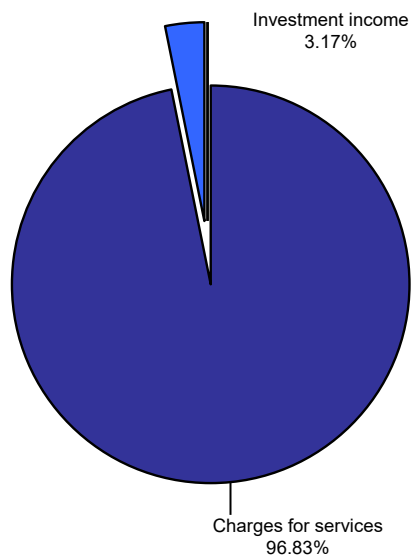
- Expenses decreased \$418,345 (4.13 percent) primarily because of decreases in operating expenses related to a reduction in maintenance expense of close to \$608 thousand, partially offset by increases in personnel services of \$134 thousand and in depreciation expense of \$78 thousand. The decrease in maintenance costs is due to fiscal year 2019 having been a maintenance intensive year. The operating margin year over year increase by over \$1.3 million thanks to part to this net decrease in operating expenses. There were no debt issuance costs for fiscal year 2020. Depreciation expense remained consistent in fiscal year 2020.
- Charges for services decreased by \$1,001,112 (7.91 percent). 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 are 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. Thus, user fees increased by \$950 thousand (10.25 percent). The overall decrease in charges for services then is mainly due to a reduction in new sewer system connections in the RTP area, leading to a decrease of \$1,959,050 (57.89 percent) in sewer connection fees related to new development. This decrease more than offset the increase due to user charges. It is important to note that 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 of new equipment, as well as the maintenance and upkeep of existing sewer capacity.
- Investment and interest income decreased by \$218,324 (36.37 percent) primarily because of market fluctuations that affected earnings as well as an increase in the accrued interest receivable at year end of over \$28 thousand.
- There were no capital contributions (sewer lines) from private developers in fiscal year 2020.

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Expenses and Charges for Service 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 \$310,987,243, an increase of \$27,339,652 in comparison with the prior year. Approximately 83.5 percent of this total amount (\$259,641,044) 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 (\$1,108,957), 2) restricted by revenue source for specific purposes, programs and services (\$3,171,756), or 3) because it is restricted by State Statute (\$47,065,486).

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 \$178,944,755, while total fund balance reached \$220,112,490. 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, 2020, the County has an available fund balance of 36.25 percent of general fund expenditures, while total fund balance represents 44.59 percent of that same amount. The percentage of available fund balance to total general fund expenditures increased from 35.31 percent for fiscal year 2019 to 36.25 percent for fiscal year 2020, an increase of 0.94 percent. The net change in the general fund balance for fiscal 2020 was an increase of \$8,959,214. The primary reasons for the increase are that the revenue collections were 102.27 percent of budget while expenditures were only 93.89 percent of budget.

Key factors in the increase of the fund balance in the County's general fund during the current fiscal year are as follows:

- The general fund taxes increased by 6.73 percent or \$25,679,154. This increase is for the most part the result of increased collections in the current year levy collections of \$23,394,005 (8.04 percent) combined with an increase in local option sales tax of \$2,983,437 (3.53 percent), offset slightly by a decrease in occupancy tax revenue in the amount of \$688,054 (15.96 percent) due to the drop in local tourism and business travel caused by the ongoing COVID-19 pandemic. Other tax revenues did not change materially since prior year. 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 as well as continued collections of taxes from online sales. This is the tenth consecutive year of increased local option sales tax collections which is excellent.

- Intergovernmental revenues of the general fund increased by 8.07 percent or \$3,951,847. The increase is primarily because of an increase in human services funding for social services of over \$1.28 million. There was also an increase in funding for other intergovernmental revenues of almost \$2.57 million, for the most part due to the increase in the fiscal year 2020 State hold harmless payment of just under \$2 million, with the balance of the increase due to additional federal and grant funding of law enforcement and emergency management programs.
- Charges for services increased by \$2,032,249 (7.03 percent). This is in part due to an increase of \$603 thousand in elections registration lists charges as fiscal year 2020 is an election year. There was also an increase of over \$1.14 million for the Register of Deeds due to increased service levels. General government charges increased by \$409 thousand. Changes in other charges for service revenues were immaterial.
- Investment earnings decreased by almost \$1.15 million (20.11 percent) mainly due to market conditions and rent decreased by \$173 thousand (19.19 percent) due to a reduction in rentals of County property for outside events.
- Licenses and permits decreased by \$56,355 (3.36 percent) mainly because of a decrease in construction permits of \$31 thousand as well as a decrease of \$36 thousand in cablevision and franchise fees. Changes in wine and beer license and other revenues were immaterial.
- Other revenues decreased by \$237,013 (24.44 percent) primarily because of an almost \$145 thousand decrease in miscellaneous other revenues plus an over \$65 thousand decrease in proceeds from sale of surplus property.
- General government expenditures increased by \$4,429,582 (7.61 percent). Increases in information systems and technology accounted for a high proportion of that change with an increase of slightly over \$2 million. This can mainly be attributed to expenditures incurred in order to recover from the March 2020 ransomware cyberattack that affected the Durham County Government. The next largest department level increase was for the Board of Elections in the amount of almost \$985 thousand dollars due to 2020 being a presidential election year and the need to adequately prepare for the election despite the COVID-19 pandemic. Other increases in expenditures included the finance (over \$545 thousand) and legal (\$465 thousand) departments. Variances in expenditures for other departments within the general government functional area were less significant.
- Public safety increased by \$6,817,258 (10.00 percent), with the bulk of the change due to increases in County fire protection (\$2.50 million), County sheriff (over \$2.29 million), County jail (\$848 thousand), and EMS (\$631 thousand). County fire protection includes the emergency management department which has been working with the public health department to respond to the COVID-19 pandemic and therefore is incurring higher personnel and operating expenditures than in prior year. Expenditures for the County sheriff and jail are also affected by the demands of the pandemic and therefore are also increasing in both operating and personnel categories.

- Transportation expenditures decreased marginally by \$15,789 due to reduced funding to the GoTriangle transit program given the light rail project has been placed on hold as of prior year.
- Economic and physical development increased by \$2,058,095 (43.33 percent) primarily because of increased payouts of public funds for local economic development agreements of over \$1.9 million was the primary factor. New payments to ALP East of almost \$265 thousand, to DID of \$500 thousand, Chesterfield Parking of \$480 thousand, Pairwise for \$200 thousand, Locus Bio for \$100 thousand, the 21C Hotel for \$400 thousand, and Avexis for \$420 thousand. No payments were made to Aurobindo, Novozymes, Purdue Holdings, or Biomerieux in the current fiscal year, representing a reduction of almost \$423 thousand since fiscal year 2019, which partially offsets the increase due to the new payments noted above. Increases in funding for the joint County/City planning department of over \$252 thousand were offset by decreases of \$212 thousand in cooperative extension due to less opportunity for community outreach during the COVID-19 pandemic. Other variances were insignificant.
- Human services' expenditures increased by \$4,908,546 (5.67 percent). This increase is due to the increase in public health of \$2.13 million, the increase in social services (almost \$1.93 million), and the increase in other human services by just under \$759 thousand. These increases are attributable to the County's ongoing response to the public health emergency caused by the COVID-19 pandemic.
- Education increased by \$10,019,732 (6.71 percent) from the prior fiscal year. Of this increase, Durham Public Schools and Durham Technical Community College received increased funding for operating expenditures of \$7,250,000 and \$341,955, respectively. Other education increased by \$2,427,777 primarily due to spending for childcare services.
- Cultural and recreational decreased by \$260,999 (1.88 percent), with an over \$355 thousand decrease in other cultural and recreational due to the reduction in funding for the Durham County Visitor's Bureau, partially offset by a modest increase for the library system of over \$94 thousand.
- Environmental protection increased by \$884,810 (16.88 percent) primarily due to an increase in expenditures for environmental engineering of over \$883 thousand due in part to increases in open space expenditures related to the purchase of land and easements. Fluctuations in personnel, including \$154 thousand for employee health benefits and operating expenditures make up the balance of the increase.

The Community Health Trust Fund has a total fund balance of \$104,668. This money is assigned as a financing resource to be used for health-related operating and capital expenditures as directed and approved by the Board of County Commissioners. The net decrease in fund balance during the current year in the community health trust fund was \$1,380,100. The decrease in fiscal year 2020 was less than the decrease in fiscal year 2019 by slightly under \$733 thousand. This is mainly due to a decrease in charges for service revenue of \$1.35 million offset by a decrease in transfers out to the general fund of over \$2.1 million due to decreased funding of health-related expenditures in the general fund for fiscal year 2020. 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 2020, 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 2020. 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 \$50,046,395. This money is assigned as a financing resource 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 \$18,724,981 due to funding for the fiscal year of intergovernmental revenues, investment earnings, transfers in, and the issuance of installment purchases being greater than the expenditures for the acquisition, construction or improvement of major capital facilities for the County, School System, Durham Technical Community College and Museum of Life and Science. The County's activity was recorded to construction in progress in capital assets of the County while the Schools System's, Durham Technical Community College's and the Museum of Life and Science's activity was recorded in their capital assets as they hold title to those assets.

The primary revenue activity was the recognition of other financing sources, such as the issuance of installment purchases (\$41.05 million), refunding bonds (\$6.87 million), plus a premium on issuance of \$3.27 million, and transfers in (\$18.7 million). The fund also recognized intergovernmental revenues (\$1.53 million), investments (\$455 thousand), and other revenue (\$55 thousand). 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 \$38,003,018, 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 \$913,773 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 (\$110.53 million) and transfers in (\$61.9 million). The fund also recognized intergovernmental revenues (\$1.22 million), charges for services (\$493 thousand), and investments (over \$356 thousand). In the expenditures, there was principal and interest for the retirement of general long-term debt in the amounts of \$41.3 million and \$19.7 million, respectively. In addition, there were debt issuance costs for the refunding bonds of over \$713 thousand. The payment to refund the debt was \$109.88 million. Other financing uses, transfers out were \$1.98 million.

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 \$39,353,018. There was an increase in total net position of \$2,335,154. 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 \$18,862,568 and can be summarized briefly as follows:

- \$4,572,698 in increases allocated to General Government were largely due to honor commitments from fiscal year 2019, cover annual pay adjustments within other General Fund functional areas, and allot additional funds to support health benefits for County employees.
- \$5,596,635 in increases allocated to public safety were primarily to honor commitments from fiscal year 2019; appropriate unspent restricted funds in fiscal year 2020; appropriate general fund reserves to support Covid-19-related temporary housing for homeless individuals in Durham County, personal protective equipment for front-line workers, Covid-19-related grants for Durham County residents and employees, and other grants supporting re-entry programs for justice-involved individuals to reduce recidivism.
- \$861,419 in increases allocated to economic and physical development were primarily to honor commitments from fiscal year 2019 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 Bluebird Bi0 to create 70 new jobs, and recognize funds for a Cooperative Extension "Welcome Baby" grant.
- \$932,490 in increases allocated to environmental protection were primarily to honor commitments from fiscal year 2019, recognize funding for the Stormwater Utility Planning and Implementation contract to assist with requirements for stormwater under the Falls and Jordan Lake Rules, purchase several land easements supporting the County's Open Space initiative, and cover compensation plan adjustments in this functional area.
- \$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.

- \$6,147,942 in increases allocated to human services were primarily to honor commitments from fiscal year 2019; appropriate unspent restricted funds in fiscal year 2020; cover compensation plan adjustments to various Human Services departments; allot Covid-19 response support from the state; support the purchase of necessary Public Health departmental hardware and software; provide funding for the Durham County Detention Center health contract administered by the Public Health department, COVID related prevention and safety needs; appropriate General Fund reserves to purchase ten replacement vehicles for Public Health, numerous grant awards to Public Health and the Department of Social Services, additional Medicaid cost settlement funds and benefits costs for employee claims in this functional area.
- \$650,188 in increases allocated to cultural and recreational were primarily to honor commitments from fiscal year 2019 and recognize grant funding to continue implementation of “Practicing Inclusivity: Establishing a Multi-Sensory Environment, Inclusive Playroom, and Mobile Adaptive Technology and Sensory Units for Transformation Main,” grant funding for a Middle School STEM initiative to reach low-income middle school students to provide programs that ensure youth have fun with STEM while learning and understanding its long-term relevance. Costs for compensation plan adjustments in this functional area also contributed to the budgetary increase.
- \$101,196 in increases to Education were to honor commitments from fiscal year 2019 and provide additional general fund reserve support for Pre-K expansion costs.
- There were no budget amendments for the transportation function during the 2020 fiscal year.

Of this net increase, \$7,496,273 was to be funded from intergovernmental revenues and charges for services. Operating transfers in increased funding by \$339,404. The remaining \$11,026,891 was to be budgeted from available fund balance. During the year, revenues exceeded budgetary estimates by \$11,076,698 while other financing sources fell short of budgetary estimates by \$40,182 only slightly offset this. Expenditures were far less than budgetary estimates with a positive variance of \$27,031,184, 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, 2020 totals \$555,284,120 (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 \$9,884,515 (1.81 percent). governmental activities increased \$10,003,236 (2.10 percent) and business-type activities decreased by \$118,721 (0.17 percent).

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

- Construction for the Durham Public School Projects continued in fiscal year 2020 in the amount of \$15,890,119. 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 2020 in the amount of \$7,091,632. 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 \$9,507,579 during fiscal year 2020.
- Construction for the Museum of Life and Science occurred in fiscal year 2020 in the amount of \$1,696,727. Construction occurred on the Museum of Life and Science exhibit upgrades, classroom expansion, and lobby renovations. 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 \$7,979,914. Of this amount, the County capitalized \$6,551,176. The remaining amount of \$1,428,738 was not capitalized as the County does not hold title to these properties. Of the construction activity that was capitalized for environmental protection, the major activities were in environmental engineering for the Administration Building refurbishment renovation (\$2,986,741) and the judicial annex renovation (2,208,508). Other activity occurred in the Administration Building II renovations (\$413,629) and the Alliance Backfill renovations project (\$289,104). Additional activity occurred on the downtown parking deck project, Rougemont Community Water System pH control and improvements projects, Lincoln Community Health Center (LCHC) phase II renovations, open space and farmland preservation, public safety and service complex, and the new Junction Road Industrial site.
- Construction activity for general government occurred in the amount of \$5,445,268. Of this amount, the County capitalized \$4,996,960. The remaining amount of \$448,308 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 activities were the 19 County IT hardware upgrade (\$1,148,891), Detention Center elevator upgrade (\$732,315), Durham County stadium capital improvements project (\$765,275), ongoing parking resurfacing project (\$665,420), County security improvements (\$585,182), County building envelope upgrade (\$244,537), and the 18 County IT hardware upgrade (\$217,510). Other activity on County owned projects occurred in the '16 Sheriff technology project, Audio-visual tech life cycle replacement, Duke fiber project, '16 and '20 County IT hardware upgrade, and ongoing HVAC replacement. Activity on projects not owned by the County was the in the convenience center site upgrades.
- Construction activity for public safety occurred in the amount of \$4,091,379. The County capitalized the entire amount which was mainly for the EMS equipment replacement and EMS Station #1 renovations in the amount of \$2,717,606) and the Detention Center renovations in the amount of \$802,670.

- Major capital asset increases net of disposals occurred in the asset classes of vehicles (\$1,231,169), buildings (\$628,838), and computer hardware (\$621,785), in governmental activities.

DURHAM COUNTY'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental		Business - type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land	\$ 8,786,840	\$ 8,673,131	\$ 185,226	\$ 185,226	\$ 8,972,066	\$ 8,858,357
Easements	2,182,288	1,954,981	5,000	5,000	2,187,288	1,959,981
Improvements- water and sewer lines	-	-	12,367,819	12,920,699	12,367,819	12,920,699
Buildings	313,241,725	323,530,746	40,642,095	43,014,530	353,883,820	366,545,276
Water systems	2,258,501	2,306,640	-	-	2,258,501	2,306,640
Office furniture and equipment	233,423	366,042	-	-	233,423	366,042
Machinery and equipment	3,347,923	4,565,818	980,216	653,009	4,328,139	5,218,827
Computer hardware	651,324	3,364,370	321	321	651,645	3,364,691
Computer software	602,412	964,245	7,157	22,048	609,569	986,293
Vehicles	5,599,481	6,322,376	76,200	80,434	5,675,681	6,402,810
Construction in progress	148,385,408	123,237,740	15,730,761	13,232,249	164,116,169	136,469,989
Total	\$ 485,289,325	\$ 475,286,089	\$ 69,994,795	\$ 70,113,516	\$ 555,284,120	\$ 545,399,605

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 \$581,322,556. Of this amount, \$249,550,771 comprises bonded debt backed by the full faith and credit of the government. Also included is \$5,890,000 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 \$259,395,917, installment notes in the amount of \$2,992,814, general obligation bond anticipation notes of \$52,629,694, and limited obligation bonds in the amount of \$1,981,425, and other financing agreements in the amount of \$8,881,937. 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, total OPEB liability, net LGERS pension liability, and LEOSA total pension liability increased by \$12,697,836 (2.23 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 \$161,723,281 in limited obligation bonds. In fiscal year 2020, the County participated in its first advance taxable bond refunding, however, it had no significant impact on the carrying value of debt. This is because of the premium that was received

on the limited obligation bond advance 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		Business - type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 249,550,771	\$ 280,732,596	\$ -	\$ -	\$ 249,550,771	\$ 280,732,596
Revenue bonds	-	-	5,890,000	6,655,000	5,890,000	6,655,000
Certificates of participation	259,395,917	244,550,606	-	-	259,395,917	244,550,606
Installment notes payable	57,603,931	27,091,591	-	-	57,603,931	27,091,591
Other financing agreements	27,569	37,527	8,854,368	9,557,400	8,881,937	9,594,927
Total	\$ 566,578,188	\$ 552,412,320	\$ 14,744,368	\$ 16,212,400	\$ 581,322,556	\$ 568,624,720

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 \$3,520,566,616, leaving a legal debt margin of \$3,302,521,616. The net bonded debt per capita is \$752.

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 7.5 percent as of June 2020, which is a significant increase from a rate of 4.0 percent as of June 2019 due to the COVID-19 pandemic. The County's unemployment rate is the same as the state's unemployment rate of 7.5 percent but noticeably lower than the national rate of 11.1 percent as of June 2020.
- The construction activity for non-residential and residential construction was almost \$1.8 billion for calendar year 2019 compared to over \$1.7 billion for the calendar year 2018.
- The manufacturing sector employment had a minor increase of 0.19 percent (45 positions) for calendar year 2019 (23,137) compared to calendar year 2018 (23,092).
- Reported retail sales are reported on total taxable sales based on sales and use tax returns. The total taxable sales for Durham County for 2020 reported were \$7.812 billion compared to \$7.771 billion reported for fiscal year 2019, an increase of approximately \$41 million (.52 percent). The

increase in retail sales is an indication of a relatively stable the economy in the County due to the growth of small and large businesses.

- Economic development announcements for 2019 were over \$1.2 billion, and economic announcements occurring for 2020 amounted to over \$1.4 billion.
- The per capita income for Durham MSA for 2019 is \$54,423, an increase of 3.22 percent over 2018. Raleigh has a per capita income of \$57,851. The per capita for North Carolina increased from 2018 to 2019 to \$47,766, an increase of 3.35 percent, while the per capita for the nation increased to \$56,490, an increase of 3.45 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 these factors were considered in preparing the County's budget for the 2021 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$178,944,755 or 36.25 percent of total general fund expenditures, an increase of \$12.56 million or 7.55 percent from the previous fiscal year. The County has appropriated \$17,936,191 of this amount for spending in the 2021 fiscal year budget. Property taxes in the current fiscal year 2020 levy are based on the assessed values as of January 1, 2019, effective date of the county's last general reappraisal. For fiscal year 2020, the budgeted property tax collection percentage established by the revaluation remains consistent at 99.60%, with the overall property valuation increasing by 2.81 percent (adjusted for revaluation per State legislation regarding the reappraisal valuation calculation). The tax rate assessed for the 2020 fiscal year is \$0.7122, a decrease of \$0.0657 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 2021 is \$0.7122. Also, there were various fee adjustments in general fund charges for services for the 2021 fiscal year in the public safety functional area for the emergency medical services department for franchise fees and in the human services functional area for the public health department for SARS-CoV-2 testing. Transfers from the special revenue funds are budgeted for the 2021 fiscal year as funding sources for public safety. Also, a transfer from the community health trust fund is budgeted for the 2021 fiscal year as a funding source for health-related spending.

The sewer rates were increased for fiscal year 2021 in the sewer utility (enterprise) fund. The consumption rate charge was increased by 6.4 percent for all customers, both residential and industrial, effective July 1, 2020. The rate increase was necessary to maintain operational expenses and funds to service debt. All monitoring fees were increased. New fees were approved in fiscal year 2021 that include development review fees for site plan submittals, plat submittals, as-built review; industrial user fees for permit maintenance, inspection, document review; and construction inspection fees for water/reclaimed water inspection and water/reclaimed water tap fees. 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>.

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BASIC FINANCIAL STATEMENTS

DURHAM COUNTY, NORTH CAROLINA

**Statement of Net Position
June 30, 2020**

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Assets				
Cash and cash equivalents / investments	\$ 290,440,077	\$ 38,148,841	\$ 328,588,918	\$ 6,562,089
Cash and cash equivalents / investments - restricted	21,326,235	2,108,332	23,434,567	-
Receivables:				
Accounts receivable	2,491,048	99,017	2,590,065	-
Accrued interest receivable	1,241,672	151,204	1,392,876	-
Net property taxes receivable	3,646,235	-	3,646,235	-
Solid waste receivable	38,314	-	38,314	-
Animal taxes receivable	305,685	-	305,685	-
Water services receivable	609	-	609	-
Net emergency medical services receivable	1,889,393	-	1,889,393	-
WSR loan receivable	2,550,000	-	2,550,000	-
Inventory	986,885	-	986,885	5,952,570
Due from other governments - federal and state agencies	24,739,695	143,893	24,883,588	-
Due from other governments - local	4,303,016	1,575,902	5,878,918	-
Prepaid expenses	122,072	8,402	130,474	220,491
Investment in joint venture	9,143,636	-	9,143,636	-
Pension assets - ROD Supplemental Plan	745,996	-	745,996	-
Derivative financial instrument	5,709,519	-	5,709,519	-
Capital assets:				
Nondepreciable:				
Land	8,786,840	185,226	8,972,066	2,274,417
Easements	2,182,288	5,000	2,187,288	-
Construction in progress	148,385,408	15,730,761	164,116,169	1,049,263
Depreciable:				
Land improvements - sewer lines and systems	-	28,179,774	28,179,774	-
Buildings	435,841,161	56,854,766	492,695,927	5,534,980
Water systems	2,406,929	-	2,406,929	-
Office furniture and equipment	1,502,676	-	1,502,676	2,063,258
Machinery and equipment	13,695,255	2,018,104	15,713,359	-
Computer hardware	13,660,677	36,416	13,697,093	-
Computer software	16,568,652	73,157	16,641,809	-
Vehicles	23,000,978	444,257	23,445,235	305,710
Accumulated depreciation	(180,741,539)	(33,532,666)	(214,274,205)	(4,278,819)
Total assets	854,969,412	112,230,386	967,199,798	19,683,959
Deferred outflows of resources				
Contributions to pension plan in current fiscal year - ROD	46,289	-	46,289	-
Contributions to pension plan in current fiscal year - LGERS	9,885,753	133,736	10,019,489	-
Contributions to pension plan in current fiscal year - LEOSSA	483,320	-	483,320	-
Contributions to pension plan in current fiscal year - OPEB	3,866,707	-	3,866,707	-
ROD pension deferrals	11,433	-	11,433	-
LGERS pension deferrals	14,997,436	160,750	15,158,186	514,701
LEOSSA pension deferrals	662,480	-	662,480	-
OPEB deferrals	9,165,959	-	9,165,959	36,990
Unamortized loss on refundings	16,024,199	308,620	16,332,819	-
Total deferred outflows of resources	55,143,576	603,106	55,746,682	551,691
Liabilities				
Accounts payable	16,559,288	777,897	17,337,185	2,202,008
Arbitrage rebate payable	-	13,000	13,000	-
Accrued interest payable	2,969,973	42,698	3,012,671	-
Accrued payroll and related amounts withheld	5,963,452	89,758	6,053,210	97,253
Due to other governments - federal and state agencies	22,503	-	22,503	857,948
Due to other governments - local	329,520	-	329,520	1,206,719
Security deposits	77,568	-	77,568	-
Retiree and COBRA prepaid benefit contributions	232,029	-	232,029	-
Escrow - register of deeds	656,074	-	656,074	-
Long-term liabilities:				
Accrued compensated absences due within one year	4,675,052	48,079	4,723,131	-
Bonds and other notes payable due within one year	47,568,515	1,488,033	49,056,548	-
Net pension liability - LGERS	41,005,157	498,867	41,504,024	811,357
Total pension liability - LEOSSA	6,842,207	-	6,842,207	-
Total OPEB liability	173,238,390	-	173,238,390	563,394
Accrued compensated absences	4,686,051	62,696	4,748,747	92,564
Bonds and other notes payable	519,009,673	13,256,335	532,266,008	-
Total liabilities	823,835,452	16,277,363	840,112,815	5,831,243

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

DURHAM COUNTY, NORTH CAROLINA

**Statement of Net Position
June 30, 2020**

	Governmental Activities	Business Type Activities	Total Primary Government	Durham County ABC Board
Deferred inflows of resources				
Prepaid taxes	\$ 669,868	\$ -	\$ 669,868	\$ -
CARES Act	5,480,715	-	5,480,715	-
ROD pension deferrals	137,215	-	137,215	-
LGERS pension deferrals	417,127	34,599	451,726	10,100
LEOSSA pension deferrals	278,595	-	278,595	-
OPEB deferrals	25,890,681	-	25,890,681	-
Total deferred inflows of resources	32,874,201	34,599	32,908,800	10,100
Net position				
Net investment in capital assets	136,546,994	55,060,180	191,607,174	6,948,809
Restricted for:				
Stabilization by State Statute	47,065,486	-	47,065,486	-
Capital projects	18,155,240	2,108,332	20,263,572	1,305,213
Grants and technology	2,927,467	-	2,927,467	-
Fire services	243,528	-	243,528	-
Unrestricted net position	(151,535,380)	39,353,018	(112,182,362)	6,140,285
Total net position	\$ 53,403,335	\$ 96,521,530	\$ 149,924,865	\$ 14,394,307

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

DURHAM COUNTY, NORTH CAROLINA

**Statement of Activities
Year Ended June 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Durham County ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 89,530,531	\$ 15,462,682	\$ 9,075,077	\$ -	\$ (64,992,772)	\$ -	\$ (64,992,772)	\$ -
Public safety	96,780,516	12,335,220	5,905,052	-	(78,540,244)	-	(78,540,244)	-
Transportation	228,549	-	-	-	(228,549)	-	(228,549)	-
Economic and physical development	9,416,002	34,022	285,930	-	(9,096,050)	-	(9,096,050)	-
Environmental protection	8,349,531	3,875,824	-	-	(4,473,707)	-	(4,473,707)	-
Human services	101,256,274	2,420,120	38,442,882	-	(60,393,272)	-	(60,393,272)	-
Education	182,574,991	-	-	1,130,189	(181,444,802)	-	(181,444,802)	-
Cultural and recreational	17,520,440	314,749	423,926	400,000	(16,381,765)	-	(16,381,765)	-
Interest and fiscal charges	254,616	-	-	-	(254,616)	-	(254,616)	-
Total governmental activities	505,911,450	34,442,617	54,132,867	1,530,189	(415,805,777)	-	(415,805,777)	-
Business-type activities:								
Sewer utility	9,705,514	11,658,657	-	-	-	1,953,143	1,953,143	-
Total business-type activities	9,705,514	11,658,657	-	-	-	1,953,143	1,953,143	-
Total primary government	\$ 515,616,964	\$ 46,101,274	\$ 54,132,867	\$ 1,530,189	(415,805,777)	1,953,143	(413,852,634)	-
Component units:								
Durham County ABC Board	\$ 42,689,527	\$ 44,198,441	\$ -	\$ -	-	-	-	1,508,914
Total component units	\$ 42,689,527	\$ 44,198,441	\$ -	\$ -	-	-	-	1,508,914
General revenues:								
Taxes:								
Property taxes, levied for general purposes					316,894,035	-	316,894,035	-
Property taxes, levied for fire districts					8,807,839	-	8,807,839	-
Property taxes, levied for other districts purposes					1,133,988	-	1,133,988	-
Local option sales tax					87,505,306	-	87,505,306	-
Occupancy tax					3,622,475	-	3,622,475	-
Gross receipts tax					485,215	-	485,215	-
Vehicle registration tax					216,049	-	216,049	-
Investment and interest income					8,800,011	382,011	9,182,022	67,188
Other revenues					788,094	-	788,094	25,561
Total general revenues					428,253,012	382,011	428,635,023	92,749
Change in net position					12,447,235	2,335,154	14,782,389	1,601,663
Net position, beginning					40,956,100	94,186,376	135,142,476	12,792,644
Net position, ending					\$ 53,403,335	\$ 96,521,530	\$ 149,924,865	\$ 14,394,307

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, 2020**

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents / investments	\$ 208,871,499	\$ 104,668	\$ 37,816,524	\$ 37,772,422	\$ 2,444,196	\$ 287,009,309
Cash and cash equivalents / investments - restricted	2,927,467	-	18,155,240	-	243,528	21,326,235
Receivables:						
Accounts receivable	2,487,395	-	3,653	-	-	2,491,048
Net property taxes receivable	3,539,289	-	-	-	106,946	3,646,235
Solid waste receivable	38,314	-	-	-	-	38,314
Animal taxes receivable	305,685	-	-	-	-	305,685
Water services receivable	609	-	-	-	-	609
Net emergency medical services receivable	1,889,393	-	-	-	-	1,889,393
WSR loan receivable	-	-	2,550,000	-	-	2,550,000
Inventory	986,885	-	-	-	-	986,885
Due from other governments - federal and state agencies	23,645,301	-	811,833	245,278	37,283	24,739,695
Due from other governments - local	4,303,016	-	-	-	-	4,303,016
Due from capital project fund	3,047,554	-	-	-	-	3,047,554
Prepaid expenditures	122,072	-	-	-	-	122,072
Total assets	<u>\$ 252,164,479</u>	<u>\$ 104,668</u>	<u>\$ 59,337,250</u>	<u>\$ 38,017,700</u>	<u>\$ 2,831,953</u>	<u>\$ 352,456,050</u>
Liabilities						
Accounts payable	\$ 12,849,464	-	\$ 3,693,301	\$ 14,682	\$ 1,841	\$ 16,559,288
Accrued payroll and related amounts withheld	5,963,452	-	-	-	-	5,963,452
Due to other governments - federal and state agencies	22,503	-	-	-	-	22,503
Due to other governments - local	329,520	-	-	-	-	329,520
Due to general fund	-	-	3,047,554	-	-	3,047,554
Security deposits	77,568	-	-	-	-	77,568
Retiree and COBRA prepaid benefit contributions	232,029	-	-	-	-	232,029
Escrow - register of deeds	656,074	-	-	-	-	656,074
Total liabilities	<u>20,130,610</u>	<u>-</u>	<u>6,740,855</u>	<u>14,682</u>	<u>1,841</u>	<u>26,887,988</u>
Deferred inflows of resources						
Prepaid rent	-	-	-	-	-	-
Prepaid taxes	667,374	-	-	-	2,494	669,868
CARES Act	5,480,715	-	-	-	-	5,480,715
Net property taxes receivable	3,539,289	-	-	-	106,946	3,646,235
Solid waste receivable	38,314	-	-	-	-	38,314
Animal taxes receivable	305,685	-	-	-	-	305,685
Water services receivable	609	-	-	-	-	609
Net emergency medical services receivable	1,889,393	-	-	-	-	1,889,393
WSR loan receivable	-	-	2,550,000	-	-	2,550,000
Total deferred inflows of resources	<u>11,921,379</u>	<u>-</u>	<u>2,550,000</u>	<u>-</u>	<u>109,440</u>	<u>14,580,819</u>
Fund balances						
Non-spendable:						
Inventories	986,885	-	-	-	-	986,885
Prepaid expenditures	122,072	-	-	-	-	122,072
Restricted:						
Stabilization by State Statute	40,058,778	-	6,761,430	245,278	-	47,065,486
Tax technology	136,135	-	-	-	-	136,135
Sheriff	426,041	-	-	-	-	426,041
Fire marshal	-	-	-	-	243,528	243,528
Public health programs	133,904	-	-	-	-	133,904
Social services programs	1,195,199	-	-	-	-	1,195,199
Library programs	93,211	-	-	-	-	93,211
Criminal justice programs	5,037	-	-	-	-	5,037
Environmental protection programs	111,994	-	-	-	-	111,994
Register of deeds	817,243	-	-	-	-	817,243
Special butner	8,703	-	-	-	-	8,703
Education	-	-	761	-	-	761
Committed:						
Risk management	9,147,787	-	-	-	-	9,147,787
Public health	151	-	-	-	-	151
Debt service	14,391,510	-	-	-	-	14,391,510
Sheriff inmate	474,378	-	-	-	-	474,378
Education: Article 46	461,833	-	-	-	-	461,833
OPEB	55,028,122	-	-	-	-	55,028,122
Self-insured health benefits	2,187,058	-	-	-	-	2,187,058
Reappraisal reserve	19,234	-	-	-	-	19,234
LEO Special Separation Allowance	1,964,837	-	-	-	-	1,964,837
Assigned, reported in:						
General fund	17,936,191	-	-	-	-	17,936,191
Community health trust fund	-	104,668	-	-	-	104,668
Capital projects fund	-	-	43,284,204	-	-	43,284,204
Debt service	-	-	-	37,757,740	-	37,757,740
Assigned, reported in nonmajor:						
Special revenue	-	-	-	-	2,477,144	2,477,144
Unassigned, general	74,406,187	-	-	-	-	74,406,187
Total fund balances	<u>220,112,490</u>	<u>104,668</u>	<u>50,046,395</u>	<u>38,003,018</u>	<u>2,720,672</u>	<u>310,987,243</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 252,164,479</u>	<u>\$ 104,668</u>	<u>\$ 59,337,250</u>	<u>\$ 38,017,700</u>	<u>\$ 2,831,953</u>	<u>\$ 352,456,050</u>

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

DURHAM COUNTY, NORTH CAROLINA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2020

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

Total fund balance - governmental funds	\$ 310,987,243
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	494,432,961
Other long-term assets used in governmental activities are not a current financial resource and, therefore, are not reported in the funds.	6,455,515
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.	55,143,576
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	11,861,004
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.	(26,723,618)
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.	(798,753,346)
Net position of governmental activities	<u>\$ 53,403,335</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, 2020

	General	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 407,242,844	\$ -	\$ -	\$ -	\$ 9,895,470	\$ 417,138,314
Licenses and permits	1,622,962	-	-	-	-	1,622,962
Intergovernmental revenues	52,913,009	-	1,530,189	1,219,858	-	55,663,056
Investments	4,561,601	19,900	455,050	356,667	48,505	5,441,723
Rent	729,374	-	-	-	-	729,374
Charges for services	30,957,412	1,250,000	-	493,293	-	32,700,705
Other revenues	732,694	-	55,400	-	-	788,094
Total revenues	498,759,896	1,269,900	2,040,639	2,069,818	9,943,975	514,084,228
Expenditures						
Current:						
General government	62,608,661	-	5,445,267	-	-	68,053,928
Public safety	74,981,185	-	4,091,378	-	7,640,131	86,712,694
Transportation	228,549	-	-	-	-	228,549
Economic and physical development	6,807,805	-	1,171,534	-	1,128,668	9,108,007
Environmental protection	6,125,646	-	7,925,090	-	-	14,050,736
Human services	91,434,044	-	-	-	-	91,434,044
Education	159,391,215	-	22,981,752	-	-	182,372,967
Cultural and recreational	13,641,946	-	11,204,307	-	-	24,846,253
Debt service:						
Principal retirement	-	-	-	41,300,728	-	41,300,728
Interest and fiscal charges	-	-	-	19,709,824	-	19,709,824
Debt issuance costs	-	-	56,543	713,648	-	770,191
Total expenditures	415,219,051	-	52,875,871	61,724,200	8,768,799	538,587,921
Excess (deficiency) of revenues over (under) expenditures	83,540,845	1,269,900	(50,835,232)	(59,654,382)	1,175,176	(24,503,693)
Other financing sources (uses)						
Transfers in	3,870,617	-	18,721,452	61,901,596	-	84,493,665
Transfers out	(78,452,248)	(2,650,000)	(356,025)	(1,982,000)	(1,053,392)	(84,493,665)
Issuance of installment purchases	-	-	41,048,607	-	-	41,048,607
Premium on issuance of refinancing	-	-	3,274,674	-	-	3,274,674
Issuance of refunding bonds	-	-	6,871,505	110,528,495	-	117,400,000
Payment to refunded debt escrow agent	-	-	-	(109,879,936)	-	(109,879,936)
Total other financing sources (uses)	(74,581,631)	(2,650,000)	69,560,213	60,568,155	(1,053,392)	51,843,345
Net change in fund balances	8,959,214	(1,380,100)	18,724,981	913,773	121,784	27,339,652
Fund balance - beginning	211,153,276	1,484,768	31,321,414	37,089,245	2,598,888	283,647,591
Fund balance - ending	\$ 220,112,490	\$ 104,668	\$ 50,046,395	\$ 38,003,018	\$ 2,720,672	\$ 310,987,243

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, 2020

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

Net changes in fund balances - total governmental funds	\$ 27,339,652
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.	9,944,566
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.	3,698,699
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,807,049
Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.	(20,407,845)
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.	(12,934,886)
Change in net position of governmental activities	<u>\$ 12,447,235</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, 2020**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Taxes				
Current levy	\$ 306,586,802	\$ 306,586,802	\$ 314,198,747	\$ 7,611,945
Prior years' levy	300,000	300,000	501,080	201,080
Tax penalties and interest	420,000	420,000	591,346	171,346
Advertising and selling	20,000	20,000	9,788	(10,212)
Payments in lieu of taxes	-	-	54,911	54,911
Local option sales tax	87,371,000	87,371,000	87,505,306	134,306
Animal tax	-	-	2,406	2,406
Occupancy tax	4,450,000	4,450,000	3,622,475	(827,525)
Gross receipts tax	450,000	450,000	485,215	35,215
Vehicle registration tax	400,000	400,000	216,049	(183,951)
Solid waste tax	35,000	35,000	40,062	5,062
White goods tax	9,000	9,000	15,459	6,459
Total taxes	400,041,802	400,041,802	407,242,844	7,201,042
Intergovernmental revenues				
Beer and wine tax	200,000	200,000	179,922	(20,078)
Social services	28,124,799	28,391,922	29,861,208	1,469,286
Public health	6,320,447	6,935,160	7,762,037	826,877
Library	563,090	679,152	423,926	(255,226)
ABC Board	2,400,000	2,400,000	2,410,192	10,192
Other	6,492,061	12,980,395	12,275,724	(704,671)
Total intergovernmental revenues	44,100,397	51,586,629	52,913,009	1,326,380
Charges for services				
Elections registration lists	662,800	662,800	603,504	(59,296)
Register of deeds	5,580,000	5,580,000	6,440,808	860,808
General government charges	6,237,133	6,197,168	6,717,766	520,598
Collection fees	1,610,000	1,610,000	1,893,796	283,796
Public protection	1,822,165	1,822,165	1,755,715	(66,450)
Environmental protection	359,956	359,956	31,387	(328,569)
Solid waste fees	2,203,690	2,203,690	2,226,534	22,844
Facilities fees	250,000	250,000	239,433	(10,567)
Library fees and charges	285,500	285,500	205,617	(79,883)
Public health	484,150	491,150	403,995	(87,155)
Social services	6,600	6,600	4,280	(2,320)
Emergency medical services charges	10,855,000	10,855,000	10,428,092	(426,908)
Other charges	36,015	36,015	6,485	(29,530)
Total charges for services	30,393,009	30,360,044	30,957,412	597,368
Investment and rental income				
Investment earnings	3,164,743	3,164,743	4,561,601	1,396,858
Rent	896,217	896,217	729,374	(166,843)
Total investment and rental income	4,060,960	4,060,960	5,290,975	1,230,015
Licenses and permits				
Construction permits	594,500	594,500	1,146,851	552,351
Cablevision and franchise fees	490,000	490,000	414,726	(75,274)
Wine and beer licenses	20,000	20,000	16,330	(3,670)
Other licenses and permits	20,000	20,000	45,055	25,055
Total licenses and permits	1,124,500	1,124,500	1,622,962	498,462

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, 2020**

	Budgeted Amounts			Positive (Negative) Variance
	Original	Final	Actual	
Revenues (continued)				
Other revenues				
Miscellaneous	\$ 286,257	\$ 329,263	\$ 363,308	\$ 34,045
Confiscated property				
federal investigation	-	-	40,067	40,067
Inmate welfare	120,000	120,000	123,481	3,481
Sale of surplus property and materials	-	-	28,494	28,494
Other	60,000	60,000	177,344	117,344
Total other revenues	466,257	509,263	732,694	223,431
Total revenues	480,186,925	487,683,198	498,759,896	11,076,698
Expenditures				
General administration				
Board of county commissioners	797,935	812,740	752,624	60,116
County manager	2,906,699	3,033,106	2,660,796	372,310
Finance	5,471,490	6,767,914	4,617,817	2,150,097
Tax	7,257,220	7,686,440	6,909,218	777,222
Legal	2,712,046	2,758,389	2,986,308	(227,919)
Court facilities	677,087	687,243	472,493	214,750
Human resources	15,495,579	17,691,752	7,464,994	10,226,758
Elections	2,730,272	2,846,152	2,469,351	376,801
Risk management and insurance	3,696,532	4,550,269	3,690,603	859,666
General services	13,796,297	14,715,413	14,023,242	692,171
Geographic information systems	498,843	498,843	498,843	-
Information systems and technology	10,635,916	11,948,009	10,652,045	1,295,964
Register of deeds	1,936,100	2,158,624	1,952,977	205,647
Other	8,152,660	5,182,480	3,457,350	1,725,130
Total general administration	76,764,676	81,337,374	62,608,661	18,728,713
Economic and physical development				
Planning	1,248,462	1,248,462	1,248,462	-
Cooperative extension	1,519,684	1,560,874	1,403,191	157,683
Soil and water conservation	640,133	650,069	655,619	(5,550)
Open space management	77,175	260,930	73,373	187,557
Industrial extension	2,100,000	2,496,228	2,364,873	131,355
Other	1,186,263	1,416,573	1,062,287	354,286
Total economic and physical development	6,771,717	7,633,136	6,807,805	825,331
Human services				
Public health	28,278,981	30,603,323	29,758,683	844,640
Mental health	6,336,751	6,336,751	6,336,751	-
Social services	52,284,759	55,406,746	53,927,543	1,479,203
Other	1,067,777	1,769,390	1,411,067	358,323
Total human services	87,968,268	94,116,210	91,434,044	2,682,166
Education				
Durham public schools				
Current	144,600,717	144,600,717	144,600,717	-
Capital	1,370,000	1,370,000	1,370,000	-
Durham technical community college				
Current	7,552,658	7,552,658	7,552,658	-
Capital	347,500	347,500	347,500	-
Other education	5,548,390	5,649,586	5,520,340	129,246
Total education	159,419,265	159,520,461	159,391,215	129,246

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, 2020**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Expenditures (continued)				
Public safety				
Criminal justice partnership	\$ 5,110,826	\$ 5,454,103	\$ 4,864,179	\$ 589,924
County sheriff	21,775,697	22,757,797	23,457,335	(699,538)
County jail	19,208,591	19,419,524	20,061,808	(642,284)
Youth home	1,506,449	1,510,797	1,439,992	70,805
Animal control	2,030,164	1,990,828	2,244,843	(254,015)
Emergency communications center	1,384,907	1,368,286	1,105,194	263,092
Emergency medical services	18,189,205	18,434,890	16,524,816	1,910,074
County fire protection	2,954,150	6,780,399	5,038,718	1,741,681
Medical examiner	250,000	290,000	244,300	45,700
Total public safety	72,409,989	78,006,624	74,981,185	3,025,439
Transportation				
Airport authority	12,500	12,500	12,500	-
Go Triangle	400,000	400,000	216,049	183,951
Total transportation	412,500	412,500	228,549	183,951
Environmental protection				
Solid waste	2,516,614	2,569,093	2,320,811	248,282
Environmental engineering	3,041,428	3,921,439	3,765,788	155,651
Other	113,186	113,186	39,047	74,139
Total environmental protection	5,671,228	6,603,718	6,125,646	478,072
Cultural and recreational				
Library	12,152,183	12,802,371	11,824,105	978,266
Other	1,817,841	1,817,841	1,817,841	-
Total cultural and recreational	13,970,024	14,620,212	13,641,946	978,266
Total expenditures	423,387,667	442,250,235	415,219,051	27,031,184
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	56,799,258	45,432,963	83,540,845	38,107,882
Other financing sources (uses)				
Transfers in	3,571,395	3,910,799	3,870,617	(40,182)
Appropriated fund balance	18,081,595	29,108,486	-	(29,108,486)
Transfers out	(78,452,248)	(78,452,248)	(78,452,248)	-
Total other financing uses	(56,799,258)	(45,432,963)	(74,581,631)	(29,148,668)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	\$ -	8,959,214	\$ 8,959,214
FUND BALANCE - BEGINNING OF YEAR			211,153,276	
FUND BALANCE - END OF YEAR			\$ 220,112,490	

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, 2020**

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 19,900	\$ 19,900
Charges for services	1,250,000	1,250,000	1,250,000	-
Total revenues	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,269,900</u>	<u>19,900</u>
Other financing sources (uses)				
Transfers out	(2,650,000)	(2,650,000)	(2,650,000)	-
Appropriated fund balance	1,400,000	1,400,000	-	(1,400,000)
Total other financing uses	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>(2,650,000)</u>	<u>(1,400,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>(1,380,100)</u>	<u>\$ (1,380,100)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,484,768</u>	
FUND BALANCE - END OF YEAR			<u>\$ 104,668</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, 2020

	Enterprise Funds
	Sewer Utility Fund
Assets	
Current assets	
Cash and cash equivalents / investments	\$ 38,148,841
Cash and cash equivalents / investments - restricted	2,108,332
Receivables:	
Accounts receivable	99,017
Accrued interest receivable	151,204
Total receivables	250,221
Due from other governments - federal and state agencies	143,893
Due from other governments - local	1,575,902
Prepaid expenses	8,402
Total current assets	42,235,591
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	2,018,104
Vehicles	444,257
Computer hardware	36,416
Computer software	73,157
Construction in progress	15,730,761
Total capital assets	103,527,461
Less accumulated depreciation and amortization	(33,532,666)
Net capital assets	69,994,795
Total noncurrent assets	69,994,795
Total assets	112,230,386
Deferred outflows of resources	
Contributions to pension plan in current fiscal year	133,736
Pension deferrals - LGERS	160,750
Unamortized loss on refundings	308,620
Total deferred outflows of resources	603,106
Liabilities	
Current liabilities	
Current portion of accrued compensated absences	48,079
Current portion of long-term debt	1,488,033
Accounts payable	777,897
Arbitrage rebate payable	13,000
Accrued interest payable	42,698
Accrued payroll and related amounts withheld	89,758
Total current liabilities	2,459,465
Noncurrent liabilities	
Accrued compensated absences	62,696
Net pension liability - LGERS	498,867
Long-term debt	13,256,335
Total noncurrent liabilities	13,817,898
Total liabilities	16,277,363
Deferred inflows of resources	
Pension deferrals - LGERS	34,599
Total deferred inflows of resources	34,599
Net position	
Net investment in capital assets	55,060,180
Restricted for capital projects	2,108,332
Unrestricted	39,353,018
Total net position	\$ 96,521,530

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

DURHAM COUNTY, NORTH CAROLINA**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2020**

	Enterprise Funds
	Sewer Utility Fund
Operating revenues	
Charges for services	\$ 10,226,206
Total operating revenues	10,226,206
Operating expenses	
Personnel services	2,227,775
Utilities	526,071
Maintenance and other	3,316,191
Depreciation	3,230,741
Total operating expenses	9,300,778
Operating income	925,428
Nonoperating revenue (expense)	
Investment and interest income	382,011
Sewer connection fees	1,424,851
Interest and fiscal charges	(382,053)
Miscellaneous	7,600
Loss on disposal of capital assets	(22,683)
Total nonoperating revenue (expense)	1,409,726
Change in net position	2,335,154
Beginning net position	94,186,376
Total net position, ending	\$ 96,521,530

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, 2020

	Enterprise Fund
	Sewer Utility Fund
Operating activities	
Cash received from sales	\$ 9,598,179
Cash paid to employees	(2,060,777)
Cash paid for operating plant	(4,227,100)
Prepaid	50
Net cash provided (used) by operating activities	3,310,352
Noncapital financing activities	
Sewer connection fees received	1,424,851
Insurance Reimbursement	7,600
Net cash provided (used) by noncapital financing activities	1,432,451
Capital and related financing activities	
Principal payments on long-term debt	(1,436,145)
Interest paid	(373,790)
Acquisition and construction costs of capital assets	(3,134,703)
Net cash provided (used) by capital and related financing activities	(4,944,638)
Investing activities	
Investment income and dividends	353,353
Net cash provided (used) by investing activities	353,353
Net increase (decrease) in cash and cash equivalents/investments	151,518
Cash and cash equivalents/investments	
Beginning of year	40,105,655
End of year	\$ 40,257,173
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 925,428
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	3,230,741
Pension expense	249,527
Change in assets, deferred outflows of resources, and liabilities:	
Accounts receivable	66,946
Due from other governments - federal and state agencies	13,228
Due from other governments - local	(708,201)
Accounts payable	(384,838)
Compensated absences and accrued payroll	51,207
Deferred outflows of resources for pensions	(133,736)
Prepaid expenses	50
Total adjustments	2,384,924
Net cash provided (used) by operating activities	\$ 3,310,352

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

DURHAM COUNTY, NORTH CAROLINA

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2020

	Private-purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 49,620	\$ 1,747,635
Accounts receivable	-	320,322
Net property taxes receivable	-	2,176,448
Due from governmental agencies	-	1,212,099
Total assets	<u>49,620</u>	<u>\$ 5,456,504</u>
Liabilities		
Funds held for others	-	739,581
Due to governmental agencies	-	4,716,923
Total liabilities	<u>-</u>	<u>\$ 5,456,504</u>
Net position		
Held in trust for:		
Individuals, organizations, and other governments	49,620	
Total net position	<u>\$ 49,620</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, 2020

	Private-purpose Trust Funds
Additions	
Employee contributions	\$ 1,015
Donations	14
Investment income	120
Total additions	<u>1,149</u>
Deductions	
Benefits	-
Total deductions	<u>-</u>
Change in net position	1,149
Total net position - beginning	<u>48,471</u>
Total net position - ending	<u><u>\$ 49,620</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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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 2020:

	<u>Original Budget</u>	<u>Total Amendments</u>	<u>Revised Budget</u>
General	<u>\$ 501,839,915</u>	<u>\$ 18,862,568</u>	<u>\$ 520,702,483</u>
Community Health Trust	<u>\$ 2,650,000</u>	<u>\$ -</u>	<u>\$ 2,650,000</u>
Debt Service	<u>\$ 63,974,554</u>	<u>\$ 112,510,496</u>	<u>\$ 176,485,050</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, 2020

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, 2020, the County's deposits had a carrying amount of \$86,346,019 and a bank balance of \$94,033,181. Of the carrying amount, \$1,797,254 was related to fiduciary funds. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$93,283,181 was covered by collateral held under the Pooling Method.

At June 30, 2020, the ABC Board's deposits had a carrying amount of \$6,536,909 and a bank balance of \$6,653,243. 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, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of June 30, 2020, 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>Method</u>	<u>Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>
US Government Agencies	\$ 80,166,620	Fair Value-Level 2	\$ 4,020,500	\$ 6,081,680	\$ 70,064,440
Commercial Paper	5,991,329	Fair Value-Level 2	5,991,329	-	-
NC Capital Management Trust- Government Portfolio*	173,443,582	Fair Value-Level 1	173,443,582	N/A	N/A
NC Capital Management Trust-Term Portfolio**	5,354,015	Fair Value-Level 1	5,354,015	-	-
Certificate of Deposit	2,519,317	Fair Value-Level 1	2,519,317	-	-
Total:	<u>\$ 267,474,863</u>		<u>\$ 191,328,743</u>	<u>\$ 6,081,680</u>	<u>\$ 70,064,440</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, 2020, The Term portfolio has a duration of .015 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, 2020, 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 AAAm by Standard & Poor's as of June 30, 2020. The County's investment in the NC Capital

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government, and agencies obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk:

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

Concentration of Credit Risk:

The County places no limit on the amount that the County may invest in any one issuer. More than 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 37% respectively, of the County's total investment portfolio. All securities owned by the County at June 30, 2020 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

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 53.

Fair value:

As of June 30, 2020, the swap had a positive fair value totaling \$5,709,519, 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 \$24,990 in fiscal year 2020. 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	\$5,709,519	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, 2020, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding swap in the amount of \$5,709,519 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, 2020.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables at the government-wide level at June 30, 2020, 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	\$ 2,582,680	\$ 1,062,701	\$ 4,062,270	\$ 38,314	\$ 65,338,856	\$ 315,975	\$ 27,948,317	\$ 101,349,113
Capital projects	2,553,653	178,971	-	-	-	-	811,833	3,544,457
Debt Service	-	-	-	-	-	-	245,278	245,278
Other governmental	-	-	109,260	-	-	-	37,283	146,543
Total receivables	5,136,333	1,241,672	4,171,530	38,314	65,338,856	315,975	29,042,711	105,285,391
Allowance for doubtful accounts	(94,676)	-	(219,610)	-	(63,449,463)	(315,975)	-	(64,079,724)
Total governmental activities	<u>\$ 5,041,657</u>	<u>\$ 1,241,672</u>	<u>\$ 3,951,920</u>	<u>\$ 38,314</u>	<u>\$ 1,889,393</u>	<u>\$ -</u>	<u>\$ 29,042,711</u>	<u>\$ 41,205,667</u>
Business-type activities:								
Sewer utility	\$ 99,017	\$ 151,204	\$ -	\$ -	\$ -	\$ -	\$ 1,719,795	\$ 1,970,016
Total receivables	99,017	151,204	-	-	-	-	1,719,795	1,970,016
Allowance for doubtful accounts	-	-	-	-	-	-	-	-
Total business-type activities	<u>\$ 99,017</u>	<u>\$ 151,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,719,795</u>	<u>\$ 1,970,016</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, 2020 of \$315,975 has been included in the allowance for doubtful accounts.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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, 2020

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: PY

<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, 2020

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, 2020 amounted to \$9,471,878. Of this amount, \$9,361,103 is recorded as a liability in the government-wide financial statements for governmental activities, and \$110,775 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, 2020 and 2019 amounted to \$92,564 and \$76,472. 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, 2020 amounted to \$29,837,970 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, 2020

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, 2020 are as follows:

Major Funds				Nonmajor Funds
General Fund	Community Health Trust	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
<u>\$ 6,575,512</u>	<u>\$ -</u>	<u>\$ 5,945,944</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, 2020

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, 2020

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, 2020

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, 2020:

	General Fund	Community Health Trust Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Special Revenue Funds
Assigned Fund Balance:					
Assigned for subsequent year	\$ 17,936,191	\$ -	\$ -	\$ -	\$ -
Assigned for health related purposes	-	104,668	-	-	-
Assigned for capital projects	-	-	43,284,204	-	-
Assigned for fire districts	-	-	-	-	2,375,714
Assigned for economic development purposes	-	-	-	-	101,430
Assigned for debt service	-	-	-	37,757,740	-
	<u>\$ 17,936,191</u>	<u>\$ 104,668</u>	<u>\$ 43,284,204</u>	<u>\$ 37,757,740</u>	<u>\$ 2,477,144</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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, 2020, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 15.07% and 36.25%, 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, 2020

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, 2020

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 \$(257,583,908) 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)	\$485,289,325
Investment in joint venture	<u>9,143,636</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$494,432,961</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	\$ 5,709,519
Pension asset – ROD	<u>745,996</u>
Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities	<u>\$ 6,455,515</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

**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	\$ 24,883,189
Pension deferrals – ROD	57,722
Pension deferrals – LEOSSA	1,145,800
OPEB deferrals	13,032,666
Unamortized loss on debt refundings	<u>16,024,199</u>

Net adjustment to increase total fund balance for
the governmental funds to arrive at net position for
governmental activities \$ 55,143,576

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)	\$ 3,646,235
Solid waste receivable	38,314
Animal taxes receivable	305,685
Emergency medical services receivable (net)	1,889,393
Water services receivable	609
WSR loan receivable	2,550,000
Investments (fair market value)	<u>3,430,768</u>

Net adjustment to increase total fund balance for
the governmental funds to arrive at net position for
governmental activities \$ 11,861,004

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	\$ (417,127)
Pension deferrals – ROD	(137,215)
Pension deferrals – LEOSSA	(278,595)
OPEB deferrals	<u>(25,890,681)</u>

Net adjustment to decrease total fund balance for
the governmental funds to arrive at net position for
governmental activities \$ (26,723,618)

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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

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

Bonds and other notes payable due within one year	\$ (47,568,515)
Bonds and other notes payable	(519,009,673)
Total OPEB liability	(173,238,390)
Net pension liability – LGERS	(41,005,157)
Total pension liability – LEOSA	(6,842,207)
Accrued compensated absences	(9,361,103)
Accrued interest payable	<u>(2,969,973)</u>
 Subtotal	 (799,995,018)
 Less: accrued interest receivable	 <u>1,241,672</u>
 Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities	 <u><u>\$(798,753,346)</u></u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

**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 \$(24,365,417) 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	\$ 30,026,803
Less: depreciation expense	(19,683,124)
Plus: decrease in investment in joint venture	<u>(399,113)</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>\$ 9,944,566</u>
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2. “Deferred outflows of resources used in governmental activities represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.”

Pension deferrals – LGERS	\$ (6,181,263)
Pension deferrals – ROD	(106,032)
Pension deferrals – LEOSSA	423,035
Pension deferrals – OPEB	9,165,959
Contributions to the pension plan current fiscal year – LGERS	1,771,212
Contributions to the pension plan current fiscal year – ROD	10,375
Contributions to the pension plan current fiscal year – LEOSSA	220,914
Contributions to the pension plan current fiscal year – OPEB	386,235
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>\$ 3,698,699</u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

**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)	\$ 1,584,520
Decrease in deferred revenue of emergency medical services receivable (net)	(677,243)
Decrease in deferred revenue of animal tax receivable	(2,836)
Increase in deferred revenue of solid waste receivable	11,768
Increase in derivative financial instrument	24,989
Decrease in water services receivable	(40)
Increase in pension asset – ROD	235,555
Increase in investment earnings (fair market value)	<u>3,630,336</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>\$ 4,807,049</u>
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4. "Deferred inflows of resources used in governmental activities represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then, and therefore, are not reported in the funds."

Increase in pension deferrals – LGERS	\$ (101,949)
Increase in pension deferrals – ROD	(109,594)
Decrease in pension deferrals – LEOSSA	94,555
Decrease in deferrals – OPEB	5,536,017
County's portion of collective pension expense – LGERS	(18,445,042)
County's portion of collective pension expense – ROD	(16,003)
County's portion of collective pension expense – LEOSSA	(557,010)
County's portion of collective OPEB expense	<u>\$ (7,008,819)</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>\$ (20,407,845)</u>
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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

**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	\$ 41,300,728
Increase in debt (net)	(57,393,112)
Increase in OPEB liability	(18,082,128)
Increase in pension liability – LGERS	(4,047,286)
Increase in pension liability – LEOSA	(593,882)
Decrease in accrued interest payable	355,624
Increase in accrued compensated absences	(1,427,701)
Decrease in accrued interest receivable	(297,037)
Increase in premium due to issuance of debt	(3,274,674)
Purchase of securities in excess of refunded bonds	8,824,439
Increase in proceeds due to issuance costs	(11,086)
Payments in excess of refunding	16,609,041
Amortization of bond premium	<u>5,201,188</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>\$ (12,934,886)</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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 2020 levy, are based on the assessed values as of January 1, 2019, 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 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, 2020

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 8,673,131	\$ 113,709	\$ -	\$ 8,786,840
Easements	1,954,981	227,307	-	2,182,288
Construction in progress	123,237,740	25,147,668	-	148,385,408
Total nondepreciable capital assets	<u>133,865,852</u>	<u>25,488,684</u>	<u>-</u>	<u>159,354,536</u>
Depreciable capital assets:				
Buildings	435,212,323	628,838	-	435,841,161
Water Systems	2,406,929	-	-	2,406,929
Office furniture and Equipment	1,450,797	51,879	-	1,502,676
Machinery and Equipment	13,258,048	563,395	(126,188)	13,695,255
Computer Hardware	13,038,892	621,785	-	13,660,677
Computer Software	16,289,990	278,661	-	16,568,652
Vehicles	21,769,809	2,545,412	(1,314,243)	23,000,978
Total depreciable capital assets	<u>503,426,788</u>	<u>4,689,970</u>	<u>(1,440,431)</u>	<u>506,676,328</u>
Less accumulated depreciation for:				
Buildings	111,681,577	10,917,859	-	122,599,436
Water Systems	100,289	48,139	-	148,428
Office furniture and Equipment	1,084,755	184,498	-	1,269,253
Machinery and Equipment	8,692,230	1,780,216	(125,114)	10,347,332
Computer Hardware	9,674,522	3,334,831	-	13,009,353
Computer Software	15,325,745	640,495	-	15,966,240
Vehicles	15,447,433	2,777,086	(823,022)	17,401,497
Total accumulated depreciation	<u>162,006,551</u>	<u>19,683,124</u>	<u>(948,136)</u>	<u>180,741,539</u>
Total depreciable capital assets, net	<u>341,420,237</u>	<u>(14,993,154)</u>	<u>(492,295)</u>	<u>325,934,789</u>
Governmental activities capital assets, net	<u>\$ 475,286,089</u>	<u>\$ 10,495,530</u>	<u>\$ (492,295)</u>	<u>\$ 485,289,325</u>

During 2020, the County incurred \$12,856,344 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, 2020

D. CAPITAL ASSETS (continued)

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

General government	\$ 13,916,330
Public safety	3,858,963
Environmental protection	1,050,173
Economic and physical development	14,584
Human Services	380,809
Educational	202,024
Cultural and recreational	260,241
Total depreciation expense	<u><u>\$ 19,683,124</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	13,232,249	2,498,512	-	15,730,761
Total nondepreciable capital assets	<u>13,422,475</u>	<u>2,498,512</u>	<u>-</u>	<u>15,920,987</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	1,431,699	586,405	-	2,018,104
Computer Hardware	36,416	-	-	36,416
Computer Software	73,157	-	-	73,157
Vehicles	422,246	49,786	(27,775)	444,257
Total depreciable capital assets	<u>86,998,058</u>	<u>636,191</u>	<u>(27,775)</u>	<u>87,606,474</u>
Less accumulated depreciation for:				
Land Improvements: Water and Sewer Lines	15,259,075	552,880	-	15,811,955
Buildings	13,840,236	2,372,435	-	16,212,671
Machinery and Equipment	778,690	259,198	-	1,037,888
Computer Hardware	36,095	-	-	36,095
Computer Software	51,109	14,891	-	66,000
Vehicles	341,812	31,337	(5,092)	368,057
Total accumulated depreciation	<u>30,307,017</u>	<u>3,230,741</u>	<u>(5,092)</u>	<u>33,532,666</u>
Total depreciable capital assets, net	<u>56,691,041</u>	<u>(2,594,550)</u>	<u>(22,683)</u>	<u>54,073,808</u>
Business-type activities capital assets, net	<u><u>\$ 70,113,516</u></u>	<u><u>\$ (96,038)</u></u>	<u><u>\$ (22,683)</u></u>	<u><u>\$ 69,994,795</u></u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

D. CAPITAL ASSETS (continued)

Capital assets activity for the ABC Board for the year ended June 30, 2020 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	1,230,593	(286,973)	1,049,263
Total nondepreciable capital assets	<u>2,380,060</u>	<u>1,230,593</u>	<u>(286,973)</u>	<u>3,323,680</u>
Depreciable capital assets:				
Buildings and improvements	5,242,643	292,337	-	5,534,980
Furniture and Equipment	1,982,310	110,369	(29,421)	2,063,258
Vehicles	421,849	129,807	(245,946)	305,710
Total depreciable capital assets	<u>7,646,802</u>	<u>532,513</u>	<u>(275,367)</u>	<u>7,903,948</u>
Less accumulated depreciation for:				
Buildings and improvements	2,307,393	170,664	-	2,478,057
Furniture and Equipment	1,643,986	160,822	(94,402)	1,710,406
Vehicles	97,851	38,594	(46,089)	90,356
Total accumulated depreciation	<u>4,049,230</u>	<u>370,080</u>	<u>(140,491)</u>	<u>4,278,819</u>
Total depreciable capital assets, net	<u>3,597,572</u>	<u>162,433</u>	<u>(134,876)</u>	<u>3,625,129</u>
Business-type activities capital assets, net	<u>\$ 5,977,632</u>	<u>\$ 1,393,026</u>	<u>\$ (421,849)</u>	<u>\$ 6,948,809</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 245,470,000	\$ -	\$ 27,425,000	\$ 218,045,000	\$ 27,680,000
Limited obligation bonds	220,880,000	117,400,000	104,385,000	233,895,000	14,465,000
Direct installment notes draw program*	23,813,006	41,048,607	10,250,495	54,611,118	-
Unamortized bond premium	58,933,202	3,274,674	5,201,188	57,006,688	5,118,730
Direct installment placement financing*	3,278,585	-	285,772	2,992,813	294,827
Total OPEB liability	155,156,262	18,082,128	-	173,238,390	-
Accrued compensated absences	7,933,402	7,245,779	5,818,078	9,361,103	4,675,052
Net pension liability (LGRS)	36,957,871	4,047,286	-	41,005,157	-
Total pension liability (LEOSSA)	6,248,325	593,882	-	6,842,207	-
Other financing agreements	37,527	-	9,958	27,569	9,958
Total governmental activities	\$ 758,708,180	\$ 191,692,356	\$ 153,375,491	\$ 797,025,045	\$ 52,243,567
Business-type activities:					
State revolving loans	\$ 9,257,134	\$ -	\$ 671,145	\$ 8,585,989	\$ 671,146
Revenue bonds	6,655,000	-	765,000	5,890,000	785,000
Unamortized bond premium	300,266	-	31,887	268,379	31,887
Accrued compensated absences	80,987	99,963	70,175	110,775	48,079
Net pension liability (LGRS)	437,593	61,274	-	498,867	-
Total business-type activities	\$ 16,730,980	\$ 161,237	\$ 1,538,207	\$ 15,354,010	\$ 1,536,112

*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, 2020

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, \$18,033,097 has been spent and drawn as of June 30, 2020. 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.

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, \$52,629,694 has been spent and drawn as of June 30, 2020, and an unused line of credit for this direct installment financing draw program in the amount of \$17,370,306.

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, 2020, the debt amount remaining is \$2,992,813.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$294,826	\$66,731
2022	309,084	59,916
2023	323,731	52,768
2024	338,711	45,288
2025	354,542	37,459
2026-2029	<u>1,371,919</u>	<u>64,079</u>
Total	<u>\$2,992,813</u>	<u>\$326,241</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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, 2020, such statutory limit for the County was \$3,520,566,616 providing a legal debt margin of \$3,302,521,616.

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, 2020, the loss from defeasance (net of amortization) was \$690,306. 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, 2020, the loss from defeasance (net of amortization) was \$1,587,001. 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, 2020

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, 2020, the loss from defeasance (net of amortization) was \$1,677,023. 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, 2020

E. LONG-TERM OBLIGATIONS (continued)

\$4,346,426. As of June 30, 2020, the loss from defeasance (net of amortization) was \$3,055,725. 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, 2020, the loss from defeasance (net of amortization) was \$9,014,145. 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.

In fiscal year 2020, the County issued \$100,280,00 of fixed rate Limited Obligation Bonds. All of these bonds were issued with the purpose to defease \$23,310,000 of 2012 Certificates of Participation and \$67,495,000 Certificates of Participation for a net aggregate difference in debt service between the refunding debt and the refunded debt in the amount of \$1,161. There was no gain or loss on the defeasance of this debt.

General obligation bonds

Durham County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the County. The County pledges full faith and credit and taxing power as security for General Obligation Bonds. There were no General Obligation Bonds issued in fiscal year 2020.

Interest requirements for the general obligation bonds are payable semi-annually at annual rates varying from 2.00% to 5.23%. 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 2020.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

E. LONG-TERM OBLIGATIONS (continued)

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 2020.

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, 2020 was \$18,740,000.

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, 2020 were \$14,950,000 and \$31,620,000, 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, 2020 was \$52,115,000.

LOBs issued in fiscal years 2012 and 2013 were refundings for Limited obligation bonds (LOBs) 2012 and LOBs 2013, respectively, that are collateralized with the County's Health and Human Services Building and County's Justice Plaza (e.g., Justice Center, Jail and Parking Deck). The amount of debt outstanding for these issuances as of June 30, 2020 was \$99,350,000.

LOBs issued in fiscal year 2020 are collateralized with the County's Administrative I Building. The amount of debt outstanding for this issuance as of June 30, 2020 was \$17,120,000.

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

E. LONG-TERM OBLIGATIONS (continued)

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2020 are as follows:

<u>Purpose:</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2020</u>
<u>Governmental activities:</u>					
Refunding, Series 2009	2.00% to 5.00%	11/9/2009	4/1/2022	\$ 43,272,209	\$ 10,510,000
Public improvement, Series 2010B	3.51% to 5.23%	11/10/2010	11/1/2030	34,020,000	3,155,000
Refunding 2011	3.00% to 5.00%	6/8/2011	11/1/2022	61,750,000	19,815,000
Public improvement, Series 2012	3.00% to 5.00%	4/25/2012	4/1/2032	64,670,000	5,750,000
Public improvement refunding, Series 2014	2.00% to 5.00%	6/3/2014	4/1/2034	44,635,000	15,620,000
Public improvement refunding, Series 2015	3.00% to 5.00%	7/9/2015	10/1/2026	29,340,000	26,980,000
Public improvement refunding, Series 2016	3.00% to 5.00%	9/26/2016	10/1/2036	96,460,000	91,550,000
Public improvement, Series 2017	3.23%	3/16/2017	10/1/2026	3,800,000	2,660,000
Public improvement refunding, Series 2019	3.00% to 5.00%	3/5/2019	6/1/2039	44,220,000	42,005,000
Limited Obligation Bonds, 2012	2.00% to 5.00%	3/29/2012	6/1/2032	63,780,000	14,950,000
Limited Obligation Bonds, 2013	1.50% to 5.00%	3/28/2013	6/1/2043	112,470,000	18,740,000
Limited Obligation Bonds, 2015 Refunding	4.00% to 5.00%	4/1/2016	12/1/2030	34,590,000	31,620,000
Limited Obligation Bonds, 2018	3.00% to 5.00%	9/6/2018	10/1/2038	54,860,000	52,115,000
Limited Obligation Bonds, 2020A	2.375% to 5.00%	1/23/2020	6/1/2040	17,120,000	17,120,000
Limited Obligation Bonds, 2020B Refunding	1.688% to 3.085%	1/23/2020	12/1/2042	100,280,000	99,350,000
Bond Anticipation Notes	Variable Rate	3/23/2017	3/23/2020	633,295	52,629,694
Installment purchase, utility performance	2.285%	9/18/2012	9/18/2028	4,549,000	2,992,813
Other financing agreements					
Installment financing purchase	Variable Rate	3/30/2017	3/30/2020	15,837,224	1,981,424
Housing finance agency	0.00%	10/1/2002	5/30/2023	196,859	27,569
Total governmental activities					<u>\$ 509,571,500</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	5,890,000
Enterprise State Revolving Loan I	2.22%	10/7/2012	5/1/2032	-	1,666,904
Enterprise State Revolving Loan II	2.22%	1/28/2011	5/1/2033	-	6,919,085
Total business-type activities					<u>\$ 14,475,989</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2020 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
2021	\$ 27,680,000	\$ 9,261,364	\$ 14,465,000	\$ 8,174,315	\$ 294,826	\$ 66,731	\$ 9,958	\$ -	\$ 42,449,784	\$ 17,502,410
2022	27,140,000	7,956,157	14,455,000	7,172,659	309,084	59,916	9,958	-	41,914,042	15,188,732
2023	19,135,000	6,650,083	14,470,000	7,075,947	323,731	52,768	7,653	-	33,936,384	13,778,798
2024	16,815,000	5,757,934	14,495,000	6,220,302	338,711	45,288	-	-	31,648,711	12,023,524
2025	16,825,000	4,661,360	12,235,000	5,530,131	354,542	37,459	-	-	29,414,542	10,228,950
2026-2030	55,180,000	12,812,373	72,600,000	21,296,919	1,371,919	64,079	-	-	129,151,919	34,173,371
2031-2035	41,695,000	5,447,675	47,305,000	10,525,495	-	-	-	-	89,000,000	15,973,170
2036-2040	13,575,000	1,043,250	33,530,000	4,119,958	-	-	-	-	47,105,000	5,163,208
2041-2045	-	-	10,340,000	475,861	-	-	-	-	10,340,000	475,861
	<u>\$ 218,045,000</u>	<u>\$ 53,590,196</u>	<u>\$ 233,895,000</u>	<u>\$ 70,591,587</u>	<u>\$ 2,992,813</u>	<u>\$ 326,241</u>	<u>\$ 27,569</u>	<u>\$ -</u>	<u>\$ 454,960,382</u>	<u>\$ 124,508,024</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
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	-	-	-	-	671,146	131,011	860,000	65,861	1,531,146	196,872
2026-2030	-	-	-	-	3,355,728	431,564	1,785,000	66,981	5,140,728	498,545
2031-2035	-	-	-	-	1,874,531	80,145	-	-	1,874,531	80,145
2036-2040	-	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,585,989</u>	<u>\$ 1,315,759</u>	<u>\$ 5,890,000</u>	<u>\$ 600,590</u>	<u>\$ 14,475,989</u>	<u>\$ 1,916,349</u>

***NOTE:** The installment note payable principal amount on the above schedule amortizing outstanding debt as of June 30, 2020 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, \$52,629,694 and \$1,981,424 respectively, are currently outstanding as of June 30, 2020.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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 \$6,490,588. Principal and interest paid for the year and total customer revenues were \$930,710 and \$9,780,847, 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 2020.

The ABC Board's did not have any long-term debt as of June 30, 2020.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

F. COMMITMENTS

1. Leases

The County leases office space and equipment rentals under operating leases. Total costs for such leases were \$290,068 for the year ended June 30, 2020. The future minimum rental payments due under the leases at June 30, 2020 are as follows:

YEAR ENDING JUNE 30,	COUNTY	ABC BOARD
2021	\$ 300,323	\$ 273,410
2022	202,751	223,871
2023	202,751	112,283
2024	158,907	114,525
2025	34,373	116,766
TOTAL	<u>\$ 899,105</u>	<u>\$ 840,855</u>

Leased Facilities

Pursuant to agreements executed between the County, Duke Regional Hospital (formerly Durham Regional Hospital, effective July 1, 2013) and Duke, effective July 1, 1998, the County began leasing its Hospital facilities to Duke under the terms of an operating lease expiring on June 30, 2019. The cost of leased facilities to the County was \$63,605,860, and the accumulated depreciation and carrying value as of June 30, 2020 were \$34,978,366 and \$28,627,494 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, 2020

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 has and 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 2019 and 2020, the County received \$2,560,167 and \$3,856,506 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 \$3,316,580 and \$3,376,610 for fiscal year 2019 and 2020, 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, 2020

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, 2020 are as follows:

YEAR ENDING JUNE 30,	Governmental activities	
	PRINCIPAL	INTEREST
2021	\$ 1,681,316	\$ -
2022	3,218,712	-
2023	1,719,902	-
2024	1,673,287	-
2025	1,165,587	-
2026-2030	2,681,509	-
2031-2035	1,324,365	-
	<u>\$ 13,464,678</u>	<u>\$ -</u>

Interest requirements related to the Industrial Extensions Policy are nominal.

3. School Facilities

In 2019, the Board of County Commissioners (BOCC) revised the approved Capital Improvement Plan (CIP) for fiscal years 2020 – 2029 that included new Durham Public school projects totaling \$410,000,000 funded through voter-approved general obligation bond referendums in November 2016 and proposed for November 2020. Total construction in progress for fiscal year 2020 for these projects was \$12,856,344 while total combined construction in progress since inception was \$240,097,566.

4. Construction

The total ten-year estimated and funded project costs of the CIP through June of 2029 is \$947,036,833. 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, 2020

F. COMMITMENTS (continued)

The CIP allocated funding for fiscal year 2020 in the amount of \$97,239,256. Funds provided approximately \$50,000,000 for Education, \$14,437,822 for capital projects of general governmental activities, \$2,898,200 for business-type activities, \$9,289,710 for public safety, \$500,000 for cultural and recreational, \$14,696,200 for environmental protection activities, and \$5,417,323 for Human Services 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 \$90,000,000 for school facilities, \$20,000,000 for community colleges, \$44,297,262 for library facilities, \$14,067,705 for museum facilities, and \$1,635,033 for issuance costs. As of fiscal year-end, \$120,000,000 of the November 2016 voter approved general obligations bonds was issued.

On June 22, 2020, the Board approved a revised, updated ten-year CIP effective for fiscal years 2020-2029.

5. Capital commitments

The County had commitments at June 30, 2020 of \$1,343,979 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, 2020

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, 2020:

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, 2020

G. INTERFUND BALANCES AND ACTIVITIES (continued)

Transfers:

The following is a summary of transfers for the year ended June 30, 2020:

	Transfers in:			Total
	General Fund	Capital Projects Fund	Debt Service Fund	
Transfers out:				
General fund	\$ -	\$ 16,739,452	\$ 61,712,796	\$ 78,452,248
Community health trust fund	2,650,000	-	-	2,650,000
Capital projects fund	356,025	-	-	356,025
Debt service fund	-	1,982,000	-	1,982,000
Nonmajor governmental funds	864,592	-	188,800	1,053,392
Total transfers	<u>\$ 3,870,617</u>	<u>\$ 18,721,452</u>	<u>\$ 61,901,596</u>	<u>\$ 84,493,665</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 General Fund are for unspent unrestricted funds to support future general government construction projects.

Transfers from the Debt Service Fund to the Capital Projects Fund are for funding construction of new capital projects.

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, 2020

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 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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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, 2020, was 9.70% of compensation for law enforcement officers and 9.0% for general employees and firefighters. The ABC Board's required contribution rate for the year ended June 30, 2020, was 9.02% for general employees. The ABC Board eliminated the law enforcement department, effective May 1, 2019, therefore there were no employer contributions for law enforcement officers for the year ended June 30, 2020. Required contribution rates were actuarially determined such that, employer contributions, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$10,019,489 for the year ended June 30, 2020. Contributions to the pension plan from the ABC Board were \$194,561 and \$181,112 for the years ended June 30, 2020 and June 30, 2019, respectively.

Refunds of Contributions – County employees who have terminated service as contributing members 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, 2020, the County reported a liability of \$41,504,024 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, (measured as of June 30, 2019) the County's proportionate share was 1.520%, which was a decrease of 0.056% from its proportion reported as of June 30, 2019 (measured as of June 30, 2018).

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

For the year ended June 30, 2020, the County recognized pension expense of \$18,694,569. At June 30, 2020, 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	\$ 7,106,535	\$ -
Changes of Assumptions	6,764,463	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,012,342	-
Changes in Proportion and Differences between County Contributions on Proportionate Share of Contributions	274,846	451,726
County Contributions Subsequent to the Measurement Date	10,019,489	-
Total	\$ 25,177,675	\$ 451,726

\$10,019,489 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	\$ 7,434,927
2022	2,213,408
2023	3,995,314
2024	1,062,808
2025	-
Thereafter	-
	\$ 14,706,457

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2018 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 actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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, 2018 valuation were based on the results of an actuarial experience study as of 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, 2020

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, 2020 (adopted as of June 30, 2019) 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 contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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)	\$ 94,927,252	\$ 41,504,024	\$(2,901,534)

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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, 2018, the valuation date, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	22
Active Plan Members	<u>185</u>
Total	<u><u>207</u></u>

A separate report was not issued for the plan.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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, 2018 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	3.26%
*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, 2018 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, 2020 the County paid \$483,320 as the benefit became due.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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, 2020, the County reported a total pension liability of \$6,842,207. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the County recognized pension expense of \$557,010.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual		
Experience	\$ 335,365	\$ 88,823
Changes of Assumptions and Other Inputs	327,115	189,772
Benefit Payments and Administrative Expenses		
Subsequent to the Measurement Date	483,320	-
Total	\$ 1,145,800	\$ 278,595

The County paid \$483,320 in benefit payments, which included \$1,301 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, 2021. 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:	
2021	\$ 85,367
2022	86,480
2023	86,286
2024	84,205
2025	41,547
Thereafter	-
	\$ 383,885

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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 3.26% 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, 2.26%, or 1-percentage-point higher, 4.26% than the current rate:

	1% Decrease 2.26%	Discount Rate 3.26%	1% Increase 4.26%
Total Pension Liability	\$ 7,374,610	\$ 6,842,207	\$ 6,353,072

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

	2020
Beginning Balance	\$ 6,248,325
Service Cost	251,631
Interest on the Total Pension Liability	218,714
Change of Benefit Terms	-
Differences between Expected and Actual Experience in the Measurement of the Total Pension Liability	412,107
Changes of Assumptions and Other Inputs	190,850
Benefit Payments	(479,420)
Other Changes	-
Ending Balance of the Total Pension Liability	<u>\$ 6,842,207</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.64% at December 31, 2018 to 3.26% at December 31, 2019.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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, 2020 were \$896,364, which consisted of \$550,415 from the County and \$345,950 from the law enforcement officers. The ABC Board terminated its law enforcement department effective May 1, 2019, therefore there were no contributions for the year ended June 30, 2020. The County's required contributions and the officers' voluntary contributions represented 5% and 3.14%, 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
June 30, 2020

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 \$46,289 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported an asset of \$745,996 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the County's proportion was 3.779%, which was an increase of 0.697% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$16,003. At June 30, 2020, 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	\$ -	\$ 35,972
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	7,633	-
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	3,800	101,243
County Contributions subsequent to the Measurement Date	46,289	-
Total	<u>\$ 57,722</u>	<u>\$ 137,215</u>

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

\$46,289 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	\$ (44,456)
2022	(26,380)
2023	(40,209)
2024	(14,737)
2025	-
Thereafter	-
	<u><u>\$ (125,782)</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 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 total pension liability was then rolled forward to June 30, 2019, utilizing update procedures incorporating these actuarial assumptions

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

The plan currently uses mortality tables that vary by age, gender, 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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)	\$ 50,255	\$ (745,996)	\$ (34,270)

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.

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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, 2018, 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, 2019, with an actuarial valuation date of December 31, 2018. 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:

	LGERS	LEOSSA	RODSPF	Total
Proportionate share of net pension liability (asset)	\$ 41,504,024	\$ -	\$ (745,996)	\$ 40,758,028
Proportion of the net pension liability (asset)	1.520%	N/A	(3.779%)	N/A
Total pension liability	\$ -	\$ 6,842,207	\$ -	\$ 6,842,207
Pension expense	\$ 18,694,569	\$ 557,010	\$ 16,003	\$ 19,267,582

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

At June 30, 2020 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>RODSPF</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between Expected and Actual Experience	\$7,106,534	\$ 335,365	\$ -	\$7,441,899
Changes of Assumptions	6,764,462	327,115	-	7,091,577
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,012,341	-	7,633	1,019,974
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	274,846	-	3,800	278,646
County Contributions/Benefit Payments and Administration Costs Subsequent to the Measurement Date*	10,019,489	483,320	46,289	10,549,098
*Contributions are for LGERS and RODSPF, Benefit and Administration Costs are for LEOSSA				
<u>Deferred Inflows of Resources</u>				
Differences between Expected and Actual Experience	\$ -	\$ 88,823	\$ 35,972	\$ 124,795
Changes of Assumptions	-	189,772	-	189,772
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	451,726	-	101,243	552,969

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
June 30, 2020

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. The fund does not provide for automatic post-retirement benefit increases.

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, 2019, the State contributed \$18,302,000 to the plan. Durham County's proportionate share of the State's contribution is \$5,363.

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, 2020, 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 \$10,632. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2020, the County recognized pension expense of \$5,598 and revenue of \$5,598 for support provided by the State. At June 30, 2020, 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
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2018 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 \$99,435,705. Total contributions for the year ended June 30, 2020 were \$8,253,359 which consisted of \$4,988,613 from the County and \$3,246,745 from the non-law enforcement personnel. The County's required contribution and the non-law enforcement personnel's voluntary contribution represented 8.24% of the covered payroll amount.

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

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	<u>1,906</u>
Total Membership	<u>2,540</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Benefits Provided. 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 with
20 or more Years of Service**

Retiree Only	\$ -
Retiree & Children	504.25
Retiree & Spouse	752.50
Retiree & Family	1,359.56

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 less than 20 years of Service**

Retiree Only	\$ 763.72
Retiree & Children	1,267.97
Retiree & Spouse	1,516.22
Retiree & Family	2,123.28

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

Dental Insurance

Retiree Only	\$ 49.40
Retiree & Children	102.46
Retiree & Spouse	111.61
Retiree & Family	139.98

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Retirees 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	\$ 11.25
Retiree & Children	18.18
Retiree & Spouse	17.35
Retiree & Family	27.24

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.

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, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy. 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 \$55,028,122. The County at this time has chosen to fund the healthcare benefits on a pay-as-you-go basis. The County's total OPEB liability of \$173,238,390 was measured as of June 30, 2019 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 total OPEB liability was rolled forward to the measurement date, June 30, 2019 utilizing update procedures. The total OPEB liability as of the June 30, 2019 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	3.89%
Measurement Date	3.50%
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 County selected a Municipal Bond Index Rate Equal to the Bond Buyer 20-Year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the total OPEB liability.

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.

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

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.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2018	\$ 155,156,262
Changes for the Year:	
Service Cost at the End of the Year*	5,134,773
Interest on Total OPEB Liability and Cash Flows	5,968,815
Change in Benefit Terms	-
Difference between Expected and Actual Experience	(231,840)
Changes of Assumptions or Other Inputs	10,676,002
Net Benefit Payments	(3,465,622)
Other	-
Net Changes	<u>\$ 18,082,128</u>
Total OPEB Liability as of June 30, 2019	<u>\$ 173,238,390</u>

*Includes interest for the year

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, 2.50%, or 1-percentage point higher, 4.50%, than the current discount rate, 3.50%:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 205,836,611	\$ 173,238,390	\$ 147,735,773

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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 Pre-Medicare 6.25% Medicare 4.38%	Discount Rate Pre-Medicare 7.25% Medicare 5.38%	1% Increase Pre-Medicare 8.25% Medicare 6.38%
Total OPEB Liability	\$ 145,182,961	\$ 173,238,390	\$ 209,966,690

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

For the year ended June 30, 2020, the County recognized OPEB expense of \$7,008,819. At June 30, 2020, 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	\$ -	\$ 10,156,744
Changes of Assumptions and Other Inputs	9,165,959	15,733,937
Benefit Payments and Administrative Expenses Subsequent to the Measurement Date	3,866,707	-
Total	<u>\$ 13,032,666</u>	<u>\$ 25,890,681</u>

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DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

H. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

\$3,881,557 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, 2019, will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	\$ (4,094,769)
2022	(4,094,769)
2023	(4,094,769)
2024	(4,094,769)
2025	(1,713,581)
Thereafter	<u>1,367,935</u>
	<u>\$ (16,724,722)</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, 2020 the County made contributions to the State for death benefits of \$65,144. 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, 2020

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 2020, a total of \$29,756,759 was incurred for benefits and administrative costs of the County's benefit plan. As of June 30, 2020, the incurred but not reported liability for health and dental was \$2,890,223.

The following is a reconciliation of changes in liabilities for self-insured claims from amounts reported June 30, 2018 to the current fiscal year ended June 30, 2020:

	<u>Dental Claims</u>	<u>Health Claims</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	225,386	2,484,285
Claims reported and changes in estimates for FY 2020	1,583,499	18,339,924
Claims paid in FY 2020	<u>(1,612,940)</u>	<u>(18,129,931)</u>
Balance June 30, 2020	<u>\$ 195,945</u>	<u>\$ 2,694,278</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, 2020

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 \$61,310 to the Council during the fiscal year ended June 30, 2020. 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, 2020

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 2020 appropriation of approximately \$7.552 million to the College represents approximately 18.2% 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 45.8%. The County

DURHAM COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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, 2020. 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, 2020, the County recorded an equity interest in the Bureau of \$220,800 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, 2020

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, 2020, the County's equity interest in the Authority was \$8,922,836.

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 2020, 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, 2020 is \$9,143,636.

N. COVID-19 PANDEMIC

Late third quarter of fiscal year 2020, a new strain of the coronavirus (COVID-19), temporarily forced Durham County government to halt operations while onsite safety precautions and enhanced remote-work capabilities were enacted. However, during 2020, the County grew its fund balance for the General Fund. While future financial impacts are unknown and could be negative, the County is on pace for realizing projected revenue from its primary revenue source for fiscal year 2021.

O. SUBSEQUENT EVENTS

The County has evaluated subsequent events through January 13, 2021, 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 Seven Fiscal Years***

	2020	2019	2018	2017	2016	2015	2014
County's Proportion of the Net Pension Liability (Asset)	1.520%	1.576%	1.552%	1.581%	1.503%	(1.430)%	1.397%
County's Proportionate Share of the Net Pension Liability (Asset)	\$ 41,504,024	\$ 37,395,464	\$ 23,705,697	\$ 33,574,721	\$ 6,748,246	\$ (8,435,963)	\$ 16,834,393
County's Covered Payroll	\$ 105,137,402	\$ 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	39.48%	40.17%	24.31%	34.44%	7.50%	(9.95)%	20.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.86%	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 Seven Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 10,019,489	\$ 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	10,019,489	8,217,794	7,905,425	7,204,103	6,610,387	6,377,809	6,003,706
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's Covered Payroll	\$ 110,735,269	\$ 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	9.05%	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 Seven Fiscal Years***

	2020	2019	2018	2017	2016	2015	2014
County's Proportion of the Net Pension Liability (Asset) %	3.780%	3.082%	3.134%	3.113%	3.014%	2.897%	2.772%
County's Proportionate Share of the Net Pension Liability (Asset)	\$ (745,996)	\$ (510,441)	\$ (535,035)	\$ (581,930)	\$ (698,462)	\$ (656,716)	\$ (592,253)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	164.11%	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 Seven Fiscal Years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 46,289	\$ 35,914	\$ 26,373	\$ 27,235	\$ 25,427	\$ 24,117	\$ 23,656
Contributions in Relation to the							
Contractually Required Contribution	46,289	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>	<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 Six Fiscal Years*

	2020	2019	2018	2017	2016	2015
County's Proportion of the Net Pension Liability %	0.00%	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	10,632	15,342	22,117	43,304	26,131	9,735
Total	<u>\$ 10,632</u>	<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	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	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.43%	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 2014

DURHAM COUNTY, NORTH CAROLINA

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

	2020	2019	2018	2017
Beginning Balance	\$ 6,248,325	\$ 6,452,405	\$ 6,214,839	\$ 6,160,911
Service Cost	251,631	270,911	236,502	241,762
Interest on the Total Pension Liability	218,714	197,743	228,799	213,538
Changes of Benefit Terms	-	-	-	-
Differences between Expected and Actual Experience in the Measurement of the Total Pension Liability	412,107	(54,529)	(117,655)	-
Changes of Assumptions and Other Inputs	190,850	(228,803)	374,725	(132,489)
Benefit Payments	(479,420)	(389,402)	(394,805)	(358,883)
Other Changes	-	-	-	-
Ending Balance of the Total Pension Liability	<u>\$ 6,842,207</u>	<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 Four Fiscal Years**

	2020		2019		2018		2017	
Total Pension Liability	\$	6,842,207	\$	6,248,325	\$	6,452,405	\$	6,124,839
Covered Payroll		10,421,911		10,206,729		10,102,994		9,604,677
Total Pension Liability as a Percentage of Covered Payroll		65.65%		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 Three Fiscal Years***

	2020	2019	2018
Beginning Balance	\$ 155,156,262	\$ 168,664,542	\$ 177,636,687
Service Cost	5,134,773	5,738,411	6,568,857
Interest	5,968,815	5,939,151	5,302,656
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	(231,840)	(13,631,775)	(316,743)
Changes of Assumptions	10,676,002	(7,852,805)	(17,567,533)
Benefit Payments	(3,465,622)	(3,701,262)	(2,959,382)
Other	-	-	-
Ending Balance of Total OPEB Liability	<u>\$ 173,238,390</u>	<u>\$ 155,156,262</u>	<u>\$ 168,664,542</u>
Discount Rate**	3.50%	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, 2020

	Budget		Actual	Positive (Negative) Variance
	Original	Final		
Revenues				
Investments	\$ -	\$ -	\$ 356,667	\$ 356,667
Intergovernmental revenues	348,409	1,029,409	1,219,858	190,449
Charges for services	500,000	500,000	493,293	(6,707)
Total revenues	848,409	1,529,409	2,069,818	540,409
Expenditures				
Debt service:				
Principal retirement	40,370,728	40,370,728	41,300,728	(930,000)
Interest and fiscal charges	22,903,826	22,903,826	19,709,824	3,194,002
Debt issuance costs	700,000	757,761	713,648	44,113
Total expenditures	63,974,554	64,032,315	61,724,200	2,308,115
Excess (deficiency) of revenues over (under) expenditures	(63,126,145)	(62,502,906)	(59,654,382)	2,848,524
Other financing sources (uses)				
Transfers in	61,901,596	61,901,596	61,901,596	-
Transfers out	-	(1,982,000)	(1,982,000)	-
Premium on issuance of refinancing	-	1,598,367	-	(1,598,367)
Issuance of refunding bonds	-	108,930,129	110,528,495	1,598,366
Payment to refunded debt escrow agent	-	(110,470,735)	(109,879,936)	590,799
Appropriated fund balance	1,224,549	2,525,549	-	(2,525,549)
Total other financing sources (uses)	63,126,145	62,502,906	60,568,155	(1,934,751)
Net change in fund balances	\$ -	\$ -	913,773	\$ 913,773
Fund balance - beginning			<u>37,089,245</u>	
Fund balance - ending			<u><u>\$ 38,003,018</u></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, 2020**

PROJECT	EXPENDITURES		SPENT TO DATE	REMAINING COMMITMENT
	CURRENT YEAR	PRIOR YEARS		
Durham Public School Projects	\$ 12,856,344	\$ 75,066,240	\$ 87,922,584	\$ 403,583,207
Whitted School	3,207,606	7,074,394	10,282,000	-
E911 Facility County	-	2,924,443	2,924,443	-
Emergency Responder Radio Upgrade	-	3,461,783	3,461,783	2,638,217
Museum Exhibit Upgrades and Ma	801,752	853,723	1,655,475	398,067
Museum Classrooms Expansion	865,542	38,694	904,236	2,190,286
Museum Entry Plaza and Lobby Renovation	29,434	-	29,434	1,790,207
Museum New Parking Deck	-	6,689,375	6,689,375	410,625
New Youth Home	564,649	-	564,649	1,206,184
EMS Equipment Replacement	1,406,737	-	1,406,737	1,293,263
Elections Equipment	-	501,968	501,968	358,032
Judicial Building Renovation Phase II	442,755	49,488,520	49,931,275	477,854
Ongoing Parking Resurfacing Project	376,951	811,634	1,188,585	623,776
Ongoing HVAC Replacement Project	59,730	1,297,657	1,357,387	940,603
Jail Elevator Upgrade	732,315	1,736,759	2,469,074	323,497
County Building Envelope Upgrade	244,537	583,369	827,906	1,075,839
Stanford L. Warren Library Upgrade-DC079	-	7,500	7,500	50,000
Stanford L. Warren Library Upgrade-DC097	354	-	354	1,392,146
(Leased) Convenience Cntr Site Upgrades	422,715	142,016	564,731	226,649
(Owned) Convenience Cntr Site Upgrades	25,593	25,139	50,732	603,886
Durham County Stadium Cap Improvements	765,275	987,442	1,752,717	57,142
County Security Improvements	585,182	226,836	812,018	361,020
Open Space/Farmland Preservation	12,500	7,442,181	7,454,681	6,131,830
Detention Center officer's Station Improvements	340,122	418,123	758,245	91,755
Detention Center Jail Beds/HVAC Grills	421,565	378,074	799,639	150,307
Detention Center Renovations	40,984	193,472	234,456	315,544
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	6,529,376	1,662,383	8,191,759	10,908,241
DTCC-Health Technologies Build	562,257	622,494	1,184,751	815,249
Scattered Site Housing III Project	-	412,000	412,000	-
EMS Station #1 Renovations	1,310,870	362,816	1,673,686	3,355,343
EMS Station #17 Co-Location PR	-	1,216,460	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
URBAN MIN. SPRINKLER UPGRADE PROJECT	-	-	-	336,399
2014 800MHZ RADIO SYS UPGRADE PROJECT	-	-	-	6,364,672
Main Library Upgrade	9,487,281	37,572,318	47,059,599	1,276,691
Braggtown Branch Lib	19,945	-	19,945	-
Hollow Rock/New Hope	-	222,290	222,290	443,647
BOCC Chambers AV Upgrade	-	378,842	378,842	38,352
Sheriff Firing Range and Renovations	353	-	353	757,255
Ongoing Roof Replacement	288,470	2,325,012	2,613,482	1,010,291
W.G. Pearson/Student Union Renovation	-	4,250,000	4,250,000	-
16 IT Hardware Upgrade	538	3,680,461	3,680,999	1
20 IT Hardware Upgrade	4,355	-	4,355	2,125,344
HCM SAP Software Upgrade	-	389,896	389,896	48,525
16 Telecommunications Upgrade	-	582,984	582,984	443,016
16 Sheriff Technology Upgrade	197,349	389,892	587,241	12,159
Audio-Visual Life Cycle Replacement	116,292	138,032	254,324	38,908
19 IT Hardware Upgrade	1,148,891	1,217,557	2,366,448	526,522
18 IT Hardware Upgrade Project	217,510	1,955,439	2,172,949	4,051
Duke Fiber Project	185,591	118,801	304,392	1,219,773
20 Audio-Visual Tech Life Cycle	73,975	-	73,975	329,270
EMS Land Acquisition	6,100	-	6,100	293,900
Administration Building Refurbish	2,986,741	549,211	3,535,952	7,624,841
Downtown Parking Deck Project	398,590	247,529	646,119	2,313,001
LCHC Phase II Renovations	55,400	2,188,726	2,244,126	2,794
New Junction Road Industrial	-	1,356,501	1,356,501	(41,501)
RCWS Improvement Project	-	123,496	123,496	106,462
Rougemont Comm Water System pH Control	62,507	27,584	90,091	17,084
Alliance Backfill Renovation Project	289,680	-	289,680	1,277,720
PUBLIC SAFETY AND SERVICE COMPLEX	9,375	-	9,375	674,805
Snow Hill Road Pump Station	1,428,738	-	1,428,738	11,256,262
Judicial Annex Building Renovation	2,294,203	1,938,063	4,232,266	697,818
Research Triangle Foundation	1,171,534	934,562	2,106,096	17,893,904
Convenience Center Site Upgrade	-	150	150	168,030
	<u>\$ 53,048,563</u>	<u>\$ 226,661,654</u>	<u>\$ 279,710,217</u>	<u>\$ 513,267,888</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, 2020**

	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	\$ 6,026	\$ 43,594	\$ 49,620
Accounts receivable	-	-	-
Total assets	<u>6,026</u>	<u>43,594</u>	<u>49,620</u>
Net position			
Held in trust for:			
Individuals, organizations, and other governments	6,026	43,594	49,620
Total net position	<u>\$ 6,026</u>	<u>\$ 43,594</u>	<u>\$ 49,620</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Net Position
Private-purpose Trust Funds
Year Ended June 30, 2020**

	George R. Linder Memorial Private-purpose Trust Fund	Vic Pearson EMS Memorial Private-purpose Trust Fund	Total Private-purpose Trust Funds
Additions			
Employee contributions	\$ -	\$ 1,015	\$ 1,015
Donations	-	14	14
Investment income	62	58	120
Total additions	62	1,087	1,149
Deductions			
Benefits	-	-	-
Total deductions	-	-	-
Change in net position	62	1,087	1,149
Total net position - beginning	5,964	42,507	48,471
Total net position - ending	\$ 6,026	\$ 43,594	\$ 49,620

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, 2020

	Special Revenue Funds
Assets	
Cash and cash equivalents / investments	\$ 2,444,196
Cash and cash equivalents / investments - restricted	243,528
Net property taxes receivable	106,946
Due from other governments - federal and state agencies	37,283
Total assets	<u><u>\$ 2,831,953</u></u>
Liabilities	
Accounts payable	\$ 1,841
Total liabilities	<u>1,841</u>
Deferred inflows of resources	
Prepaid taxes	2,494
Net property taxes receivable	106,946
Total deferred inflows of resources	<u>109,440</u>
Fund balances	
Restricted:	
Firefighters' relief funds	243,528
Assigned	2,477,144
Total fund balances	<u>2,720,672</u>
Total liabilities, deferred inflow of resources and fund balances	<u><u>\$ 2,831,953</u></u>

DURHAM COUNTY, NORTH CAROLINA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2020

	Special Revenue Funds
Revenues	
Taxes	\$ 9,895,470
Investments	48,505
Total revenues	<u>9,943,975</u>
Expenditures	
Current:	
Public safety	7,640,131
Economic and physical development	1,128,668
Total expenditures	<u>8,768,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,175,176</u>
Other financing sources (uses)	
Transfers out	(1,053,392)
Total other financing sources (uses)	<u>(1,053,392)</u>
Net change in fund balances	121,784
Fund balance - beginning	<u>2,598,888</u>
Fund balance - ending	<u>\$ 2,720,672</u>

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DURHAM COUNTY, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2020**

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Assets				
Cash and cash equivalents / investments	\$ 245	\$ 261,250	\$ 35	\$ 123,137
Cash and cash equivalents / investments - restricted	-	-	-	-
Net property taxes receivable	1,554	17,001	737	37,835
Due from other governments - federal and state agencies	-	12,689	-	7,794
Total assets	<u>\$ 1,799</u>	<u>\$ 290,940</u>	<u>\$ 772</u>	<u>\$ 168,766</u>
Liabilities				
Accounts payable	\$ -	\$ 53	\$ -	\$ 30
Total liabilities	<u>-</u>	<u>53</u>	<u>-</u>	<u>30</u>
Deferred inflows of resources				
Prepaid taxes	-	47	-	973
Net property taxes receivable	1,554	17,001	737	37,835
Total deferred inflows of resources	<u>1,554</u>	<u>17,048</u>	<u>737</u>	<u>38,808</u>
Fund balances				
Restricted:				
Firefighters' relief funds	-	-	-	-
Assigned	245	273,839	35	129,928
Total fund balances	<u>245</u>	<u>273,839</u>	<u>35</u>	<u>129,928</u>
Total liabilities , deferred inflows of resources and fund balances	<u>\$ 1,799</u>	<u>\$ 290,940</u>	<u>\$ 772</u>	<u>\$ 168,766</u>

New Hope	Eno	Bahama	Bethesda Service Tax District	Durham County Fire and Rescue Service Tax District	Special Park Tax District	Total Nonmajor Special Revenue Funds
\$ 12,900	\$ 43,794	\$ 400,894	\$ 326,839	\$ 1,172,008	\$ 103,094	\$ 2,444,196
-	-	-	-	243,528	-	243,528
1,058	4	11,992	4,713	30,021	2,031	106,946
322	240	4,749	-	11,369	120	37,283
<u>\$ 14,280</u>	<u>\$ 44,038</u>	<u>\$ 417,635</u>	<u>\$ 331,552</u>	<u>\$ 1,456,926</u>	<u>\$ 105,245</u>	<u>\$ 2,831,953</u>
\$ -	\$ -	\$ 17	\$ -	\$ 48	\$ 1,693	\$ 1,841
-	-	17	-	48	1,693	1,841
8	-	1,043	-	332	91	2,494
1,058	4	11,992	4,713	30,021	2,031	106,946
<u>1,066</u>	<u>4</u>	<u>13,035</u>	<u>4,713</u>	<u>30,353</u>	<u>2,122</u>	<u>109,440</u>
-	-	-	-	243,528	-	243,528
13,214	44,034	404,583	326,839	1,182,997	101,430	2,477,144
<u>13,214</u>	<u>44,034</u>	<u>404,583</u>	<u>326,839</u>	<u>1,426,525</u>	<u>101,430</u>	<u>2,720,672</u>
\$ 14,280	\$ 44,038	\$ 417,635	\$ 331,552	\$ 1,456,926	\$ 105,245	\$ 2,831,953

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2020**

	FIRE TAX DISTRICTS			
	Bethesda	Lebanon	Parkwood	Redwood
Revenues				
Taxes	\$ -	\$ 1,525,426	\$ -	\$ 1,108,607
Investments	-	5,557	-	6,575
Total revenues	-	1,530,983	-	1,115,182
Expenditures				
Current:				
Public safety	-	598,234	-	1,192,658
Economic and physical development	-	-	-	-
Total expenditures	-	598,234	-	1,192,658
Excess (deficiency) of revenues over (under) expenditures	-	932,749	-	(77,476)
Other financing sources (uses)				
Transfers out	-	(864,592)	-	-
Total other financing sources (uses)	-	(864,592)	-	-
Net change in fund balances	-	68,157	-	(77,476)
Fund balance - beginning	245	205,682	35	207,404
Fund balance - ending	\$ 245	\$ 273,839	\$ 35	\$ 129,928

			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				
\$ 102,065	\$ 36,988	\$ 1,705,236	\$ 38	\$ 4,286,448	\$ 1,130,662	\$ 9,895,470
346	608	8,719	3,443	17,171	6,086	48,505
102,411	37,596	1,713,955	3,481	4,303,619	1,136,748	9,943,975
100,997	36,538	1,575,988	-	4,135,716	-	7,640,131
-	-	-	-	-	1,128,668	1,128,668
100,997	36,538	1,575,988	-	4,135,716	1,128,668	8,768,799
1,414	1,058	137,967	3,481	167,903	8,080	1,175,176
-	-	-	-	(188,800)	-	(1,053,392)
-	-	-	-	(188,800)	-	(1,053,392)
1,414	1,058	137,967	3,481	(20,897)	8,080	121,784
11,800	42,976	266,616	323,358	1,447,422	93,350	2,598,888
\$ 13,214	\$ 44,034	\$ 404,583	\$ 326,839	\$ 1,426,525	\$ 101,430	\$ 2,720,672

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, 2020

	<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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,503,881	\$ 1,503,881	\$ 1,525,426	\$ 21,545
Investments	-	-	5,557	5,557
Total revenues	<u>1,503,881</u>	<u>1,503,881</u>	<u>1,530,983</u>	<u>27,102</u>
Expenditures				
Public safety	599,107	599,107	598,234	873
Total expenditures	<u>599,107</u>	<u>599,107</u>	<u>598,234</u>	<u>873</u>
Excess (deficiency) of revenues over (under) expenditures	<u>904,774</u>	<u>904,774</u>	<u>932,749</u>	<u>27,975</u>
Other financing sources (uses)				
Transfers out	(904,774)	(904,774)	(864,592)	40,182
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>(904,774)</u>	<u>(904,774)</u>	<u>(864,592)</u>	<u>40,182</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	68,157	<u>\$ 68,157</u>
Fund balance - beginning			<u>205,682</u>	
Fund balance - ending			<u>\$ 273,839</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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Investments	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning			<u>35</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, 2020**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,093,126	\$ 1,093,126	\$ 1,108,607	\$ 15,481
Investments	-	-	6,575	6,575
Total revenues	<u>1,093,126</u>	<u>1,093,126</u>	<u>1,115,182</u>	<u>22,056</u>
Expenditures				
Public safety	1,193,126	1,193,126	1,192,658	468
Total expenditures	<u>1,193,126</u>	<u>1,193,126</u>	<u>1,192,658</u>	<u>468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(77,476)</u>	<u>22,524</u>
Other financing sources (uses)				
Appropriated fund balance	100,000	100,000		(100,000)
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(77,476)</u>	<u>\$ (77,476)</u>
Fund balance - beginning			<u>207,404</u>	
Fund balance - ending			<u>\$ 129,928</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, 2020**

	Original	Final	Actual	Positive (Negative) Variance
Revenues				
Taxes	101,029	101,029	\$ 102,065	\$ 1,036
Investments	-	-	346	346
Total revenues	<u>101,029</u>	<u>101,029</u>	<u>102,411</u>	<u>1,382</u>
Expenditures				
Public safety	101,029	101,029	100,997	32
Total expenditures	<u>101,029</u>	<u>101,029</u>	<u>100,997</u>	<u>32</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,414</u>	<u>1,414</u>
Other financing sources (uses)				
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>	<u>1,414</u>	<u>\$ 1,414</u>
Fund balance - beginning			<u>11,800</u>	
Fund balance - ending			<u>\$ 13,214</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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 36,568	\$ 36,568	\$ 36,988	\$ 420
Investments			608	608
Total revenues	<u>36,568</u>	<u>36,568</u>	<u>37,596</u>	<u>1,028</u>
Expenditures				
Public safety	36,568	36,568	36,538	30
Total expenditures	<u>36,568</u>	<u>36,568</u>	<u>36,538</u>	<u>30</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,058</u>	<u>1,058</u>
Other financing sources (uses)				
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>	1,058	<u>\$ 1,058</u>
Fund balance - beginning			<u>42,976</u>	
Fund balance - ending			<u>\$ 44,034</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, 2020**

	Original	Final	Actual	Positive (Negative) Variance
Revenues				
Taxes	\$ 1,576,301	\$ 1,576,301	\$ 1,705,236	\$ 128,935
Investments			8,719	8,719
Total revenues	<u>1,576,301</u>	<u>1,576,301</u>	<u>1,713,955</u>	<u>137,654</u>
Expenditures				
Public safety	1,576,301	1,576,301	1,575,988	313
Total expenditures	<u>1,576,301</u>	<u>1,576,301</u>	<u>1,575,988</u>	<u>313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>137,967</u>	<u>137,967</u>
Other financing sources (uses)				
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>	<u>137,967</u>	<u>\$ 137,967</u>
Fund balance - beginning			<u>266,616</u>	
Fund balance - ending			<u>\$ 404,583</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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ -	\$ -	\$ 38	\$ 38
Investments	-	-	3,443	3,443
Total revenues	<u>-</u>	<u>-</u>	<u>3,481</u>	<u>3,481</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>	3,481	<u>\$ 3,481</u>
Fund balance - beginning			<u>323,358</u>	
Fund balance - ending			<u>\$ 326,839</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, 2020

	Original	Final	Actual	Positive (Negative) Variance
Revenues				
Taxes	\$ 4,248,683	\$ 4,248,683	\$ 4,286,448	\$ 37,765
Investments	-	-	17,171	17,171
Total revenues	<u>4,248,683</u>	<u>4,248,683</u>	<u>4,303,619</u>	<u>54,936</u>
Expenditures				
Public safety	4,143,262	4,159,883	4,135,716	24,167
Total expenditures	<u>4,143,262</u>	<u>4,159,883</u>	<u>4,135,716</u>	<u>24,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>105,421</u>	<u>88,800</u>	<u>167,903</u>	<u>79,103</u>
Other financing sources (uses)				
Transfers out	(205,421)	(188,800)	(188,800)	-
Appropriated fund balance	100,000	100,000	-	(100,000)
Total other financing sources (uses)	<u>(105,421)</u>	<u>(88,800)</u>	<u>(188,800)</u>	<u>(100,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(20,897)	<u>\$ (20,897)</u>
Fund balance - beginning			<u>1,447,422</u>	
Fund balance - ending			<u>\$ 1,426,525</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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues				
Taxes	\$ 1,156,496	\$ 1,156,496	\$ 1,130,662	\$ (25,834)
Investments	-	-	6,086	6,086
Total revenues	<u>1,156,496</u>	<u>1,156,496</u>	<u>1,136,748</u>	<u>(19,748)</u>
Expenditures				
Economic and physical development	<u>1,156,496</u>	<u>1,156,496</u>	<u>1,128,668</u>	<u>27,828</u>
Total expenditures	<u>1,156,496</u>	<u>1,156,496</u>	<u>1,128,668</u>	<u>27,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>8,080</u>	<u>8,080</u>
Other financing sources (uses)				
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>	<u>8,080</u>	<u>\$ 8,080</u>
Fund balance - beginning			<u>93,350</u>	
Fund balance - ending			<u>\$ 101,430</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, 2020**

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 8,812,600	\$ 9,598,179	\$ 785,579
Expenditures:			
Operating	5,843,062	5,568,970	274,092
Repairs and maintenance	522,000	382,148	139,852
Excess (deficiency) of revenues over (under) expenditures	2,447,538	3,647,061	1,199,523
Other Financing Sources (Uses):			
Capital expenses	(3,318,648)	(3,134,703)	183,945
Debt service	(1,812,364)	(1,809,935)	2,429
Investment income	300,000	353,353	53,353
Sewer connection fees	799,000	1,424,851	625,851
Insurance Reimbursement	-	7,600	7,600
Total other financing sources (uses)	(4,032,012)	(3,158,834)	873,178
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,584,474)	488,227	2,072,701
Fund balance appropriated	1,584,474	-	1,584,474
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 488,227	\$ 488,227

**Reconciliation of Modified Accrual Basis to Full Accrual Basis -
Enterprise Fund - Sewer Utility Fund
Year Ended June 30, 2020**

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	\$	488,227
RECONCILING ITEMS:		
Capital outlay		3,134,703
Debt principal payments		1,436,145
Decrease in accrued interest payable		3,939
Decrease in accrued vacation		18,291
Increase in accrued payroll		(21,419)
Increase in accrued interest receivable		28,658
Increase in accounts receivable		628,027
Depreciation		(3,230,741)
Loss on disposal of capital assets		(22,683)
Pension expense		(249,527)
Deferred outflows of resources for pensions, current fiscal year contributions		133,736
Amortization of loss on refundings		(44,089)
Amortization of bond premium		31,887
CHANGE IN NET POSITION (GAAP BASIS)	\$	2,335,154

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, 2020**

	Child Support Trust Fund	Sheriff's Evidence Trust Fund	Jail Inmate Trust Fund	Sheriff's Trust Fund
Assets				
Cash and cash equivalents	\$ 213,279	\$ 481,750	\$ 48,861	\$ (4,309)
Accounts receivable	-	-	-	-
Net property taxes receivable	-	-	-	-
Due from governmental agencies	-	-	-	-
Total assets	<u>\$ 213,279</u>	<u>\$ 481,750</u>	<u>\$ 48,861</u>	<u>\$ (4,309)</u>
Liabilities				
Funds held for others	\$ 213,279	\$ 481,750	\$ 48,861	\$ (4,309)
Due to governmental agencies	-	-	-	-
Total liabilities	<u>\$ 213,279</u>	<u>\$ 481,750</u>	<u>\$ 48,861</u>	<u>\$ (4,309)</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
\$ 58,744	\$ 83,609	\$ 833,742	\$ 31,341	\$ 618	\$ 1,747,635
288,338	4,112	27,867	5	-	320,322
-	17,061	2,156,808	2,435	144	2,176,448
-	18,638	1,184,931	8,530	-	1,212,099
<u>\$ 347,082</u>	<u>\$ 123,420</u>	<u>\$ 4,203,348</u>	<u>\$ 42,311</u>	<u>\$ 762</u>	<u>\$ 5,456,504</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 739,581
347,082	123,420	4,203,348	42,311	762	4,716,923
<u>\$ 347,082</u>	<u>\$ 123,420</u>	<u>\$ 4,203,348</u>	<u>\$ 42,311</u>	<u>\$ 762</u>	<u>\$ 5,456,504</u>

DURHAM COUNTY, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2020**

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
<u>Child Support Trust Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 193,482</u>	<u>\$ 997,231</u>	<u>\$ 977,434</u>	<u>\$ 213,279</u>
Liabilities				
Funds held for others	<u>\$ 193,482</u>	<u>\$ 997,231</u>	<u>\$ 977,434</u>	<u>\$ 213,279</u>
<u>Sheriff's Evidence Trust Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 503,804</u>	<u>\$ 180,077</u>	<u>\$ 202,131</u>	<u>\$ 481,750</u>
Liabilities				
Funds held for others	<u>\$ 503,804</u>	<u>\$ 180,077</u>	<u>\$ 202,131</u>	<u>\$ 481,750</u>
<u>Jail Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 62,559</u>	<u>\$ 641,498</u>	<u>\$ 655,196</u>	<u>\$ 48,861</u>
Liabilities				
Funds held for others	<u>\$ 62,559</u>	<u>\$ 641,498</u>	<u>\$ 655,196</u>	<u>\$ 48,861</u>
<u>Sheriff's Trust Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 50,113</u>	<u>\$ 691,139</u>	<u>\$ 745,561</u>	<u>\$ (4,309)</u>
Liabilities				
Funds held for others	<u>\$ 50,113</u>	<u>\$ 691,139</u>	<u>\$ 745,561</u>	<u>\$ (4,309)</u>
<u>Durham Public School Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 6,384</u>	<u>\$ 2,482,809</u>	<u>\$ 2,430,449</u>	<u>\$ 58,744</u>
Accounts receivable	<u>134,720</u>	<u>1,100,451</u>	<u>946,833</u>	<u>288,338</u>
Total assets	<u>\$ 141,104</u>	<u>\$ 3,583,260</u>	<u>\$ 3,377,282</u>	<u>\$ 347,082</u>
Liabilities				
Due to governmental agencies	<u>\$ 141,104</u>	<u>\$ 2,913,530</u>	<u>\$ 2,707,552</u>	<u>\$ 347,082</u>

DURHAM COUNTY, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Assets and Liabilities Agency Funds Year Ended June 30, 2020

	July 1, 2019	Additions	Deductions	June 30, 2020
<u>Town of Chapel Hill Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 83,936	\$ 8,458,832	\$ 8,459,159	\$ 83,609
Accounts receivable	190	3,952	30	4,112
Net property taxes receivable	3,611	3,076,099	3,062,649	17,061
Due from governmental agencies	19,108	18,638	19,108	18,638
Total assets	<u>\$ 106,845</u>	<u>\$ 11,557,521</u>	<u>\$ 11,540,946</u>	<u>\$ 123,420</u>
Liabilities				
Due to governmental agencies	<u>\$ 106,845</u>	<u>\$ 7,007,263</u>	<u>\$ 6,990,688</u>	<u>\$ 123,420</u>
<u>City of Durham Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 1,927,976	\$ 391,877,639	\$ 392,971,873	\$ 833,742
Accounts receivable	28,805	1,725	2,663	27,867
Net property taxes receivable	1,208,253	184,720,149	183,771,594	2,156,808
Due from governmental agencies	1,304,042	1,184,930	1,304,041	1,184,931
Total assets	<u>\$ 4,469,076</u>	<u>\$ 577,784,443</u>	<u>\$ 578,050,171</u>	<u>\$ 4,203,348</u>
Liabilities				
Due to governmental agencies	<u>\$ 4,469,076</u>	<u>\$ 381,606,781</u>	<u>\$ 381,872,509</u>	<u>\$ 4,203,348</u>
<u>City of Raleigh Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 34,655	\$ 2,342,490	\$ 2,345,804	\$ 31,341
Accounts receivable	35	-	30	5
Net property taxes receivable	2,284	1,029,991	1,029,840	2,435
Due from governmental agencies	7,151	8,530	7,151	8,530
Total assets	<u>\$ 44,125</u>	<u>\$ 3,381,011</u>	<u>\$ 3,382,825</u>	<u>\$ 42,311</u>
Liabilities				
Due to governmental agencies	<u>\$ 44,125</u>	<u>\$ 2,363,604</u>	<u>\$ 2,365,418</u>	<u>\$ 42,311</u>
<u>Town of Morrisville Tax Fund</u>				
Cash and cash equivalents	\$ 1,155	\$ 309,988	\$ 310,525	\$ 618
Net property taxes receivable	87	78,164	78,107	144
Due from governmental agencies	92	-	92	-
Total assets	<u>\$ 1,334</u>	<u>\$ 388,152</u>	<u>\$ 388,724</u>	<u>\$ 762</u>
Liabilities				
Due to governmental agencies	<u>\$ 1,334</u>	<u>\$ 212,062</u>	<u>\$ 212,634</u>	<u>\$ 762</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 2,864,064	\$ 407,981,703	\$ 409,098,132	\$ 1,747,635
Accounts receivable	163,750	1,106,128	949,556	320,322
Net property taxes receivable	1,214,235	188,904,403	187,942,190	2,176,448
Due from governmental agencies	1,330,393	1,212,098	1,330,392	1,212,099
Total assets	<u>\$ 5,572,442</u>	<u>\$ 599,204,332</u>	<u>\$ 599,320,270</u>	<u>\$ 5,456,504</u>
Liabilities				
Funds held for others	\$ 809,958	\$ 2,509,945	\$ 2,580,322	\$ 739,581
Due to governmental agencies	4,762,484	394,103,240	394,148,801	4,716,923
Total liabilities	<u>\$ 5,572,442</u>	<u>\$ 396,613,185</u>	<u>\$ 396,729,123</u>	<u>\$ 5,456,504</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, 2020

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
General Government:					
County commissioners	\$ 948,128	\$ -	\$ -	\$ -	\$ -
Board of Elections	52,324	-	-	-	10,117
Finance	4,478,113	-	-	417,874	-
Tax administration	3,386,114	-	-	-	-
County Attorney	6,190	-	-	-	-
Risk management	78,463	-	-	-	-
Court facilities	13,739,306	-	-	13,739,306	-
Register of deeds	2,482,962	-	-	-	944,572
General services	365,475,160	4,790,491	-	356,049,035	359,642
Information Technology	18,086,861	-	-	-	29,298
Human resources	22,350	-	-	-	11,530
Budget	10,897	-	-	-	-
Total general government	408,766,868	4,790,491	-	370,206,215	1,355,159
Public Safety:					
Sheriff	53,091,345	1,398,962	-	39,455,838	20,163
County fire protection	1,709,348	-	-	1,244,463	6,744
Emergency Management	1,681,195	-	-	1,144,636	45,635
Animal control	3,912,376	-	-	3,259,400	20,704
Criminal Justice Partnership	912,262	-	-	844,521	-
Youth home	528,239	-	-	367,000	-
Emergency medical services	13,255,075	-	-	1,947,348	-
Total public safety	75,089,840	1,398,962	-	48,263,206	93,246
Environmental Protection:					
Environmental engineering	9,029,505	1,636,989	227,307	77,873	7,315
Open Space and Real Estate	2,908,879	953,898	1,954,981	-	-
Total Environmental Protection	11,938,384	2,590,887	2,182,288	77,873	7,315
Economic and Physical Development:					
Cooperative extension	61,441	-	-	-	-
Planning	6,500	6,500	-	-	-
Soil and Erosion	84,511	-	-	-	-
Total Economic and Physical Development	152,452	6,500	-	-	-
Human Services:					
Public health	1,384,536	-	-	-	17,830
Mental health	713,709	-	-	-	-
Social services	4,002,604	-	-	3,101,314	-
Other human services	40,987	-	-	-	-
Total human services	6,141,836	-	-	3,101,314	17,830

Machinery and Equipment	Computer Hardware	Vehicles	Computer Software	Water System	Construction in Progress
\$ 948,128	\$ -	\$ -	\$ -	\$ -	\$ -
16,947	-	25,260	-	-	-
27,381	15,553	-	4,017,305	-	-
89,810	37,911	279,676	2,978,717	-	-
-	6,190	-	-	-	-
-	-	78,463	-	-	-
-	-	-	-	-	-
62,520	110,272	-	1,365,598	-	-
2,475,463	19,374	1,725,460	55,695	-	-
133,904	12,523,190	-	5,400,469	-	-
-	10,820	-	-	-	-
-	10,897	-	-	-	-
3,754,153	12,734,207	2,108,859	13,817,784	-	-
1,960,349	682,329	8,882,544	691,160	-	-
128,841	-	263,211	66,089	-	-
202,731	60,429	150,764	77,000	-	-
78,903	-	515,346	38,023	-	-
-	-	67,741	-	-	-
111,468	-	49,771	-	-	-
2,422,138	46,095	8,295,390	544,104	-	-
4,904,430	788,853	18,224,767	1,416,376	-	-
4,507,354	8,998	156,740	-	2,406,929	-
-	-	-	-	-	-
4,507,354	8,998	156,740	-	2,406,929	-
-	-	61,441	-	-	-
-	-	-	-	-	-
-	-	56,795	27,716	-	-
-	-	118,236	27,716	-	-
181,287	13,666	1,109,756	61,997	-	-
42,324	6,165	-	665,220	-	-
39,757	79,126	581,625	200,782	-	-
-	-	40,987	-	-	-
263,368	98,957	1,732,368	927,999	-	-

DURHAM COUNTY, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹ as of June 30, 2020 (continued)**

	Total Assets	Land	Easements	Buildings	Office Furniture and Equipment
Education:					
Public school building	\$ 8,080,942	\$ -	\$ -	\$ 8,080,942	\$ -
Cultural and Recreational:					
Library	7,475,134	-	-	6,111,610	29,126
Capital Projects:					
Construction in progress	148,385,408	-	-	-	-
Total Capital Assets	\$ 666,030,864	\$ 8,786,840	\$ 2,182,288	\$ 435,841,161	\$ 1,502,676

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	-	-
-	-	-	-	-	148,385,408
<u>\$ 13,695,255</u>	<u>\$13,660,677</u>	<u>\$ 23,000,978</u>	<u>\$ 16,568,652</u>	<u>\$ 2,406,929</u>	<u>\$ 148,385,408</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, 2020

	Capital Assets July 1, 2019	Additions	Transfers and Deletions	Capital Assets June 30, 2020
General Government:				
Board of county commissioners	\$ 948,128	\$ -	\$ -	\$ 948,128
Board of Elections	-	52,324	-	52,324
Finance	3,967,201	510,912	-	4,478,113
Tax administration	3,380,732	5,382	-	3,386,114
County attorney	6,190	-	-	6,190
Risk management	50,070	28,393	-	78,463
Court facilities	13,739,306	-	-	13,739,306
Register of deeds	2,467,094	15,868	-	2,482,962
General services	365,032,564	392,376	50,220	365,475,160
Information Technology	18,037,184	49,677	-	18,086,861
Human Resources	22,350	-	-	22,350
Budget	10,897	-	-	10,897
Total general government	407,661,716	1,054,932	50,220	408,766,868
Public Safety:				
County sheriff	51,485,042	1,471,033	135,271	53,091,345
Fire marshal	1,709,348	-	-	1,709,348
Emergency management	1,563,069	118,126	-	1,681,195
Criminal justice partnership	912,262	-	-	912,262
Animal control	3,777,698	134,678	-	3,912,376
Youth home	528,239	-	-	528,239
Emergency medical services	12,755,164	1,063,905	(563,994)	13,255,075
Total public safety	72,730,822	2,787,742	(428,723)	75,089,840
Environmental Protection:				
Environmental engineering	8,688,489	341,016	-	9,029,505
Open Space	2,908,879	-	-	2,908,879
Total Environmental Protection	11,597,368	341,016	-	11,938,384

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, 2020

	Capital Assets July 1, 2019	Additions	Transfers and Deletions	Capital Assets June 30, 2020
Economic and Physical Development:				
Cooperative extension	\$ 37,257	\$ 24,184	\$ -	\$ 61,441
Planning	6,500	-	-	6,500
Soil and Erosion	84,511	-	-	84,511
Total Economic and Physical Development	128,268	24,184	-	152,452
Human Services:				
Public health	1,117,715	295,419	(28,598)	1,384,536
Mental health	713,709	-	-	713,709
Social services	4,002,604	-	-	4,002,604
Other human services	568,221	506,096	(1,033,330)	40,987
Total human services	6,402,249	801,515	(1,061,928)	6,141,836
Education:				
DPS Building	8,080,942	-	-	8,080,942
Cultural and Recreational:				
Library	7,453,535	21,599	-	7,475,134
Capital Projects:				
Construction in progress	123,237,740	25,147,668	-	148,385,408
Total Capital Assets	\$ 637,292,640	\$ 30,178,656	\$ (1,440,431)	\$ 666,030,864

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, 2020**

DESCRIPTION	INTEREST RATE	ISSUE DATE	AMOUNT OUTSTANDING 6-30-19	ISSUED DURING YEAR	ADJUSTED DURING YEAR
GENERAL LONG-TERM DEBT					
BONDED DEBT					
REFUNDING, SERIES 2009	2.00%-5.00%	11/3/09	\$ 15,775,000	\$ -	\$ -
PUBLIC IMPROVEMENT, SERIES 2010B	3.51%-5.23%	11/10/10	6,385,000	-	-
REFUNDING, SERIES 2011	3.00%-5.00%	6/08/11	28,205,000	-	-
PUBLIC IMPROVEMENT, SERIES 2012	3.00%-5.00%	4/25/12	8,640,000	-	-
PUBLIC IMPROVEMENT REFUNDING, SERIES 2014	2.00%-5.00%	6/3/14	17,855,000	-	-
PUBLIC IMPROVEMENT REFUNDING, SERIES 2015	3.00%-5.00%	07/09/15	28,160,000	-	-
PUBLIC IMPROVEMENT REFUNDING, SERIES 2016	3.00%-5.00%	09/29/16	93,190,000	-	-
PUBLIC IMPROVEMENT, SERIES 2017	3.23%	03/16/17	3,040,000	-	-
PUBLIC IMPROVEMENT REFUNDING, SERIES 2019	3.00%-5.00%	03/5/19	44,220,000	-	-
UNAMORTIZED BOND PREMIUM			35,262,596	-	-
TOTAL BONDED DEBT			280,732,596	-	-
OTHER LONG-TERM DEBT					
INSTALLMENT PURCHASE AGREEMENTS					
CERTIFICATES OF PARTICIPATION					
LOBS 2012	2.00%-5.00%	03/29/12	41,450,000	-	-
LOBS 2013	1.50%-5.00%	03/28/13	89,980,000	-	-
LOBS 2016	4.00%-5.00%	04/01/16	34,590,000	-	-
LOBS 2018	4.00%-5.00%	09/06/18	54,860,000	-	-
LOBS 2020A	1.668%-3.085%	01/23/20	-	17,120,000	-
LOBS 2020B	2.375%-5.00%	01/23/20	-	100,280,000	-
UNAMORTIZED BOND PREMIUM			23,670,606	3,274,674	-
TOTAL CERTIFICATES OF PARTICIPATION			244,550,606	120,674,674	-
OTHER FINANCING AGREEMENTS					
			27,129,118	41,048,607	-
TOTAL INSTALLMENT PURCHASE AGREEMENTS			271,679,724	161,723,281	-
EARNED VACATION PAY			7,933,402	7,245,779	-
NET PENSION LIABILITY (LGERS)			36,957,871	4,047,286	-
TOTAL PENSION LIABILITY (LEOSSA)			6,248,325	593,882	-
NET OPEB OBLIGATION			155,156,262	18,082,128	-
TOTAL OTHER LONG-TERM DEBT			477,975,584	191,692,356	-
TOTAL GENERAL LONG-TERM DEBT			\$ 758,708,180	\$ 191,692,356	\$ -

DEFEASED DURING YEAR	DUE FISCAL YEAR 2019- 2020		AMOUNT OUTSTANDING 6-30-20	DUE FISCAL YEAR 2020- 2021		LONG-TERM PRINCIPAL DUE THEREAFTER
	PRINCIPAL	INTEREST		PRINCIPAL	INTEREST	
\$ -	\$ 5,265,000	\$ 788,750	\$ 10,510,000	\$ 5,260,000	\$ 525,500	\$ 5,250,000
-	3,230,000	171,921	3,155,000	3,155,000	57,658	-
-	8,390,000	1,190,975	19,815,000	8,745,000	766,850	11,070,000
-	2,890,000	345,500	5,750,000	2,880,000	258,800	2,870,000
-	2,235,000	809,125	15,620,000	2,235,000	697,375	13,385,000
-	1,180,000	1,309,950	26,980,000	1,165,000	1,268,800	25,815,000
-	1,640,000	3,781,850	91,550,000	1,645,000	3,699,725	89,905,000
-	380,000	92,055	2,660,000	380,000	79,781	2,280,000
-	2,215,000	2,017,625	42,005,000	2,215,000	1,906,875	39,790,000
-	3,756,825	-	31,505,771	3,578,138	-	27,927,633
-	31,181,825	10,507,751	249,550,771	31,258,138	9,261,364	218,292,633
23,310,000	3,190,000	1,179,244	14,950,000	3,190,000	563,963	11,760,000
67,495,000	3,745,000	2,408,912	18,740,000	3,750,000	759,113	14,990,000
-	2,970,000	1,567,050	31,620,000	2,935,000	1,448,950	28,685,000
-	2,745,000	2,284,075	52,115,000	2,745,000	2,174,275	49,370,000
-	-	244,911	17,120,000	860,000	716,812	16,260,000
-	930,000	866,185	99,350,000	985,000	2,511,203	98,365,000
-	1,444,363	-	25,500,917	1,540,592	-	23,960,325
90,805,000	15,024,363	8,550,378	259,395,917	16,005,592	8,174,318	243,390,325
10,250,495	295,730	555,552	57,631,500	304,785	-	57,326,715
101,055,495	15,320,093	9,105,930	317,027,417	16,310,377	8,174,318	300,717,040
-	5,818,078	-	9,361,103	4,675,052	-	4,686,051
-	-	-	41,005,157	-	-	41,005,157
-	-	-	6,842,207	-	-	6,842,207
-	-	-	173,238,390	-	-	173,238,390
101,055,495	21,138,171	9,105,930	547,474,274	20,985,430	8,174,318	526,488,845
\$ 101,055,495	\$ 52,319,996	\$ 19,613,681	\$ 797,025,045	\$ 52,243,567	\$ 17,435,682	\$ 744,781,478

DURHAM COUNTY, NORTH CAROLINA

**Gross Bonded Debt and Other Long-Term Debt
Year Ended June 30, 2020 (continued)**

DESCRIPTION	INTEREST RATE	ISSUE DATE	AMOUNT OUTSTANDING 6-30-19	ISSUED DURING YEAR	ADJUSTED DURING YEAR
PROPRIETARY DEBT					
ENTERPRISE FUND					
ENTERPRISE REVOLVING LOAN	2.22%	7/1/10	\$ 1,805,812	\$ -	\$ -
ENTERPRISE REVOLVING II LOAN	2.22%	7/1/10	7,451,322	-	-
REVENUE BONDS REFUNDING, SERIES 2012	2.49%	08/23/12	6,655,000	-	-
UNAMORTIZED BOND PREMIUM			300,266	-	-
TOTAL ENTERPRISE FUND BONDED DEBT			16,212,400	-	-
EARNED VACATION PAY			80,987	99,963	-
NET PENSION LIABILITY (LGERS)			437,593	61,274	-
TOTAL PROPRIETARY DEBT			16,730,980	161,237	-
TOTAL GENERAL LONG-TERM DEBT AND PROPRIETARY DEBT			\$ 775,439,160	\$ 191,853,593	\$ -

DEFEASED DURING YEAR	DUE FISCAL YEAR 2019- 2020		AMOUNT OUTSTANDING 6-30-20	DUE FISCAL YEAR 2020- 2021		LONG-TERM PRINCIPAL DUE THEREAFTER
	PRINCIPAL	INTEREST		PRINCIPAL	INTEREST	
\$	-	\$ 138,908	\$ 40,089	\$ 1,666,904	\$ 37,005	\$ 1,527,995
-	532,237	165,419	6,919,085	532,237	153,604	6,386,848
-	765,000	165,710	5,890,000	785,000	146,661	5,105,000
-	31,887	-	268,379	31,887	-	236,492
-	1,468,032	371,218	14,744,368	1,488,033	337,270	13,256,335
-	70,175	-	110,775	48,079	-	62,696
-	-	-	498,867	-	-	498,867
-	1,538,207	371,218	15,354,010	1,536,112	337,270	13,817,898
\$ 101,055,495	\$ 53,858,203	\$ 19,984,899	\$ 812,379,055	\$ 53,779,680	\$ 17,772,952	\$ 758,599,376

DURHAM COUNTY, NORTH CAROLINA

**Analysis of Current Tax Levy
Fiscal Year Ending June 30, 2020**

Property Valuations

Real property	\$ 37,068,818,904
Personal property	3,829,445,315
Public service	607,015,073
DMV-registered vehicles	<u>2,501,803,406</u>

Total subject to tax	<u><u>\$ 44,007,082,698</u></u>
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Real property/personal property/corporate excess levy	\$ 482,284,625
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DMV - registered vehicles levy	<u>29,771,009</u>
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Gross Levy	\$ 512,055,634
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Abatements/discoveries	<u>2,403,140</u>
------------------------	------------------

Net Levy	514,458,774
-----------------	-------------

Uncollected at June 30, 2020	<u>3,650,122</u>
------------------------------	------------------

Current year taxes collected	<u>\$ 510,808,652</u>
------------------------------	-----------------------

Percent of current taxes collected	<u><u>99.29%</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, 2020**

Year of Levy	Uncollected Balance July 1, 2019	Current Year Gross Levy	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2020
2019	\$ -	\$ 512,055,634	\$ 510,808,652	\$ 2,403,140	\$ 3,650,122
2018	1,539,477	-	729,677	(107,636)	702,164
2017	260,377	-	40,573	(32,112)	187,692
2016	168,314	-	16,161	(1,532)	150,621
2015	208,858	-	14,326	-	194,532
2014	90,953	-	2,734	(5,782)	82,437
2013 and prior	1,431,897	-	25,026	(291,547)	1,115,324
	<u>\$ 3,699,876</u>	<u>\$ 512,055,634</u>	<u>\$ 511,637,149</u>	<u>\$ 1,964,531</u>	<u>6,082,892</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(367,155)</u>
Ad valorem taxes receivable (net)					<u>\$ 5,715,737</u>
Receivable by fund, net:					
General Fund				\$ 3,129,531	
Capital financing				<u>409,758</u>	
General Fund					3,539,289
City of Durham				2,156,808	
City of Chapel Hill				17,061	
City of Raleigh				2,435	
Town of Morrisville				<u>144</u>	
Agency funds					<u>2,176,448</u>
					<u>\$ 5,715,737</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, 2020**

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections	Abatements/ Discoveries	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 512,055,634	\$ 510,808,652	\$ 2,403,140	\$ 3,650,122
2018-2019	1,539,477	-	729,677	(107,636)	702,164
2017-2018	260,377	-	40,573	(32,112)	187,692
2016-2017	168,314	-	16,161	(1,532)	150,621
2015-2016	208,858	-	14,326	-	194,532
2014-2015	90,953	-	2,734	(5,782)	82,437
2013 and prior	1,431,897	-	25,026	(291,547)	1,115,324
	<u>\$ 3,699,876</u>	<u>\$ 512,055,634</u>	<u>\$ 511,637,149</u>	<u>\$ 1,964,531</u>	<u>6,082,892</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>(367,155)</u>
Ad valorem taxes receivable (net)					<u>\$ 5,715,737</u>
Reconciliation with revenues:					
Taxes - ad valorem - governmental funds					\$ 314,198,747
Taxes - ad valorem - agency funds					<u>196,609,905</u>
Total collections and credits					<u>\$ 510,808,652</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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	\$ 136,546,994	\$ 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
Restricted	68,391,721	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
Unrestricted	(151,535,380)	(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)
Total governmental activities net position	<u>\$ 53,403,335</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 55,060,180	\$ 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
Restricted	2,108,332	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
Unrestricted	39,353,018	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
Total business-type activities net position	<u>\$ 96,521,530</u>	<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>
Primary government										
Net investment in capital assets	\$ 191,607,174	\$ 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
Restricted	70,500,053	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
Unrestricted	(112,182,362)	(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)
Total primary government net position	<u>\$ 149,924,865</u>	<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>

DURHAM COUNTY, NORTH CAROLINA

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities:										
General government	\$ 89,530,531	\$ 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
Public safety	96,780,516	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
Transportation	228,549	244,338	238,948	353,001	205,873	309,017	12,500	12,500	12,500	12,500
Economic and physical development	9,416,002	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
Environmental protection	8,349,531	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
Human services	101,256,274	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
Education	182,574,991	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
Cultural and recreational	17,520,440	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
Interest and fiscal charges	254,616	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
Total governmental activities	505,911,450	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
Business-type activities:										
Sewer utility	9,705,514	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
Total primary government expenses	515,616,964	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
Program Revenues										
Governmental activities:										
Charges for services:										
General government	15,462,682	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
Public safety	12,335,220	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
Economic and physical development	34,022	47,202	44,544	52,116	67,361	68,673	18,654	24,524	13,564	21,352
Environmental protection	3,875,824	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
Human services	2,420,120	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
Cultural and recreational	314,749	402,152	398,319	386,919	456,385	473,764	299,711	298,180	284,754	270,157
Operating grants and contributions:										
General government	9,075,077	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
Public safety	5,905,052	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
Economic and physical development	285,930	899,686	591,505	334,540	542,097	618,300	588,110	732,984	857,200	1,086,038
Environmental protection	-	99,569	119,019	74,244	169,636	193,511	52,678	62,078	103,703	41,268
Human services	38,442,882	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
Cultural and recreational	423,926	516,005	251,390	287,840	355,168	240,335	266,690	223,253	246,509	268,013
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
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
Education	1,130,189	1,322,406	1,088,886	1,821,738	1,978,837	907,707	1,469,322	102,473	172,946	1,086,766
Cultural and recreational	400,000	800,000	-	-	-	-	-	96,181	-	-
Total governmental activities program revenues	90,105,673	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
Business-type activities:										
Charges for services: sewer utility	11,658,657	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
Capital grants and contributions: sewer utility	-	-	959,110	42,925	284,195	600,000	780,802	471,600	6,260,051	1,784,691
Total business-type activities program revenues	11,658,657	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
Total primary government program revenues	101,764,330	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

DURHAM COUNTY, NORTH CAROLINA

Changes in Net Position (continued)

Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2013	2013	2012	2011
Net (Expense)/Revenue										
Governmental activities	\$ (415,805,777)	\$ (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)
Business-type activities	1,953,143	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
Total primary government net expense	(413,852,634)	(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)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	316,894,035	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
Property taxes, levied for fire districts	8,807,839	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
Property taxes, levied for other districts purposes	1,133,988	1,070,763	1,145,501	1,219,855	959,142	754,365	736,793	739,049	713,502	723,815
Local option sales tax	87,505,306	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
Occupancy tax	3,622,475	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
Animal tax	-	-	-	-	-	-	(1,277,314)	540,618	915,504	1,184,766
Gross receipts tax	485,215	571,291	483,133	479,899	429,419	410,964	406,605	347,226	345,126	333,207
Vehicle registration tax	216,049	231,838	226,448	340,501	193,373	296,517	-	-	-	-
Investment and interest income	8,800,011	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
Other revenues	788,094	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
Total governmental activities	428,253,012	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
Business-type activities:										
Investment and interest income	382,011	600,355	320,391	110,656	71,355	16,054	42,036	29,074	(7,981)	5,121
Other revenues	-	(3,524)	(6,957)	-	12,841	-	25,889	493	-	940
Total business-type activities	382,011	596,831	313,434	110,656	84,196	16,054	67,925	29,567	(7,981)	6,061
Total primary government	428,635,023	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
Change in Net Position										
Government activities	12,447,235	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)
Business-type activities	2,335,154	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
Total primary government	\$ 14,782,389	\$ 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)

Notes:

- (1) As of Fiscal Year 2015, the County no longer reports animal tax revenues in a separate line item. Effective Fiscal Year 2014, the County no longer assesses an animal tax. As such, the revenues collected are the decrease in the accounts receivable. These revenues are now reported in the function they pertain to, public safety.

DURHAM COUNTY, NORTH CAROLINA

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

June 30	General Fund						All Other Governmental Funds						All Governmental Funds Total
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	Total
2020	\$ 1,108,957	\$42,986,245	\$ 83,674,910	\$17,936,191	\$ 74,406,187	\$220,112,490	\$ -	\$ 7,250,997	\$ -	\$83,623,756	\$ -	\$ 90,874,753	\$ 310,987,243
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

DURHAM COUNTY, NORTH CAROLINA

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Taxes	\$ 417,138,314	\$ 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
Licenses and permits	1,622,962	1,679,317	1,638,616	1,393,097	1,535,091	1,119,886	1,357,467	826,580	794,976	703,439
Intergovernmental	55,663,056	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
Investments	5,441,723	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
Rent	729,374	902,528	1,134,280	972,562	988,807	1,058,153	1,077,167	824,104	591,285	555,648
Charges for services	32,700,705	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
Other revenues	788,094	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
Total revenues	514,084,228	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
Expenditures										
General government	68,053,928	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
Public safety	86,712,694	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
Transportation	228,549	244,338	238,948	353,001	205,873	309,017	12,500	12,500	12,500	12,500
Economic and physical development	9,108,007	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
Environmental protection	14,050,736	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
Human services	91,434,044	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
Education	182,372,967	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
Cultural and recreational	24,846,253	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
Debt service:										
Principal retirement	41,300,728	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
Interest and fiscal charges	19,709,824	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
Debt issuance costs	770,191	929,899	247	1,002,975	741,165	23,000	644,769	818,130	1,115,755	1,060,066
Total expenditures	538,587,921	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
Excess of revenues over (under) expenditures	(24,503,693)	(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)
Other Financing Sources (Uses)										
Transfers in	84,493,665	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
Transfers out	(84,493,665)	(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)
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	3,274,674	6,109,622	-	17,940,846	13,031,538	-	7,025,669	-	-	-
Issuance of refunding bonds	117,400,000	87,720,000	-	96,460,000	63,930,000	-	44,635,000	125,002,399	73,276,601	71,955,824
Payment to refunded debt escrow agent	(109,879,936)	(93,500,000)	-	(115,022,770)	(77,226,102)	-	(51,200,000)	(124,462,399)	(72,630,409)	(71,425,002)
Issuance of installment purchases	41,048,607	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
Total other financing sources (uses)	51,843,345	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
Net change in fund balances	\$ 27,339,652	\$ 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)
Debt service as a percentage of noncapital expenditures	12.15%	11.80%	12.41%	12.49%	12.95%	14.10%	13.86%	12.88%	24.70%	14.78%

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
2020	\$ 89,530,531	\$ 96,780,516	\$ 228,549	\$ 9,416,002	\$ 8,349,531
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

Human Services	Education	Cultural and Recreational	Interest and Fiscal Charges	Sewer Utility	Total
\$ 101,256,274	\$ 182,574,991	\$ 17,520,440	\$ 254,616	\$ 9,705,514	\$ 515,616,964
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

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
2020	\$ 34,442,617	\$ 54,132,867	\$ 1,530,189	\$ 418,664,907
2019	47,352,245	49,452,242	3,122,406	391,293,597
2018	47,442,450	46,909,595	3,494,498	376,177,338
2017	46,664,806	59,791,850	5,129,757	353,613,376
2016	43,421,772	57,255,276	4,648,877	346,840,735
2015	44,708,939	56,872,129	4,036,039	335,201,455
2014	38,149,807	50,005,628	4,714,711	315,456,947
2013	36,890,689	53,016,379	1,972,602	299,029,295
2012	35,305,268	80,009,239	10,838,181	285,582,919
2011	33,012,519	75,904,360	10,341,180	277,147,169

Investment and Interest Income	Other Revenues	Total
\$ 8,800,011	\$ 788,094	\$ 518,358,685
1,565,922	978,671	493,765,083
7,750,403	1,056,010	482,830,294
(1,038,910)	1,090,502	465,251,381
4,755,630	966,731	457,889,021
13,488,096	1,300,117	455,606,775
5,128,291	4,600,630	418,056,014
2,007,036	4,709,920	397,625,921
9,878,576	8,604,913	430,219,096
7,340,490	5,775,344	409,521,062

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
2020	\$ 68,053,928	\$ 86,712,694	\$ 228,549	\$ 14,050,736	\$ 182,372,967
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

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
\$ 91,434,044	\$ 9,108,007	\$ 24,846,253	\$ 61,780,743	\$ 538,587,921
86,525,498	6,816,772	37,320,280	57,183,348	523,692,535
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

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	Rental Income
2020	\$ 407,242,844	\$ 9,895,470	\$ 1,622,962	\$ 55,663,056	\$ 729,374
2019	301,233,754	89,688,682	1,679,317	52,574,648	902,528
2018	287,741,392	88,565,246	1,638,616	49,444,983	1,134,280
2017	272,300,032	81,695,882	1,393,097	64,878,682	972,562
2016	268,685,962	78,662,973	1,535,091	61,619,958	988,807
2015	261,746,652	74,264,452	1,119,886	61,652,361	1,058,153
2014	253,158,020	64,534,840	1,357,467	54,190,412	1,077,167
2013	236,671,981	62,454,309	826,580	54,163,701	824,104
2012	223,996,640	61,221,954	794,976	84,587,369	591,285
2011	223,069,172	54,060,910	703,439	84,463,129	555,648

Notes:

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

Investment Income	Charges for Services	Other Revenues	Total
\$ 5,441,723	\$ 32,700,705	\$ 788,094	\$ 514,084,228
6,947,307	32,175,804	982,195	486,184,235
4,645,417	34,182,908	1,062,967	468,415,809
3,985,884	31,855,249	1,090,502	458,171,890
4,181,190	31,035,290	953,890	447,663,161
4,233,162	31,092,863	1,300,117	436,467,646
4,600,076	23,450,422	4,563,275	406,931,679
4,637,119	23,350,074	4,372,836	387,300,704
2,543,564	22,667,005	8,282,993	404,685,786
3,617,037	21,226,569	5,519,764	393,215,668

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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, 2020

Current Year and Nine Years Ago

	Fiscal Year 2020			Fiscal Year 2011		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
TOP TEN TAXPAYERS						
CREE, INC	\$ 436,086,084	1	0.99%	\$ 256,957,363	4	0.87%
AW NORTH CAROLINA, INC	389,791,299	2	0.89%	283,874,782	3	0.96%
DUKE ENERGY CAROLINAS, LLC	277,457,813	3	0.63%	183,791,292	6	0.62%
MERCK SHARP & DOHME, CORP	266,841,525	4	0.61%	207,684,813	5	0.70%
SOUTHPOINT MALL, LLC	185,830,435	5	0.42%	169,444,545	8	0.58%
INTERNATIONAL BUSINESS MACHINES	171,254,194	6	0.39%	461,320,862	2	1.57%
PARMER RTP, LLC	166,126,824	7	0.38%	-	-	-
IBM CORPORATION	164,570,586	8	0.37%	-	-	-
BIOMERIEUX INC	140,009,615	9	0.32%	-	-	-
EMC CORPORATION	134,220,606	10	0.30%	-	-	-
VERIZON SOUTH, INC	-	-	-	178,625,471	7	0.61%
EISAI, INC	-	-	-	130,546,427	9	0.44%
HIGHWOODS/FORSYTH, LP	-	-	-	100,905,698	10	0.34%
GLAXOSMITHKLINE	-	-	-	551,489,109	1	1.87%
	<u>\$ 2,332,188,981</u>		<u>5.30%</u>	<u>\$ 2,524,640,362</u>		<u>8.56%</u>

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year	Real Property	Personal Property	Public Service Companies	Registered Vehicles	Total	County Direct Tax Rate³	Special Tax Districts Tax Rate³	Average County Tax Rate³
2020	\$ 37,068,818,904	\$ 3,829,445,315	\$ 607,015,073	\$ 2,501,803,406	\$ 44,007,082,698	0.7122	0.0786-0.1978	0.7398
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	0.7744	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

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 affecting these financial statements occurred on January 1, 2019.
- (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 (Original Levy)		Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in the Subsequent Year	Total Collections to Date	
		Adjustments		Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2020	\$ 512,055,634	\$ 2,403,140	\$ 514,458,774	\$ 510,808,652	99.29%	\$ -	\$ 510,808,652	99.29%
2019	469,060,647	1,813,738	470,874,385	469,334,909	99.67%	729,677	470,064,586	99.83%
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%

Notes:

- (1) Amounts included above for fiscal year 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
2020	\$ 298,377,888	\$ -	\$ 1,389,612	\$ -	\$ 1,031,514	\$ 34,168	\$ 98,389	\$ 1,650,509
2019	272,768,246	-	1,192,442	-	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

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
\$ 1,133,529	\$ -	\$ 4,175,148	\$ 182,390,156	\$ 1,022,456	\$ 2,972,567	\$ 78,164	\$ 494,354,100
1,068,856	-	4,084,627	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	382,633,957
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

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$100 of assessed value)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
County direct rate										
Operating rate	\$ 0.6261	\$ 0.6808	\$ 0.6708	\$ 0.6608	\$ 0.7078	\$ 0.6951	\$ 0.6850	\$ 0.6850	\$ 0.6865	\$ 0.6911
Capital rate	0.0861	0.0971	0.0971	0.0796	0.0853	0.0980	0.0894	0.0594	0.0594	0.0548
Total general fund direct rate	<u>0.7122</u>	<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>
Fire district rates	0.0756-0.1349	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
Other special district rates	0.0000-0.1978	0.0000-0.2080	0.0000-0.1880	0.0000-0.1880	0.0000-0.1779	0.1514-0.1729	0.1518-0.1668	0.1374-0.1524	0.1474-0.2500	0.1460-0.2500
Municipality Rates										
City of Durham	0.5317	0.5786	0.5786	0.5607	0.5912	0.5912	0.5675	0.5675	0.5575	0.5519
City of Durham BID	0.6017	0.6486	0.6486	0.6307	0.6612	0.6612	0.6375	0.6375	-	-
Town of Chapel Hill	0.5440	0.5280	0.5080	0.5240	0.5240	0.5240	0.5140	0.4940	0.4940	0.4940
City of Raleigh	0.4382	0.4382	0.4253	0.4183	0.4210	0.4038	0.3826	0.3826	0.3735	0.3735
Town of Morrisville	0.3900	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 affecting these financial statements occurred on January 1, 2019.

DEBT CAPACITY INFORMATION

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

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

Legal Debt Margin Information

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

Direct and Overlapping Governmental Activities Debt

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

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

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

Ratios of General Bonded Debt Outstanding

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

Ratios of Outstanding Debt by Type

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

DURHAM COUNTY, NORTH CAROLINA

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

Fiscal Year Ended June 30,	Population Estimate (1)		Taxable Property Assessed Value	Debt Limit	Gross Bonded Debt	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Property Assessed Value	Net Bonded Debt Per Capita
2011	272,156	(1)	\$ 29,460,598,354	\$ 2,356,847,868	\$ 272,680,000	\$ 272,680,000	0.93	1,002
2012	275,960	(1)	29,842,363,341	2,387,389,067	298,585,000	298,585,000	1.00	1,082
2013	277,588	(1)	30,446,750,204	2,435,740,016	273,900,000	273,900,000	0.90	987
2014	284,437	(1)	32,025,003,772	2,562,000,302	295,905,000	295,905,000	0.92	1,040
2015	290,874	(1)	31,736,178,319	2,538,894,266	270,905,000	270,905,000	0.85	931
2016	293,647	(1)	32,454,800,165	2,596,384,013	243,775,000	243,775,000	0.75	830
2017	301,243	(1)	35,230,345,247	2,818,246,797	288,086,321	288,086,321	0.82	956
2018	308,194	(1)	36,159,221,674	2,892,737,734	258,989,288	258,989,288	0.72	840
2019	320,639	(1)	37,361,508,577	2,988,920,686	280,732,596	280,732,596	0.75	876
2020	331,807	(1)	44,007,086,698	3,520,566,616	249,550,771	249,550,771	0.57	752

NOTES:

(1) Estimate from Durham City/County Planning Department

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DURHAM COUNTY, NORTH CAROLINA

Legal Debt Margin Information Last Ten Years

	2020	2019	2018	2017
Assessed Value of Property	\$ 44,007,082,698	\$ 37,361,508,577	\$ 36,159,211,674	\$ 35,230,345,247
Debt Limit, 8% of Assessed Value (Statutory Limitation)	3,520,566,616	2,988,920,686	2,892,737,734	2,818,427,620
Amount of Debt Applicable to Limit General Obligation Bonds	218,045,000	245,470,000	226,455,000	252,270,000
Less: Resources Restricted to Paying Principal	-	-	-	-
Total net debt applicable to limit	218,045,000	245,470,000	226,455,000	252,270,000
Legal Debt Margin	\$ 3,302,521,616	\$ 2,743,450,686	\$ 2,666,282,734	\$ 2,566,157,620
Total net debt applicable to limit as a percentage of debt limit	6.19%	8.21%	7.83%	8.95%

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

2016	2015	2014	2013	2012	2011
\$ 32,454,800,165	\$ 31,736,178,319	\$ 32,025,003,772	\$ 30,446,750,204	\$ 29,842,363,341	\$ 29,460,598,354
2,596,384,013	2,538,894,266	2,562,000,302	2,435,740,016	2,387,389,067	2,356,847,868
243,775,000	270,905,000	295,905,000	273,900,000	298,585,000	272,680,000
-	-	-	-	-	-
243,775,000	270,905,000	295,905,000	273,900,000	298,585,000	272,680,000
\$ 2,352,609,013	\$ 2,267,989,266	\$ 2,266,095,302	\$ 2,161,840,016	\$ 2,088,804,067	\$ 2,084,167,868
9.39%	10.67%	11.55%	11.25%	12.51%	11.57%

DURHAM COUNTY, NORTH CAROLINA

Direct and Overlapping Governmental Activities Debt As of June 30, 2020

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Municipality:			
City of Durham	\$ 257,386,859	100%	\$ 257,386,859
Town of Chapel Hill	33,281,000	0%	-
City of Raleigh	889,662,814	0%	-
Overlapping debt	<u>1,180,330,673</u>		<u>257,386,859</u>
Direct debt	566,578,188		566,578,188
Total direct and overlapping debt	<u>\$ 1,746,908,861</u>		<u>\$ 823,965,047</u>

Source: Overlapping debt provided by each municipality.

Note: Percentage of overlap based on assessed property values.

DURHAM COUNTY, NORTH CAROLINA

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

FISCAL YEAR ENDED JUNE 30,	DEBT SERVICE EXPENDITURES					RATIO OF TOTAL DEBT SERVICE TO TOTAL GOVERNMENTAL EXPENDITURES
	PRINCIPAL	INTEREST AND FISCAL CHARGES	OTHER EXPENDITURES	TOTAL DEBT SERVICE EXPENDITURES	TOTAL GOVERNMENTAL EXPENDITURES	
2020	\$ 41,300,728	\$ 19,709,824	\$ 65,089	\$ 61,075,641	\$ 537,939,362	11.35%
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%

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
2020	\$ 249,550,771	0.57%	\$ 752.10
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

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
2020	\$ 249,550,771	\$ -	\$ 259,395,917	\$ 57,631,500	\$ 566,578,188
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

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

(1) See Schedule for demographic and economic statistics for personal income and population data.

Business-Type Activities

General Obligation Bonds	Refunding Revenue Bonds	State Revolving Loans	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income¹	Per Capita¹
\$ -	\$ 6,158,379	\$ 8,585,989	\$ 14,744,368	\$ 581,322,556	3.62%	\$ 1,751.99
-	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

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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	2020	2019	2018	2017	2016
General government	314	332	342	287	267
Public safety	680	803	814	717	687
Economic and physical development	37	39	17	34	29
Environmental protection	20	22	18	15	21
Human services	657	772	775	672	639
Cultural and recreational	106	106	110	106	100
Utilities	23	27	27	21	20
Total	<u>1,837</u>	<u>2,101</u>	<u>2,103</u>	<u>1,852</u>	<u>1,763</u>

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

DURHAM COUNTY, NORTH CAROLINA

Operating Indicators By Function Last Ten Fiscal Years

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Administration										
Registered voters ⁵	222,647	218,123	223,921	210,644	233,602	210,644	201,880	199,756	195,050	182,192
Taxable real estate parcels ⁶	110,241	111,154	110,839	108,026	105,588	103,976	104,350	103,757	102,556	86,008
Tax bills ^{8*}	158,571	159,805	147,264	146,332	144,540	146,193	143,659	377,327	317,556	240,597
Human Services										
Adult care home residents served through on-site inspections ⁷	1,037	1,050	1,069	997	982	994	941	885	875	845
Persons testing for HIV/STD ⁸	11,813	19,791	20,378	22,412	22,532	37,280	38,482	52,251	43,265	53,584
Food assistance individuals ⁷	37,858	34,708	37,430	30,853	40,358	43,745	43,289	49,281	44,238	42,034
Education										
Students attending public school ¹	32,928	32,448	32,374	33,151	33,501	33,626	33,295	32,484	32,671	32,566
Public school teachers ¹	2,512	2,426	2,393	2,267	2,416	2,329	2,318	2,247	2,300	2,245
Community college students-average se	6,213	8,919	12,898	10,819	19,027	22,341	20,470	22,974	24,416	24,769
Community college faculty ²	356	347	355	355	355	333	328	322	337	162
Community Development and Cultural⁴										
Residential permits issued **	2,050	2,233	2,152	1,726	1,927	1,426	1,270	1,141	856	997
Commercial permits issued **	103	98	101	155	158	132	135	83	109	93
Building permits - additional, alterations *	3,006	2,749	2,959	2,666	2,592	2,451	2,320	2,362	2,533	2,368
Inspections performed	32,882	33,884	43,292	43,031	38,946	38,481	38,801	31,589	27,635	26,086
Environmental Services										
Animal control service calls ⁹	9,747	12,670	10,967	12,191	12,889	12,568	11,859	11,111	15,682	13,911
Animals impounded ⁹	1,223	3,659	2,087	2,516	2,869	2,166	3,025	3,361	6,315	6,397
Sanitation inspections ⁸	4,348	3,643	3,343	3,149	3,327	6,146	7,243	5,841	7,040	6,876
Public Safety										
Detention intake ¹⁰	7,626	7,513	8,417	7,558	11,013	11,838	11,967	12,350	12,457	12,267
Civil processes served ¹⁰	13,497	18,477	24,755	20,505	33,147	26,407	28,482	35,842	33,181	32,472
Pistol permits processed ¹⁰	7,066	3,514	3,136	2,108	3,266	2,486	1,446	1,715	1,938	1,923
Average daily jail population ¹⁰	356	426	498	472	481	520	521	560	551	554
Fire/medical incidents responded to by contracting fire departments ¹¹	3,391	3,531	3,320	2,025	2,587	4,544	9,152	11,096	11,870	12,402
Durham EMS incidents ³	47,496	47,494	48,547	46,934	44,222	44,388	32,882	28,337	27,742	26,696

* 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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government¹										
Rentable square footage	749,361	749,361	762,932	762,932	762,932	767,652	767,652	767,652	766,682	733,361
Human Services²										
Number of centers	2	2	2	2	2	2	2	4	4	4
Education³										
Number of schools	53	53	53	54	54	54	56	56	56	55
Number of higher education institutions	4	4	4	4	4	4	4	4	4	4
Community Development and Cultural⁴										
Libraries - branches ⁴	7	7	7	7	7	7	7	8	8	8
Volume of Library Books ⁴	677,747	716,746	682,379	670,695	692,526	694,145	704,947	698,715	704,093	661,687
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	17	16	16	16	16	16	16	15
Fire protection - Volunteer Stations ⁶	12	12	12	12	12	12	12	12	12	11
EMS - Stations ⁷	10	10	10	9	9	12	11	9	6	6

(1) Durham County Open Space Department

(2) Durham County Public Health and Social Services Departments

(3) Durham Public Schools

(4) Durham County Public Library

(5) Durham County Sheriff's Department

(6) Durham County Fire Department

(7) Durham County Emergency Medical Services

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DEMOGRAPHIC & ECONOMIC INFORMATION

Property Value and Construction

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

Demographic and Economic Statistics

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

Principal Employers

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

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DURHAM COUNTY, NORTH CAROLINA

Property Value and Construction Last Ten Fiscal Years

Fiscal Year Ended June 30,	Building Value of Permits Issued (1)	Assessed Valuation (2)
2020	\$ 1,905,432,972	\$ 44,007,082,698
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

NOTES:

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

(2) Last revaluation of taxable property occurred on January 1, 2019.

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
2020	331,807	*	*	32,928	7.60%
2019	320,639	*	*	32,343	4.00%
2018	308,941	\$ 16,058,004	\$ 50,698	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%

* Information not yet available

(1) The 2011-2020 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.

2011-2018 is actual per capita income provided by Bureau of Economic Analysis, last update November 14, 2019.

(4) Durham County Public Schools, 2011-2020 Final Average Daily Membership.

(5) North Carolina Department of Commerce.

DURHAM COUNTY, NORTH CAROLINA

Principal Employers Current Year and Nine Years Ago

Employer	2020			2011		
	Employees ¹	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Duke University & Health System	40,000	1	18.13%	33,750	1	18.81%
Durham Public Schools	5,200	2	2.36%	5,440	3	3.03%
International Business Machines (IBM)	5,200	3	2.36%	10,000	2	5.57%
Fidelity Investments	3,900	4	1.77%	1,800	10	1.00%
US Department of Veteran Affairs	3,900	5	1.77%	2,162	8	1.21%
Blue Cross and Blue Shield North Carolina	3,900	6	1.77%	2,437	5	1.36%
City of Durham	2,500	7	1.13%	2,336	6	1.30%
Cree, Inc.	2,500	8	1.13%	2,000	9	1.11%
RTI International	2,200	9	1.00%	2,200	7	1.23%
IQVIA (formerly Quintiles)	2,200	10	1.00%			
GlaxoSmithKline				4,500	4	2.51%
	<u>71,500</u>		<u>32.40%</u>	<u>66,625</u>		<u>37.15%</u>

Source: Durham Chamber of Commerce and Bureau of Labor Statistics

¹As of fiscal year ended 2020, the Durham Chamber of Commerce (DCC) no longer provides exact employment numbers for principal employers. Instead, DCC provides significantly more rounded employment numbers gathered from a number of different sources.

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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, 2020; 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, 2020, 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 January 13, 2021 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 Bokant CP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
January 13, 2021

DURHAM COUNTY, NORTH CAROLINA

Schedule of Debt Covenant Compliance Year Ended June 30, 2020

	Enterprise Fund Sewer Utility Fund
Operating revenues	
Charges for services	\$ 10,226,206
Total operating revenues	<u>10,226,206</u>
Operating expenses	
Personnel services	2,111,984
Utilities	526,071
Maintenance and other	3,316,191
Depreciation	<u>3,230,741</u>
Total operating expenses	<u>9,184,987</u>
Operating income (loss)	<u>1,041,219</u>
Add:	
Depreciation expense	<u>3,230,741</u>
Income available for debt service	<u><u>\$ 4,271,960</u></u>
Fiscal year revenue bond debt payments	\$ 930,710
Fiscal year total debt payments	\$ 1,807,364
Senior lien debt service coverage	4.59
Total debt service coverage	2.36
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

Chrystal Thomas, AP Manager

Tonia Hernandez, Accountant

Jose Rivera, Accountant

Yolanda Deaver, CPA, MBA, Contractor

