



City of Durham North Carolina



Comprehensive Annual Financial
Report For The Fiscal Year Ended
June 30, 2014

About the Cover

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*Comprehensive Annual
Financial Report*

*City of Durham
North Carolina*

For the Fiscal Year Ended June 30, 2014

David Boyd, CPA, CFE, CGMA
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Durham
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

**CITY OF DURHAM, NORTH CAROLINA
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DURHAM



CITY OF DURHAM

City Manager's Office

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CITY OF MEDICINE

www.durhamnc.gov

October 24, 2014

To the Honorable Mayor and Members of the City Council City of Durham, North Carolina

The Comprehensive Annual Financial Report (CAFR) of the City of Durham (City) for the fiscal year ended June 30, 2014 (FY 2013-14) is hereby submitted. As required by North Carolina General Statutes (NCGS), the CAFR includes financial statements that have been audited by an independent certified public accounting firm. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data accurately presents the financial position and the results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial reporting entity includes all of the City's funds. Component units are legally separate entities for which the City has financial control. Financial control by or dependence on the City is determined on the basis of budget adoption, taxing power, outstanding debt secured by the revenues or general obligation of the City, the obligation of the City to finance any deficits, or receipt of significant subsidies from the City. Based on these criteria the City does not have any discretely presented component units. Blended component units are legally separate entities; however, in substance, their operations are included as part of the primary government.

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

PROFILE OF THE CITY OF DURHAM

Durham is a colorful, creative, and entrepreneurial community that continuously earns accolades as one of the best places to visit, live, and do business. It is the fourth largest city in the state, the county seat, and the only municipality centered in Durham County. The City takes pride in its educational, cultural, athletic, and medical assets, along with nationally acclaimed restaurants, shopping, historical sites, and myriad other

things to do. The City covers an area of 109.1 square miles. The estimated population of 242,810 includes a rich diversity of racial and ethnic backgrounds.

The City of Durham has operated under the Council - Manager form of government since 1921. The Durham City Council is comprised of seven members: three members from specific wards, three at-large members, and the Mayor. The terms for City Council seats are staggered, and nonpartisan elections are held every two years. City Council members serve four year terms and the Mayor serves a two year term. City Council is the legislative and policy-making body for Durham and is the final authority on most matters relating to the City. The Council is responsible for establishing general policies for the City; appointing the City Manager, City Attorney, City Clerk, and members of various boards and commissions; enacting ordinances, resolutions, and orders, reviewing the annual budget, and authorizing contracts on the City's behalf.

The Mayor serves as presiding officer of the City Council and votes on all matters that come before the body. The Mayor also appoints standing and special committees of the Council, unless the Council votes to appoint such committees. As official head of city government, the Mayor represents the City on ceremonial occasions. The City Manager is the administrative head of city government and is responsible for the efficient management of City operations. The Council appoints the Manager, who ensures that ordinances and policies set by Council are carried out. The Manager is also responsible for preparing the annual budget and for supervising city departments and personnel (except the City Attorney's and City Clerk's offices). As an employee of the City Council, the Manager normally attends all Council meetings.

City government services are headquartered at Durham's City Hall in downtown Durham. Service facilities including police and fire stations, recreational facilities, water/wastewater treatment facilities, and public works operations can be found throughout the community. The City funds a municipal bus system and has centralized with Triangle Transit Authority the oversight of route planning, marketing, and fare management. Also, the City funds services provided in conjunction with the County of Durham through interlocal agreements including tax collections, economic and physical development, emergency communications, environmental engineering, sustainability, and inspections.

The City of Durham's annual budget process, the framework for communicating major financial operational objectives and for allocating resources to achieve them, is a complex undertaking involving the entire government. By State law, the City must adopt an annual budget ordinance by July 1st of each year. As part of the budget process the City Council holds two public hearings on the budget, one in March toward the beginning of the process and one in June prior to the adoption of the budget. The June public hearing is required by state statute. The input of Durham's citizens in the budget process has been nationally recognized and City Council holds several "Coffees with Council" in various locations throughout the City, an "e-Town Hall" meeting, and community listening sessions to receive public input on budget issues and community priorities. City departments are required to submit budgets to the City Manager during the third fiscal quarter and those

requests are used as a starting point for the development of a preliminary budget to be presented to City Council.

Once the budget is approved, the focus of the budget is on control. Ongoing monitoring of revenues and expenditures throughout the year is a responsibility shared by department directors and the Budget and Management Services Department. The Budget and Management Services Department also ensures that budget changes are correctly recorded in the City's financial accounting system.

The Budget and Management Services Department reviews all transfer requests from departments to make sure that sufficient appropriations are available. All funds are reviewed on a regular basis, and a financial report that includes comparisons of budget to actual is presented to the City Council on a quarterly basis. The City Manager has the authority to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the City Council.

Budget to actual comparisons are provided in this report for each individual governmental fund and enterprise fund for which an annual budget has been adopted. For the General Fund, this comparison is presented on page 26 as part of the basic financial statements. For other governmental funds the presentation is in the Governmental Funds section, starting on page 87 and the Enterprise presentation is in the Enterprise Section starting on page 119.

FACTORS AFFECTING FINANCIAL CONDITION

Regional Picture: The Triangle (Raleigh-Durham-Chapel Hill) has one of the strongest, diversified, and most stable economies in the nation. National magazines consistently give the region top rankings for quality of life, higher education, overall business climate, small business and entrepreneurial opportunities, business climate for women, and combining work and family life. In 2014, the Durham-Chapel Hill Metropolitan Statistical Area had the fifth highest real average wage in the United States.

Location and Accessibility: The City surrounds the Research Triangle Park (RTP). RTP, formed in 1959 and recognized internationally as a center for cutting-edge research and development, is the largest research park in the United States and one of the largest in the world. RTP covers over 7,000 acres and is home to approximately 190 organizations, including 130 research and development related organizations. RTP employs an estimated 50,000 workers with an annual payroll in excess of \$2.7 billion. Durham is centrally located among the major population centers of the East Coast, and is bisected by Interstates 85 and 40, which are connected by the Durham Freeway. Raleigh-Durham International Airport (RDU), located just east of the City limits, serves over 9 million passengers annually. Eight major airlines and their regional partners offer service from RDU, along with general aviation, corporate, military, and cargo aircraft operations. Two passenger terminals provide a total of 45 aircraft gates.

Employment Base in Research and Manufacturing: The City's diverse and expanding economy is rooted in electronics, health care, medical research, education, and telecommunications. The "City of Medicine" is one of the nation's leading centers for biotechnology and medical research. Duke University and Duke Medical Center employ 35,998 people, while spin-offs from research at Duke, the University of North Carolina at Chapel Hill, and North Carolina State University have created dozens of start-up biotech firms. These companies are supported by the state-sponsored North Carolina Biotechnology Center, located in RTP.

The City's unemployment rate is typically below both state and national levels. As of July 2014, the unemployment rate decreased to 5.6 percent from 6.6 percent in July 2013. The total size of the labor force increased to 124,583.

Education and Job Training: The education and skill level of the labor force is a major factor in the desirability of the Durham area. Over 40 percent of Durham County adults possess at least a Bachelor's degree, compared with 27 percent nationally. The community college system - particularly the system's interaction and cooperation with businesses to establish training programs - is regarded as one of the best in the nation.

Construction Trends: The City is experiencing strong and solid levels of private investment and the City's residential building permit activity has increased, more than offsetting a decline in commercial building permit activity. For fiscal year 2014, residential building permit valuations totaled \$458 million, compared to \$369 million in 2013, and commercial building permit valuations totaled \$331 million, compared to \$382 million in 2013. Development continues with substantial economic driver projects underway and/or nearing completion. Downtown Durham is targeted as an area of particular strategic and symbolic importance and the City has made substantial investments in its downtown. Over the past decade, approximately 1.9 million square feet of new office space has been added downtown and this market has the highest occupancy rate in the City of 92%. The thriving downtown has a wider-reaching positive effect, and in the last decade more than \$1.2 billion in public and private sectors investment have been made in downtown Durham.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

FINANCIAL INFORMATION

General Fund Balance

The City Council has adopted a policy of maintaining an unassigned fund balance of no less than 12 percent of adjusted budgeted appropriations less transfers out. The unassigned fund balance for FY2014 was 17.8 percent, and the unassigned fund balance for FY2013 was 13.5 percent.

Financial Policies

The City of Durham continually reviews and updates its financial policies to ensure that required controls are in place. In FY2014 policies were reviewed for employee-related travel and food expenses. During FY2015, the City will adopt GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*.

Internal Controls

Internal controls are a process, affected by the City's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations; (2) reliability of financial reporting; and (3) compliance with laws and regulations. Internal controls can provide reasonable, not absolute, assurance that the objectives of the City are met. The concept of reasonable assurance implies a high degree of assurance, constrained by the costs and benefits of establishing incremental control procedures.

OTHER INFORMATION

Independent Audit

North Carolina General Statutes Chapter 15, the Local Government Budget and Fiscal Control Act, requires that units of local government have an annual audit by independent certified public accountants. The accounting firm of Cherry Bekaert LLP was selected by the City Council. In addition to meeting statutory requirements, the audit also complies with the Federal Single Audit Act, Office of Management and Budget Circular A-133, and NCGS (Single Audit Implementation Act). The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations are included in the Single Audit Section.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) once again recognized the City for the quality of its Comprehensive Annual Financial Report issued for the previous fiscal year. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and accepted legal requirements. This Certificate of Achievement for Excellence in Financial Reporting marks the 29th consecutive year and the 33rd time in 35 years that the City has been so honored. A Certificate of Achievement is valid for a period of one year only.

We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting the report to GFOA to determine its eligibility for another certificate.

The GFOA has given the City its 10th consecutive Award for Outstanding Achievement in Popular Annual Financial Reporting for its Citizen's Financial Report for the fiscal year ended June 30, 2013. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA. In addition, the City of Durham received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2013. In order to qualify for the Distinguished Budget Presentation Award, the City of Durham's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The City is under more pressure than ever to tackle increasingly more complex financial issues with a greater degree of public scrutiny. Preparation of this report would have been impossible without the hard work and dedication of the Department of Finance Staff. In particular the efforts of the Accounting Services Division staff should be recognized. Other departments of the City have also contributed directly or indirectly in the preparation of this report and their cooperation and continued assistance is appreciated. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Thomas J. Bonfield
City Manager



David Boyd, CPA, CFE, CGMA
Finance Director

CITY OF DURHAM, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

MAYOR



William V. Bell

CITY COUNCIL



Eugene A. Brown



Diane N. Catotti



Cora Cole-McFadden



Eddie Davis



Don Moffit



Steve Schewel

CITY MANAGER



Thomas J. Bonfield

Prepared by the City of Durham Department of Finance

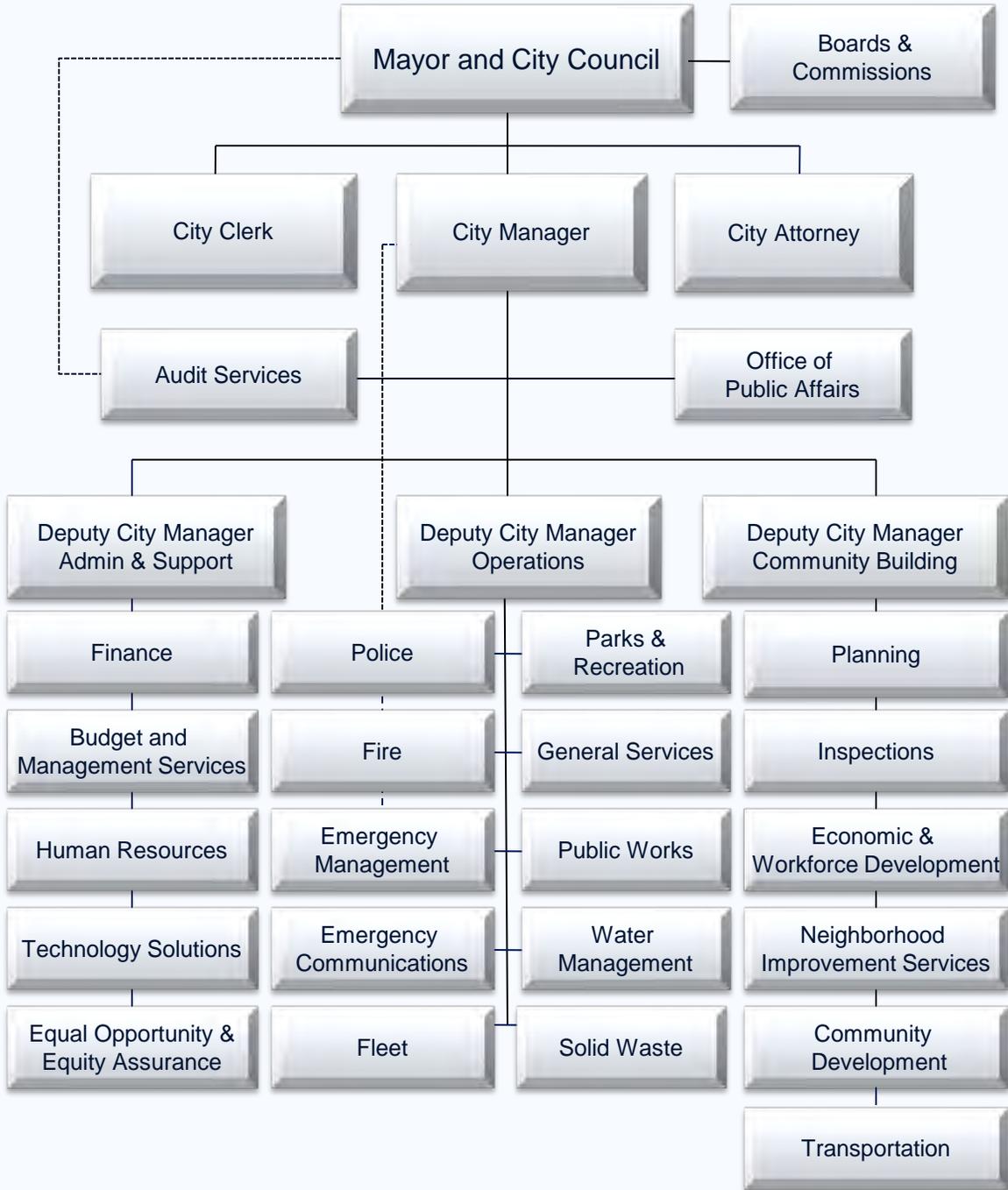
David Boyd, Finance Director, CPA, CFE, CGMA
Keith R. Herrmann, Deputy Finance Director

Financial Reporting Team

David J. Hickman, IV, CPA	Controller
Youssef Hammad, MBA	Financial Reporting Manager
Vladimir Avrutsky	Accountant I
Rachel B. Bobbitt	Senior Treasury Analyst
Kathy Compton	Corporate Accountant I
Chad Cowan	Treasurer
Carl Deckard, CPA	Accounting Support Supervisor
Jennifer Evans	Corporate Accountant I
Alexia Forte, MPA	Corporate Accountant I
Jo Ann Bass-Hedgspeth	Corporate Accountant I
Shaela Light	Corporate Accountant I
Brian Pieczynski	Accountant I
Dan Shulman	Financial Analyst
Lynwood Walker	Accountant I



CITY OF DURHAM ORGANIZATIONAL CHART



DURHAM



CITY OF MEDICINE

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Report of Independent Auditor

To the Honorable Mayor and
Members of the City Council
City of Durham, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Durham, North Carolina (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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 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 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 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 City'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 City'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance 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 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 consist 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, financial section – governmental funds, enterprise funds, and internal service funds, accompanying financial schedules, and statistical section as listed in the table of contents as well as the schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial section – governmental funds, enterprise funds and internal service funds, accompanying financial schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 City's internal control over financial reporting and compliance.

 LLP

Raleigh, North Carolina
October 24, 2014

CITY OF DURHAM, NORTH CAROLINA

Management's Discussion and Analysis
For the Year Ended June 30, 2014

Management's Discussion and Analysis

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, and the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The assets of the City of Durham exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,124,827,840. Of this amount, \$190,183,699 may be used to meet the City's ongoing obligations to citizens and creditors.
- Total net position increased by \$64,768,402, during the most recent fiscal year resulting from governmental and business-type activities. The increase in the governmental activities net position was \$11,376,854 while the increase in the business-type activities net position was \$53,391,548.
- The City of Durham has maintained its AAA bond rating from all three bond rating agencies for the 14th consecutive year.
- As of the close of the fiscal year, the City of Durham's governmental funds reported combined ending fund balances of \$137,308,406, an increase of \$10,459,283.
- The City of Durham's total debt decreased by \$9,970,794 (2.1%) during the current fiscal year.

City Highlights

- Durham is the 2013 recipient of an Honorable Mention for the "The Richard Goodman" Strategic Planning Award from the Association of Strategic Planning. The award recognizes distinction in the practice of strategy, innovation in the strategic planning process, and honors organizations at the leading edge of strategic practice.
- For fiscal year 2014 the City of Durham received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 29th consecutive year, the Outstanding Achievement in Popular Financial reporting for the 10th consecutive year and the Distinguished Budget Presentation Award for the 25th consecutive year.
- AT&T and Google are exploring the feasibility of building a high speed fiber network which will provide internet speeds up to 100 times faster than current connections.

Overview of the Financial Statements

The City of Durham's discussion and analysis is intended to serve as an introduction to the City of Durham's basic financial statements. The City of Durham's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. The discussion and analysis is also designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year's

challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter and the City’s financial statements.

Required Components of the Annual Financial Report

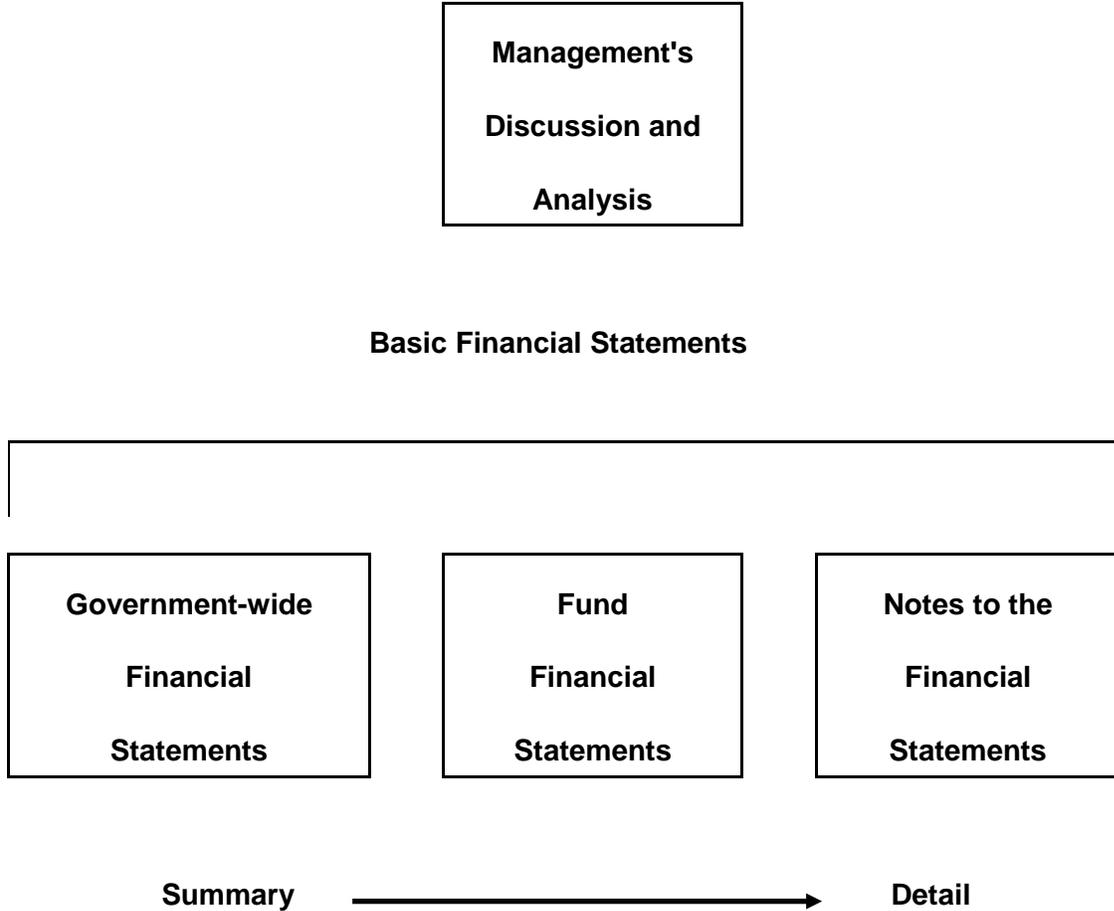


Figure 1

Basic Financial Statements

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City’s financial status.

The next statements (Exhibits A-3 through A-11) are Fund Financial Statements. These statements focus on the activities of the individual parts of the City’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 City’s individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Durham's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the City of Durham's assets, deferred outflows of resources, liabilities deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Durham is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Durham that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Durham include General Government, Public Safety, Streets and Highways, Development, General Services, Parks and Recreation. The business-type activities of the City of Durham include Water and Sewer, Parking Facilities, Transit, Solid Waste Management, Golf Course, Durham Performing Arts Center, Ballpark and Storm Water Management.

The government-wide financial statements include not only the City of Durham itself, but also a legally separate non-profit corporation for which the City of Durham is financially accountable. The New Durham Corporation (NDC) is legally separate from the City, although the NDC is reported as if it were a part of the government because its purpose is to finance City revitalization projects and purchases of capital equipment. All NDC activities are included in the funds in which the activity takes place.

The government-wide financial statements can be found on pages 18 - 21 of this report.

Fund Financial Statements

The fund financial statements are a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Durham, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Durham 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 City'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 year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending 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 City's programs. The relationship between government 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 City of Durham adopts an annual budget for its General and Debt Service Funds, as required by the General Statutes. The budget is a legally adopted document that incorporates input from

the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City 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 legal budget document. The statement shows four columns: 1) the original budget as adopted; 2) the final budget as amended; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The basic governmental fund financial statements can be found on pages 22 - 26.

Proprietary Funds - The City of Durham has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. These services include Water and Sewer, Parking Facilities, Transit, Solid Waste Management, Durham Performing Arts Center, Ballpark, Golf Course and Storm Water Management. They are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are used as an accounting device to accumulate and allocate costs internally among other funds. The City uses two internal service funds, one to account for risk management and claims settlement activities and a second to account for health and dental insurance. Because the Internal Service Funds are predominantly governmental rather than business-type activities, both funds have been included within the governmental activities in the government-wide financial statements. The proprietary funds financial statements can be found on pages 28 - 41.

Fiduciary Funds - The City of Durham has two different *Fiduciary Funds*, a pension trust, which is used to account for resources held for the benefit of the City's employees and a trust fund for Other Post Employment Benefits (OPEB). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Fiduciary funds financial statements can be found on pages 42 - 43.

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 are on pages 45 - 83.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Durham's progress in funding its obligation to provide pension benefits and other post employment benefits to its employees. Required supplementary information can be found on pages 84 - 87.

Interdependence with Other Entities

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government Wide Financial Statement Analysis

The following reflects the Net Position compared to the prior year:

Statement of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 212,750	\$ 208,200	\$ 176,450	\$ 160,333	\$ 389,200	\$ 368,533
Capital assets	587,842	605,171	715,558	658,462	1,303,400	1,263,633
Total assets	<u>800,592</u>	<u>813,371</u>	<u>892,008</u>	<u>818,795</u>	<u>1,692,600</u>	<u>1,632,166</u>
Long-term liabilities outstanding	280,466	300,323	194,417	174,313	474,883	474,636
Other liabilities	49,896	51,949	38,912	38,912	88,808	90,861
Total liabilities	<u>330,362</u>	<u>352,272</u>	<u>233,329</u>	<u>213,225</u>	<u>563,691</u>	<u>565,497</u>
Deferred inflows of resources	4,082	6,327	-	281	4,082	6,608
Net position:						
Invested in capital assets, net of related debt	365,679	346,977	523,201	486,710	888,880	833,687
Restricted	45,764	36,883	-	-	45,764	36,883
Unrestricted	54,706	70,911	135,478	118,578	190,184	189,489
Total net position	<u>\$ 466,149</u>	<u>\$ 454,771</u>	<u>\$ 658,679</u>	<u>\$ 605,288</u>	<u>\$ 1,124,828</u>	<u>\$ 1,060,059</u>

For more detailed information see the Statement of Net Assets on pages 18-19.

Net position may serve over time as one useful indicator of a government's financial condition. The net position exceeded liabilities and deferred inflows by \$1,124,827,840 at June 30, 2014. At June 30, 2013 the amount was \$1,060,059,438. Net position is reported in three categories: Invested in capital assets of \$888,879,847; restricted net assets of \$45,764,294; and unrestricted net assets \$190,183,699. At June 30, 2013, these amounts were \$833,867,302, \$36,883,561 and \$189,488,575, respectively.

The net investment in capital assets is reported net of the outstanding related debt is defined as the City's investment in City owned capital assets (e.g. land, land rights, buildings, automotive equipment, office and other equipment, and sewer lines), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 cannot be used to liquidate these liabilities. Restricted net assets of \$45,764,294 represent resources that are subject to external restrictions on how they may be used.

The following is a schedule of revenues and expenses for the current fiscal year.

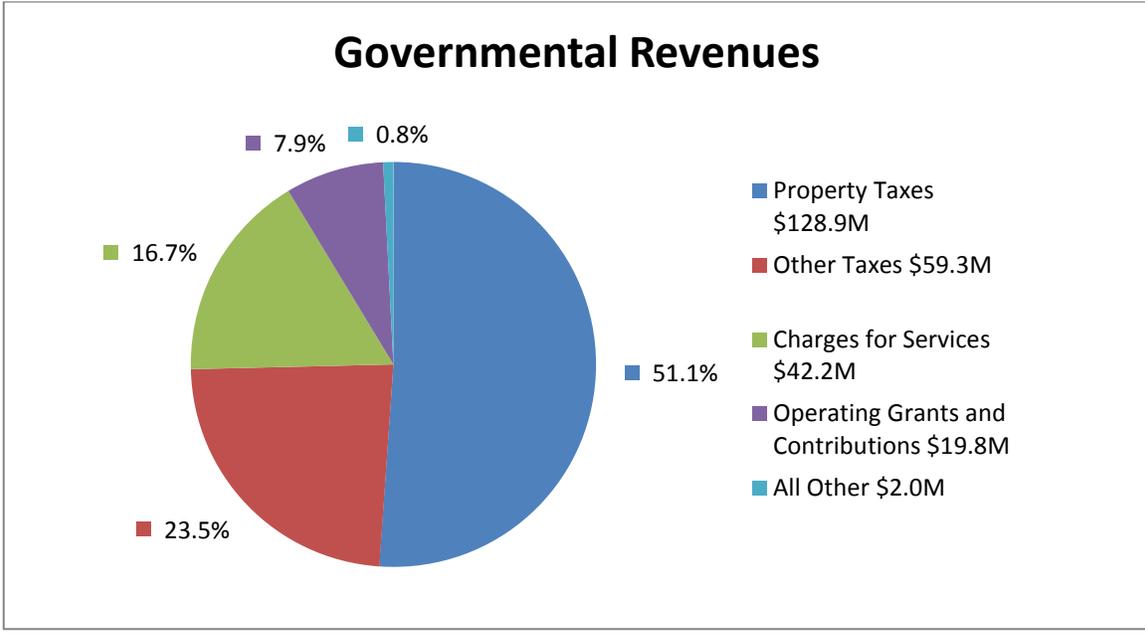
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 42,191	\$ 40,282	\$ 125,587	\$ 123,452	\$ 167,778	\$ 163,734
Operating grants and contributions	19,766	22,252	6,892	7,684	26,658	29,936
Capital grants and contributions	-	-	20,998	9,803	20,998	9,803
General revenues:						
Property taxes	128,898	127,072	9,413	-	138,311	127,072
Other taxes	59,274	57,563	1,550	1,559	60,824	59,122
Other	2,058	1,559	722	180	2,780	1,739
Total revenues	<u>252,187</u>	<u>248,728</u>	<u>165,162</u>	<u>142,678</u>	<u>417,349</u>	<u>391,406</u>
Expenses:						
General government	39,106	38,106	-	-	39,106	38,106
Public safety	93,529	86,736	-	-	93,529	86,736
Development	21,641	28,147	-	-	21,641	28,147
General services	18,807	20,705	-	-	18,807	20,705
Parks and recreation	14,005	14,065	-	-	14,005	14,065
Streets and highways	21,365	24,482	-	-	21,365	24,482
Interest on long-term debt	8,995	10,743	-	-	8,995	10,743
Water and sewer	-	-	73,352	70,908	73,352	70,908
Parking facilities	-	-	4,369	2,526	4,369	2,526
Transit	-	-	23,698	23,453	23,698	23,453
Solid waste disposal	-	-	17,948	23,371	17,948	23,371
Performing Arts	-	-	3,626	3,550	3,626	3,550
Ballpark	-	-	1,701	1,370	1,701	1,370
Storm water management	-	-	10,316	9,868	10,316	9,868
Golf course	-	-	122	122	122	122
Total expenses	<u>217,448</u>	<u>222,984</u>	<u>135,132</u>	<u>135,168</u>	<u>352,580</u>	<u>358,152</u>
Increase in net position before transfers	34,739	25,744	30,030	7,510	64,769	33,254
Transfers	(23,361)	(15,519)	23,361	15,519	-	-
Increase in net position	11,378	10,225	53,391	23,029	64,769	33,254
Net position, July 1	<u>454,771</u>	<u>445,983</u>	<u>605,288</u>	<u>583,502</u>	<u>1,060,059</u>	<u>1,029,485</u>
Restatement	-	(1,437)	-	(1,243)	-	(2,680)
Restated net position July 1	<u>-</u>	<u>444,546</u>	<u>-</u>	<u>582,259</u>	<u>-</u>	<u>1,026,805</u>
Net position, June 30	<u>\$ 466,149</u>	<u>\$ 454,771</u>	<u>\$ 658,679</u>	<u>\$ 605,288</u>	<u>\$ 1,124,828</u>	<u>\$ 1,060,059</u>

Governmental Activities

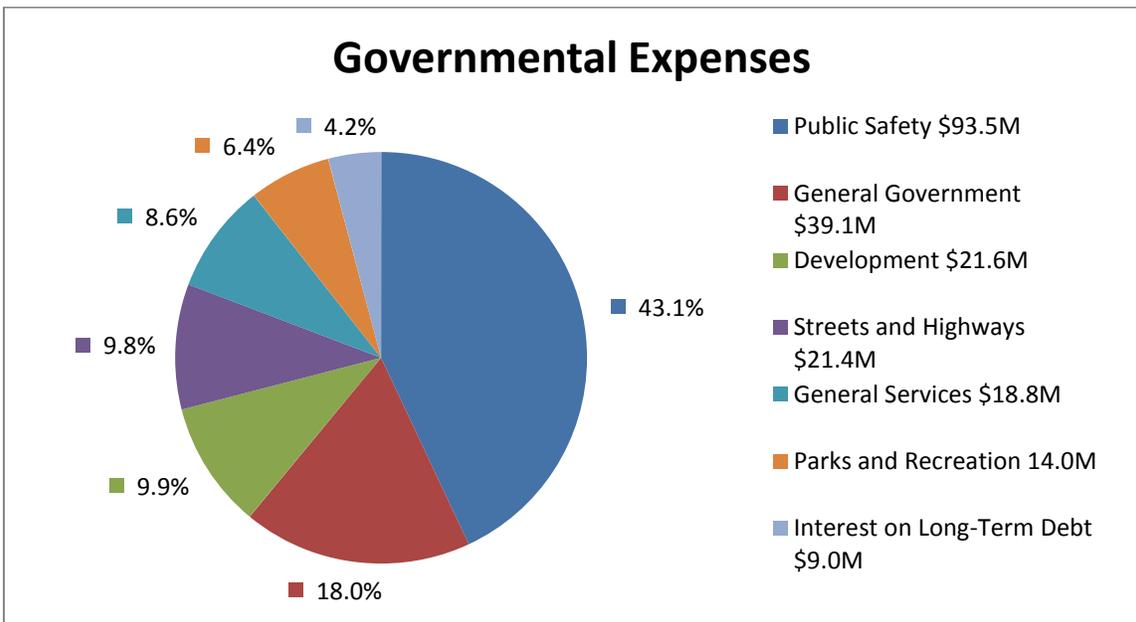
Governmental activities increased the City's net positions by \$11,376,854; this accounted for approximately 17.6% of the total growth of net position. The increase was primarily due to capital expenditures related to sidewalk and street improvements. Total property tax revenues (\$128,897,962) collected were approximately 1.4% more than property taxes collected (\$127,072,425) in the prior fiscal year. Property tax revenues covered approximately 59.3% of governmental activity expenses (\$217,448,730). This is a 2.3% increase from the prior year. Charges for services revenues also increased 4.7%. This increase was approximately 10.0% less than the increase in the previous year of 14.1%. Other taxes (\$59,274,219) were up 3.0% from the prior year (\$57,563,191). This was primarily due to increased collections on vehicle personal property tax and franchise taxes on electricity and natural gas. Public safety accounted for

approximately 42.3% of all expenses in governmental activities; this was up 3.4% from the prior year when it was 38.9%. There were significant decreases in the Development programs and Interest payment functions, 23.1% and 16.3% respectively. Development expenses were down primarily due to the winding down on the Southside project, a large revitalization housing project just south of downtown and the Interest payments reduction due to lower interest rates received over the past few years when refinancing outstanding debt. The following graphs show the breakdown by percentage of governmental revenues and expenses.



Total Governmental Revenues = \$252.2 Million

* Other taxes include local option sales tax, gross receipts and hotel/motel occupancy tax.

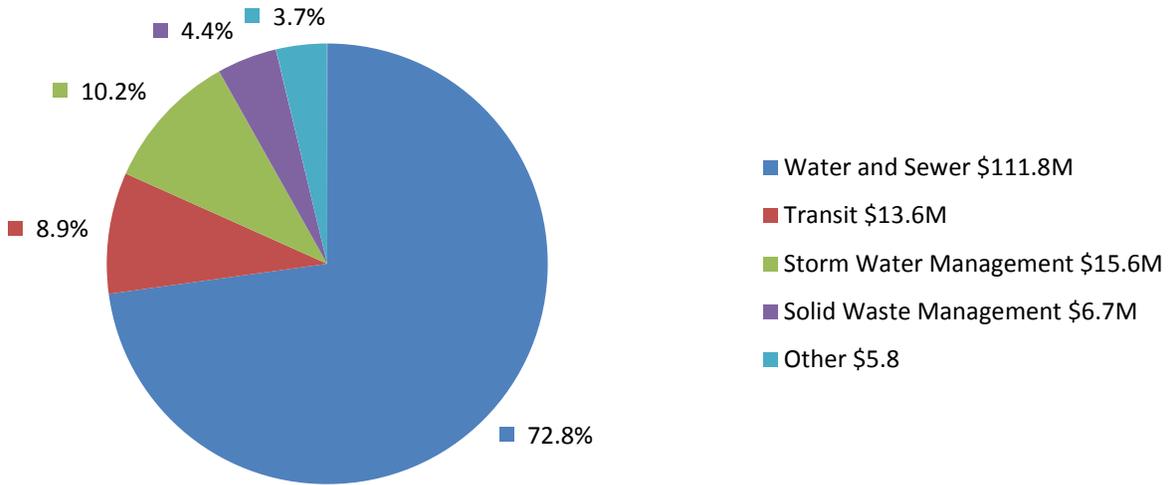


Total Governmental Expenses = \$217.4 Million

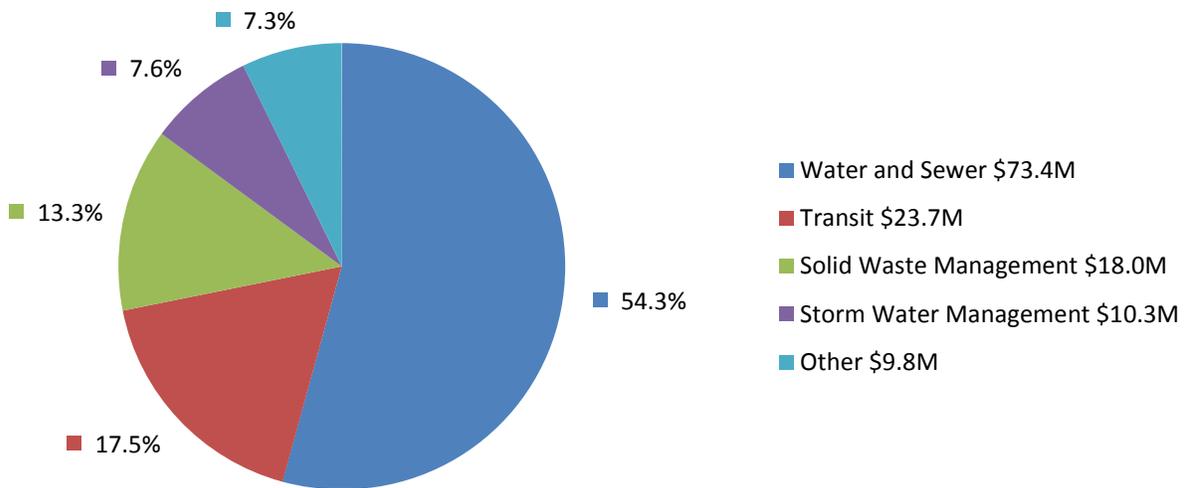
Business-type Activities

Business-type activities increased the City of Durham’s net position by \$53,391,548. This change accounted for 87.6% of the total growth in the government’s net position. Key elements of this increase are as follows: revenues were up 8.9% primarily due to capital contributions from developers in the Water and Sewer Fund, this accounted for 89.3% of the growth and expenses were mostly flat with a reduction of \$35,511 (.03%) across all functions.

Business Type Program Revenues = \$153.5 Million



Total Business Type Expenses \$135.1 Million



* Other includes Durham Performing Arts Center, Durham Bulls Athletic Park, Golf Course and Parking Facilities

Financial Analysis of the Government's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the City of Durham. The increase in fund balance in the General Fund from \$44,190,484 to \$51,440,834 was primarily due to reduction in receivables \$3.4M and deferred inflows \$3.7M. Expenditures were also down approximately \$2.9M and revenues were down approximately \$.9M. In the Non-Major Governmental Funds fund balance increased from \$76,483,060 to \$79,198,964 primarily due to reduction in receivables \$1.1M. Changes to the fund balance in the Debt Service and Housing Projects Funds was not significant.

The City has adopted a policy to maintain the General Fund Unassigned Fund Balance in an amount no less than the greater of 12 percent of the current year's originally adopted Adjusted Budgeted Expenditures, or the amount required by the Local Government Commission. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$28,181,588, while total fund balance is \$51,440,834. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.8% of total adjusted General Fund expenditures using the calculation formula derived from the policy, while total fund balance represents 32.4% of that same amount. The remainder of fund balance is not available for new spending because it is already categorized in the following classifications by GASB 54:

- Non-spendable; includes inventories and notes receivable
- Restricted; restricted by state statute and for debt purposes
- Assigned; for subsequent years expenditures and other purposes

Refer to the notes to the financial statements for additional details.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to:

- Water and Sewer Utility \$121,834,938
- Parking Facilities \$(94,524)
- Transit \$(2,749,229)
- Solid Waste Disposal \$(3,798,925)
- Durham Performing Arts Center \$3,871,864
- Ballpark \$15,011
- Storm Water Management \$17,804,856
- Golf Course \$0

The Water and Sewer unrestricted net position increased by \$10,470,586 primarily due to an increase in non-current assets, mostly infrastructure donated by developers. The Transit Fund deficit was reduced (32.7%) from \$4.1M to \$2.8M primarily due to increased property tax and fees associated charged on vehicle registrations. The Storm Water Management Fund unrestricted net position increased by \$4.1M (30.1%) due to a variety of factors, none that were individually significant

Budgetary Highlights

During the fiscal year, the City revised the budget on three occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the 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; 3) increases in appropriations that become necessary to maintain services and 4) amounts that are carried over from the prior year and re-designated for the subsequent year's expenditures. The most significant change in the budget was to the Debt Service Fund and was related to debt refunding.

General Fund

The following functions in the General Fund had significant variances between final budget and actual expenditures. Governance had \$1,299,688 less in expenditures than what was budgeted, a 9.8% variance. This was primarily due to a savings in economic development where incentives that were not paid and are being carried into the next fiscal year. Community Development had \$4,838,254 less in expenditures than was budgeted, a 9.4% variance, which was primarily due to reduction in costs in the Streets and Highways, Parks and Recreations and Property and Facility Management functions. The savings were due to both personnel costs because of vacancies and reduced operating expenditures. Administrative and Support Services had \$901,394 less in expenditures than was budgeted, a 7.4% variance, which was primarily due to savings in the contract services in the Finance Department for banking and in both the Finance and Technology Solutions Departments for personnel vacancies and reduced operating costs. For the revenue side the total difference was a 1.3% increase over the budgeted amount in total revenues and it was spread evenly across all categories with one exception, the licenses and permits had a significant difference due to a greater number of building permits issued.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$1,303,400,442 an increase of \$39,766,891 from June 30, 2013, when the amount was \$1,263,633,551. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles, water and sewer lines, and construction in progress. The decrease in governmental activities was primarily due to the addition of street paving and sidewalk additions and donated infrastructure for streets and sidewalks. Increases in the business-type activities were primary due to donated water and sewer lines.

Major capital asset transactions during the year include the following additions:

Governmental-type activities:

- Increase in construction in progress for capital assets \$8,514,045
- Decrease building and infrastructure \$12,178,792
- Increase in furniture and equipment \$1,876,897

Business-type activities:

- Increase in construction in progress for capital assets put in service \$3,734,115
- Added building and infrastructure \$82,534,559
- Increase in furniture and equipment \$716,515

Capital Assets, Net
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 36,848	\$ 36,549	\$ 41,376	\$ 40,754	\$ 78,224	\$ 77,303
Buildings, equipment and depreciable assets	532,656	558,798	661,792	609,052	1,194,448	1,167,850
Construction in progress	18,338	9,824	12,390	8,656	30,728	18,480
Total	\$ 587,842	\$605,171	\$ 715,558	\$ 658,462	\$ 1,303,400	\$1,263,633

See Note III, D of this report for additional information.

Debt Administration

As of year-end, the City had \$456,438,135 in debt (e.g., bonds, notes) outstanding compared to \$466,408,895 in the prior fiscal year, a 2.1% decrease.

Outstanding Debt
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 172,926	\$ 203,587	\$ 57,348	\$ 54,283	\$ 230,274	\$ 257,870
Revenue bonds	-	-	65,700	72,420	65,700	72,420
Certificates of Participation	8,213	68,976	29,090	32,118	37,303	101,094
Limited Obligation Bonds	61,921	-	28,420	-	90,341	-
Installment Financing	1,249	14,049	626	828	1,875	14,877
Capital leases	9,862	-	-	-	9,862	-
Section 108 loan	8,800	4,400	-	-	8,800	4,400
State of North Carolina	-	-	1,080	1,965	1,080	1,965
Durham County	-	-	11,203	13,783	11,203	13,783
Total	\$ 262,971	\$ 291,012	\$ 193,467	\$ 175,397	\$ 456,438	\$ 466,409

See Note III, G of this report for additional information.

General Obligation Bonds Refunding

On October 23, 2013 the City of Durham issued Limited Obligation Bonds, 2013A in the amount of \$18,545,000 and 2013B (taxable) in the amount of \$16,175,000. The proceeds refunded all (\$4,000,000) of the General Obligation Housing Bonds, Series 2000 (taxable). The Refunded Bonds were called on the date of delivery of the 2013B Bond at the redemption price of 100% of principal amount thereof plus accrued interest to the redemption date.

As mentioned in the financial highlights section of this document, the City maintained for the fourteenth consecutive year its AAA bond rating from Moody's Investor Service and AAA rating from Standard and Poor's Corporation and Fitch Ratings. This bond rating is a clear indication of the sound financial condition of the City. The City of Durham maintains this highest financial rating

from all three major rating agencies. This achievement is a primary factor in keeping interest costs low on the City's debt.

The City is subject to the Local Government Bond Act of North Carolina that limits the net bonded debt the City may have outstanding to eight percent of the appraised value of property subject to taxation. At June 30, 2014 such statutory limit for the City was \$1,894,716,921 providing a debt margin of \$1,570,732,475. The City does not have any general obligation bonds that are authorized at June 30, 2014. Additional information regarding the City's long-term debt can be found in the notes to the financial statements.

Budget Highlights for the Fiscal Year Ending June 30, 2015

The participation of citizens in the City of Durham budget process has been nationally recognized. During the development of the fiscal year 2015 budget the City held five "Coffees with Council" and a "Citizen Engagement Workshop" focused on the Strategic Plan, and also held other meetings to confirm the community's budget priorities. The result of these transparent interactions yielded generally the same major community priorities, all of which are included in one or more of the Strategic Plan goals adopted by the City Council; a Strong and Diverse Economy, Safe and Secure Community, a Well-Managed City, Thriving and Livable Neighborhoods, and Stewardship of City's Physical Assets.

The approved fiscal year 2014-2015 budget includes a 2.37 cent property tax increase, for voter-approved debt, public safety and parks maintenance, and solid waste fleet capital needs thus creating a new tax rate of 59.12 cents per \$100 of assessed value.

The total budget for FY 2014-15 of \$389.9 million, a 3.4 percent increase from last year's budget, and includes a \$175 million budget for services covered by the general fund. The 1.29 cent portion of the property tax increase is needed for voter-approved debt service costs from previous bonds and to cover 16 police officers and 15 firefighters' salaries that had been paid by recently expired federal grants. An additional half-cent portion of the new tax will hire 12 new employees each with full-time assignments for inspecting, repairing, cleaning, neatening and landscaping the City's parks and greenways. A further 0.58 cent will be used to cover solid waste fleet capital needs, which had previously been collected with a \$1.80 monthly fee that has now been eliminated. Other fees include a \$1 per month yard waste service fee increase; a \$2 increase per ton fee increase for commercial municipal solid waste disposal; and a 3 percent water and sewer rate increase as well as a 7.5 percent storm water rate increase.

The adoption of the City's first overall Strategic Plan by City Council set the direction for the future of the City and resource allocation. During the Strategic Plan update process in late 2012, goals, objectives, outcome measures, initiatives and key priorities were all assessed with new measures and initiatives added along with some additional completed modifications. The recently updated Strategic Plan was adopted by City Council on April 15, 2013. A major component of the update was to engage our residents, stakeholders, City staff and the Partners Against Crime Districts in an effort to understand their vision of the five strategic plan goals and their ideas for specific projects and activities that the City can take on to realize these visions. Information obtained from the visioning sessions and surveys was used to guide the strategic plan update. The Strategic Plan measurer's outcome, objectives, intermediate measures, and initiatives have all made significant progress during the past twelve months with a majority meeting or exceeding target.

In 2013, the City of Durham and Durham County aligned their strategic plans and collaborated on nine Joint City/County Initiatives with a focus on youth, beautification, health, sustainability, economic development, resident safety, and the community. This partnership has greatly improved communication, saved taxpayer dollars by pooling resources and has enabled the organizations to

more effectively streamline their processes. Durham Public Schools has also partnered with the City on three of the nine joint initiatives.

An update of the General Fund multi-year financial plan was completed in November 2013. It provided information to clearly identify the gap faced at the beginning of the budget development process. This is a crucial component of planning for the future as this plan projects the financial impact of achieving the objectives in the Strategic Plan.

Public Safety and crime continues to be the number one concern of most citizens. Feeling safe and lowering the crime rate were the two most important issues raised by the Council and Durham citizens. Ensuring that the Police Department, Fire Department and Emergency Communications Center (911) are staffed and properly equipped to protect our citizens is a high priority in the fiscal year 2015 budget.

- The Police department successfully received its Forensic Accreditation in the areas of latent prints and firearms. This will enhance the department's ability to provide greater efficiencies of crime analysis in all three key areas: latent prints, firearms and digital forensic examination.
- In October 2010, the Police department was awarded grant funding through the 2010 COPS Hiring Program (CHP) for 16 police officers. The estimated amount of the award over the three year funding period is \$2.5 million. This allowed the department to fill 16 positions unfunded during the FY2009-10 budget process. The grant funds ended in February 2014 and the City will assume funding for these 16 positions effective FY2014-15.
- In July 2012, the Fire department was awarded the 2011 Staffing for Adequate Fire and Emergency Response (SAFER) Grant for 15 additional firefighters to increase the department's "two-in, two-out" capability within existing districts, improving response times and staffing levels. With the additional staff, the department's minimum staffing levels have shown significant improvements. Funding is included in the budget this year to permanently retain the SAFER funded positions after the Grant Period ends during the first quarter of 2015.
- The Emergency Communications Center is the only 9-1-1 center in the United States to enable Text-to-9-1-1 technology using 9-1-1 digits and live-call takers using all 3 major carriers: Sprint, Verizon Wireless and AT&T Wireless.

Vacant and boarded properties continue to plague many neighborhoods in the community causing property value decline and increases in crime. A systematic approach is being established to bring unsafe and deteriorating rental properties into compliance with the housing code and to eliminate vacant and boarded houses. A key focus has been to educate landlords of their rights and responsibilities to support safe housing, in compliance with the minimum housing code.

- The original assessment of boarded structures in 2011 revealed 502 boarded properties city-wide. This number was reduced to 125 during FY2013-14, a 75% decrease and is anticipated to be reduced further by the completion of the 2015 fiscal year.
- Code enforcement efforts will continue to focus on compelling property owners to remediate code violations. The primary focus of FY2014-15 housing code enforcement will be the continued proactive inspection of rental property and remediation of boarded residential structures.
- Neighborhood Improvement Services in an effort to engage underrepresented residents, conducted community listening sessions throughout the community. This pilot project, using the Dynamic Facilitation Method, was successful in increasing participation and will become a part of the City's continued community engagement efforts.

In Targeting Distressed Neighborhoods City of Durham staff continues to take a holistic approach to make improvements.

- Funding the Dedicated Housing Fund with 1 cent (per \$100 assessed value) of the property tax rate to address housing needs.
- In FY2014-15, implementation of the Southside Redevelopment project will continue. A major focus during the year will be on the design and completion of the site preparation and infrastructure improvements associated with the second phase of homeownership development.
- In support of the Mayor's initiative to address poverty, Community Development will be providing funds to Habitat for Humanity for nine projects in the Northeast Central Neighborhood.

Providing year-round positive activities for youth is a continuing priority. Our goal is to engage youth through our city departments and support of local non-profits. The following points highlight activities for youth, teens and others.

- Parks and Recreation Department will continue to offer youth care programs (Afterschool, Summer Camp, Intersession camps, and Fun Days) offered throughout seven City Recreation Centers.
- Sustaining youth and family-oriented programs is a priority for the Parks and Recreation department. The Jr. NBA/Jr. WNBA provides basketball opportunities for approximately 600 youth, while the Durham Girls Soccer League provides soccer programming for approximately 300 youth.
- Outdoor recreation programs continue to be a success: low ropes course programs and high ropes discovery course programs at Bethesda Park, the adventure outings (kayaking, canoeing, etc.), community campouts, and community campfire programs.
- The City Manager's Office will partner with Durham County and Durham Public Schools to fund two new positions for the Durham System of Care. These positions will facilitate the planning and implementation of programs which aim to improve opportunities for at-risk and high risk youth. These positions will work to implement the recommendations provided by IBM in its study of local youth services.

Governmental Activities

Appropriations for the General Fund increased by \$5.4 million (3.2%) primarily due to the property tax allocation to support the Solid Waste Fund. A budgeted increase of 28.9% in sales tax revenue of which 3% represents growth and 25.9% represents the additional revenue generated from tax reform of eliminating gas and electric franchise tax and replacing with a state sales tax. A 4.8% decrease in Business Licenses revenue and a 43.2% in state collected local government revenues due to tax reform. Personnel expenditures increased by \$2.3 million (1.8%), operating expenditures decreased by \$70,000 (.02%), capital expenditures increased by \$5,950 (3.3%), transfers decreased by \$1.46 million (13.6%). The Debt Service Fund has a \$43,069,510 million budget for fiscal year 2015, a 5.9% increase over fiscal year 2014 which had a budget of \$40,672,629.

Business-type Activities

The Water and Sewer Fund will have overall rate increases for water and sewer charges of approximately 3.0%. Water and Sewer budget for operating expenses will increase by \$451,000 (1.6%) for fiscal year 2015. The increase is primarily due to transfers to the Risk Reduction Fund. Water Capital Improvement Program projects total \$18.75 million to improve the infrastructure

required to ensure adequate water supply, treatment and delivery, and an additional \$1.75 million for wastewater projects for FY2014-15. A \$16.1 million transfer to the Capital Improvement Program is planned for FY2014-15, about \$0.8 million more than the amount transferred in FY2013-14.

The Solid Waste Department will no longer charge a \$1.80 monthly solid waste fee per household to cover capital expenditures for Solid Waste Services. A transfer from the Debt Service Fund will be increased by \$1.39 million for FY 2014-15 to cover the revenue previously generated by the fee. Construction on a new 15,000 sq. ft. transfer station at the City's Waste Disposal and Recycling Center is currently in progress and anticipated to be complete in January 2015. Waste Industries, LLC is constructing the facility at no cost to the City, and will operate the new transfer station upon completion. This is an approximate \$3.4 million capital investment by Waste Industries. The City will assume ownership of the new facility once a Certificate of Occupancy has been issued. The department also has reduced operating costs by \$890,420 through making significant reductions to code enforcement and Waste Reduction, and savings in the waste disposal contract. These budget reductions will not affect core services, such as garbage, yard waste, and recycling collections.

The budget for Transit Services and Durham Area Transit Authority (DATA) includes 3.87 cents per \$100 of the property tax rate to provide continued funding to core transit services. Funding from the new ½ cent sales tax and \$7 motor vehicle fee enacted in 2013 for Bus service improvements helped to increase the frequency of bus services on overcrowded routes. These revenue sources in the FY2014-15 budget provide funding for needs identified in the Bus and Rail Investment Plan and the Designing Better Bus Service Plan and include new routes to get riders to work destinations more quickly, with increased frequency to ease overcrowding, improvements to bus stops and facilities, and security enhancements. Fare free transit service on the Bull City Connector continues, providing fast, frequent fare free transit service between Duke Hospital and points around Downtown Durham. This service is provided in partnership with Duke University. Efforts continue to develop and implement a regional plan for transit, including but not limited to integration of light rail, commuter rail, high speed rail and bus following a successful referendum in Durham in November 2011 for a ½ cent sales tax to support transit service improvements.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City's Director of Finance at City Hall, 101 City Hall Plaza, Annex, Durham, North Carolina 27701-3329.

CITY OF DURHAM, NORTH CAROLINA

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Current assets:			
Cash and cash equivalents/investments	\$ 118,873,929	\$ 149,494,426	\$ 268,368,355
Taxes receivable, net	1,870,038	-	1,870,038
Accounts receivable, net	1,883,415	19,481,275	21,364,690
Assessments receivable, net	273,549	679,625	953,174
Notes receivable	28,084,478	-	28,084,478
Due from governmental agencies	18,663,502	5,051,744	23,715,246
Prepays	24,500	632,052	656,552
Inventories	488,955	1,406,194	1,895,149
Total current assets	<u>170,162,366</u>	<u>176,745,316</u>	<u>346,907,682</u>
Non-current assets:			
Investment in joint venture	7,456,478	-	7,456,478
Net pension assets	1,718,313	-	1,718,313
Restricted cash and cash equivalents/ investments	32,007,099	1,110,440	33,117,539
Internal balances	1,405,774	(1,405,774)	-
Capital assets:			
Land and other nondepreciable assets	55,186,551	53,766,426	108,952,977
Buildings, equipment and depreciable assets net of accumulated depreciation	532,655,883	661,791,582	1,194,447,465
Total noncurrent assets	<u>630,430,098</u>	<u>715,262,674</u>	<u>1,345,692,773</u>
Total assets	<u>800,592,464</u>	<u>892,007,990</u>	<u>1,692,600,455</u>

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

	Governmental Activities	Business-type Activities	Total Primary Government
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 8,316,262	\$ 10,069,888	\$ 18,386,150
Accrued payroll	571,630	114,909	686,539
Employee taxes and related withholdings	3,677,168	-	3,677,168
Accrued interest	3,035,581	9,903,977	12,939,558
Deposits and payments held in escrow	1,031,708	4,294,715	5,326,423
Current portion of due to Durham County	-	30,270	30,270
Current portion of bonds payable	13,255,681	8,984,320	22,240,001
Current portion of due to the State of North Carolina	-	135,000	135,000
Current portion of accrued compensated absences	5,128,787	1,412,988	6,541,775
Current portion of limited obligation bonds	7,021,699	2,548,301	9,570,000
Current portion of certificates of participation	2,564,771	910,229	3,475,000
Current portion of bank loan	409,502	205,248	614,750
Current portion of capital leases payable	2,514,748	-	2,514,748
Current portion of post closing costs	-	300,922	300,922
Current portion of pending claims	2,368,513	-	2,368,513
Total current liabilities	<u>49,896,050</u>	<u>38,910,767</u>	<u>88,806,817</u>
Long-term liabilities:			
Due to Durham County	-	11,173,154	11,173,154
Bonds	159,670,421	114,064,107	273,734,528
Due to State of North Carolina	-	945,000	945,000
Limited obligation bonds	54,899,453	25,871,058	80,770,511
Certificates of participation	5,647,974	28,179,958	33,827,932
Bank loan	838,988	420,512	1,259,500
Capital leases payable	7,347,740	-	7,347,740
Section 108 loan payable	8,800,000	-	8,800,000
Accrued compensated absences	4,566,420	616,784	5,183,204
Post closing costs	-	5,132,008	5,132,008
Net OPEB obligation	32,236,728	8,015,144	40,251,872
Pending claims	6,458,149	-	6,458,149
Total long-term liabilities	<u>280,465,873</u>	<u>194,417,725</u>	<u>474,883,599</u>
Total liabilities	<u>330,361,923</u>	<u>233,328,492</u>	<u>563,690,415</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	186,177	-	186,177
Assessments and deferred revenues	440,551	-	440,551
Prepaid business license and deposits	3,455,471	-	3,455,471
Total deferred inflows of resources	<u>4,082,199</u>	<u>-</u>	<u>4,082,199</u>
NET POSITION			
Net investment in capital assets	365,678,556	523,201,291	888,879,847
Restricted for:			
Cemetery Perpetual Care	1,520,050	-	1,520,050
Stabilization by State Statute	39,968,352	-	39,968,352
Grantors	4,275,892	-	4,275,892
Unrestricted	54,705,492	135,478,207	190,183,699
Total net position	<u>\$ 466,148,342</u>	<u>\$ 658,679,498</u>	<u>\$ 1,124,827,840</u>

CITY OF DURHAM, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 39,105,915	\$ 9,651,074	\$ 6,535,075	\$ -
Public safety	93,529,175	2,379,272	4,005,347	-
Development	21,641,674	6,323,842	4,730,280	-
General services	18,807,194	1,941,129	152,272	-
Parks and recreation	14,004,750	1,490,053	1,782,546	-
Streets and highways	21,364,599	20,405,661	2,560,744	-
Interest on long-term debt	8,995,423	-	-	-
Total governmental activities	<u>217,448,730</u>	<u>42,191,031</u>	<u>19,766,264</u>	<u>-</u>
Business-type activities:				
Water and sewer	73,352,021	90,777,092	-	20,998,226
Parking facilities	4,369,307	2,710,218	-	-
Transit	23,697,446	6,729,900	6,891,873	-
Solid waste management	17,948,248	6,748,151	-	-
Performing arts	3,626,265	2,471,745	-	-
Ballpark	1,700,881	565,313	-	-
Storm water management	10,315,651	15,584,436	-	-
Golf course	122,170	-	-	-
Total business-type activities	<u>135,131,989</u>	<u>125,586,855</u>	<u>6,891,873</u>	<u>20,998,226</u>
Total primary government	<u>\$ 352,580,719</u>	<u>\$ 167,777,886</u>	<u>\$ 26,658,137</u>	<u>\$ 20,998,226</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Other taxes				
Unrestricted investment and rental earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Exhibit A-2

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (22,919,766)	\$ -	\$ (22,919,766)
(87,144,556)	-	(87,144,556)
(10,587,552)	-	(10,587,552)
(16,713,793)	-	(16,713,793)
(10,732,151)	-	(10,732,151)
1,601,806	-	1,601,806
(8,995,423)	-	(8,995,423)
<u>(155,491,435)</u>	<u>-</u>	<u>(155,491,435)</u>
-	38,423,297	38,423,297
-	(1,659,089)	(1,659,089)
-	(10,075,673)	(10,075,673)
-	(11,200,097)	(11,200,097)
-	(1,154,520)	(1,154,520)
-	(1,135,568)	(1,135,568)
-	5,268,785	5,268,785
-	(122,170)	(122,170)
<u>-</u>	<u>18,344,965</u>	<u>18,344,965</u>
<u>(155,491,435)</u>	<u>18,344,965</u>	<u>(137,146,470)</u>
128,897,962	9,412,843	138,310,805
59,274,219	1,550,077	60,824,296
670,853	722,461	1,393,314
1,386,457	-	1,386,457
<u>(23,361,202)</u>	<u>23,361,202</u>	<u>-</u>
<u>166,868,289</u>	<u>35,046,583</u>	<u>201,914,872</u>
11,376,854	53,391,548	64,768,402
454,771,488	605,287,950	1,060,059,438
<u>\$ 466,148,342</u>	<u>\$ 658,679,498</u>	<u>\$ 1,124,827,840</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-3

Balance Sheet
Governmental Funds

June 30, 2014

	General	Housing Projects	Debt Service	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 45,755,107	\$ 3,718,662	\$2,785,566	\$ 48,344,010	\$ 100,603,345
Restricted cash	-	117,972	42,702	31,846,425	32,007,099
Receivables, net:					
Taxes receivable	1,870,038	-	-	-	1,870,038
Accounts receivable	896,154	80,767	50,000	521,076	1,547,997
Assessments receivable	312,955	-	-	-	312,955
Notes receivable	555,500	12,306,562	-	15,222,416	28,084,478
Total receivables	<u>3,634,647</u>	<u>12,387,329</u>	<u>50,000</u>	<u>15,743,492</u>	<u>31,815,468</u>
Due from government agencies	16,032,041	-	-	2,630,723	18,662,764
Due from other funds	-	-	-	766,115	766,115
Prepaid expenditures	-	-	-	24,500	24,500
Inventories	488,955	-	-	-	488,955
 Total assets	 <u>\$ 65,910,750</u>	 <u>\$ 16,223,963</u>	 <u>\$2,878,268</u>	 <u>\$ 99,355,265</u>	 <u>\$ 184,368,246</u>

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

	General	Housing Projects	Debt Service	Non-major Governmental Funds	Total Governmental Funds
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,521,395	\$ 127,061	\$ -	\$ 3,125,922	\$ 7,774,378
Accrued payroll	559,991	-	-	10,140	570,131
Due to other funds	-	-	-	766,115	766,115
Employee taxes and related withholdings	3,677,168	-	-	-	3,677,168
Deposits and payments held in escrow	-	-	-	1,031,708	1,031,708
Total liabilities	<u>8,758,554</u>	<u>127,061</u>	<u>-</u>	<u>4,933,885</u>	<u>13,819,500</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	102,182	-	-	-	102,182
Prepaid taxes	186,177	-	-	-	186,177
Assessments and unavailable revenues	1,967,532	12,306,562	-	15,222,416	29,496,510
Prepaid business license and deposits	3,455,471	-	-	-	3,455,471
Total deferred inflows of resources	<u>5,711,362</u>	<u>12,306,562</u>	<u>-</u>	<u>15,222,416</u>	<u>33,240,340</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	-	-	-	24,500	24,500
Inventories	488,955	-	-	-	488,955
Notes Receivable	555,500	-	-	-	555,500
Perpetual maintenance	-	-	-	1,520,050	1,520,050
Restricted:					
Stabilization by State Statute	21,786,463	1,074,037	-	17,107,852	39,968,352
Other functions	-	-	-	4,275,892	4,275,892
Committed:					
Capital projects	-	2,716,303	-	59,393,698	62,110,001
Assigned:					
Other purposes	428,328	-	2,878,268	-	3,306,596
Unassigned	28,181,588	-	-	(3,123,028)	25,058,560
Total fund balances	<u>51,440,834</u>	<u>3,790,340</u>	<u>2,878,268</u>	<u>79,198,964</u>	<u>137,308,406</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 65,910,750</u>	<u>\$ 16,223,963</u>	<u>\$ 2,878,268</u>	<u>\$ 99,355,265</u>	

Amounts reported for governmental activities in the statement of Net Position (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.	587,842,434
Other long-term assets (notes receivable & deposits) are not available to pay for current-period expenditures and therefore are deferred in the funds.	30,524,508
Internal service funds are used by management to charge the costs of certain activities such as insurance and fleet, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	9,236,695
Investment in Joint Venture	7,456,478
Net OPEB obligation	(32,236,728)
LEO Special Separation Allowance net pension assets	1,718,313
Long-term liabilities, including bonds & COPS payable, are not due and payable in the current period and therefore are not reported in the funds	(272,666,183)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(3,035,581)
Net position of governmental activities	<u>\$ 466,148,342</u>

CITY OF DURHAM, NORTH CAROLINA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Exhibit A-4

For the Year Ended June 30, 2014

	General	Housing Projects Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 128,612,070	\$ -	\$ 35,291,985	\$ 4,299,934	\$ 168,203,989
Licenses and permits	8,423,618	-	-	-	8,423,618
Intergovernmental revenues	25,750,592	-	3,587,465	11,165,681	40,503,738
Investment and rental income	282,156	88,857	18,375	1,211,886	1,601,274
Charges for services	6,424,531	-	-	4,039,910	10,464,441
Intragovernmental services	436,089	-	-	-	436,089
Assessments	47,425	-	-	-	47,425
Miscellaneous	1,008,964	1,784,082	-	159,895	2,952,941
Total revenues	<u>170,985,445</u>	<u>1,872,939</u>	<u>38,897,825</u>	<u>20,877,306</u>	<u>232,633,515</u>
EXPENDITURES					
Current					
General government	23,456,225	-	375,622	3,284,738	27,116,585
Public safety	83,258,461	-	-	7,219,170	90,477,631
Development	11,592,139	1,107,907	-	9,088,898	21,788,944
General services	14,405,158	-	-	3,969,303	18,374,461
Recreation	9,920,724	-	-	6,189,160	16,109,884
Streets and highways	10,924,803	-	-	3,382,630	14,307,433
Debt service:					
Principal	-	-	24,870,535	-	24,870,535
Interest and other charges	26,156	-	9,835,647	-	9,861,803
Total expenditures	<u>153,583,666</u>	<u>1,107,907</u>	<u>35,081,804</u>	<u>33,133,899</u>	<u>222,907,276</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>17,401,779</u>	<u>765,032</u>	<u>3,816,021</u>	<u>(12,256,593)</u>	<u>9,726,239</u>
OTHER FINANCING SOURCES (USES)					
Refunding and bonds issued	-	-	4,238,370	15,005,798	19,244,168
Payment to refunded bond escrow agent	-	-	(4,238,370)	-	(4,238,370)
Transfers in	200,000	1,053,484	-	4,083,520	5,337,004
Transfers out	(10,784,261)	-	(5,141,508)	(4,116,821)	(20,042,590)
Sale of property	432,832	-	-	-	432,832
Total other financing sources	<u>(10,151,429)</u>	<u>1,053,484</u>	<u>(5,141,508)</u>	<u>14,972,497</u>	<u>733,044</u>
Net change in fund balances	7,250,350	1,818,516	(1,325,487)	2,715,904	10,459,283
Fund balances - beginning	44,190,484	1,971,824	4,203,755	76,483,060	126,849,123
Fund balances - ending	<u>\$ 51,440,834</u>	<u>\$ 3,790,340</u>	<u>\$ 2,878,268</u>	<u>\$ 79,198,964</u>	<u>\$ 137,308,406</u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-5

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds		\$ 10,459,283
<p>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 outlays exceeded depreciation in the current period</p>		
Capital outlay expenditures which were capitalized	\$ 17,858,866	
Depreciation expense for governmental assets	(24,174,960)	
Asset impairment gain	<u>(130,129)</u>	(6,446,223)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.</p>		
Amount of donated assets	19,807,550	
Change in street/side walk assessments, housing loans and changes in deferred property tax	(3,379,152)	
Change in joint venture for the Civic Center	<u>(170,908)</u>	16,257,490
<p>The issuance of long-term debt 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 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</p>		
New long-term debt issued	(23,644,168)	
Principal payments on long-term debt	28,870,536	
The effect of issuance costs, premiums, discounts, and similar items.	<u>1,132,255</u>	6,358,623
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(94,024)	
Net pension obligation	(12,896)	
Other post employment benefits	(5,703,005)	
Capital Assets and debt transfers between Enterprise, Internal Service funds and General capital	<u>(8,836,183)</u>	(14,646,108)
<p>Consolidated adjustment for the Internal Service Fund and the Governmental Funds</p>		
Net revenue of internal service Fund	(348,450)	
Portion of revenue allocated to business-type activities	<u>(257,761)</u>	<u>(606,211)</u>
Total changes in net position of governmental activities		<u>\$ 11,376,854</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-6

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 General Fund
 For the Year Ended June 30, 2014

	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amended		
Revenues				
Ad valorem taxes	\$ 90,655,790	\$ 90,655,790	\$ 92,319,117	\$ 1,663,327
Other local taxes	39,372,477	39,372,477	36,292,953	(3,079,524)
Licenses and permits	7,192,746	7,192,746	8,423,618	1,230,872
Unrestricted intergovernmental	14,995,672	14,995,672	17,919,254	2,923,582
Restricted intergovernmental	8,254,813	8,254,813	7,831,338	(423,475)
Investment and rental earnings	267,672	267,672	282,156	14,484
Charges for services	6,917,857	6,917,857	6,424,531	(493,326)
Intragovernmental services	615,000	615,000	436,089	(178,911)
Assessments	100,000	100,000	47,425	(52,575)
Miscellaneous	350,630	470,630	1,008,964	538,334
Total revenues	168,722,657	168,842,657	170,985,445	2,142,788
Expenditures				
Governance	11,718,540	13,199,683	11,899,995	1,299,688
Public protection	84,713,631	85,021,319	83,213,781	1,807,538
Community services and development	49,076,206	51,681,077	46,842,822	4,838,255
Administrative and support services	11,835,922	12,186,109	11,284,715	901,394
Non-departmental charges	1,454,976	1,608,638	316,197	1,292,441
Debt service				
Interest and fiscal charges	90,000	90,000	26,156	63,844
Total expenditures	158,889,275	163,786,826	153,583,666	10,203,160
Excess (deficiency) of revenues over (under) expenditures	9,833,382	5,055,831	17,401,779	12,345,948
Other financing sources (uses)				
Transfers in	200,000	200,000	200,000	-
Transfers out	(10,742,545)	(10,796,503)	(10,784,261)	12,242
Sale of property and miscellaneous	314,708	314,708	432,832	118,124
Transfer from reserves	-	4,318,909	-	(4,318,909)
Appropriated fund balance	394,455	907,055	-	(907,055)
Total other financing sources (uses)	(9,833,382)	(5,055,831)	(10,151,429)	(5,095,598)
Change in fund balance	\$ -	\$ -	7,250,350	\$ 7,250,350
Fund balance - beginning			44,190,484	
Fund balance - ending			\$ 51,440,834	

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

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CITY OF DURHAM, NORTH CAROLINA

Statement of Net Position

Proprietary Funds

June 30, 2014

	Enterprise Funds			
	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund	Solid Waste Disposal Fund
ASSETS				
Current assets				
Cash and cash equivalents/investments	\$ 124,917,020	\$ 134,792	\$ -	\$ 3,917,682
Accounts receivable (net of allowance)	13,345,485	39,466	2,025,855	227,990
Assessments receivable (net of allowance)	679,625	-	-	-
Prepaid expenditures	-	-	632,052	-
Due from governmental agencies	816,386	10,843	4,097,085	43,617
Inventories	1,406,194	-	-	-
Due from other funds	4,548,838	-	-	-
Total current assets	<u>145,713,548</u>	<u>185,101</u>	<u>6,754,992</u>	<u>4,189,289</u>
Noncurrent assets				
Capital assets:				
Land	25,752,121	2,530,990	852,319	9,287,917
Construction in progress	8,372,962	70,135	-	-
Buildings, equipment and depreciable assets net of accumulated depreciation	535,390,892	24,905,809	22,346,784	8,391,588
Advance to other funds	507,244	-	-	-
Restricted cash and cash equivalents/ investments	31	-	-	582
Total noncurrent assets	<u>570,023,250</u>	<u>27,506,934</u>	<u>23,199,103</u>	<u>17,680,087</u>
Total assets	<u>715,736,798</u>	<u>27,692,035</u>	<u>29,954,095</u>	<u>21,869,376</u>

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

Durham Performing Arts Center Fund	Ballpark Fund	Storm Water Management Fund	Golf Course Fund	Total	Internal Service Funds
\$ 1,995,764	\$ 972,575	\$ 17,556,593	\$ -	\$ 149,494,426	\$ 18,270,584
2,015,087	-	1,827,392	-	19,481,275	335,418
-	-	-	-	679,625	-
-	-	-	-	632,052	-
-	63,515	20,298	-	5,051,744	738
-	-	-	-	1,406,194	-
-	-	-	-	4,548,838	-
<u>4,010,851</u>	<u>1,036,090</u>	<u>19,404,283</u>	<u>-</u>	<u>181,294,154</u>	<u>18,606,740</u>
-	1,450,428	56,526	1,446,201	41,376,502	-
-	2,683,103	1,263,724	-	12,389,924	-
37,796,168	25,246,735	5,681,245	2,032,361	661,791,582	-
-	-	-	-	507,244	-
-	1,109,827	-	-	1,110,440	-
<u>37,796,168</u>	<u>30,490,093</u>	<u>7,001,495</u>	<u>3,478,562</u>	<u>717,175,692</u>	<u>-</u>
<u>41,807,019</u>	<u>31,526,183</u>	<u>26,405,778</u>	<u>3,478,562</u>	<u>898,469,846</u>	<u>18,606,740</u>

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Statement of Net Position (Continued)

Proprietary Funds

June 30, 2014

	Enterprise Funds			
	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund	Solid Waste Disposal Fund
LIABILITIES				
Current liabilities				
Accounts payable	\$ 3,913,097	\$ 118,072	\$ 4,931,899	\$ 467,654
Accrued payroll	75,288	406	-	16,317
Accrued interest	9,328,143	118,046	23,484	218,940
Deposits and payments held in escrow	3,641,175	-	-	-
Due to other funds	-	-	4,548,838	-
Current portion due to Durham County	30,270	-	-	-
Current portion of due to the State of North Carolina	135,000	-	-	-
Current portion of bank loan	-	-	-	205,248
Current portion of bonds payable	6,232,071	376,024	-	2,159,653
Current portion of limited obligation bonds	-	1,000,183	115,963	972,155
Current portion of certificate of participation	-	20,229	-	-
Current portion of accrued compensated absences	978,147	3,729	-	187,218
Current portion of post closing costs	-	-	-	300,922
Current portion of pending claims	-	-	-	-
Total current liabilities	<u>24,333,191</u>	<u>1,636,689</u>	<u>9,620,184</u>	<u>4,528,107</u>
Noncurrent liabilities				
Due to Durham County	11,173,154	-	-	-
Due to State of North Carolina	945,000	-	-	-
Bank Loan	-	-	-	420,512
Bonds	91,810,031	6,476,396	-	11,889,567
Limited obligation bonds	-	8,364,996	1,853,886	3,848,003
Certificates of participation	-	7,630	-	-
Accrued compensated absences	342,830	4,674	-	241,449
Advance from other funds	-	-	-	-
Post closing costs	-	-	-	5,132,008
OPEB Obligation	6,107,184	34,698	-	1,423,706
Pending claims	-	-	-	-
Total noncurrent liabilities	<u>110,378,199</u>	<u>14,888,394</u>	<u>1,853,886</u>	<u>22,955,245</u>
Total liabilities	<u>134,711,390</u>	<u>16,525,083</u>	<u>11,474,070</u>	<u>27,483,352</u>
NET POSITION				
Net investment in capital assets	459,190,480	11,261,476	21,229,254	(1,815,051)
Unrestricted	121,834,928	(94,524)	(2,749,229)	(3,798,925)
Total net position	<u>\$ 581,025,408</u>	<u>\$ 11,166,952</u>	<u>\$ 18,480,025</u>	<u>\$ (5,613,976)</u>

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

Durham Performing Arts Center Fund	Ballpark Fund	Storm Water Management Fund	Golf Course Fund	Total	Internal Service Funds
\$ 3,682	\$ 433,776	\$ 201,708	\$ -	\$ 10,069,888	\$ 541,884
-	-	22,898	-	114,909	1,499
135,305	80,059	-	-	9,903,977	-
-	-	653,540	-	4,294,715	-
-	-	-	-	4,548,838	-
-	-	-	-	30,270	-
-	-	-	-	135,000	-
-	-	-	-	205,248	-
-	216,572	-	-	8,984,320	-
-	460,000	-	-	2,548,301	-
890,000	-	-	-	910,229	-
-	-	243,894	-	1,412,988	-
-	-	-	-	300,922	-
-	-	-	-	-	2,368,513
<u>1,028,987</u>	<u>1,190,407</u>	<u>1,122,040</u>	<u>-</u>	<u>43,459,605</u>	<u>2,911,896</u>
-	-	-	-	11,173,154	-
-	-	-	-	945,000	-
-	-	-	-	420,512	-
-	3,888,113	-	-	114,064,107	-
-	11,804,173	-	-	25,871,058	-
28,172,328	-	-	-	28,179,958	-
-	-	27,831	-	616,784	-
-	507,244	-	-	507,244	-
-	-	-	-	5,132,008	-
-	-	449,556	-	8,015,144	-
-	-	-	-	-	6,458,149
<u>28,172,328</u>	<u>16,199,530</u>	<u>477,387</u>	<u>-</u>	<u>194,924,969</u>	<u>6,458,149</u>
<u>29,201,315</u>	<u>17,389,937</u>	<u>1,599,427</u>	<u>-</u>	<u>238,384,574</u>	<u>9,370,045</u>
8,733,840	14,121,235	7,001,495	3,478,562	523,201,291	-
3,871,864	15,011	17,804,856	-	136,883,981	9,236,695
<u>\$ 12,605,704</u>	<u>\$ 14,136,246</u>	<u>\$ 24,806,351</u>	<u>\$ 3,478,562</u>	<u>660,085,272</u>	<u>\$ 9,236,695</u>

Adjustment to reflect the consolidation of internal service fund activities
related to enterprise funds:

Prior Years since July 1, 2001	(1,663,535)
Current Year	257,761
Net position of business-type activities	<u>\$ 658,679,498</u>

CITY OF DURHAM, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2014

	Enterprise Funds			
	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund	Solid Waste Disposal Fund
Operating revenues				
Charges for services	\$ 85,619,356	\$ 2,710,179	\$ 3,028,995	\$ 6,747,137
Operating expenses				
Personal services	22,526,492	78,808	126,922	6,304,625
Materials, services and supplies	21,335,603	2,052,661	3,710,610	9,024,156
General and administrative	5,997,679	453,881	324,921	153,670
Claims, fees and other	-	-	-	-
Transit services	-	-	16,708,498	-
Construction administration, engineering and repairs	295,931	-	-	-
Depreciation	18,418,243	1,162,333	2,731,046	1,724,454
Total operating expenses	68,573,948	3,747,683	23,601,997	17,206,905
Operating income (loss)	17,045,408	(1,037,504)	(20,573,002)	(10,459,768)
Non-operating revenues (expenses)				
Taxes	-	-	9,412,843	133,223
Intergovernmental revenue	49,733	-	-	-
Grants revenue	-	-	6,891,873	-
Investment income	613,527	2,815	-	10,387
Interest on assessments	34,291	-	-	-
Licenses and permits	-	-	3,215,237	-
Rent - non-operating property	439,322	40	-	-
Impact fees	3,797,600	-	-	-
Gain (loss) on disposals of property and equipment	168,904	-	-	-
Other revenue	667,886	-	485,668	1,014
Interest and fiscal charges	(4,979,521)	(621,625)	(95,449)	(743,433)
Total non-operating revenues (expenses)	791,742	(618,770)	19,910,172	(598,809)
Income/(loss) before capital contributions and transfers	17,837,150	(1,656,274)	(662,830)	(11,058,577)

Durham Performing Arts Center Fund	Ballpark Fund	Storm Water Management Fund	Golf Course Fund	Totals	Internal Service Funds
\$ 2,071,744	\$ 383,406	\$ 14,149,666	\$ -	\$ 114,710,483	\$ 33,688,777
-	47,640	5,984,333	-	35,068,820	426,457
330,400	373,642	2,964,557	-	39,791,629	252,613
296,831	133,691	855,266	-	8,215,939	-
-	-	-	-	-	33,534,681
-	-	-	-	16,708,498	-
-	-	-	-	295,931	-
1,165,059	555,686	565,718	122,170	26,444,709	-
1,792,290	1,110,659	10,369,874	122,170	126,525,526	34,213,751
279,454	(727,253)	3,779,792	(122,170)	(11,815,043)	(524,974)
1,416,854	-	-	-	10,962,920	-
-	-	-	-	49,733	-
-	-	78,751	-	6,970,624	-
13,006	7,655	75,071	-	722,461	85,957
-	-	-	-	34,291	-
-	-	-	-	3,215,237	-
-	181,907	-	-	621,269	-
-	-	-	-	3,797,600	-
-	-	(1,105)	-	167,799	-
400,000	-	1,357,124	-	2,911,692	-
(1,833,974)	(590,222)	-	-	(8,864,224)	-
(4,114)	(400,660)	1,509,841	-	20,589,402	85,957
275,340	(1,127,913)	5,289,633	(122,170)	8,774,359	(439,017)

Continued on next page

CITY OF DURHAM, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Fund Net Position (Continued)

Proprietary Funds

For the Year Ended June 30, 2014

	Enterprise Funds			
	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund	Solid Waste Disposal Fund
Capital Contributions	\$ 20,998,226	\$ 5,099,681	\$ -	\$ -
Transfers from other funds	3,708,499	1,999,039	962,351	11,914,510
Transfers to other funds	<u>(123,000)</u>	<u>-</u>	<u>(1,085,475)</u>	<u>(3,810,211)</u>
Total capital contributions and transfers	<u>24,583,725</u>	<u>7,098,720</u>	<u>(123,124)</u>	<u>8,104,299</u>
Change in net position	42,420,875	5,442,446	(785,954)	(2,954,278)
Total net position, beginning	<u>538,604,533</u>	<u>5,724,506</u>	<u>19,265,979</u>	<u>(2,659,698)</u>
Total net position, ending	<u>\$ 581,025,408</u>	<u>\$ 11,166,952</u>	<u>\$ 18,480,025</u>	<u>\$ (5,613,976)</u>

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

Durham						
Performing Arts Center Fund	Ballpark Fund	Storm Water Management Fund	Golf Course Fund	Totals	Internal Service Funds	
\$ -	\$ 3,646,502	\$ -	\$ -	\$ 29,744,409	\$ -	
-	1,017,259	232,047	-	19,833,705	90,567	
(200,000)	-	-	-	(5,218,686)	-	
(200,000)	4,663,761	232,047	-	44,359,428	90,567	
75,340	3,535,848	5,521,680	(122,170)	53,133,787	(348,450)	
12,530,364	10,600,398	19,284,671	3,600,732	606,951,485	9,585,145	
<u>\$ 12,605,704</u>	<u>\$ 14,136,246</u>	<u>\$ 24,806,351</u>	<u>\$ 3,478,562</u>	660,085,272	<u>\$ 9,236,695</u>	

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:

Change in net position	53,133,787
Current year	257,761
Change in net position business-type activities	<u>\$ 53,391,548</u>

CITY OF DURHAM, NORTH CAROLINA

Statement of Cash Flows
 Proprietary Funds
 For Year Ended June 30, 2014

	Enterprise Funds			
	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund	Solid Waste Disposal Fund
Cash flows from operating activities:				
Receipts from customers	\$ 82,695,191	\$ 2,679,256	\$ 2,843,914	\$ 6,882,316
Payments to employees	(22,502,631)	(76,644)	(126,922)	(6,306,707)
Payments to suppliers	(26,758,658)	(2,379,087)	(19,364,299)	(9,345,572)
Payments for claims and related professional fees	-	-	-	-
Reimbursements from other governments	287,008	(3,315)	1,262,888	142,239
Motor vehicle license and permits	-	-	3,215,237	-
Deposits received from customers	392,865	-	-	-
Deposits returned to customers	(10,400)	-	-	-
Impact fees	3,797,600	-	-	-
Interest on assessments	34,291	-	-	-
Other revenues	463,028	40	485,668	913
Net cash provided by (used for) operating activities	<u>38,398,294</u>	<u>220,250</u>	<u>(11,683,514)</u>	<u>(8,626,811)</u>
Cash flows from non-capital financing activities:				
Transfers to other funds	(123,000)	-	(1,085,475)	(3,810,211)
Transfers from other funds	3,708,499	1,999,039	962,351	11,914,510
Taxes received, net	-	-	9,412,843	-
Grant funds received	-	-	6,891,873	-
Advance from other funds	-	-	(3,792,813)	-
Repayment of advance to other funds	3,903,540	-	-	-
Net cash provided by noncapital financing activities	<u>7,489,039</u>	<u>1,999,039</u>	<u>12,388,779</u>	<u>8,104,299</u>

Durham Performing Arts Center Fund	Ballpark Fund	Storm Water Management Fund	Golf Course Fund	Totals	Internal Service Funds
\$ 1,816,754	\$ 408,102	\$ 13,864,811	\$ -	\$ 111,190,344	\$ 33,624,383
-	(53,494)	(5,957,872)	-	(35,024,270)	(424,959)
(629,299)	(77,414)	(3,716,077)	-	(62,270,406)	(275,051)
-	-	-	-	-	(33,088,415)
-	(61,107)	14,090	-	1,641,803	(683)
-	-	-	-	3,215,237	-
-	-	292,447	-	685,312	-
-	(266,596)	-	-	(276,996)	-
-	-	-	-	3,797,600	-
-	-	-	-	34,291	-
400,000	181,907	1,357,124	-	2,888,680	-
<u>1,587,455</u>	<u>131,398</u>	<u>5,854,523</u>	<u>-</u>	<u>25,881,595</u>	<u>(164,725)</u>
(200,000)	-	-	-	(5,218,686)	90,567
-	1,017,259	232,047	-	19,833,705	-
1,416,854	-	-	-	10,829,697	-
-	-	78,751	-	6,970,624	-
-	-	-	-	(3,792,813)	-
-	-	-	-	3,903,540	-
<u>1,216,854</u>	<u>1,017,259</u>	<u>310,798</u>	<u>-</u>	<u>32,526,067</u>	<u>90,567</u>

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA
Statement of Cash Flows (continued)
Proprietary Funds
For Year Ended June 30, 2014

	Enterprise Funds			
	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund	Solid Waste Disposal Fund
Cash flows from capital and related financing activities:				
Interest and agent's fees paid	\$ (4,969,284)	\$ (642,311)	\$ (96,773)	\$ (816,252)
Bonds issued	-	-	-	4,415,000
Proceeds on refunding bonds	-	-	-	388,000
Payments of principal - bank loan	-	-	-	(201,909)
Payments of principal - bonds	(12,187,711)	(376,024)	-	(1,998,992)
Payments of principal - cops	-	(20,112)	-	-
Payments of principal - lobs	-	(1,020,033)	(115,963)	(2,155)
Payments of principal - interfund loans	-	-	-	-
Repayments to the State of North Carolina	(885,000)	-	-	-
Payments of principal - Durham County	(28,180)	-	-	-
Acquisition and construction of capital assets	(21,215,647)	(171,349)	(492,587)	(1,401,600)
Assessments and frontage	648,323	-	-	-
Disposal of property and equipment	186,732	-	-	-
Net cash used in capital and related financing activities	<u>(38,450,767)</u>	<u>(2,229,829)</u>	<u>(705,323)</u>	<u>382,092</u>
Cash flows from investing activities:				
Interest on investments	<u>673,032</u>	<u>2,916</u>	<u>-</u>	<u>11,849</u>
Net cash provided by investing activities	<u>673,032</u>	<u>2,916</u>	<u>-</u>	<u>11,849</u>
Net increase (decrease) in cash and cash equivalents/investments	8,109,598	(7,624)	(58)	(128,571)
Cash and cash equivalents/investments, beginning of year	<u>116,807,453</u>	<u>142,416</u>	<u>58</u>	<u>4,046,835</u>
Cash and cash equivalents/investments, end of year	<u>\$ 124,917,051</u>	<u>\$ 134,792</u>	<u>\$ -</u>	<u>\$ 3,918,264</u>

Durham Performing Arts Center Fund	Ballpark Fund	Storm Water Management Fund	Golf Course Fund	Totals	Internal Service Funds
\$ (1,692,536)	\$ (518,549)	\$ -	\$ -	\$ (8,735,705)	\$ -
-	12,000,000	-	-	16,415,000	-
-	130,000	-	-	518,000	-
-	-	-	-	(201,909)	-
-	(216,572)	-	-	(14,779,299)	-
(795,000)	-	-	-	(815,112)	-
-	-	-	-	(1,138,151)	-
-	(110,726)	-	-	(110,726)	-
-	-	-	-	(885,000)	-
-	-	-	-	(28,180)	-
-	(11,164,725)	(1,970,218)	-	(36,416,126)	-
-	-	-	-	648,323	-
-	-	-	-	186,732	-
<u>(2,487,536)</u>	<u>119,428</u>	<u>(1,970,218)</u>	<u>-</u>	<u>(45,342,153)</u>	<u>-</u>
<u>13,939</u>	<u>8,039</u>	<u>81,384</u>	<u>-</u>	<u>791,159</u>	<u>85,957</u>
<u>13,939</u>	<u>8,039</u>	<u>81,384</u>	<u>-</u>	<u>791,159</u>	<u>85,957</u>
330,712	1,276,124	4,276,487	-	13,856,668	11,799
<u>1,665,052</u>	<u>806,278</u>	<u>13,280,106</u>	<u>-</u>	<u>136,748,198</u>	<u>18,258,785</u>
<u>\$ 1,995,764</u>	<u>\$ 2,082,402</u>	<u>\$ 17,556,593</u>	<u>\$ -</u>	<u>\$ 150,604,866</u>	<u>\$ 18,270,584</u>

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Statement of Cash Flows (continued)

Proprietary Funds

For Year Ended June 30, 2014

	Enterprise Funds			
	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund	Solid Waste Disposal Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 17,045,408	\$ (1,037,504)	\$ (20,573,002)	\$ (10,459,768)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	18,418,243	1,162,333	2,731,046	1,724,454
Motor vehicle license and permits	-	-	3,215,237	-
Other revenues	23,706	40	485,668	913
Rent - non-operating property	439,322	-	-	-
Interest on assessments	34,291	-	-	-
Impact fees	3,797,600	-	-	-
Changes in assets and liabilities:				
Receivables	(2,924,165)	(30,923)	(185,081)	135,179
Due from governmental agencies	287,008	(3,315)	1,262,888	142,239
Inventories	(14,735)	-	-	-
Accounts payable	(138,189)	117,237	1,379,730	(249,876)
Unavailable revenue	-	-	-	(280,706)
Accrued payroll	58,778	-	-	15,207
Accrued compensated absences	(34,917)	2,164	-	(17,289)
Deposits received from customers	392,865	-	-	-
Deposits returned to customers	(10,400)	-	-	-
Pending claims	-	-	-	-
OPEB	1,023,479	10,218	-	362,836
Net cash provided by (used for) operating activities	<u>\$ 38,398,294</u>	<u>\$ 220,250</u>	<u>\$ (11,683,514)</u>	<u>\$ (8,626,811)</u>
Noncash capital activity				
Internal transfer of capital assets/debt	\$ -	\$ 5,099,681	\$ -	\$ -
Contributions of capital assets from government and donated infrastructure	16,414,211	-	-	-
Net noncash capital activity	<u>\$ 16,414,211</u>	<u>\$ 5,099,681</u>	<u>\$ -</u>	<u>\$ -</u>
Debt and interest expense converted to capital contributions	<u>\$ 4,584,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Increase in capital assets from donated infrastructure, contributions from government, internal transfer of capital assets	<u>\$ 20,998,226</u>	<u>\$ 5,099,681</u>	<u>\$ -</u>	<u>\$ -</u>

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

Durham Performing Arts Center Fund	Ballpark Fund	Storm Water Management Fund	Golf Course Fund	Totals	Internal Service Funds
\$ 279,454	\$ (727,253)	\$ 3,779,792	\$ (122,170)	\$ (11,815,043)	\$ (524,974)
1,165,059	555,686	565,718	122,170	26,444,709	-
-	-	-	-	3,215,237	-
400,000	-	1,357,124	-	2,267,451	-
-	181,907	-	-	621,229	-
-	-	-	-	34,291	-
-	-	-	-	3,797,600	-
(254,990)	24,696	(284,855)	-	(3,520,139)	(64,394)
-	(61,107)	14,090	-	1,641,803	(683)
-	-	-	-	(14,735)	-
(2,068)	429,919	42,844	-	1,579,597	(22,438)
-	-	-	-	(280,706)	-
-	(62)	18,662	-	92,585	1,498
-	(5,792)	7,799	-	(48,035)	-
-	-	292,447	-	685,312	-
-	(266,596)	-	-	(276,996)	-
-	-	-	-	-	446,266
-	-	60,902	-	1,457,435	-
<u>\$ 1,587,455</u>	<u>\$ 131,398</u>	<u>\$ 5,854,523</u>	<u>\$ -</u>	<u>\$ 25,881,595</u>	<u>\$ (164,725)</u>
\$ -	\$ 3,646,502	\$ -	\$ -	\$ 8,746,183	\$ -
-	-	-	-	16,414,211	-
<u>\$ -</u>	<u>\$ 3,646,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,160,394</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,584,015</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 3,646,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,744,409</u>	<u>\$ -</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-10

Statement of Fiduciary Net Position

Pension Trust Fund - Law Enforcement Officers' Special Separation Allowance

Trust Fund - Other Post Employment Benefits

June 30, 2014

	Pension Trust Fund Law Enforcement Officers' Special Separation Allowance	Trust Fund Other Post Employment Benefits
ASSETS		
Cash and cash equivalents	\$ -	\$ 111,891
Accounts Receivable	-	2,340
Investments at fair value:		
Agency securities	1,005,061	-
Total investments	<u>1,005,061</u>	<u>-</u>
Total assets	<u>1,005,061</u>	<u>114,231</u>
LIABILITIES		
Accounts payable	-	60
Accrued payroll year-end	71,756	-
Total liabilities	<u>71,756</u>	<u>60</u>
NET ASSETS		
Held in trust for pension and OPEB benefits	<u>\$ 933,305</u>	<u>\$ 114,171</u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-11

Statement of Changes in Fiduciary Net Position
Pension Trust Fund - Law Enforcement Officers' Special Separation Allowance
Trust Fund - Other Post Employment Benefits
For the Year Ended June 30, 2014

	Fund Law Enforcement Officers' Special Separation Allowance	Trust Fund Other Post Employment Benefits
	<u> </u>	<u> </u>
ADDITIONS		
Employer contributions	\$ 1,583,055	\$ 3,637,684
Plan member contributions	-	793,584
Investment earnings	4,982	818
Total additions	<u>1,588,037</u>	<u>4,432,086</u>
DEDUCTIONS		
Benefits	1,876,252	4,441,367
Administrative expenses	1,200	-
Total deductions	<u>1,877,452</u>	<u>4,441,367</u>
Change in net assets	(289,415)	(9,281)
Net assets - beginning of year	1,222,720	123,452
Net assets - end of year	<u>\$ 933,305</u>	<u>\$ 114,171</u>

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

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CITY OF DURHAM, NORTH CAROLINA
Notes to the Combined Financial Statements
For the Year Ended June 30, 2014

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CITY OF DURHAM, NORTH CAROLINA
Notes to the Combined Financial Statements
For the Year Ended June 30, 2014

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CITY OF DURHAM, NORTH CAROLINA
Notes to the Combined Financial Statements
For the Year Ended June 30, 2014

Note I - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City of Durham is a municipal corporation established in 1869. The City operates under a council-manager form of government by an elected mayor and a six-member council. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial operations with the City.

Blended Component Unit

The New Durham Corporation ("NDC"), 101 City Hall Plaza, Annex, Durham, North Carolina 27701, is a nonprofit corporation duly incorporated in the state, and validly existing and in good standing under the North Carolina Nonprofit Corporation Act, Chapter 55A of the General Statutes of North Carolina and is governed by a three member board of directors. Although legally separate from the City, the NDC is reported as if it were a part of the primary government because its sole purpose is to carry out its municipal and governmental functions through the financing of City revitalization projects and purchases of capital equipment. All NDC activities are included in the funds in which the activity takes place.

B. Government-Wide and Fund Financial Statements Basis of Presentation

Government-Wide Statements

The government-wide financial statements, the statement of net position and the statement of activities report information on all the non-fiduciary activities of the primary government and its blended component unit. These statements distinguish between the governmental and business-type activities of the City. 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. Internal services provided and used are eliminated in the process of consolidation. The residual balances are included in the governmental activities column of the government-wide financial statements.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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 fees and charges paid by the recipients of goods or services offered by the programs and 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.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds to address General Fund services provided (e.g., finance, human resources, legal, technology management, etc.). At the fund-level statements, the administrative service fee is included in the Non-Departmental line item as administrative fees. The administrative service fee is eliminated at year-end in the government-wide statements like a reimbursement (reducing the revenue and expense in the General Fund).

Fund Financial Statements

The fund financial statements provide information about the City's funds. There are separate statements for each fund category; governmental, proprietary and fiduciary are presented, even though the fiduciary is excluded from the government-wide financial statements. The General Fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures-expenses, assets, or liabilities (excluding extraordinary items) are at least ten percent of corresponding totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Housing Projects and Debt Service Funds meet the requirements of a major fund and all remaining governmental funds are aggregated and reported as non-major funds. Although only the Water and Sewer and Solid Waste Funds meet the criteria for major funds, the City has elected to report all enterprise funds as major funds.

The governmental funds in the financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

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

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

The government-wide financial statements, proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet or statement of net assets. The accrual basis of accounting is followed. Revenues are recognized in these funds when earned, and expenses are recognized when they are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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 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.

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.

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 City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for 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.

The City considers all revenues available if they are collected within 90 days after yearend, except for property taxes. Ad valorem taxes receivable are not accrued as revenues because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Effective 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 and uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources. Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City 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. Grant revenues

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

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are property taxes, sales and other Intergovernmental taxes, and various other taxes and licenses. The primary expenditures are for public safety, community services and development including street maintenance.

Housing Projects Fund - This capital projects fund is established to track the City of Durham's affordable housing program. The projects included in this program are designed to assist and finance the rehabilitation of buildings, to assist in acquiring land for redevelopment, principally for the housing of persons of low and moderate income and to assist moderate income first time homeowners with low cost second mortgages.

Debt Service Fund - The Debt Service Fund accounts for the payment of the principal and interest for general obligation bonds, certificates of participation and limited obligation bonds for the general government.

The City reports the following major enterprise funds:

Ballpark Fund - This fund is established to account for revenues and expenses related to the operation of the Durham Bulls Athletic Park in downtown Durham.

Durham Performing Arts Center Fund - This fund is established to account for revenues and expenses related to the operations of a downtown performing arts theater.

Golf Course Fund - This fund is established to account for revenues and expenses related to the operations of the City's golf course.

Parking Facilities Fund - This fund is established to account for revenues and expenses related to the operations of the City's parking lots and garages.

Storm Water Management Fund - This fund is established to account for revenues and expenses related to storm water management including developing, monitoring, and inspection protocols and prioritization of drainage and flooding problems to initiate repair.

Solid Waste Disposal Fund - This fund is established to account for revenues and expenses related to the operation of the City's transfer station for the use of residents of the City and Durham County.

Transit Fund - This fund is established to account for revenues and expenses related to the operation of the bus system, which serves the City of Durham.

Water and Sewer Utility Fund - This fund is established to account for revenues and expenses related to the provision of water and sewer services to the residents of the City and adjacent areas.

The City reports the following non-major governmental funds:

Community Development Block Grants Funds - The Community Development Funds are established to account for projects that are financed primarily with Community Development Block Grant funds and Home funds that are used for revitalization of low and moderate income areas.

HOME Program Grants Funds - The HOME Programs Grants Funds are established to account for projects financed with HOME Program Grants funds that are to be used for revitalization of low and moderate income areas.

Employment and Training Grants Funds - The Employment and Training Grants Funds are established to account for various agreements, related to improving employment opportunities for underemployed and unemployed individuals. The Fund has been used to account for agreements under the Work Force Investment Act and the Job Training Partnership Act between the N. C. Department of Economic and Community Development, the Division of Employment and Training, and the City.

Public Safety Grants Funds - The Public Safety Grants Funds are established to account for various agreements to be used exclusively for law enforcement purposes, fire protection/safety to which federal, state and other aid is contributed.

Emergency Telephone System Fund - This fund is established to account for revenues received from the state of North Carolina to enhance the City's 911 system.

Other Special Revenue Grants Funds - The Other Special Revenue Grants Funds are established to account for miscellaneous activities for which federal, state and other aid is received.

The City reports the following non-major capital projects funds:

Downtown Projects Funds - These capital projects funds are established to track the City of Durham's downtown revitalization programs. The projects included in this program are designed to assist and finance the rehabilitation of buildings and to assist in acquiring land for redevelopment, principally for the assistance of business and residences within the downtown area.

Impact Fee Funds - The Impact Fee Funds are established to account for impact fees until they are transferred to other capital projects funds and expended for specific projects.

Municipal Buildings Projects Funds - The Municipal Projects Funds are established to track the construction, maintenance or expansion of City municipal buildings and facilities including the 911 Center, Fire and Police facilities.

Recreation and General Capital Projects Funds - These Funds are established to track the capital improvements associated with the cultural and recreational endeavors of the City of Durham. The general capital projects component represents projects not otherwise classified

below and acts as the fund balance account for past projects that have closed and had funds remaining.

Street Projects Funds - The Street Projects Funds are established to track street, thoroughfare and mass transit improvements. Street projects are intended to construct new infrastructure or make significant improvements to the City's roadways and mass transit system.

The City reports the following non-major permanent fund:

Cemetery Perpetual Care Fund - The Cemetery Perpetual Fund is established to account for perpetual care of the municipal cemetery.

The City reports the following Internal Service Funds:

Risk Retention Fund - This fund is established to provide a source of funds for payment of the City's uninsured legal liabilities, including risks such as workers' compensation, automobiles, general operations and professional activities. Claim settlements, actuarial expenses, legal fees, administrative expenses and other professional services required for claim disposition are paid from this fund.

Employee Insurance Fund – This fund is established to receive premium payments from the City, employees and retirees to fund payments for claims, administrative expenses and premiums for excess coverage for health and dental benefits for present City employees and retirees.

The City reports the following Fiduciary Funds:

Law Enforcement Officers' Special Separation Allowance Fund - This pension trust fund is used to account for the accumulation of resources for pension benefit payments to qualified law enforcement employees.

Other Post Employment Benefits Fund: This trust fund is used to account for the resources that are used to provide health insurance benefit payments for employees that have retired from the City.

D. Budgetary Data

The General Statutes of North Carolina require that the City adopt an annual balanced budget. The General Statutes also provide for balanced project ordinances for the life of projects, including both capital and grant activities, which are expected to extend beyond the end of the fiscal year. Amounts for projects are closed out at the end of the project. The City Council officially adopts the annual budget ordinance prior to July 1 of each year and adopts project ordinances as necessary. The Council has the authority to amend such ordinances. The annual budget ordinance is prepared using the modified accrual basis of accounting. The General Fund, Water and Sewer Utility Fund, Parking Facilities Fund, Transit Operating Fund, Impact Fee Fund, Emergency Telephone System Fund, Water and Sewer Capital Facilities Fee Fund, LEO Special Separation Allowance Fund, Durham Performing Arts Center Fund, Durham Performing Arts Center Fund Capital Reserve Fund, Cemeteries Perpetual Care Fund, Other Post Employment Benefits Fund, Solid Waste Disposal Fund, Ballpark Fund, Storm Water Fund, Housing Projects Fund, Business Improvement District Fund, Dedicated Housing Fund,

the Debt Service Fund, and Watershed Protection officially have legally adopted balanced annual budgets.

Changes to the budget can be made in two ways: 1) Appropriation transfer – if the transfer is between two budget units within the same budget fund (per budget ordinance). 2) Budget Ordinance Amendment – used for any transfers between budget categories and for changes to revenues or appropriations, requires City Council approval.

The City’s Internal Service Funds operate under financial plans that were adopted by the Council at the same time the City’s budget ordinance was approved, as is required by General Statutes.

During the fiscal year, there were 3 amendments for budgeting additional operating funds totaling \$15,776,346 approved by the City Council as follows:

General Fund	\$	4,951,509
Dedicated Housing Fund		313,484
Water and Sewer Fund		2,428,752
Solid Waste Disposal Fund		445,978
Storm Water Fund		385,124
Parking Facilities		319,585
Transit		1,192,628
Ballpark		325,492
Durham Performing Arts Center Fund		909,440
Emergency Telephone System Fund		249,984
Business Improvement District Fund		16,000
Debt Service Fund		4,238,370
	\$	<u>15,776,346</u>

Appropriations, unencumbered and unauthorized for carry forward, lapse at each fiscal year-end. Budgeted amounts in the accompanying statements are as originally adopted, as amended by the City Council, or as changed by approved transfer.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in all governmental funds. Encumbrances outstanding at year-end are reported as restrictions of fund balance. Funds to cover outstanding encumbrances are re-appropriated through the budgetary process for the subsequent year. Encumbrances at year end do not represent GAAP and do not constitute expenditures or liabilities, but represent budgetary accounting controls.

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

1. Deposits and Investments

All deposits of the City are made in designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW, money market accounts, and certificates of

deposit. The Local Government Budget and Fiscal Control Act of North Carolina governs all investments permitted to local governments. General Statutes authorize the City 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; certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered (2a-7) mutual fund. The securities of NCCMT – Cash Portfolio Money Market Mutual fund are valued at fair value which is the NCCMT's share price. Pooled cash and investments are maintained and used by all funds. Investments are reported at fair value as determined by quoted market prices. Interest earned is distributed to the various funds based on each fund's proportionate equity in pooled cash and investments.

2. Cash and Cash Equivalents

Pooled cash and investments are maintained and used by all funds. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The City considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Certain investments are classified as restricted assets on the balance sheets and statement of net assets and maintained in separate bank accounts. The unexpended proceeds from revenue bonds in the Water and Sewer Utility Fund, the unexpended proceeds from certificates of participation agreements, limited obligation bonds and revenue bonds in the General Fund are classified as restricted assets because their use is restricted for the purposes for which the revenue bonds and certificates of participation agreements were originally issued.

4. Allowances for Doubtful Accounts

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

5. Inventories and Prepaid Items

Inventories held in the various Funds consist primarily of expendable materials and supplies held for consumption. Inventories are stated using the weighted-average method (which approximates FIFO). Inventory items are recorded as expenditures when consumed rather than when purchased. 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 and expensed as the items are used.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 consisting of road networks that were acquired subsequent to July 1, 1980 are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Major expenditures for capital assets and related repairs, which increase useful lives, are capitalized.

Capital outlay for the construction of streets, parks, water and sewer lines and other types of infrastructure expenditures are capitalized as land improvements. Maintenance, repairs and minor renewals are expensed as incurred. New public domain and general infrastructure are being capitalized and depreciated.

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

Capital assets of the City are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Public domain infrastructure and systems	10-80 years
Enterprise infrastructure and systems	50-80 years
Buildings	25-40 years
Furniture, machinery and equipment	5-12 years
Computer equipment	3-5 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes 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 City has three items that meet the criterion for this category - prepaid taxes, assessments and prepaid business licenses and deposits.

The balance in Deferred Inflows of Resources on the statements at year-end is composed of the following elements:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Property taxes receivable	\$ 102,182	\$ -
Prepaid taxes		186,177
Prepaid business license and deposits	-	3,455,471
Assessments and unavailable revenues	1,412,032	440,551
Notes receivable	<u>27,643,927</u>	-
	<u>\$ 29,158,141</u>	<u>\$ 4,082,199</u>

8. Long Term Obligations

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

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

9. Compensated Absences

The vacation policy of the City provides for carrying forward up to 240 hours earned vacation leave on January 1 of each year (360 for Firemen) with such leave being fully vested when earned. Accrued vacation hours in excess of 240 (360 for Firemen) hours are automatically transferred to accrued sick hours on January 1 of each year. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unrestricted accumulation of earned sick leave. Upon termination of employment, accumulated sick leave is forfeited. Upon retirement, all of the accumulated sick leave may be used in the determination of length of service for retirement purposes. No obligation to the employer results from such application and therefore, no accrual has been made.

The City records compensatory time in accordance with the Fair Labor Standards Act (FLSA) for non-exempt employees. All amounts accrued are listed as current, as compensatory time is infrequent and is expected to be used within one year. Some exempt employees receive time off for management leave, from a minimum of 10 hours to a maximum of 80 hours per calendar year. The amounts are determined by supervisors and approved by the City Manager's Office.

10. Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 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:

Non-spendable 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.

- Prepaids, notes receivable and inventories - portion of fund balance that is not an available resource because it represents the year-end balances of ending inventories, notes receivable and prepaid, which are not spendable resources.
- Perpetual maintenance - portion of fund balance associated with cemetery resources that are required to be retained in perpetuity for maintenance of the City's cemetery.

Restricted fund balance: This classification can be spent only for specific purposes, as stipulated by external resource providers and creditors, by constitution or through enabling legislation that is legally enforceable by an external party. Enabling legislation that creates a revenue stream must also stipulate the purposes for which that revenue can be used. Restrictions may only be changed by parties external to the entity or imposed by law.

- Restricted for Stabilization by State statute - This represents the amount of fund balance which cannot be appropriated by the governing board. North Carolina General Statutes (G.S. 159-8(a)) limit the amount that each local government may appropriate to the sum of cash and cash equivalents/investments, less the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the preceding Fiscal Year. Encumbrances represent commitments outstanding at June 30, 2014 related to purchase orders and unperformed contracts.
- Restricted for public safety - portion of fund balance that is restricted by revenue source for public safety expenditures.
- Restricted for community development – portion of fund balance restricted for grant expenditures.

Committed fund balance: The portion of fund balance that can only be used for specific purposes imposed by a formal action in a majority vote by a quorum of the City of Durham's governing body, City Council (the highest level of decision making authority). Any changes or removal of specific purposes requires the majority action by the Durham City Council. These amounts are not subject to legal enforceability by external parties, as in restricted; however, amounts cannot be used for any other purpose unless the governing body removes or changes the limitation by taking the same form of action employed to previously impose the limitation. Formal action to commit an amount to a specific purpose must be made prior to the end of the Fiscal Year. The actual amount, however, may be computed after the year end as part of the preparation of the financial statements.

- Committed for capital projects – portion of fund balance committed by the City Council for the construction of streets, municipal buildings, parks & recreation facilities and economic development.

Assigned fund balance: Amounts that are constrained by the City of Durham with the intent to be used for specific purposes and are neither restricted nor committed. These amounts can be assigned either by any action of the City Council, or by the City Manager as designated within authority to assign by the City Council's fund balance resolution. Amounts can be unassigned by the same process. Assignments calculations may be made after the end of the fiscal year during the process of preparation of the financial statements. The City Council may delegate to the City Manager (or his designee) the authority to assign amounts of a fund balance to promote sound financial operations of the City or to meet a future obligation.

- Assigned for economic development projects and incentives.

- Assigned for debt covenants – portion of fund balance restricted due to debt covenants that will be used to make future debt payments.

Unassigned fund balance: Portion of fund balance that has not been restricted, committed or assigned to specific purposes or other funds.

The City has a revenue spending guideline for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-City funds, and City funds. For the purposes of the fund balance classifications, the expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned and unassigned fund balances. The finance officer may deviate from this order if it is in the best interest of the City.

The City Council has adopted a policy of maintaining a fund balance of no less than 12 percent of adjusted budgeted appropriations. The undesignated fund balance for fiscal year 2013 was 13.5 percent, and the unassigned fund balance for fiscal year 2014 is 17.8 percent.

F. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. Property taxes are generally billed and collected within the same period in which the taxes are levied. Expenditures are recognized when the related fund liability is incurred except for the following permitted by generally accepted accounting principles: General obligation long-term debt principal and interest and compensated absences are reported, if any, only when due. Inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

1. Inter-Fund Transactions

Inter-fund transactions are reflected as loans, services provided and reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditure/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

2. Property Taxes

The Durham County Tax Administrator acts as agent for the City in listing, assessing and collecting all taxes related to real and personal property located in the City. Taxes are levied on property assessed at 100% of the estimated actual value as of the year of revaluation. The City's tax rate may not exceed \$1.50 per \$100 assessed valuation for operating purposes without voted approval by the citizens of the City.

The property tax calendar is as follows:

- Taxes are listed each January 1.
- Liens may be placed on property January 1.
- Taxes are levied each July 1, except for ad valorem taxes on certain vehicles.
- Taxes are due September of each year.
- Taxes are considered delinquent after January 5 of the following year.

Penalties are applied to delinquent taxes at a rate of 2% in January and 3/4 of 1% per month for each month thereafter until collected or foreclosure proceedings are consummated. Garnishment and sale of taxable property are procedures used for collecting delinquent taxes. The tax rate for debt service purposes is unlimited provided that the voters have approved the bonds issued or provided that the bonds issued during any year have not exceeded 2/3 of that fiscal year's net debt reduction.

Note II – Stewardship, Compliance and Accountability

A. Deficit Net Position Balance of Individual Fund

The Solid Waste Disposal Fund had a deficit net position balance of \$5,613,976 at June 30, 2014. This deficit is related to outstanding debt and post closure costs of the landfill and is expected to be reduced by future revenues.

Note III – Detailed Notes on All Funds

A. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with 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 City, these deposits are considered to be held by the City's agents in its name. 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 City, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City 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 depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At year-end, the City's deposits had a carrying amount of \$32,788,178 and a bank balance of \$32,435,997. Of the balance, \$378,603 is covered by federal depository insurance. The remaining balance of \$32,057,394 is collateralized using the Pooling Method. At June 30, 2014, the City's petty cash and change funds totaled \$138,226.

B. Investments

At June 30, 2014, the City's investment balances were as follows:

Investment Type	Fair Value	Maturities				
		Less Than 1 year	Maturities 1-5 Years	Maturities 5-10 Years	Maturities 10-20 Years	Maturities 20 plus Years
US Government Agencies	\$ 135,149,206	\$ 5,000,000	\$130,149,206	\$ -	\$ -	\$ -
Certificates of Deposit	57,529,880	45,029,880	12,500,000	-	-	-
Money Market	66,425,404	66,425,404	-	-	-	-
Commercial Paper	-	-	-	-	-	-
Municipal Bonds	9,455,000	915,000	8,540,000	-	-	-
Totals	<u>\$ 268,559,490</u>	<u>\$117,370,284</u>	<u>\$151,189,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk - The City has no formal policy regarding interest rate risk, but does follow investment guidelines which state that in terms of risk tolerance the City's objective is not to incur any losses through trading of securities. The City also strictly follows the North Carolina (N.C.G.S.) 159-30 guidelines. In addition, investments of the City covered by these guidelines must be diversified to eliminate the risk of loss as a result of over concentration of securities in a specific issuer, or specific class of securities. If a loss has to be taken to restructure or reposition a portfolio, the action needs prior approval of the Finance Officer.

Credit Risk - The City has no formal policy regarding credit risk, but has internal management procedures that limit the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The Bond Trustee Accounts are in highly rated money market instruments; all of the City's other investments are triple A rated.

Custodial Credit Risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City requires collateralization for: Certificates of Deposit and repurchase (and reverse repurchase) agreements. In both cases the collateral must cover at least 105% of market value of principal and accrued interest. Collateral will be held by an independent third party with whom the City has a custodial agreement. Safekeeping receipts must be supplied to the City evidencing ownership.

Concentration of Credit Risk - The City places a limit on the amount of commercial paper that the City may invest in any one issuer to 20% of the City's total investments; this does not apply to bond proceeds. No more than 25% of the City's total investments may be in commercial paper. At June 30, 2013, 5% of the City's investments were in commercial paper. North Carolina General Statute 159-30 authorizes the City to invest its funds in Treasury; obligations of agencies of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; bonds and notes of any North Carolina local

government or public authority; certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Cash Management Trust, an SEC registered mutual fund.

C. Receivables – Allowances for Doubtful Accounts

Receivables at June 30, 2014 for the City's individual major and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Housing Projects	Debt Service	Non-Major Governmental	Water And Sewer
<u>Receivables:</u>					
Taxes	\$ 2,110,780	\$ -	\$ -	\$ -	\$ -
Accounts	4,688,919	80,767	50,000	521,076	17,202,719
Special assessments	312,955	-	-	-	801,579
Notes	555,500	12,334,962	-	15,273,019	-
Gross receivables	<u>7,668,154</u>	<u>12,415,729</u>	<u>50,000</u>	<u>15,794,095</u>	<u>18,004,298</u>
Less: allowance for uncollectables	<u>(4,033,507)</u>	<u>(28,400)</u>	<u>-</u>	<u>(50,603)</u>	<u>(3,979,188)</u>
Net total receivables	<u>\$ 3,634,647</u>	<u>\$ 12,387,329</u>	<u>\$ 50,000</u>	<u>\$ 15,743,492</u>	<u>\$ 14,025,110</u>

	Parking Facilities	Transit	Solid Waste Disposal	Performing Arts Center	Storm Water	Internal Service
<u>Receivables:</u>						
Accounts	\$ 39,466	\$ 2,025,855	\$ 264,115	\$ 2,015,087	\$ 2,734,982	\$ 335,418
Less: allowance for uncollectables	<u>-</u>	<u>-</u>	<u>(36,125)</u>	<u>-</u>	<u>(907,590)</u>	<u>-</u>
Net total receivables	<u>\$ 39,466</u>	<u>\$ 2,025,855</u>	<u>\$ 227,990</u>	<u>\$ 2,015,087</u>	<u>\$ 1,827,392</u>	<u>\$ 335,418</u>

Notes receivable represent loans made by the City for housing, redevelopment or improvements to blighted areas of the City. These notes receivable have varying interest rates and payment terms, with stated interest rates ranging from 0 to 5 percent and scheduled repayment dates through 2044. Some notes are payable in equal installments while others have balloon payments. The City's policy is to defer loans in the fund financial statements when there is a stipulation that if a certain condition is met the loans are forgiven and treated as grants to the individuals. Nonperformance related to the stipulations would reduce the deferred amounts.

D. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Additions	Disposals/ Adjustments/ Transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,455,367	\$ 900	\$ (19,281)	\$ 31,436,986
Land Rights	5,093,478	318,063	-	5,411,541
Construction in progress	<u>9,823,979</u>	<u>12,129,139</u>	<u>(3,615,093)</u>	<u>18,338,024</u>
Total capital assets not being depreciated	<u>46,372,824</u>	<u>12,448,102</u>	<u>(3,634,374)</u>	<u>55,186,551</u>
Capital assets being depreciated:				
Buildings	186,089,843	175,440	(27,397,500)	158,867,783
Infrastructure	533,897,346	21,535,614	(6,492,346)	548,940,614
Furniture and equipment	<u>82,095,309</u>	<u>3,566,109</u>	<u>(1,689,212)</u>	<u>83,972,206</u>
Total capital assets being depreciated	<u>802,082,498</u>	<u>25,277,163</u>	<u>(35,579,058)</u>	<u>791,780,603</u>
Less accumulated depreciation for:				
Buildings	(58,093,929)	(5,088,578)	5,630,072	(57,552,435)
Infrastructure	(130,662,127)	(10,620,913)	1,086,954	(140,196,086)
Furniture and equipment	<u>(54,527,965)</u>	<u>(8,465,469)</u>	<u>1,617,234</u>	<u>(61,376,200)</u>
Total accumulated depreciation	<u>(243,284,021)</u>	<u>(24,174,960)</u> *	<u>8,334,260</u>	<u>(259,124,721)</u>
Total capital assets being depreciated, net	<u>558,798,477</u>	<u>1,102,203</u>	<u>(27,244,798)</u>	<u>532,655,883</u>
Governmental activity capital assets, net	<u>\$ 605,171,301</u>	<u>\$ 13,550,305</u>	<u>\$(30,879,172)</u>	<u>\$ 587,842,434</u>

* Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	\$ 9,254
Public Protection	6,993,042
Development	641,585
General Services	3,269,053
Recreation	3,912,793
Streets and Highways	<u>9,349,233</u>
	<u>\$ 24,174,960</u>

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Business-type activities:	Beginning Balances	Additions	Disposals/ Adjustments/ Transfers	Ending Balances
Capital assets not being depreciated:				
Land	\$ 39,738,274	\$ 582,873	\$ -	\$ 40,321,147
Land Rights	1,015,505	39,850	-	1,055,355
Construction in progress	<u>8,655,809</u>	<u>31,115,419</u>	<u>(27,381,304)</u>	<u>12,389,924</u>
Total capital assets not being depreciated	<u>49,409,588</u>	<u>31,738,142</u>	<u>(27,381,304)</u>	<u>53,766,426</u>
Capital assets being depreciated:				
Infrastructure	692,354,912	18,371,766	27,452,872	738,179,550
Buildings	289,065,442	274,553	36,435,368	325,775,363
Furniture and equipment	<u>64,784,234</u>	<u>3,365,441</u>	<u>(2,648,926)</u>	<u>65,500,749</u>
Total capital assets being depreciated	<u>1,046,204,588</u>	<u>22,011,760</u>	<u>61,239,314</u>	<u>1,129,455,662</u>
Less accumulated depreciation for:				
Infrastructure	(257,574,878)	(13,553,097)	(455,940)	(271,583,915)
Buildings	(138,984,941)	(7,315,483)	(6,261,087)	(152,561,511)
Furniture and equipment	<u>(40,592,108)</u>	<u>(5,576,129)</u>	<u>2,649,583</u>	<u>(43,518,654)</u>
Total accumulated depreciation	<u>(437,151,927)</u>	<u>(26,444,709)</u> *	<u>(4,067,444)</u>	<u>(467,664,080)</u>
Total capital assets being depreciated, net	<u>609,052,662</u>	<u>(4,432,949)</u>	<u>57,171,870</u>	<u>661,791,582</u>
Business-type activities capital assets, net	<u>\$ 658,462,249</u>	<u>\$ 27,305,195</u>	<u>\$ 29,790,566</u>	<u>\$ 715,558,008</u>

* Depreciation expense was charged to functions as follows:

Business-type activities:	
Water/Sewer distribution systems	\$ 18,418,243
Golf	122,170
Parking facilities	1,162,333
Stormwater	565,718
Performing Arts	1,165,059
Ballpark operations	555,686
Solid Water Disposal	1,724,454
Transit	<u>2,731,046</u>
	<u>\$ 26,444,709</u>

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E. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances at June 30, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
Water and Sewer Utility	Transit Fund	\$ 4,548,838
Non-Major Governmental Fund	Non-Major Governmental Funds	766,115
		<u>\$ 5,314,953</u>

Advance to Other Funds

Receivable Fund	Payable Fund	Amount
Water and Sewer Utility	Ballpark	\$ 507,244
		<u>\$ 507,244</u>

Due to Other Fund balances are overnight loans at fiscal year end from the receivable fund to the payable fund to cover cash deficits in the payable fund. The amounts are reversed on the first day of the next fiscal year. The fund with the cash deficit then has a liability to the pooled cash and investments.

Advance to Other Fund balances are for loans that were made by the receivable to the payable fund for capital improvements in the payable fund.

2. Transfers to Other Funds

The following is a schedule of interfund transfers for the year ended June 30, 2014:

	Transfers Out							
	General Fund	NonMajor Funds	Water & Sewer Fund	Transit Fund	Solid Waste Disposal Fund	Debt Service Fund	Durham Performing Arts Center	Total Transfers In
Transfers In:								
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$200,000	\$ 200,000
NonMajor Funds	606,106	3,063,337		14,077	400,000	-	-	4,083,520
Housing Projects	-	1,053,484	-	-	-	-	-	1,053,484
Water & Sewer	298,288	-	-	-	3,410,211	-	-	3,708,499
Solid Waste	9,630,134	-	-	-	-	2,284,376	-	11,914,510
Storm Water	-	-	123,000	109,047	-	-	-	232,047
Ballpark Fund	159,166	-	-	-	-	858,093	-	1,017,259
Parking Fund	-	-	-	-	-	1,999,039	-	1,999,039
Transit Fund	-	-	-	962,351	-	-	-	962,351
Internal Service	90,567	-	-	-	-	-	-	90,567
Total	<u>\$10,784,261</u>	<u>\$4,116,821</u>	<u>\$123,000</u>	<u>\$1,085,475</u>	<u>\$3,810,211</u>	<u>\$5,141,508</u>	<u>\$200,000</u>	<u>\$25,261,276</u>
Transfers Out								

Transfers out of the General Fund to the Non-major Governmental Funds are for grant and capital related items. Transfers out of the General Fund to the Water and Sewer Fund are to cover amounts financed for information technology infrastructure project in fiscal year 2012 by the Water and Sewer Fund that has a five year payback period. Transfers out of the General Fund to the Solid Waste Disposal Fund are to cover operations in that fund. General Fund to the Ballpark Fund is to cover debt service payments. Transfers out of the Non-major Governmental Funds to the General Fund are related to prior financing of the General Fund for projects in the Non-major Governmental Funds. Transfers out of the Debt Service Fund to the Solid Waste, Ballpark, and Parking Funds are to cover debt service payments.

F. Leases

Operating Leases

The City leases building and office facilities under noncancelable operating leases. The future minimum lease payments as of June 30, 2014 were as follows:

<u>Year Ending June 30</u>		
2015	\$	1,085,701
2016		706,858
2017		623,313
2018		<u>501,075</u>
Total	\$	<u><u>2,916,947</u></u>

Operating lease amounts paid in 2014 were \$1,311,561.

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G. Long-Term Obligations

General Obligation Bonds

The City issues general obligation bonds to provide for the acquisition and construction of major equipment and capital facilities. These debt obligations are backed by the full faith, credit and taxing power of the City. However, the principal and interest requirements of the Water and Sewer Utility Fund, and the Parking Facilities Fund are intended to be paid from the revenues in those funds.

General obligation bonds outstanding at June 30, 2014:

	Issue Date	Due		Original Issue	Balance June 30, 2014
		Serially To	Interest Rate		
Public Improvements 2005	09/13/05	2026	3.00 - 5.00	\$ 25,000,000	\$ 2,250,000
Refunding Series 2005	11/01/05	2019	3.50 - 5.00	23,545,000	6,720,000
Public Improvements 2006	10/10/06	2016	4.00 - 5.30	21,775,000	14,950,000
Refunding Series 2007	05/01/07	2025	4.00 - 5.00	35,240,000	31,480,000
Public Improvements 2008	08/01/08	2026	3.50 - 5.00	58,920,000	49,920,000
Refunding, Series 2009	10/26/09	2020	2.00 - 5.00	20,300,000	9,010,000
Refunding, Series 2010	10/20/10	2030	2.72 - 5.00	43,825,000	37,240,000
GO Series 2012	7/10/12	2032	2.00 - 5.00	68,300,000	64,875,000
				<u>\$ 296,905,000</u>	<u>\$ 216,445,000</u>

The bonds are recorded as follows:

Governmental Activities	\$ 164,937,500
Business-type Activities (Water & Sewer, Solid Waste & Transit)	51,507,500
Total	<u>\$ 216,445,000</u>

The City is subject to the Local Government Bond Act of North Carolina that limits the net bonded debt the City may have outstanding to eight percent of the appraised value of property subject to taxation. At June 30, 2014, such statutory limit for the City was \$1,894,716,921 providing a debt margin of approximately \$1,570,726,430.

The following schedule shows annual requirements to amortize all general obligation bond debt outstanding as of June 30, 2014. Interest on variable rate bonds has been estimated using the rate in effect at June 30, 2014.

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 13,255,681	\$ 6,778,828	\$ 5,724,320	\$ 2,208,498
2016	12,638,270	6,225,721	5,031,730	1,957,230
2017	12,466,483	5,681,224	4,783,516	1,732,911
2018	12,346,697	5,150,093	4,478,303	1,514,263
2019	12,712,771	4,615,877	4,212,229	1,312,973
2020-2024	60,124,635	14,929,532	15,850,364	3,968,439
2025-2029	29,965,006	4,828,013	7,754,994	1,491,902
2030-2033	11,427,957	791,654	3,672,044	253,858
Total	<u>\$ 164,937,500</u>	<u>\$ 49,000,942</u>	<u>\$ 51,507,500</u>	<u>\$ 14,440,072</u>

Status of Bond Authorizations

The City has no authorized or unissued General Obligation Bonds at June 30, 2014.

Defeased GO Bonds

In prior years, the City defeased certain General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The gain on refunding reduces debt service cost over the remaining life of the refunded bonds.

The following schedule shows the bonds refunded, amounts and the redemption dates at June 30, 2014:

General Obligation Bonds

<u>Issue</u>	<u>Date</u>	<u>Type</u>	<u>Bonds Refunded</u>	<u>Amount of Refunded Bonds</u>	<u>Redemption Date</u>
2007 GO	5/2/2007	Advanced	2004	\$ 2,500,000	6/1/2014
2009 GO	10/26/2009	Advanced	2004	3,000,000	6/1/2014
2012 GO	7/11/2013	Advanced	2005	11,790,000	6/1/2016
				<u>\$ 17,290,000</u>	

General Obligation Bonds Refunding

On October 23, 2013 the City of Durham issued Limited Obligation Bonds, 2013A in the amount of \$18,545,000 and 2013B (taxable) in the amount of \$16,175,000 with a true interest cost of 3.51%. The proceeds refunded all (\$4,000,000) of the General Obligation Housing Bonds, Series 2000 (taxable). The Refunded Bonds were called on the date of delivery of the 2013B Bond at the redemption price of 100% of principal amount thereof plus accrued interest to the redemption date. The refunded bonds had an average coupon rate of 4.50%.

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Certificates of Participation/Limited Obligation Bonds

The City has contracts payable to New Durham Corporation with terms of twenty years and interest and principal payments due annually. Certificates of Participation outstanding as of June 30, 2014:

	Issue Date	Serially To	Interest Rate	Original Issue	Balance June 30, 2014
Multi-purpose - 2005B	04/28/05	2025	3.25 - 5.25	\$ 34,885,000	\$ 3,560,000
DPAC & Vehicles - 2008 A & B	01/10/07	2034	3.75 - 5.69	45,870,000	29,185,000
Multi-purpose - 2010 A & B	08/03/10	2030	4.00 - 5.00	57,030,000	40,750,000
Multi-purpose - 2012 A & B	05/17/12	2025	4.00 - 5.70	75,585,000	14,365,000
Multi-purpose - 2013 A & B	10/09/13	2033	3.00 - 5.00	34,720,000	34,720,000
				<u>\$248,090,000</u>	<u>\$122,580,000</u>

The COPs are recorded as follows:

Governmental Activities	\$ 65,453,293
Business-type Activities (Ballpark and Parking Facilities Funds)	<u>57,126,707</u>
Total	<u>\$122,580,000</u>

Future requirements to pay principal and interest on the certificates of participation at June 30, 2014, are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 9,586,470	\$ 2,449,752	\$ 3,458,530	\$ 2,679,460
2016	6,870,674	2,133,216	3,464,326	2,555,047
2017	6,876,923	1,905,039	3,523,077	2,419,344
2018	6,356,437	1,656,348	3,593,563	2,272,706
2019	4,247,369	1,457,576	2,967,631	2,134,379
2020-2024	15,886,306	5,215,591	13,093,694	8,907,985
2025-2029	10,819,868	2,377,282	12,595,132	5,856,384
2030-2034	4,809,246	397,867	14,430,754	2,273,129
Total	<u>\$ 65,453,293</u>	<u>\$ 17,592,671</u>	<u>\$ 57,126,707</u>	<u>\$ 29,098,434</u>

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Bank Loan/Lease Purchase

Future requirements to pay principal and interest on the bank loan agreement with Banc of America Public Capital Corp. and a lease purchase agreement with Motorola Solution's, Inc. at June 30, 2014, are as follows:

	<u>Issue Date</u>	<u>To</u>	<u>Rate</u>	<u>Issue</u>	<u>June 30, 2014</u>
Multi Purpose 2011	10/21/11	2017	1.61 - 1.65	\$ 3,015,000	\$ 1,874,250
Lease Purchase 2012	12/19/12	2016	0.0784	<u>12,397,744</u>	<u>9,862,488</u>
				<u>\$ 15,412,744</u>	<u>\$ 11,736,738</u>

Installment financing is recorded as follows:

Governmental Activities	\$ 11,110,978
Business Activities	<u>625,759</u>
Total	<u>\$ 11,736,737</u>

Future requirements to pay principal and interest on the financings at June 30, 2014, are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,924,250	\$ 94,126	\$ 205,248	\$ 8,422
2016	7,763,904	67,764	208,587	5,091
2017	<u>422,824</u>	<u>3,404</u>	<u>211,924</u>	<u>1,706</u>
Total	<u>\$ 11,110,978</u>	<u>\$ 165,294</u>	<u>\$ 625,759</u>	<u>\$ 15,219</u>

Section 108 Loan

The City is using a HUD Section 108 Loan in the amount of \$8,800,000 to fund a portion of the Southside Revitalization Effort. As part of the structuring process, the City pledged to use future CDBG grants to repay the Section 108 Loan. Until all \$8,800,000 has been expended, the City will be using a series of short term variable rate notes to fund the project. The first note has a maximum draw of \$4,400,000 with a final maturity of August 1, 2032. The current outstanding balance was \$8,800,000 as of June 30, 2014.

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Revenue Bonds

The City has revenue bonds to fund certain capital improvements in the Water and Sewer Fund. These obligations are not backed by the full faith and credit of the City, but only by net revenues, as defined, of the Water and Sewer Fund. The City is required to make monthly deposits with the trustee to cover annual debt service requirements.

	Issue Date	Due Serially To	Interest Rate	Original Issue	Balance June 30, 2014
Series 2005	10/25/2005	2021	4.00 - 4.25	\$ 18,605,000	\$ 14,385,000
Series 2011	6/1/2011	2041	2.00 - 5.00	57,465,000	51,315,000
				<u>\$ 76,070,000</u>	<u>\$ 65,700,000</u>

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$80,490,000 in water and sewer revenue bond issued in 2001 (Refunded by 2011 Bonds) 2005 and 2011. Proceeds from the bonds provided financing for various line extensions and upgrades to the City's water and sewer plants. The bonds are payable solely from water and sewer customer net revenues and are payable through 2041. Annual principal and interest payments the bonds are expected to require 4.66 percent of operating revenues. The total interest and principal remaining to be paid on the bonds is \$110,442,440. Principal and interest paid for the current year and total customer operating revenues were \$10,916,249 and \$85,619,356 respectively.

Future requirements to pay principal and interest on the water and sewer bonds liabilities at June 30, 2014, are as follows:

Fiscal year	Principal	Interest	Total
2015	\$ 3,260,000	\$ 3,205,463	\$ 6,465,463
2016	3,400,000	3,062,463	6,462,463
2017	3,570,000	2,896,838	6,466,838
2018	3,750,000	2,712,088	6,462,088
2019	2,635,000	2,529,275	5,164,275
2020-2024	9,880,000	10,812,961	20,692,961
2025-2029	8,490,000	8,783,500	17,273,500
2030-2034	10,725,000	6,547,100	17,272,100
2035-2039	13,565,000	3,707,000	17,272,000
2040-2041	6,425,000	485,750	6,910,750
	<u>\$ 65,700,000</u>	<u>\$ 44,742,438</u>	<u>\$ 110,442,438</u>

Durham County Notes

Notes payable to Durham County (the "County") consist of a series of 20-year notes with final maturity dates ranging from 2012 to 2020. The notes were given to the County in exchange for certain water and sewer assets transferred to the City. The notes bear interest at 5.54 percent. Principal payments for each note are due based on the collections of certain assessments, frontage fees and water and sewer charges received by the City, which are attributable to the related project. At the end of 20 years, the notes have been deemed to be fully satisfied and any

remaining balances and related accrued interest is deemed to be a capital contribution to the City. At June 2014 several of the notes reached the end of their term and a reduction in the notes was recorded in the amount of \$4,612,195 of which \$28,180 represents payments on the notes and \$3,703,963 represents capital contributions. Given the uncertainty of the timing of future collections, annual maturities for these notes are not determinable. The outstanding balance of the Durham County Notes as of June 30, 2014 was \$11,203,424 all of which will be paid from the Water and Sewer Utility Fund.

State of North Carolina

The City also has a line of credit that was drawn on during Fiscal Year 2008, which is a twenty-year promissory note from the North Carolina Drinking Water State Revolving Fund in the principal amount of \$2,700,000 at a rate of 2.87% per annum to provide funds to pay a part of the cost of a water project. The remaining balance was \$1,080,000 as of June 30, 2014. Future requirements to pay principal and interest to the State of North Carolina are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 135,000	\$ 30,996	\$ 165,996
2016	135,000	27,122	162,122
2017	135,000	23,247	158,247
2018-2022	<u>675,000</u>	<u>58,118</u>	<u>733,118</u>
	<u>\$ 1,080,000</u>	<u>\$ 139,483</u>	<u>\$ 1,219,483</u>

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Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations during the year ended June 30, 2014.

	Principal			Principal	
	Outstanding	Additions	Retirements	Outstanding	Due Within
	June 30, 2013			June 30, 2014	One Year
Governmental activities					
Bonds Payable					
General obligation bonds	\$ 195,077,925	\$ -	\$ (30,140,425)	\$ 164,937,500	\$ 13,255,681
Plus/(less deferred amounts)	8,508,969	-	(520,384)	7,988,585	-
Total bonds payable	<u>203,586,894</u>	<u>-</u>	<u>(30,660,809)</u>	<u>172,926,085</u>	<u>13,255,681</u>
Installment financing (COPs/LOBs)	65,053,213	18,175,000	(17,774,920)	65,453,293	9,586,470
Lease Purchase	12,397,740	-	(2,535,252)	9,862,488	2,514,748
Installment financing (bank loan)	1,651,330	-	(402,840)	1,248,490	409,502
Section 108 Loan	4,400,000	4,400,000	-	8,800,000	-
Plus (less) deferred amounts	3,922,706	1,069,168	(311,269)	4,680,605	-
Total installment financings	<u>87,424,989</u>	<u>23,644,168</u>	<u>(21,024,281)</u>	<u>90,044,876</u>	<u>12,510,720</u>
Pending Claims	8,380,397	29,893,630	(29,447,365)	8,826,662	2,368,513
Net OPEB Obligations	26,533,723	9,236,275	(3,533,270)	32,236,728	-
Accrued compensated absences	9,385,353	5,438,642	(5,128,788)	9,695,207	5,128,787
Total governmental activities	<u>\$ 335,311,356</u>	<u>\$ 68,212,715</u>	<u>\$ (89,794,513)</u>	<u>\$ 313,729,558</u>	<u>\$ 33,263,701</u>
Business-type activities					
Bonds Payable					
General obligation bonds	\$ 48,017,076	\$ 11,549,700	\$ (8,059,276)	\$ 51,507,500	\$ 5,724,320
Revenue bonds	72,420,000	-	(6,720,000)	65,700,000	3,260,000
Plus (less) deferred amounts	6,266,189	-	(425,262)	5,840,927	-
Total bonds payable	<u>126,703,265</u>	<u>11,549,700</u>	<u>(15,204,538)</u>	<u>123,048,427</u>	<u>8,984,320</u>
Installment financing (COPs/LOBs)	32,101,787	26,978,182	(1,953,262)	57,126,707	3,458,530
Installment financing (bank loan)	827,668	-	(201,909)	625,759	205,248
Plus (less) deferred amounts	16,662	388,000	(21,824)	382,838	-
Total certificates of participation	<u>32,946,117</u>	<u>27,366,182</u>	<u>(2,176,995)</u>	<u>58,135,304</u>	<u>3,663,778</u>
Landfill post closure costs	5,709,483	-	(276,553)	5,432,930	300,922
Accrued compensated absences	2,078,216	1,364,544	(1,412,988)	2,029,772	1,412,988
Notes payable to State of					
North Carolina	1,965,000	-	(885,000)	1,080,000	135,000
Notes payable to Durham County	13,782,642	-	(2,579,218)	11,203,424	30,270
Net OPEB Obligations	<u>6,557,709</u>	<u>2,360,160</u>	<u>(902,725)</u>	<u>8,015,144</u>	<u>-</u>
Total Business-type activities	<u>\$ 189,742,432</u>	<u>\$ 42,640,586</u>	<u>\$ (23,438,017)</u>	<u>\$ 208,945,001</u>	<u>\$ 14,527,278</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Approximately 95% of compensated absences liquidated in governmental activities are in the general fund. Compensated absences for governmental activities have typically been liquidated in the General Fund.

H. Fund Balance

The following schedule provides management and citizens with information on the portion of governmental funds fund balance that is available for appropriation:

	General Fund	Housing Projects Fund	Debt Service Fund	Non-Major Governmental Funds
Total Fund Balance	\$ 51,440,834	\$ 3,790,340	\$ 2,878,268	\$ 79,198,964
Less:				
Prepaid expenditures	-	-	-	24,500
Inventories	488,955	-	-	-
Notes receivable	555,500	-	-	-
Cemetery perpetual care	-	-	-	1,520,050
Stabilization by State Statute	21,786,463	1,074,037	-	17,107,852
Debt service	-	-	2,878,268	-
Grantors, community development , emergency communications transportation and public safety	-	-	-	4,275,892
Capital projects, streets, economic development, parks & recreation and buildings	-	2,716,303	-	59,393,698
Economic Development	428,328	-	-	-
Remaining Fund Balance	<u>\$ 28,181,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,123,028)</u>

I. Encumbrances

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain open at year-end. The encumbrances at year-end totaled \$4,671,772 for the General Fund and \$14,366,969 in the non-major governmental funds, these encumbrances are restricted and included in stabilization by state statute.

Note IV – Other

A. Risk Management

The City is exposed to various risks of loss related to workers' compensation, property, general operations and vehicle liability. The City's Internal Risk Fund provides funds for losses retained by the City, including claims paid to others and deductible amounts on otherwise insured losses. Annually, as of June 30, the program has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the incurred but not reported claims) for each year's claim experience and projects the new year's probable loss fund cost.

The City maintains the following deductibles or self-insured retentions on insurance policies: \$1,500,000 per occurrence for vehicle and general liability, including public official and law enforcement liability, \$1,000,000 for workers' compensation, \$150,000 per loss for commercial property – direct damage coverage's, \$25,000 for Property while in Transit, \$25,000 for Contractors' Equipment; \$10,000 per loss on boiler and machinery, \$10,000 per loss on employee theft, including money and securities; \$1,000 per loss on flood at NFIP insured properties. There is a \$250,000 bond on each Finance Officer. The amounts paid are based on historical cost information and actuarial estimates of the amounts needed to pay prior and current year claims and to have a reserve amount available to fund catastrophic losses.

The pending claims liability of \$6,657,290 reported in the statement of net assets at June 30, 2014 is based on the requirements of Governmental Accounting Standards Board Statement Number 10, which require that a liability for claims be reported if information prior to the issuance of the basic financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The current portion of those pending claims at June 30, 2014 is \$2,368,513. Changes in the claims liability follow:

	Beginning of Year	Claims, Fees and Changes in Estimates	Payments	End of Year
2012	\$ 7,449,776	\$ 2,258,274	\$ 2,520,140	\$ 7,187,910
2013	7,187,910	2,553,462	3,405,621	6,335,751
2014	6,335,751	3,247,203	2,925,664	6,657,290

The City is self-insured for health and dental coverage for City employees and retirees. Prior to fiscal year 2013 the dental pending claims was recorded in the General Fund. On September 1, 2011, the City organized the Employees Insurance Fund. Contributions to the fund are made by both the City and present employees and contributions for retirees come from the OPEB Fund for both the City's and retirees' portions. The City has a private company administer the benefit pursuant to administrative services agreements and also maintains excess insurance coverage with private carriers for health and dental claims. The outstanding liability is for health and dental pending claims both reported and incurred but not reported and is recorded in the Government wide financial statements.

The current portion of those pending claims at June 30, 2014 is \$2,169,372. Changes in the liability follow:

	Beginning of Year	Fees, Claims and Changes in Estimates	Payments	End of Year
2012	\$ 2,003,352	\$ 22,241,717	\$ 22,260,934	\$ 1,984,135
2013	1,984,135	23,028,230	22,967,719	2,044,646
2014	2,044,646	26,646,427	26,521,701	2,169,372

B. Jointly Governed Organization

1. Research Triangle Regional Public Transportation Authority

The City, in conjunction with other area local governments, is a member of the Research Triangle Regional Public Transportation Authority. The City and Durham County appoint one

member each and jointly appoint a third member. The Transportation Authority possesses final decision making ability and is solely responsible for the management, budget, and fiscal operations of the Transportation Authority.

2. Triangle J Council of Governments

The City of Durham along with twenty-five other municipalities and seven counties, established the Triangle J Council of Governments. The participating governments established the Triangle J Council of Governments to coordinate various funding received from federal and state agencies. Each participating member appoints one official to the governing board of the Triangle J Council of Governments. The City paid membership fees of \$85,847 to the Council during the fiscal year ending June 30, 2014.

C. Joint Ventures

Convention Center

The Durham Convention Center Authority (the "Authority") is a joint venture established by the City and County of Durham and is assigned such powers as necessary, reasonable and practicable for the operation and maintenance of the Convention Center facility. The Authority consists of seven members who are appointed to three-year terms. Three members are appointed by the City and three members by the County, with the seventh member selected by the six members appointed by the City and County. The members elect from its membership a Chairman and Vice Chairman. Global Spectrum has a contract with the Authority and manages the operation of the Civic Center for the City and the County. The City and the County share all operating costs and all operating revenues equally. Financial statements for the Civic Center are located at the City of Durham, 101 City Hall Plaza, Durham, North Carolina 27701.

The City and County determined that the construction of a civic center would stimulate private investment in and rejuvenate the downtown area of the City. In October 1987, the City and County entered into agreements with a private developer to construct the Civic Center. The City and County initially deposited \$17,300,000, \$14,300,000 by the City and \$3,000,000 by the County, in an escrow account that, together with interest, was used to fund the purchase of the facility. The County has repaid the City for its portion of the cost of construction with annual payments. Both the City and the County have 50% ownership of the equity of the Civic Center. The total investment in joint venture for the City of Durham recorded in the statement of net assets for governmental activities for the Civic Center at June 30, 2014 is \$7,456,478.

Raleigh Durham Airport Authority

The Raleigh Durham Airport Authority is a joint venture without equity interest; it is governed by an eight-member board, of which two members are appointed by the City of Durham, Wake and Durham Counties and the City of Raleigh. The City is not able to impose its will on appointed members. Each government contributes \$12,500 annually for administration of the Authority. The Authority possesses final decision-making ability and is solely responsible for the management, budget and fiscal operations of the Authority. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2014. Complete financial statements of the Authority may be obtained from the Authority's administrative offices at Raleigh Durham International Airport, North Carolina 27623.

D. Related Organization

Durham Housing Authority

In accordance with the process outlined in the North Carolina General Statutes, as amended by local act, the City Council appoints members to the governing board of the Authority but is not able to impose its will on appointed members. Budgetary and financial management and fiscal operations of the Housing Authority are totally the responsibility of the Housing Authority. The City receives reports and makes recommendations as provided by State General Statute 157-27. The Authority has independent legislative and administrative authority. The City of Durham is also disclosed as a related organization in the notes to the financial statements of the Authority. Financial Statements from the Durham Housing Authority can be obtained from the Authority's office at 330 East Main Street, Durham, NC 27701.

E. Post-Retirement Benefits

Other Postemployment Benefits (OPEB)

1. Healthcare Benefits

Plan Description - The City has elected to provide post-retirement health benefits for retirees who elect to continue group health insurance until age 65. For employees of the City hired prior to July 1, 2008 the eligibility for post-retirement health insurance is limited to retirees who participate in the North Carolina State Retirement system and who have not reached the age of 65 and have been a member of the group health plan for 90 days prior to the retirement date. The City provides a subsidy of 70% to 100%, based on coverage, of the premium charged by the provider for retiree and eligible dependent health insurance. Of the subsidy 70% to 100% above the City subsidizes the retiree's health care cost based on the years of service with the following percentages: 10 years 50%, 15 years 75% and 20 years 100%. At June 30, 2014 there were 421 employees hired prior to July 1, 2008 that were receiving benefits. At June 30, 2013 the number was 430. Under a City resolution adopted as of July 1, 2008 employees hired after June 30, 2008 by the City of Durham require mandatory participation in a Retirement Health Savings Plan (RHS). The plan provides a vehicle for employees to save pretax dollars for future tax-free withdrawals to pay qualified medical expenses. Both the City and the employee are required to contribute to the plan. The plan is administered by ICMA-RC and the requirement to receive the City's contribution at retirement date is the same as for employees hired prior to July 1, 2008; 10 years 50%, 15 years 75% and 20 years 100%.

Summary of Significant Accounting Policies - Postemployment expenses are made from the OPEB Trust Fund. The contribution requirements are based on the most recent actuarial study. The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due, as are the City contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. Administration costs of the Plan are financed through investment earnings. Postemployment expenses are made from the Post-Employment Benefits Fiduciary Fund.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the postemployment healthcare benefits:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 9,804,560	\$ 2,504,994	\$ 12,309,554
Interest on net OPEB obligation	1,054,293	269,364	1,323,657
Adjustment to annual required contribution	<u>(1,622,578)</u>	<u>(414,198)</u>	<u>(2,036,776)</u>
Annual OPEB cost (expense)	9,236,275	2,360,160	11,596,435
Contributions made	<u>(3,533,270)</u>	<u>(902,725)</u>	<u>(4,435,995)</u>
Increase (decrease) in net OPEB obligation	5,703,005	1,457,435	7,160,440
Net OPEB obligation, beginning of year	<u>26,533,723</u>	<u>6,557,709</u>	<u>33,091,432</u>
Net OPEB obligation, end of year	<u>\$ 32,236,728</u>	<u>\$ 8,015,144</u>	<u>\$ 40,251,872</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014 were as follows:

Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	For the Year Ended June 30
\$ 9,786,801	48.9%	\$ 27,923,557	2012
9,689,449	46.7%	33,091,432	2013
11,596,435	38.3%	40,251,872	2014

Funded Status and Funding Progress - As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded as it was on a pay as you go basis. The actuarial accrued liability for benefits was \$129,961,486, and there was no actuarial value of assets resulting in an unfunded actuarial accrued liability (UAAL) of \$129,961,486. The covered payroll (annual payroll of active employees covered by the plan) was \$79,848,956 and the ratio of UAAL to the covered payroll was 162.76 percent. The adjustment to the annual required contribution is due to changes by the actuary regarding assumptions used to make the calculation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial

statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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

In the December 31, 2013, actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 8.00 – 4.50 percent. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount, closed basis. The remaining amortization period at December 31, 2013, was 25 years.

2. Death Benefits

For disabled retirees the City pays for one year of life insurance premium in the City's group life insurance plan, the coverage is equal to their annual salary at the time of retirement rounded to the nearest thousand dollars. During the fiscal year there was anywhere from 2 to 6 retirees covered by this benefit each month. The City paid \$1,339 for the year ended June 30, 2014 in premiums for this coverage.

F. Other Employment Benefits

1. Death Trust Plan

The City has elected to provide death benefits to law enforcement officers through the Death Trust Plan for Members of the Local Governmental Employees' Retirement System (Death Trust Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. Lump sum death benefits are provided to the beneficiaries of those 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. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's 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 Trust Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Because the benefit payments are made by the Death Trust Plan and not by the City, the City does not determine the number of eligible participants. The contributions to the Death Trust Plan cannot be separated between the post employment benefit amount and the other benefit amount. For the fiscal years ended June 30, 2014, 2013 and 2012, the City made contributions of the required actuarial amount to the state for death benefits of \$38,377 for law enforcement officers' representing 0.14% of covered payroll, \$38,078 representing 0.14% of covered payroll and \$37,929 representing 0.14% of covered payroll, respectively.

2. Life Insurance

The City provides life insurance to all full-time and part-time benefit eligible City of Durham employees. The life insurance benefit amount is equal to the employee's annual salary on June 30th prior to the next fiscal year. Employees can purchase additional amounts to increase the amount to equal to two or three times their annual salary or a \$5,000 flat amount. There is also an option to purchase a \$5,000 flat amount on dependents. The cost of the life insurance over \$50,000 is considered a fringe benefit by the Internal Revenue Service and is taxable income to the employee based on a life insurance benefit table published by the Internal Revenue Service in Publication 15-B.

G. Employee Retirement

1. The North Carolina Retirement Systems

Plan description - All permanent full-time City of Durham employees contribute to the state wide retirement system. Employees are included in one of three plans; the Local Government Employees' Retirement System (LGERS), the Local Government Fire Retirement System (LOCF) or the Law Enforcement Officers Retirement System (LEO), which are cost-sharing, multiple-employer defined benefit pension plans administered by the State of North Carolina. The LGERS and LOCF provide retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy - Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The fiscal year 2014 rate for LGERS, LOCF and for LEO was 7.07%, 7.07% and 7.28% respectively, the fiscal year 2013 rate for LGERS, LOCF and for LEO was 6.74%, 6.74% and 6.77% respectively and the fiscal year 2012 rate for LGERS, LOCF and for LEO was 6.88%, 6.88% and 7.05%, respectively. The contribution requirements are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS and the LOCF for the fiscal years ended June 30, 2014, 2013 and 2012 were \$5,165,864, \$4,875,065 and \$5,130,834 for LGERS and \$1,126,438, \$1,041,357 and \$1,070,862 for LOCF, respectively. The City's contribution to LEO for the years ended June 30, 2014, 2013 and 2012 were \$1,995,621, \$1,841,354 and \$1,909,338 respectively. The contributions made by the City equaled the required contributions for each year.

2. Supplemental retirement income plan for Law Enforcement Officers

Plan description - The City contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to all law enforcement officers and any other employees who are currently members of a state-administered retirement plan and are eligible to participate in the Plan. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend the benefit provisions to the North Carolina General Assembly.

Funding policy - Article 12E of G.S. Chapter 143 requires the City to contribute an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Employees may also make voluntary contributions to the plan. The City also contributed 4.5% of its full-

time non-law enforcement employees' salaries to the plan. Contributions for the year ending June 30, 2014 were \$1,370,841 for law enforcement officers and \$4,004,992 for non-law enforcement employees. Voluntary contributions from all employees were \$3,077,471 and 401K ROTH voluntary was \$479,548.

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 the 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.

3. Deferred Compensation

All permanent City employees and elected officials may participate in a deferred compensation program designated as an Internal Revenue Code Section 457 plan. Voluntary contributions from all employees were \$886,837.

The City contributes to the deferred compensation plan for firefighters who do not have social security taxes deducted from their wages. The amount contributed is a match to the employee's contribution; the employee must contribute the required percentage to receive a City match. For fiscal year end 2014 the required percentage was 5%. The amount contributed by the City was \$722,522 which is for wages amounting to \$14,450,433. The City also contributes an amount of 10% to the City Manager in accordance with his contract the amount contributed for fiscal year 2014 was \$20,331.

4. Law Enforcement Officers' Special Separation Allowance

Plan description - The City of Durham administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent 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. The plan does not issue a stand-alone financial report and is not included in the report of a public retirement system or other entity.

The Separation Allowance covers all full-time law enforcement officers of the City. At December 31, 2013, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits	93
Active plan members	<u>513</u>
Total	<u>606</u>

Summary of significant accounting policies

Basis of accounting - Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and

when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments - Short-term debt, deposits, repurchase agreements, and North Carolina Capital Management Trust investments are reported at fair value. Certain longer term United States Government and United States Agency securities are also reported at fair value.

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$1,583,055 or 5.8% of the annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The annual required contribution for the fiscal year ended June 30, 2014 was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions did not include post employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

Annual pension cost and net pension asset - The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 1,541,465
Interest on net pension obligation	(86,560)
Adjustment to annual required contribution	<u>141,046</u>
Annual pension cost	1,595,951
Contributions made	<u>1,583,055</u>
Increase in net pension obligation	12,896
Net pension asset beginning of year	<u>(1,731,209)</u>
Net pension asset end of year	<u>\$ (1,718,313)</u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Assets
6/30/2012	\$ 1,404,477	103.91%	\$ (1,701,322)
6/30/2013	1,491,025	102.00%	(1,731,209)
6/30/2014	1,595,951	99.19%	(1,718,313)

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 6.56 percent funded. The actuarial accrued liability for benefits was \$16,880,930 and the actuarial value of

assets was \$1,107,239, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,773,691. The covered payroll (annual payroll of active employees covered by the plan) was \$27,102,338, and the ratio of the UAAL to the covered payroll was 58.20 percent.

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

H. Closure and Post Closure Care Costs

The City owns a landfill site located in the northeast portion of the City. State and federal laws and regulations required the City to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each June 30. The \$5,432,930 reported as landfill closure and post-closure care liability at June 30, 2014 is based on the use of 100% of the estimated capacity of the landfill.

The City closed the landfill December 31, 1997. The City will adjust the estimated amount to perform all closure and post-closure care as the amount changes. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. At June 30, 2014, the City had expended \$8,978,529 in closure costs for the Club Boulevard facility. The City has met the requirements of a local government financial test that is an option under state and federal laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements.

Changes in the liability are as follows:

	Beginning of Year	Changes in Estimates	Payments	End of Year
2012	\$ 6,179,819	\$ (20,406)	\$ 200,351	\$ 5,959,062
2013	5,959,062	(33,276)	216,303	5,709,483
2014	5,709,483	(22,309)	254,244	5,432,930

I. Federal and State Assisted Programs

The City has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant money.

J. New Pronouncements

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements

of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

The GASB has issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

The GASB has issued Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2013.

The GASB has issued Statement No. 71, "Pension Transition for Contributions made Subsequent to the Measurement Date." This Statement is to improve accounting and financial reporting standards by addressing an issue in GASB Statement Number 68 Accounting and Financial Reporting for Pensions concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that statement by employers and non-employer contributing entities. The requirements of this Statement are effective with statement 68 and should be applied simultaneously with the provisions of statement 68.

Management is in the process of determining what, if any, impact implementation of the above statements may have on the financial statements of the City.

K. Contingencies

The City is involved in several pending lawsuits and claims, which it intends to defend vigorously. In the opinion of the City's attorney and management, the disposition of these matters is not expected to have a material adverse effect on the City's financial position.

L. Subsequent Events

The City has evaluated events through October 24, 2014 in connection with preparation of these financial statements which is the date the financial statements were ready to be issued.

CITY OF DURHAM, NORTH CAROLINA

Required Supplementary Information

Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$1,570,659	\$ 11,850,490	\$10,279,831	13.25%	\$23,861,698	43.08%
12/31/2009	1,594,522	15,376,323	13,781,801	10.37%	26,857,045	51.32%
12/31/2010	1,590,143	15,222,326	13,632,183	10.45%	25,693,637	53.06%
12/31/2011	1,533,339	15,903,507	14,370,168	9.64%	26,209,398	54.83%
12/31/2012	1,373,105	16,399,650	15,026,545	8.37%	26,585,988	56.52%
12/31/2013	1,107,239	16,880,930	15,773,691	6.56%	27,102,338	58.20%

CITY OF DURHAM, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2009	\$ 965,514	104.5%
2010	1,067,733	109.2%
2011	1,393,811	94.7%
2012	1,388,581	105.1%
2013	1,470,216	103.4%
2014	1,541,465	102.7%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as a part of the actuarial valuations at the dates indicated.

Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market Value

Actuarial assumptions:

Investment rate of return	5.00%
Projected salary increases	4.25 - 7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

CITY OF DURHAM, NORTH CAROLINA

Required Supplementary Information

Other Post Employment Benefits

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2005	\$ -	\$ 137,317,913	\$ 137,317,913	0.00%	\$ 83,634,784	164.2%
12/31/2007	-	103,606,169	103,606,169	0.00%	101,162,041	102.4%
12/31/2008	-	84,648,307	84,648,307	0.00%	103,041,593	82.1%
12/31/2010	-	104,420,595	104,420,595	0.00%	98,030,445	106.5%
12/31/2013	-	129,961,486	129,961,486	0.00%	79,848,956	162.8%

CITY OF DURHAM, NORTH CAROLINA

Other Post Employment Benefits
Required Supplementary Information
Schedule of Employer Contributions

<u>Ended June 30</u>	<u>Contribution (ARC)</u>	<u>Percentage Contributed</u>
2009	\$ 9,301,541	9.19 %
2010	8,772,592	8.51 %
2011	8,772,592	8.51 %
2012	8,772,592	8.51 %
2013	10,762,115	10.98 %
2014	12,309,554	15.42 %

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as a part of the actuarial valuations at the dates indicated.

Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Market Value

Actuarial assumptions:

Investment rate of return	4.00%
Medical cost trend rate	8.00% - 4.50%
Year of ultimate trend rate	2022
Includes inflation at	3.00%

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CITY OF DURHAM, NORTH CAROLINA

Exhibit B-1

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents/investments	\$ 2,961,404	\$43,862,556	\$1,520,050	\$ 48,344,010
Receivables				
Accounts receivable	521,076	-	-	521,076
Notes receivable	15,222,416	-	-	15,222,416
Total receivables	<u>15,743,492</u>	<u>-</u>	<u>-</u>	<u>15,743,492</u>
Due from government agencies	2,110,406	520,317	-	2,630,723
Due from other funds	358,361	407,754	-	766,115
Prepaid expenditures	24,500	-	-	24,500
Restricted cash and cash equivalents/investments	-	31,846,425	-	31,846,425
Total assets	<u>\$ 21,198,163</u>	<u>\$76,637,052</u>	<u>\$1,520,050</u>	<u>\$99,355,265</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,542,348	\$ 1,582,889	\$ -	\$ 3,125,237
Accrued payroll	10,140	-	-	10,140
Accrued expenditures	685	-	-	685
Deposits and payments held in escrow	-	1,031,708	-	1,031,708
Deferred inflow of resources	15,222,416	-	-	15,222,416
Due to other funds	358,361	407,754	-	766,115
Total liabilities	<u>17,133,950</u>	<u>3,022,351</u>	<u>-</u>	<u>20,156,301</u>
Fund balances				
Nonspendable:				
Perpetual maintenance	-	-	1,520,050	1,520,050
Prepaid expenditures	24,500	-	-	24,500
Restricted:				
Stabilization by State Statute	2,886,849	14,221,003	-	17,107,852
Grantors	4,275,892	-	-	4,275,892
Committed:				
Capital projects	-	59,393,698	-	59,393,698
Unassigned:				
Total fund balances	<u>4,064,213</u>	<u>73,614,701</u>	<u>1,520,050</u>	<u>79,198,964</u>
Total liabilities and fund balances	<u>\$ 21,198,163</u>	<u>\$76,637,052</u>	<u>\$1,520,050</u>	<u>\$99,355,265</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit B-2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 4,299,934	\$ -	\$ -	\$ 4,299,934
Intergovernmental revenues	9,381,853	1,783,828	-	11,165,681
Investment and rental income	981,652	223,420	6,814	1,211,886
Charges for services	-	4,039,910	-	4,039,910
Sale of property and miscellaneous	1,623	158,272	-	159,895
Total revenues	<u>14,665,062</u>	<u>6,205,430</u>	<u>6,814</u>	<u>20,877,306</u>
EXPENDITURES				
Current				
General government	104,681	3,180,057	-	3,284,738
Public safety	4,184,900	3,034,270	-	7,219,170
Development	8,194,333	894,565	-	9,088,898
General services	-	3,969,303	-	3,969,303
Recreation	7,024	6,182,136	-	6,189,160
Streets and highways	2,639,083	743,547	-	3,382,630
Total expenditures	<u>15,130,021</u>	<u>18,003,878</u>	<u>-</u>	<u>33,133,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(464,959)</u>	<u>(11,798,448)</u>	<u>6,814</u>	<u>(12,256,593)</u>
OTHER FINANCING SOURCES (USES)				
Capital related debt issued	-	15,005,798	-	15,005,798
Transfers in	632,737	3,450,783	-	4,083,520
Transfers out	(1,066,039)	(3,050,782)	-	(4,116,821)
Total other financing sources (uses)	<u>(433,302)</u>	<u>15,405,799</u>	<u>-</u>	<u>14,972,497</u>
Net change in fund balances	(898,261)	3,607,351	6,814	2,715,904
Fund balances - beginning	4,962,474	70,007,350	1,513,236	76,483,060
Fund balances - ending	<u>\$ 4,064,213</u>	<u>\$ 73,614,701</u>	<u>\$ 1,520,050</u>	<u>\$ 79,198,964</u>

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CITY OF DURHAM, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

	Community Development Block Grants	Home Program Grants	Employment and Training Grants
ASSETS			
Cash and cash equivalents/investments	\$ 61,075	\$ 818,697	\$ -
Receivables			
Prepaid Expenditures	-	-	-
Accounts receivable	-	-	105,022
Accrued investment income	-	-	-
Notes receivable (net of allowance for uncollectibles)	4,208,324	10,432,767	-
Total receivables	<u>4,208,324</u>	<u>10,432,767</u>	<u>105,022</u>
Due from government agencies	18,317	-	700,153
Due from other funds	-	-	-
Inventories	-	-	-
Restricted cash and cash equivalents/investments	-	-	-
Total assets	<u>\$ 4,287,716</u>	<u>\$ 11,251,464</u>	<u>\$ 805,175</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 76,539	\$ 577,925	\$ 437,513
Accrued payroll	-	-	7,576
Prepaid Property Taxes	-	-	-
Unearned revenue	4,208,324	10,432,767	-
Due to other funds	-	-	358,361
Total liabilities	<u>4,284,863</u>	<u>11,010,692</u>	<u>803,450</u>
Fund balances (deficits)			
Nonexpendable:			
Prepaid items	-	-	-
Total Nonexpendable	<u>-</u>	<u>-</u>	<u>-</u>
Spendable:			
<i>Restricted for:</i>			
Restricted for Community Development	(213,827)	(399,153)	-
Restricted for Economic Development	-	-	446,814
Restricted for Emergency Communications	-	-	-
Restricted for Public Safety	-	-	-
Restricted for Public Transportation	-	-	-
Restricted for Transportation	-	-	-
Restricted by State Statute/Encumbrances	293,219	1,217,850	323,947
Total Restricted	<u>79,392</u>	<u>818,697</u>	<u>770,761</u>
Unassigned	<u>(76,539)</u>	<u>(577,925)</u>	<u>(769,036)</u>
Total fund balance	<u>2,853</u>	<u>240,772</u>	<u>1,725</u>
Total liabilities and fund balances	<u>\$ 4,287,716</u>	<u>\$ 11,251,464</u>	<u>\$ 805,175</u>

Public Safety Grants	Emergency Telephone System	Other Special Revenue Grants	Total Nonmajor Special Revenue Funds
\$ 929,245	\$ 457,456	\$ 694,931	\$ 2,961,404
-	24,500	-	24,500
-	-	416,054	521,076
-	-	-	-
-	-	581,325	15,222,416
<u>-</u>	<u>24,500</u>	<u>997,379</u>	<u>15,767,992</u>
102,515	181,019	1,108,402	2,110,406
-	-	358,361	358,361
-	-	-	-
-	-	-	-
<u>\$ 1,031,760</u>	<u>\$ 662,975</u>	<u>\$ 3,159,073</u>	<u>\$ 21,198,163</u>
\$ 11,456	\$ 109,994	\$ 328,921	\$ 1,542,348
2,133	431	-	10,140
-	-	685	685
-	-	581,325	15,222,416
-	-	-	358,361
<u>13,589</u>	<u>110,425</u>	<u>910,931</u>	<u>17,133,950</u>
-	24,500	-	24,500
<u>-</u>	<u>24,500</u>	<u>-</u>	<u>24,500</u>
-	-	1,432,751	819,771
-	-	80,665	527,479
-	638,475	-	638,475
1,031,760	-	-	1,031,760
-	-	154,958	154,958
-	-	1,103,449	1,103,449
109,166	292,569	650,098	2,886,849
<u>1,140,926</u>	<u>931,044</u>	<u>3,421,921</u>	<u>7,162,741</u>
<u>(122,755)</u>	<u>(402,994)</u>	<u>(1,173,779)</u>	<u>(3,123,028)</u>
1,018,171	552,550	2,248,142	4,064,213
<u>\$ 1,031,760</u>	<u>\$ 662,975</u>	<u>\$ 3,159,073</u>	<u>\$ 21,198,163</u>

CITY OF DURHAM, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	Community Development Block Grants	Home Program Grants	Employment and Training Grants
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	1,568,345	34,507	2,247,790
Investment and rental income	230,166	598,169	-
Total revenues	<u>1,798,511</u>	<u>632,676</u>	<u>2,247,790</u>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Development	2,206,914	1,103,200	2,253,989
Recreation	-	-	-
Streets and highways	-	-	-
Debt service	-	-	-
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>2,206,914</u>	<u>1,103,200</u>	<u>2,253,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(408,403)</u>	<u>(470,524)</u>	<u>(6,199)</u>
OTHER FINANCING SOURCE (USE)			
Sale of property and miscellaneous	-	(17,923)	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing source (use)	<u>-</u>	<u>(17,923)</u>	<u>-</u>
Net change in fund balances	<u>(408,403)</u>	<u>(488,447)</u>	<u>(6,199)</u>
Fund balances - beginning	411,256	729,219	7,924
Fund balances - ending	<u>\$ 2,853</u>	<u>\$ 240,772</u>	<u>\$ 1,725</u>

Public Safety Grants	Emergency Telephone System	Other Special Revenue Grants	Total Nonmajor Special Revenue Funds
\$ -	\$ 1,482,087	\$ 2,817,847	\$ 4,299,934
2,435,351	-	3,095,860	9,381,853
14,989	2,630	135,698	981,652
<u>2,450,340</u>	<u>1,484,717</u>	<u>6,049,405</u>	<u>14,663,439</u>
-	-	104,681	104,681
2,634,452	1,550,448	-	4,184,900
-	-	2,630,230	8,194,333
-	-	7,024	7,024
<u>-</u>	<u>-</u>	<u>2,639,083</u>	<u>2,639,083</u>
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,634,452</u>	<u>1,550,448</u>	<u>5,381,018</u>	<u>15,130,021</u>
<u>(184,112)</u>	<u>(65,731)</u>	<u>668,387</u>	<u>(466,582)</u>
-	-	19,546	1,623
45,816	-	586,921	632,737
<u>(12,555)</u>	<u>-</u>	<u>(1,053,484)</u>	<u>(1,066,039)</u>
<u>33,261</u>	<u>-</u>	<u>(447,017)</u>	<u>(431,679)</u>
<u>(150,851)</u>	<u>(65,731)</u>	<u>221,370</u>	<u>(898,261)</u>
1,169,022	618,281	2,026,772	4,962,474
<u>\$ 1,018,171</u>	<u>\$ 552,550</u>	<u>\$ 2,248,142</u>	<u>\$ 4,064,213</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit B-5

Community Development Block Grant Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 From Inception and for the Year Ended June 30, 2014

	Grant Authorizations	Prior Years	Current Year	Total
Revenues				
Intergovernmental	\$ 41,177,168	\$ 38,511,912	\$ 1,568,345	\$ 40,080,257
Other	<u>4,395,609</u>	<u>4,676,659</u>	<u>230,166</u>	<u>4,906,825</u>
Total revenues	45,572,777	43,188,571	1,798,511	44,987,082
Expenditures	<u>45,572,777</u>	<u>42,876,687</u>	<u>2,206,914</u>	<u>45,083,601</u>
Excess (deficiency) of revenues over (under) expenditures	-	311,884	(408,403)	(96,519)
Other financing source				
Operating transfers from other fund	<u>-</u>	<u>99,372</u>	<u>-</u>	<u>99,372</u>
Net Change in fund balances	<u>\$ -</u>	<u>\$ 411,256</u>	(408,403)	<u>\$ 2,853</u>
			<u>411,256</u>	
			<u>\$ 2,853</u>	

CITY OF DURHAM, NORTH CAROLINA

Exhibit B-6

HOME Program Grant Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2014

	Grant Authorizations	Prior Years	Current Year	Total
Revenues				
Intergovernmental	\$ 23,180,559	\$19,663,902	\$ 34,507	\$19,698,409
Other	<u>5,364,706</u>	<u>6,123,845</u>	<u>580,246</u>	<u>6,704,091</u>
Total revenues	<u>28,545,265</u>	<u>25,787,747</u>	<u>614,753</u>	<u>26,402,500</u>
Expenditures	<u>30,982,456</u>	<u>26,477,035</u>	<u>1,103,200</u>	<u>27,580,235</u>
Excess (deficiency) of revenues over (under) expenditures	(2,437,191)	(689,288)	(488,447)	(1,177,735)
Other financing source				
Operating transfers from other funds	<u>2,437,191</u>	<u>1,418,507</u>	<u>-</u>	<u>1,418,507</u>
Net Change in fund balances	<u>\$ -</u>	<u>\$ 729,219</u>	(488,447)	<u>\$ 240,772</u>
			<u>729,219</u>	
			<u>\$ 240,772</u>	

CITY OF DURHAM, NORTH CAROLINA

Employment and Training Grant Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2014

	Revenues and Transfers In			
	Grant Authorizations	Prior Years	Current Year	Total
Workforce Investment Act - Adult, 11-13	\$ 439,885	\$ 439,885	\$ -	\$ 439,885
Workforce Investment Act - Dislocated Worker 11-13	669,601	669,601	-	669,601
Workforce Investment Act - Admin, 12-14	187,640	178,264	9,376	187,640
Workforce Investment Act - Special Incentives 12-14	40,000	40,000	-	40,000
Workforce Investment Act - Adult Worker 12-14	448,066	331,998	116,068	448,066
Workforce Investment Act - Dislocated Worker, 12-14	704,597	525,859	178,738	704,597
Workforce Investment Act- Pilot Demonstration	162,356	-	124,845	124,845
Workforce Investment Act- On the Job 12-14	200,000	-	73,834	73,834
Workforce Investment Act- Dislocated Worker Contingency 12-14	200,000	-	199,792	199,792
Workforce Investment Act - Youth, 12-14	536,099	404,466	131,635	536,101
Workforce Investment Act - Admin. 13-15	168,532	-	168,532	168,532
Workforce Investment Act - Adult Worker 13-15	535,078	-	454,195	454,195
Workforce Investment Act- Incumbent Worker 13-15	23,817	-	581	581
Workforce Investment Act - Youth, 13-15	600,458	-	479,466	479,466
Workforce Investment Act - Dislocated Worker 13-15	381,258	-	310,729	310,729
Total	\$ 5,297,387	\$ 2,590,073	2,247,791	\$ 4,837,864
Less current year's expenditures and transfers to other funds:			<u>2,253,990</u>	
Net change in fund balances			(6,199)	
Fund balance - beginning			<u>7,924</u>	
Fund balance - ending			<u>\$ 1,725</u>	

Exhibit B-7

Expenditures and Transfers Out			
Grant Authorizations	Prior Years	Current Year	Total
\$ 439,885	\$ 439,129	\$ 756	\$ 439,885
669,601	666,273	3,328	669,601
187,640	178,265	9,375	187,640
40,000	39,864	26	39,890
448,066	331,447	114,425	445,872
704,597	525,859	176,160	702,019
162,356	-	124,845	124,845
200,000	-	73,834	73,834
-	-	199,792	199,792
536,099	401,312	134,031	535,343
168,532	-	169,068	169,068
535,078	-	454,195	454,195
23,817	-	581	581
600,458	-	482,845	482,845
381,258	-	310,729	310,729
<u>\$ 5,097,387</u>	<u>\$ 2,582,149</u>	<u>\$ 2,253,990</u>	<u>\$ 4,836,139</u>

CITY OF DURHAM, NORTH CAROLINA

Public Safety Grants Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2014

	Revenues & Transfers In			
	Grant Authorizations	Prior Years	Current Year	Total
Byrne Memorial Justice Assistance - 2010-2014	\$ 94,626	\$ 92,149	\$ -	\$ 92,149
Byrne Memorial Justice Assistance - 2011	72,595	72,595	-	72,595
Byrne Memorial Justice Assistance - 2012	79,522	75,586	(64)	75,522
Byrne Memorial Justice Assistance - 2013	90,000	-	14,228	14,228
ARRA - Byrne Memorial Justice Assistance	118,237	118,237	-	118,237
Controlled Substance Tax - 2005	159,078	159,078	-	159,078
Controlled Substance Tax - 2006	165,000	88,444	-	88,444
Controlled Substance Tax - 2007	290,000	259,387	-	259,387
Controlled Substance Tax - 2008	295,000	235,556	-	235,556
Controlled Substance Tax - 2009	290,000	159,733	-	159,733
Controlled Substance Tax - 2010	166,212	111,005	-	111,005
Controlled Substance Tax - 2011	109,000	98,332	-	98,332
Controlled Substance Tax - 2012	200,000	117,320	-	117,320
Controlled Substance Tax - 2013	200,000	123,193	-	123,193
Controlled Substance Tax - 2014	200,000	-	128,635	128,635
Federal Asset Forfeiture - 2004	215,000	182,011	-	182,011
Federal Asset Forfeiture - 2005	315,000	279,110	-	279,110
Federal Asset Forfeiture - 2006	377,768	370,615	-	370,615
Federal Asset Forfeiture - 2007	930,000	654,919	-	654,919
Federal Asset Forfeiture - 2008	1,410,500	1,296,296	-	1,296,296
Federal Asset Forfeiture - 2009	946,500	918,989	-	918,989
Federal Asset Forfeiture - 2010	930,000	841,325	-	841,325
Federal Asset Forfeiture - 2011	780,000	234,978	-	234,978
Federal Asset Forfeiture - 2012	585,000	380,967	-	380,967
Federal Asset Forfeiture - 2013	670,000	592,863	-	592,863
Federal Asset Forfeiture - 2014	565,000	-	391,275	391,275
Financial Crimes Task 2014	27,360	-	2,807	2,807
Task Team Initiatives Grant - 2010 - 2011	121,980	119,211	-	119,211
Task Team Initiatives Grant - 2011 - 2012	160,000	70,748	-	70,748
Task Team Initiatives Grant - 2012 - 2013	160,000	64,983	20,586	85,569
Task Team Initiatives Grant - 2013 - 2014	160,000	-	61,407	61,407
Staffing Adequate Fire Emergency Response - 2013	1,384,650	492,601	680,547	1,173,148
Bulletproof Vests Grants- 2009	12,716	12,716	-	12,716
Bulletproof Vests Grants- 2010	50,000	31,055	-	31,055
Bulletproof Vests Grants- 2011	20,000	968	9,589	10,557
Bulletproof Vests Grants- 2012	20,000	-	-	-
Bulletproof Vests Grants- 2013	20,000	-	-	-
COPS Hiring Grant- 2010	2,537,424	1,894,541	507,491	2,402,032
Forensic Enhancement Grant- 2008	357,739	357,739	-	357,739
G.R.E.A.T. Grant- 2009	53,934	53,933	-	53,933
Justice and Mental Health Collaboration	312,500	298,237	-	298,237
Fugitive Apprehension Task Force - 2011	18,638	18,548	-	18,548
Fugitive Apprehension Task Force - 2012	18,638	15,504	-	15,504
Fugitive Apprehension Task Force - 2013	18,638	9,398	6,276	15,674
Fugitive Apprehension Task Force - 2014	18,638	-	12,219	12,219
ARRA - Combating Narcotics Activity	676,358	676,358	-	676,358
Durham Comprehensive Anti-Gang Initiative	1,076,525	1,065,093	-	1,065,093

Exhibit B-8

Expenditures & Transfers Out				
Grant	Prior	Current		Total
Authorizations	Years	Year		
\$ 94,626	\$ 92,149	\$ -	\$ -	\$ 92,149
72,595	70,595	-	-	70,595
79,522	28,398	47,124	-	75,522
90,000	-	14,228	-	14,228
118,237	118,237	-	-	118,237
159,078	159,078	-	-	159,078
165,000	88,444	-	-	88,444
290,000	218,082	41,305	-	259,387
295,000	235,557	-	-	235,557
290,000	159,733	-	-	159,733
166,212	98,318	12,517	-	110,835
109,000	89,060	(11,970)	-	77,090
200,000	94,036	22,949	-	116,985
200,000	18,109	82,647	-	100,756
200,000	-	2,189	-	2,189
215,000	165,646	16,367	-	182,013
315,000	279,111	-	-	279,111
377,768	370,615	-	-	370,615
930,000	653,924	995	-	654,919
1,410,500	1,293,850	2,446	-	1,296,296
946,500	915,564	2,687	-	918,251
930,000	757,252	22,524	-	779,776
780,000	219,313	9,745	-	229,058
585,000	188,585	126,690	-	315,275
670,000	-	235,244	-	235,244
565,000	-	-	-	-
27,360	-	2,807	-	2,807
121,980	119,211	-	-	119,211
160,000	70,749	-	-	70,749
160,000	64,983	20,586	-	85,569
160,000	-	61,407	-	61,407
1,384,650	492,601	740,273	-	1,232,874
12,716	12,716	-	-	12,716
50,000	31,055	-	-	31,055
20,000	968	9,589	-	10,557
20,000	-	-	-	-
20,000	-	-	-	-
2,537,424	1,894,541	507,491	-	2,402,032
357,739	357,739	-	-	357,739
53,934	53,933	-	-	53,933
312,500	298,237	-	-	298,237
18,638	18,548	-	-	18,548
18,638	15,504	-	-	15,504
18,638	9,398	6,276	-	15,674
18,638	-	12,219	-	12,219
676,358	676,358	-	-	676,358
1,076,525	1,065,093	-	-	1,065,093

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Public Safety Grants Special Revenue Fund (Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2014

	Revenues & Transfers In			
	Grant Authorizations	Prior Years	Current Year	Total
High Intensity Drug Trafficking Area Grant-2009	\$ 255,000	\$ 255,000	\$ -	\$ 255,000
High Intensity Drug Trafficking Area Grant-2010	352,431	352,431	-	352,431
High Intensity Drug Trafficking Area Grant-2011	298,502	285,356	8,764	294,120
High Intensity Drug Trafficking Area Grant-2012	316,343	129,540	183,319	312,859
High Intensity Drug Trafficking Area Grant-2013	338,613	-	241,294	241,294
2011 NC Gov's Highway Safety Program	93,500	72,785	-	72,785
2012 NC Gov's Highway Safety Program	10,955	-	8,681	8,681
2013 NC Gov's Highway Safety Program	28,000	-	25,383	25,383
2014 NC Gov's Highway Safety Program	30,000	-	29,717	29,717
2014 NC Gov's Highway Safety Program	12,000	-	11,822	11,822
2012 Democratic National Convention	413,379	317,900	-	317,900
2013 Democratic National Convention - Equipment	30,718	-	-	-
MOU-Town of Chapel Hill/Halloween -2012	30,000	10,158	-	10,158
MOU-Town of Chapel Hill/Halloween -2013	30,000	-	9,895	9,895
2011 Domestic Violence	339,459	189,462	133,669	323,131
Fox Family Foundation Grant - 2010	5,000	5,000	-	5,000
Police Athletic League - 2011	25,000	3,254	5,625	8,879
Police Athletic League - 2012	15,000	2,553	-	2,553
Police Department - Prior Years/Interest to be Distributed/Other	-	-	(565)	(565)
NC Branch of King's Daughters and Sons -2010	1,000	1,000	-	1,000
Target Donation - 2011	1,400	1,400	-	1,400
Target Donation - 2012	2,300	2,300	-	2,300
Target Donation - 2013	-	700	-	700
Equipment Donations	40,000	-	3,558	3,558
Wal-Mart Foundation- 2010	2,000	2,000	-	2,000
Wal-Mart Foundation- 2011	2,000	2,000	-	2,000
Intrafund Transfers	-	-	-	-
Total	\$ 20,152,376	\$ 14,277,160	2,496,158	\$ 16,773,318
Less current year's expenditures and transfers to other funds			<u>2,647,009</u>	
Net change in fund balance			(150,851)	
Fund balance - beginning			<u>1,169,022</u>	
Fund balance - ending			<u>\$ 1,018,171</u>	

Exhibit B-8

Expenditures & Transfers Out			
Grant Authorizations	Prior Years	Current Year	Total
\$ 255,000	\$ 255,000	\$ -	\$ 255,000
352,431	352,431	-	352,431
298,502	288,438	8,764	297,202
316,343	129,540	183,319	312,859
338,613	-	241,294	241,294
93,500	72,785	-	72,785
10,955	-	8,681	8,681
28,000	-	25,383	25,383
30,000	-	29,717	29,717
12,000	-	11,822	11,822
413,379	298,762	-	298,762
30,718	-	-	-
30,000	10,158	-	10,158
30,000	-	9,895	9,895
339,459	189,462	133,669	323,131
5,000	4,357	643	5,000
25,000	1	465	466
15,000	2,553	-	2,553
-	-	-	-
1,000	1,000	-	1,000
1,400	1,400	-	1,400
2,300	1,536	764	2,300
-	-	700	700
40,000	-	3,558	3,558
2,000	2,000	-	2,000
2,000	2,000	-	2,000
-	-	-	-
<u>\$ 20,152,376</u>	<u>\$ 13,106,713</u>	<u>\$2,647,009</u>	<u>\$ 15,753,722</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit B-9

Emergency Telephone System Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	\$ 1,482,087	\$ 1,482,087	\$ -
Interest Earned	5,000	2,630	(2,370)
Other	-	-	-
Total	<u>1,487,087</u>	<u>1,484,717</u>	<u>(2,370)</u>
Expenditures			
Implemental functions	381,707	373,519	8,188
Telephone	888,651	802,563	86,088
Furniture	62,822	16,929	45,893
Software maintenance	146,000	213,541	(67,541)
Hardware maintenance	97,000	59,822	37,178
Training	70,781	35,087	35,694
Capital outlay	179,748	48,987	130,761
S.L. 2010-158 Expenditures	-	-	-
Total	<u>1,826,709</u>	<u>1,550,448</u>	<u>276,261</u>
Revenues over (under) expenditures	<u>(339,622)</u>	<u>(65,731)</u>	<u>273,891</u>
Other financing sources (uses):			
Transfer in	-	-	-
Transfer out	-	-	-
Transfer to Fund Balance	100	-	100
Transfer from reserves	249,884	-	(249,884)
Total other financing sources (uses)	<u>249,984</u>	<u>-</u>	<u>(249,784)</u>
Appropriated fund balance	(89,638)	-	89,638
Revenues over (under) expenditures	<u>\$ (179,275)</u>	(65,731)	<u>\$ 113,744</u>
Fund balance - beginning		<u>618,281</u>	
Fund balance - ending		<u>\$ 552,550</u>	

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CITY OF DURHAM, NORTH CAROLINA

Other Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2014

	Revenues & Transfers In		
	Grant Authorizations	Prior Years	Current Year
FEDERAL:			
US Department of Energy:			
ARRA - Energy Efficiency/Conservation Grant	\$ 2,173,600	\$ 1,883,050	\$ -
US Department of Housing and Urban Development:			
HUD Emergency Shelter Grant - 12	133,248	92,215	41,033
HUD Emergency Shelter Grant - 13	152,760	19,200	126,055
HUD Emergency Shelter Grant - 14	260,571	-	3,525
FHA Case Processing - FY11	77,580	77,580	-
FHA Case Processing - FY12	153,640	153,640	-
FHA Case Processing - FY13	164,381	164,381	-
FHA Case Processing - FY14	76,160	-	76,160
HUD Fair Housing Assistance Program - FY12	50,000	50,000	-
FY 2006 EDI - Parrish Street	148,500	142,755	5,670
US Environmental Protection Agency:			
Brownfields Job Training - 2013	199,998	65,811	116,770
Climate Showcase Communities Grant 2010	500,000	449,836	24,397
FEDERAL PASS-THROUGH:			
Federal Highway Administration: NC Department of Transportation			
FY 2011-2012 Section 104(f) Planning	1,491,524	1,491,525	-
FY 2012-2013 Section 104(f) Planning	3,077,659	1,824,576	201,297
FY 2013-2014 Section 104(f) Planning	2,343,911	-	1,935,782
FY 2012-2013 Section 5303 Planning	284,070	251,910	27,317
FY 2013-2014 Section 5303 Planning	275,942	-	230,199
US Department of Housing and Urban Development:			
Neighborhood Stabilization 12-13	550,000	-	550,000
Lead Based Paint Reduction FY12	356,550	56,594	(23,570)
US Department of Interior: NC Department of Cultural Resources			
Historic Preservation Grant - 2012 & 2013	32,000	21,000	11,000
US Department of Transportation: Federal Transit Administration			
Sec. 5316 Job Access Reverse Commute FY11	615,669	175,209	36,272
Sec. 5316 Job Access Reverse Commute FY13	296,111	-	-
Sec. 5317 New Freedom FY10	316,809	272,021	9,970
Sec. 5317 New Freedom FY11	253,260	201,134	41,631
Sec. 5317 New Freedom FY13	175,557	-	-
TOTAL FEDERAL	\$ 14,159,500	\$ 7,392,437	\$ 3,413,508

Exhibit B-10

Expenditures & Transfers Out				
Total	Grant Authorizations	Prior Years	Current Year	Total
\$ 1,883,050	\$ 2,173,600	\$ 1,883,056	\$ -	\$ 1,883,056
133,248	133,248	92,215	41,063	133,278
145,255	152,760	19,200	126,055	145,255
3,525	260,571	-	30,852	30,852
77,580	77,580	69,615	7,877	77,492
153,640	153,640	122,239	31,496	153,735
164,381	164,381	12,407	57,538	69,945
76,160	76,160	-	-	-
50,000	50,000	41,801	7,770	49,571
148,425	148,500	142,755	5,670	148,425
182,581	199,998	65,811	121,876	187,687
474,233	500,000	449,836	30,032	479,868
1,491,525	1,491,524	1,490,505	721	1,491,226
2,025,873	3,077,659	1,422,357	269,856	1,692,213
1,935,782	2,343,911	-	1,953,943	1,953,943
279,227	284,070	251,910	27,317	279,227
230,199	275,942	-	248,461	248,461
550,000	550,000	-	550,000	550,000
33,024	356,550	55,469	(19,988)	35,481
32,000	32,000	21,000	11,000	32,000
211,481	615,669	177,300	61,463	238,763
-	296,111	-	10,156	10,156
281,991	316,809	272,020	13,079	285,099
242,765	253,260	203,184	50,074	253,258
-	175,557	-	4,012	4,012
\$ 10,805,945	\$ 14,159,500	\$ 6,792,680	\$ 3,640,323	\$ 10,433,003

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Other Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2014

	Revenues & Transfers In		
	Grant Authorizations	Prior Years	Current Year
STATE OF NORTH CAROLINA			
NC Department of Administration:			
NC Department of Environment and Natural Resources:			
2011 Section 319 Non-Pollution Grant	\$ 133,938	\$ 84,877	\$ 9,985
Northeast Central Livability	40,000	38,000	100
NC Department of Transportation:			
CMAQ Improvement Bicycle Parking Grant	48,000	37,345	(494)
TOTAL STATE OF NORTH CAROLINA	<u>221,938</u>	<u>160,222</u>	<u>9,591</u>
OTHER			
Downtown Revitalization	604,100	655,548	455
Business Improvement District	651,333	586,144	635,756
Carolina Panthers Grant	8,345	5,251	3,094
2012 Nourishing North Carolina	3,100	3,100	-
Excess Match Funds	-	157,935	494
Long Range Transportation Plan - City of Raleigh	167,000	167,000	-
Strategic Deployment Plan FY09	299,876	299,876	-
Prior Years Distrib Interest	45,528	45,528	1,125
Trailblazer Grant	3,000	3,000	-
OEWD - Joint Portfolio Meeting (State of Economy)	32,436	32,436	15,157
Substance Abuse and Mental Health	60,000	72,144	32,134
2nd Substance Abuse and Mental Health - 2013	75,000	110	9,890
3rd Substance Abuse and Mental Health - 2013	60,000	-	60,000
Community Waste Reduction and Recycling 2010	12,000	12,000	-
Community Waste Reduction and Recycling 2013	11,999	11,999	(6,000)
Emerging Technology Grant 2013	25,000	-	-
Northeast Central Livability - 2013	153,750	25,000	25,000
Community Planning Project	225,000	209,526	-
Community Life Center at Lyon Park	442,308	443,777	-
Dedicated Funding Source - Community Development	2,374,654	2,356,023	2,451,636
2014 Arthritis Intervention Grant	4,000	-	4,000
Other Special Revenue Fund	-	(2)	-
TOTAL OTHER	<u>5,258,429</u>	<u>5,086,395</u>	<u>3,232,741</u>
	<u>\$ 19,639,867</u>	<u>\$ 12,639,054</u>	<u>\$ 6,655,840</u>
Less current year's expenditures and transfers to other funds			<u>6,434,470</u>
Net change in fund balance			221,370
Fund balance - beginning			<u>2,026,772</u>
Fund balance - ending			<u>\$ 2,248,142</u>

Exhibit B-10

Expenditures & Transfers Out				
Total	Grant Authorizations	Prior Years	Current Year	Total
\$ 94,862	\$ 133,938	\$ 83,264	\$ -	\$ 83,264
38,100	40,000	29,450	1,168	30,618
36,851	48,000	36,851	-	36,851
169,813	221,938	149,565	1,168	150,733
656,003	604,100	527,692	47,645	575,337
1,221,900	651,333	583,870	587,146	1,171,016
8,345	8,345	4,602	3,159	7,761
3,100	3,100	2,800	289	3,089
158,429	-	-	-	-
167,000	167,000	62,475	-	62,475
299,876	299,876	299,876	-	299,876
46,653	45,528	45,528	-	45,528
3,000	3,000	2,773	-	2,773
47,593	32,436	12,547	13,274	25,821
104,278	60,000	72,144	(12,384)	59,760
10,000	75,000	206	15,959	16,165
60,000	60,000	-	59,842	59,842
12,000	12,000	12,000	-	12,000
5,999	11,999	11,999	-	11,999
-	25,000	-	-	-
50,000	153,750	12,692	18,265	30,957
209,526	225,000	209,522	-	209,522
443,777	442,308	442,308	-	442,308
4,807,659	2,374,654	1,369,850	2,056,209	3,426,059
4,000	4,000	-	3,575	3,575
(2)	-	-	-	-
8,319,136	5,258,429	3,672,884	2,792,979	6,465,863
<u>\$ 19,294,894</u>	<u>\$ 19,639,867</u>	<u>\$ 10,615,129</u>	<u>\$ 6,434,470</u>	<u>\$ 17,049,599</u>

CITY OF DURHAM, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2014

	Recreation And General Capital Projects	Street Projects	Downtown General Projects
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents/investments	\$ 3,284,372	\$ 4,562,189	\$ -
Due from government agencies	396,834	10,078	7,389
Due from other funds	-	407,754	-
Restricted cash and cash equivalents/investments	<u>4,714,634</u>	<u>6,445,533</u>	<u>3,075,090</u>
Total assets	<u><u>\$ 8,395,840</u></u>	<u><u>\$11,425,554</u></u>	<u><u>\$ 3,082,479</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 195,770	\$ 142,387	\$ 750,041
Deposits and payments held in escrow	-	1,031,708	-
Due to other funds	-	-	407,754
Total liabilities	<u>195,770</u>	<u>1,174,095</u>	<u>1,157,795</u>
Fund Balances			
Restricted:			
Encumbrances	2,618,217	4,890,196	1,984,347
State Statute	396,834	417,832	7,389
Capital Projects	<u>5,185,019</u>	<u>4,943,431</u>	<u>(67,052)</u>
Total fund balances	<u>8,200,070</u>	<u>10,251,459</u>	<u>1,924,684</u>
Total liabilities and fund balances	<u><u>\$ 8,395,840</u></u>	<u><u>\$11,425,554</u></u>	<u><u>\$ 3,082,479</u></u>

Exhibit B-11

Municipal Buildings Projects	Impact Fee	Total Nonmajor Capital Projects Funds
\$ 2,280,931	\$ 33,735,064	\$ 43,862,556
106,016	-	520,317
-	-	407,754
<u>17,611,168</u>	<u>-</u>	<u>31,846,425</u>
<u><u>\$ 19,998,115</u></u>	<u><u>\$ 33,735,064</u></u>	<u><u>\$ 76,637,052</u></u>
\$ 494,691	\$ -	\$ 1,582,889
-	-	1,031,708
-	-	407,754
<u>494,691</u>	<u>-</u>	<u>3,022,351</u>
3,800,172	-	13,292,932
106,016	-	928,071
15,597,236	33,735,064	59,393,698
<u>19,503,424</u>	<u>33,735,064</u>	<u>73,614,701</u>
<u><u>\$ 19,998,115</u></u>	<u><u>\$ 33,735,064</u></u>	<u><u>\$ 76,637,052</u></u>

CITY OF DURHAM, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2014

	Recreation And General Capital Projects	Street Projects	Downtown Capital Projects
REVENUES			
Intergovernmental revenues	\$ 1,775,452	\$ 8,376	\$ -
Investment and rental income	12,777	155,354	(92,252)
Charges for services	16,698	376,948	-
Sale of property and miscellaneous	-	-	-
Total revenues	<u>1,804,927</u>	<u>540,678</u>	<u>(92,252)</u>
EXPENDITURES			
Current			
General government	3,097,786	-	-
Public safety	-	-	-
Development	-	-	894,565
General services	-	-	-
Recreation	5,071,056	-	1,111,080
Streets and highways	-	743,547	-
Total expenditures	<u>8,168,842</u>	<u>743,547</u>	<u>2,005,645</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,363,915)</u>	<u>(202,869)</u>	<u>(2,097,897)</u>
OTHER FINANCING SOURCES			
Capital related debt issued	4,196,751	40,367	983,946
Transfers in	2,165,106	888,594	-
Transfers out	(70,319)	-	-
Total other financing sources	<u>6,291,538</u>	<u>928,961</u>	<u>983,946</u>
Net change in fund balances	(72,377)	726,092	(1,113,951)
Fund balances - beginning	8,272,447	9,525,367	3,038,635
Fund balances - ending	<u>\$ 8,200,070</u>	<u>\$ 10,251,459</u>	<u>\$ 1,924,684</u>

Exhibit B-12

Municipal Buildings Projects	Impact Fee	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ 1,783,828
(2,231)	149,772	223,420
-	3,646,264	4,039,910
158,272	-	158,272
<u>156,041</u>	<u>3,796,036</u>	<u>6,205,430</u>
82,271	-	3,180,057
3,034,270	-	3,034,270
-	-	894,565
3,969,303	-	3,969,303
-	-	6,182,136
-	-	743,547
<u>7,085,844</u>	<u>-</u>	<u>18,003,878</u>
<u>(6,929,803)</u>	<u>3,796,036</u>	<u>(11,798,448)</u>
9,784,734	-	15,005,798
-	397,083	3,450,783
-	(2,980,463)	(3,050,782)
<u>9,784,734</u>	<u>(2,583,380)</u>	<u>15,405,799</u>
2,854,931	1,212,656	3,607,351
16,648,493	32,522,408	70,007,350
<u>\$ 19,503,424</u>	<u>\$ 33,735,064</u>	<u>\$ 73,614,701</u>

CITY OF DURHAM, NORTH CAROLINA

Consolidated General Capital Projects Fund

Schedule of Revenues, Expenditures, Transfers and Other Financing Sources and Use Compared with Authorizations

From Inception and for the Year Ended June 30, 2014

	Revenues and Transfers to Other Funds			
	Authorizations	Prior Years	Current Year	Total
Parks and Recreation				
Project Financials Management	\$ 300,000	\$ -	\$ 300,000	\$ 300,000
Lake Michie Upgrade	868,710	868,710	-	868,710
Burton Park & T.A. Grady Upgrade	207,264	267,243	(59,979)	207,264
Campus Hill-I.R. Holmes Center	1,797,438	1,797,438	-	1,797,438
Driveway/Parking Lot Paving	317,000	-	317,000	317,000
Pool Assessment	75,000	-	75,000	75,000
General Services Generator	66,000	-	66,000	66,000
DAP Sound System	54,000	-	54,000	54,000
C.R. Wood Park upgrade	117,698	183,787	(66,089)	117,698
Crest Street Park upgrade	239,801	264,111	(24,310)	239,801
American Tobacco Trail- phase E	11,816,838	8,866,871	1,788,011	10,654,882
Demolition DPR Structures	58,751	-	58,751	58,751
Athletic Field Irrigation/Lighting	550,000	-	550,000	550,000
Open space and greenway preservation	6,258,798	6,094,574	-	6,094,574
Bethesda Park	4,385,184	4,382,880	2,304	4,385,184
Walltown Recreation Center	8,716,133	8,716,133	-	8,716,133
Old Chapel Hill Road Park	4,046,804	4,052,539	5,000	4,057,539
Twin Lakes Athletic Field	420,000	419,999	1	420,000
Twin Lakes Park	625,000	625,000	-	625,000
Twin Lakes Restrooms	155,650	-	155,650	155,650
Duke Restrooms	200,000	-	200,000	200,000
Leigh Farm Park	1,500,954	768,164	661,310	1,429,474
Weaver Street Center and Park	620,336	481,040	58,486	539,526
Playground renovations	756,386	756,386	-	756,386
Oval Park Drive	5,386	-	5,386	5,386
Park Signage	3,512	-	3,512	3,512
Northgate Renovations	20,000	-	20,000	20,000
Southern Boundaries Upgrade	11,000	-	11,000	11,000
ADA Compliance - Gen Projects	7,959	19,834	(11,876)	7,958
ADA Compliance Parks and Recreation	1,794,446	1,823,000	(28,554)	1,794,446
Long Meadow Park renovations	359,045	359,045	-	359,045
ADA Compliance 2015-2016	40,429	-	40,429	40,429
Garrett Road park upgrade	349,080	425,622	(76,542)	349,080
Rock Quarry/Edison Johnson upgrades	45,000	45,000	-	45,000
Forest Hills Park upgrade	662,886	662,886	-	662,886
Hillside Park & W.D. Hill Recreation Cntr.	802,421	802,421	-	802,421
Southern Boundaries Park upgrade	15,000	-	-	-
West Point on the Eno	252,696	252,696	-	252,696
Morreene Road Park upgrade	476,855	523,070	(46,215)	476,855
Lyon Park Upgrade	600,494	500,494	50,000	550,494
Park renovations	1,243,289	1,129,773	6,727	1,136,500
Sports Facilities Lighting	600,000	300,000	145,449	445,449
West Ellerbee Trail Phase II	360,000	215,077	140,281	355,358
Athletic Courts Improvements	1,699,806	1,114,806	585,000	1,699,806
DPR Operations Facility	2,150,365	822,639	1,100,352	1,922,991
American Tobacco Trail Resurfacing	234,167	234,167	-	234,167
System-Wide Park Security	179,169	533,493	(354,324)	179,169
General CIP Fleet	7,788,112	4,790,614	3,000,000	7,790,614
Project Prior to 2006	-	2,121,414	(1)	2,121,413
Parks and recreation subdivision	-	1,803,825	16,698	1,820,523
Interfund pooled earnings distribution	-	1,761,955	(581,674)	1,180,281
Total parks and recreation	63,854,862	58,786,706	8,166,783	66,953,489

Expenditures and Transfers to Other Funds

<u>Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
\$ 300,000	\$ -	\$ 84,835	\$ 84,835
868,710	520,279	6,642	526,921
207,264	207,264	-	207,264
1,797,438	1,603,840	828	1,604,668
317,000	-	45,171	45,171
75,000	-	10,068	10,068
66,000	-	-	-
54,000	-	-	-
117,698	47,042	70,656	117,698
239,801	239,801	-	239,801
11,816,838	8,306,600	2,235,280	10,541,880
58,751	-	3,500	3,500
550,000	-	156	156
6,258,798	5,579,883	53,509	5,633,392
4,385,184	4,360,184	-	4,360,184
8,716,133	8,716,133	-	8,716,133
4,046,804	4,035,052	1,510	4,036,562
420,000	419,999	1	420,000
625,000	430,392	-	430,392
155,650	-	18,910	18,910
200,000	-	149,457	149,457
1,500,954	1,079,438	331,738	1,411,176
620,336	470,311	-	470,311
756,386	756,386	-	756,386
5,386	-	5,386	5,386
3,512	-	3,512	3,512
20,000	-	-	-
11,000	-	11,000	11,000
7,959	7,959	-	7,959
1,794,446	1,741,947	52,499	1,794,446
359,045	359,045	-	359,045
40,429	-	63	63
349,080	349,080	-	349,080
45,000	45,000	-	45,000
662,886	535,155	15,389	550,544
802,421	753,937	42,753	796,690
15,000	-	-	-
252,696	185,932	-	185,932
476,855	476,855	-	476,855
600,494	500,494	-	500,494
1,243,289	982,764	138,078	1,120,842
600,000	295,055	145,449	440,504
360,000	279,002	1,356	280,358
1,699,806	685,738	278,376	964,114
2,150,365	331,741	1,410,212	1,741,953
234,167	234,167	-	234,167
179,169	178,870	299	179,169
7,788,112	4,366,178	2,625,720	6,991,898
-	7,517	387,230	394,747
-	1,803,825	16,698	1,820,523
-	(378,606)	92,879	(285,727)
<u>63,854,862</u>	<u>50,514,259</u>	<u>8,239,160</u>	<u>58,753,419</u>

CITY OF DURHAM, NORTH CAROLINA

Consolidated General Capital Projects Fund

Schedule of Revenues, Expenditures, Transfers and Other Financing Sources and Use Compared with Authorizations

From Inception and for the Year Ended June 30, 2014

	Revenues and Transfers to Other Funds			
	Authorizations	Prior Years	Current Year	Total
Street Projects				
Federal and State matching projects	\$ 6,558,279	\$ 2,389,724	\$ 1,061,510	\$ 3,451,234
Traffic calming project	1,457,939	1,082,939	-	1,082,939
Thoroughfare right-of-way and construction	768,586	588,360	-	588,360
Apex Street Bridge	258,062	258,062	-	258,062
Carver Street extension	8,185,000	786,725	540,417	1,327,142
Fayetteville Road widening phase II	8,035,789	910,649	-	910,649
Garrett Road extension	1,624,625	1,624,625	-	1,624,625
NC 147/bicycle/pedestrian bridge	3,250,000	2,682,738	(90,345)	2,592,393
Dirt petition street paving projects	5,856,073	5,856,073	-	5,856,073
Road resurfacing projects	19,073,129	19,073,129	-	19,073,129
2010 Street Repaving Project	23,861,545	23,861,545	-	23,861,545
Failed Development Infrastructure	415,000	200,000	-	200,000
Sidewalk Repair, ADA and Gaps	9,775,088	9,368,289	318,825	9,687,114
Brick Pavers Repairs	250,000	-	-	-
Dirt/Petition Street Paving	250,000	-	-	-
Fayetteville/Buxton/Riddle Road Improvements	5,000,000	-	-	-
Downtown street improvements I & II & III	13,229,509	13,197,507	32,002	13,229,509
Project Prior to 2006	-	762,738	-	762,738
Interfund pooled earnings distribution	-	1,128,655	(392,770)	735,885
Total street projects	<u>107,848,624</u>	<u>83,771,758</u>	<u>1,469,639</u>	<u>85,241,397</u>
Downtown capital projects				
Neighborhood Streetscape	3,721,670	3,721,670	-	3,721,670
Public Art Project	20,000	-	20,000	20,000
Durham Performing Arts Center	12,815	-	-	-
9th Street Infrastructure	1,039,687	-	1,000,000	1,000,000
Interfund pooled earnings distribution	-	132,751	(128,306)	4,445
Total general capital projects	<u>4,794,172</u>	<u>3,854,421</u>	<u>891,694</u>	<u>4,746,115</u>

Exhibit B-13
Continued on next page

Expenditures and Transfers to Other Funds			
Authorizations	Prior Years	Current Year	Total
\$ 6,558,279	\$ 373,226	\$ 52,177	\$ 425,403
1,457,939	583,490	-	583,490
768,586	22,234	27,765	49,999
258,062	258,062	-	258,062
8,185,000	1,037,178	289,964	1,327,142
8,035,789	480,075	210,195	690,270
1,624,625	1,624,625	-	1,624,625
3,250,000	2,682,738	75,681	2,758,419
5,856,073	5,856,073	-	5,856,073
19,073,129	19,073,129	-	19,073,129
23,861,545	21,587,080	580,849	22,167,929
415,000	-	123,682	123,682
9,775,088	5,766,244	656,370	6,422,614
250,000	-	-	-
250,000	-	-	-
5,000,000	-	-	-
13,229,509	13,130,792	-	13,130,792
-	1,391,599	(1,310,837)	80,762
-	379,846	37,701	417,547
<u>107,848,624</u>	<u>74,246,391</u>	<u>743,547</u>	<u>74,989,938</u>
3,721,670	759,430	1,802,117	2,561,547
20,000	-	-	-
12,815	-	-	-
1,039,687	-	137,085	137,085
-	56,356	66,443	122,799
<u>4,794,172</u>	<u>815,786</u>	<u>2,005,645</u>	<u>2,821,431</u>

CITY OF DURHAM, NORTH CAROLINA

Consolidated General Capital Projects Fund

Schedule of Revenues, Expenditures, Transfers and Other Financing Sources and Use Compared with Authorizations

From Inception and for the Year Ended June 30, 2014

	Revenues and Transfers to Other Funds			
	Authorizations	Prior Years	Current Year	Total
Municipal Building Projects				
Enterprise Resource System	\$ 5,790,000	\$ 5,790,000	\$ -	\$ 5,790,000
Fire Station # 16	2,430,500	2,055,547	-	2,055,547
Fire Station #8	1,450,000	1,334,841	-	1,334,841
Fire Station #9	4,321,600	4,321,600	-	4,321,600
Fire Station #1 Upgrade	553,523	53,523	489,670	543,193
Live Fire Training Simulator	482,240	482,240	-	482,240
Fire Station #17	250,000	-	67,010	67,010
Centre Parking Deck repairs	8,390,842	8,390,843	-	8,390,843
Chapel Hill Street parking deck	1,974,039	1,974,039	-	1,974,039
Durham Bulls Athletic Park	4,975,651	5,105,631	(129,981)	4,975,650
Civic Center	9,732,372	9,621,757	158,272	9,780,029
American Tobacco Parking Complex	15,362,992	15,263,443	-	15,263,443
Durham Arts Council Building	5,994,461	5,929,414	65,047	5,994,461
Church Street Parking Deck	1,074,233	1,074,233	-	1,074,233
Project Management Software	200,000	200,000	-	200,000
Cemeteries Upgrade	100,000	-	100,000	100,000
City Hall office space expansion	13,483,213	13,624,167	(140,954)	13,483,213
City Hall Annex and Building Envelope	6,241,292	3,582,876	2,658,454	6,241,330
City Hall Chillers Replacement	-	950,000	(950,000)	-
Annex Plaza Waterproofing Renovation	-	580,000	(580,000)	-
400 Cleveland St Exterior Renovation	600,000	600,000	-	600,000
Radio replacement	5,182,297	5,182,297	-	5,182,297
Communications Radio Building	1,208,036	1,005,418	202,618	1,208,036
Radio Infrastructure Replacement	13,350,000	12,447,744	-	12,447,744
Durham Athletic Park renovations	6,153,914	6,153,914	-	6,153,914
Carolina Theatre	7,246,714	7,246,714	-	7,246,714
Armory Upgrade	340,000	-	340,000	340,000
ADA compliance non bond projects	1,856,813	2,366,530	(509,717)	1,856,813
ADA compliance Public Improvements	854,615	863,000	(8,385)	854,615
ADA compliance 2015-2016	516,101	-	518,102	518,102
Energy Management	854,490	-	854,490	854,490
Durham Central PK Utility Infrastructure	330,000	330,020	-	330,020
DPR Operations Center	36,180	36,180	5,063	41,243
City Hall HR Suite Renovations	200,000	-	-	-
Police Headquarters improvements	4,721,018	4,721,018	-	4,721,018
Police Headquarters Replacement & Annex	6,891,000	-	6,891,000	6,891,000
911 Emergency Communications	650,000	-	650,000	650,000
Broadway facility acquisition & retrofit	4,675,768	4,675,768	-	4,675,768
Digital File Management System	258,500	-	258,500	258,500
New Sign & Signal shop	1,130,000	1,130,000	-	1,130,000
Solid Waste transfer station	1,612,475	1,372,400	240,075	1,612,475
Solid Waste operations facility	399,173	590,000	(190,827)	399,173
Fleet Maintenance Reroofing	600,000	600,000	-	600,000
Project Prior to 2006	-	1,126,677	(202,618)	924,059
Interfund pooled earnings distribution	-	4,849,349	(845,046)	4,004,303
Total municipal building projects	<u>142,474,052</u>	<u>135,631,183</u>	<u>9,940,773</u>	<u>145,571,956</u>
Impact Fees	36,732,007	44,965,378	4,193,119	49,158,497
Total capital projects funds	<u>\$ 355,703,717</u>	<u>\$ 327,009,446</u>	<u>\$ 24,662,008</u>	<u>\$ 351,671,454</u>

Expenditures and Transfers to Other Funds			
Authorizations	Prior Years	Current Year	Total
\$ 5,790,000	\$ 5,336,920	\$ 82,271	\$ 5,419,191
2,430,500	2,055,547	-	2,055,547
1,450,000	1,334,841	-	1,334,841
4,321,600	1,765,888	780,131	2,546,019
553,523	1,016	-	1,016
482,240	6,110	453,855	459,965
250,000	-	-	-
8,390,842	8,390,842	-	8,390,842
1,974,039	921,028	692,222	1,613,250
4,975,651	4,975,651	-	4,975,651
9,732,372	9,545,712	136,919	9,682,631
15,362,992	15,263,443	-	15,263,443
5,994,461	5,929,414	719	5,930,133
1,074,233	85,145	474,562	559,707
200,000	156,938	6,400	163,338
100,000	-	54,902	54,902
13,483,213	13,390,679	92,534	13,483,213
6,241,292	545,130	57,873	603,003
-	-	-	-
-	-	-	-
600,000	-	26	26
5,182,297	5,182,297	-	5,182,297
1,208,036	126,958	994,217	1,121,175
13,350,000	12,399,829	475,802	12,875,631
6,153,914	6,153,914	-	6,153,914
7,246,714	7,124,285	69,313	7,193,598
340,000	-	185,153	185,153
1,856,813	1,596,549	260,435	1,856,984
854,615	842,108	12,507	854,615
516,101	-	28,890	28,890
854,490	-	132,564	132,564
330,000	330,020	-	330,020
36,180	30,281	1,216	31,497
200,000	-	-	-
4,721,018	4,270,543	115,596	4,386,139
6,891,000	-	-	-
650,000	-	-	-
4,675,768	4,675,768	-	4,675,768
258,500	-	168,705	168,705
1,130,000	540,542	53,550	594,092
1,612,475	1,277,717	274,286	1,552,003
399,173	391,196	7,977	399,173
600,000	-	498,117	498,117
-	452	923,607	924,059
-	4,335,927	51,493	4,387,420
<u>142,474,052</u>	<u>118,982,690</u>	<u>7,085,842</u>	<u>126,068,532</u>
<u>36,732,007</u>	<u>12,442,970</u>	<u>2,980,463</u>	<u>15,423,433</u>
<u>\$ 355,703,717</u>	<u>\$ 257,002,096</u>	<u>\$ 21,054,657</u>	<u>\$ 278,056,753</u>

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CITY OF DURHAM, NORTH CAROLINA

Exhibit C-1

Water and Sewer Operating Fund

Schedule of Revenues and Transfers - Compared to Budget (Modified Accrual Basis)

For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues			
Operating revenues			
Water and sewer services			
Water and sewer services	\$ 83,282,515	\$ 81,248,881	\$ 2,033,634
Sewer surcharge	200,524	160,000	40,524
Industrial monitoring	14,672	13,000	1,672
Suspended solids	20,695	25,000	(4,305)
Total water and sewer services	<u>83,518,406</u>	<u>81,446,881</u>	<u>2,071,525</u>
Other operating revenues			
Water line connection fees	475,008	240,000	235,008
Sewer line connection fees	139,200	65,000	74,200
Septic tank disposal	234,480	100,000	134,480
Water and sewer permits	87,866	59,000	28,866
Backflow testing service	12,250	20,000	(7,750)
Engineering inspection fee	146,677	80,000	66,677
Total other operating revenues	<u>1,095,481</u>	<u>564,000</u>	<u>531,481</u>
Total operating revenues	<u>84,613,887</u>	<u>82,010,881</u>	<u>2,603,006</u>
Non-operating revenues			
Investment income	191,215	190,000	1,215
Interest on assessments	34,291	20,000	14,291
Intergovernmental revenue	49,733	54,028	(4,295)
Rent - non-operating property	439,322	345,000	94,322
Assessments and frontage	644,180	300,000	344,180
Disposals of property and equipment	186,732	20,000	166,732
Miscellaneous	23,706	12,000	11,706
Total non-operating revenues	<u>1,569,179</u>	<u>941,028</u>	<u>628,151</u>
Other financing sources			
Appropriation from fund balance	-	3,080,194	(3,080,194)
Transfers from other funds	298,288	298,288	-
Transfers from reserves	-	2,428,751	(2,428,751)
Total other financing sources	<u>298,288</u>	<u>5,807,233</u>	<u>(5,508,945)</u>
Total revenues and other financing sources	<u>\$ 86,481,354</u>	<u>\$ 88,759,142</u>	<u>\$ (2,277,788)</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-2

Water and Sewer Operating Fund

Schedule of Expenditures and Transfers - Compared to Budget (Modified Accrual Basis)

For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Expenditures			
Department of Water Management			
Water management administration	\$ 3,073,641	\$ 3,312,964	\$ 239,323
Utility customer service	2,584,979	2,578,285	(6,694)
Water management regulatory affairs	1,165,481	1,451,369	285,888
Total administration	<u>6,824,101</u>	<u>7,342,618</u>	<u>518,517</u>
Water supply and treatment			
Water treatment plants	7,487,801	9,048,832	1,561,031
Labs	883,038	914,095	31,057
Total water supply and treatment	<u>8,370,839</u>	<u>9,962,927</u>	<u>1,592,088</u>
Wastewater treatment			
North Durham Water Reclamation Facility	3,122,614	3,329,921	207,307
South Durham Water Reclamation Facility	2,799,265	3,332,469	533,204
County sewer treatment service	2,229,452	2,504,500	275,048
Total wastewater treatment	<u>8,151,331</u>	<u>9,166,890</u>	<u>1,015,559</u>
Maintenance and Construction			
Plant maintenance	10,369,730	11,267,652	897,922
Water and sewer systems maintenance	3,882,222	4,560,796	678,574
Meter maintenance	2,112,942	2,516,216	403,274
Total water and sewer systems development	<u>16,364,894</u>	<u>18,344,664</u>	<u>1,979,770</u>
Public Works Department			
Administration	145,889	159,660	13,771
GIS and Billing	198,782	210,222	11,440
Systems engineering	2,621,400	2,848,625	227,225
Total public works department	<u>2,966,071</u>	<u>3,218,507</u>	<u>252,436</u>
Finance Department			
Treasury	161,381	191,064	29,683
Total finance department	<u>161,381</u>	<u>191,064</u>	<u>29,683</u>
Total Water and Sewer Management	<u>42,838,617</u>	<u>48,226,670</u>	<u>5,388,053</u>
Non-Departmental Charges			
General and administrative	<u>5,997,679</u>	<u>5,997,679</u>	<u>-</u>

(Continued on next page)

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-2

Water and Sewer Operating Fund

Schedule of Expenditures and Transfers - Compared to Budget (Modified Accrual Basis) (Continued)

For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Expenditures (Continued)			
Debt service			
Principal bonds	\$ 12,187,711	\$ 12,187,711	\$ -
Loan from State principal	885,000	885,000	-
Loan from State interest	62,621	62,621	-
Durham County principal	28,180	-	(28,180)
Durham County interest	214,961	500,000	285,039
Interest, fiscal charges, etc. - bonds and loans	4,691,702	4,936,332	244,630
Total debt service	<u>18,070,175</u>	<u>18,571,664</u>	<u>501,489</u>
Total non-departmental charges	<u>24,067,854</u>	<u>24,569,343</u>	<u>501,489</u>
Total expenditures	<u>66,906,471</u>	<u>72,796,013</u>	<u>5,889,542</u>
Transfers to other funds and appropriation to fund balance			
Water and Sewer Construction Fund	15,284,129	15,284,129	-
Water and Sewer Fleet Fund	556,000	556,000	-
Storm Water Operating Fund	<u>123,000</u>	<u>123,000</u>	<u>-</u>
Total transfers to other funds and appropriation to fund balance	<u>15,963,129</u>	<u>15,963,129</u>	<u>-</u>
Total expenditures, transfers and appropriations to fund balance	<u><u>\$ 82,869,600</u></u>	<u><u>\$ 88,759,142</u></u>	<u><u>\$ 5,889,542</u></u>

CITY OF DURHAM, NORTH CAROLINA

Water and Sewer Utility Construction Fund

Schedule of Revenues, Expenditures, Transfers and Other Financing Sources

Compared with Authorizations (Modified Accrual Basis)

From Project Inception through the Year Ended June 30, 2014

	Revenues and Transfers from Other Funds			
	Authorizations	Prior Years	Current Year	Total
Water Construction Projects				
Asbestos cement line replacement	\$ 750,000	\$ 750,000	\$ -	\$ 750,000
Brown Water Treatment Plant expansion	13,577,957	13,185,600	-	13,185,600
Finished water storage	7,334,713	4,726,451	-	4,726,451
Automated meter replacement	20,600,000	15,363,377	-	15,363,377
Downtown East-West Reinforcing Main	2,350,000	250,000	2,100,000	2,350,000
Lake Michie Dam renovations	2,943,361	743,361	-	743,361
Jordan Lake Water Treatment Plant	2,000,000	603,948	-	603,948
Southern reinforcing main	6,600,000	5,100,000	-	5,100,000
Southern reinforcing main Phase II	9,150,000	1,133,535	-	1,133,535
Teer Quarry water storage development	15,016,950	5,553,500	-	5,553,500
Two-inch water line replacement	2,088,000	2,088,000	-	2,088,000
Water extensions and improvements	11,726,005	9,223,291	2,915,794	12,139,085
Water main rehabilitation	31,800,000	20,729,186	-	20,729,186
Water supply facilities security	2,258,400	2,142,156	38,368	2,180,524
Future water supply source protection	4,124,921	1,557,855	-	1,557,855
Williams Water Treatment Plant rehabilitation	3,055,271	3,055,271	(7,246)	3,048,025
Raleigh emergency water interconnection	5,925,000	3,205,871	-	3,205,871
Water regulatory improvement	33,768,000	2,824,395	-	2,824,395
Cary water system interconnection	3,000,000	3,000,000	-	3,000,000
Southeast Distribution System	7,162,000	162,943	-	162,943
Water facilities rehabilitation	27,094,000	5,752,871	-	5,752,871
Water Residuals Handling	6,550,000	1,300,000	-	1,300,000
Total Water Construction Projects	218,874,578	102,451,611	5,046,916	107,498,527
Sewer Construction Projects				
North & South Durham water reclamation grade	1,525,000	1,525,000	(276,917)	1,248,083
Facility paving	2,860,000	2,090,000	-	2,090,000
Water Management facility expansion	7,800,000	2,800,000	-	2,800,000
Enhanced nitrogen removal	15,596,000	2,090,528	-	2,090,528
North Durham Water Reclamation improvements	9,827,973	9,829,973	(223,000)	9,606,973
Wastewater process rehabilitation	38,535,000	12,964,581	-	12,964,581
North Durham sludge pad cover	1,967,000	1,967,000	(13,135)	1,953,865
Reclaimed Water Systems Phase I & II	2,181,000	48,750	-	48,750
SDRWF Sludge Pad Expansion	3,588,000	-	-	-
Sewer extensions and improvements FY99	10,327,080	6,659,083	-	6,659,083
Orange County Economic Development	700,000	700,000	-	700,000
Sewer Rehabilitation Beg FY 1999	50,843,749	39,178,735	-	39,178,735
Watershed Protection Property Acquisition	450,000	-	139,886	139,886
IT Infrastructure Improvements	1,751,556	1,664,556	-	1,664,556
Water Sewer CIP Fleet	1,879,120	1,322,776	556,000	1,878,776
Total sewer construction projects	149,831,478	82,840,982	182,834	83,023,816
Water and Sewer construction fund	12,400,000	35,686,335	14,600,429	50,286,764
Total other projects	12,400,000	35,686,335	14,600,429	50,286,764
Total construction projects	\$ 381,106,056	\$ 220,978,928	\$ 19,830,179	\$ 240,809,107

Expenditures and Transfers from Other Funds
Current

Authorizations	Prior Years	Year	Total
\$ 750,000	\$ 688,120	\$ 26,645	\$ 714,765
13,577,957	5,176,165	358,649	5,534,814
7,334,713	5,344,376	1,083,081	6,427,457
20,600,000	14,190,546	4,424,803	18,615,349
2,350,000	-	-	-
2,943,361	462,188	-	462,188
2,000,000	550,107	287,881	837,988
6,600,000	3,774,768	-	3,774,768
9,150,000	5,319,708	1,839,469	7,159,177
15,016,950	1,433,173	-	1,433,173
2,088,000	1,896,881	-	1,896,881
11,726,005	6,084,219	352,271	6,436,490
31,800,000	15,277,512	1,974,203	17,251,715
2,258,400	1,692,156	2,523	1,694,679
4,124,921	2,456,453	139,600	2,596,053
3,055,271	3,048,025	-	3,048,025
5,925,000	5,068,972	209,827	5,278,799
33,768,000	1,710,510	-	1,710,510
3,000,000	2,852,823	-	2,852,823
7,162,000	357,225	667,189	1,024,414
27,094,000	4,409,896	1,256,536	5,666,432
6,550,000	248,280	198,210	446,490
<u>218,874,578</u>	<u>82,042,103</u>	<u>12,820,887</u>	<u>94,862,990</u>
1,525,000	1,248,083	-	1,248,083
2,860,000	714,401	195,390	909,791
7,800,000	79,000	317,905	396,905
15,596,000	2,243,227	748,161	2,991,388
9,827,973	9,606,973	-	9,606,973
38,535,000	8,763,116	2,007,258	10,770,374
1,967,000	1,953,865	-	1,953,865
2,181,000	48,750	-	48,750
3,588,000	-	-	-
10,327,080	3,466,911	576,186	4,043,097
700,000	27,010	71,990	99,000
50,843,749	27,264,814	4,156,551	31,421,365
450,000	-	450,000	450,000
1,751,556	1,613,518	87,136	1,700,654
1,879,120	1,267,381	400,148	1,667,529
<u>149,831,478</u>	<u>58,297,049</u>	<u>9,010,725</u>	<u>67,307,774</u>
12,400,000	6,409,396	(320,035)	6,089,361
12,400,000	6,409,396	(320,035)	6,089,361
<u>\$ 381,106,056</u>	<u>\$ 146,748,548</u>	<u>\$ 21,511,577</u>	<u>\$ 168,260,125</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-4

Water and Sewer Capital Facilities Fee Fund

Schedule of Revenues and Other Financing Use Compared to Budget (Modified Accrual Basis)

For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues			
Investment income	\$ 53,199	\$ 32,500	\$ 20,699
Water impact fees	2,573,932	2,000,000	573,932
Sewer impact fees	<u>1,223,668</u>	<u>800,000</u>	<u>423,668</u>
Total revenues	<u>3,850,799</u>	<u>2,832,500</u>	<u>1,018,299</u>
Other financing use			
Transfers to other funds	<u>-</u>	<u>(2,832,500)</u>	<u>2,832,500</u>
	<u>-</u>	<u>(2,832,500)</u>	<u>2,832,500</u>
Excess of revenues over other financing use	<u>\$ 3,850,799</u>	<u>\$ -</u>	<u>\$ 3,850,799</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-5

Water and Sewer Fund

Reconciliation of Modified Accrual to Full Accrual Basis
For the Year Ended June 30, 2014

Revenues and other financing sources		
Operating revenues		\$ 84,613,887
Non-operating revenues		1,569,179
Other financing sources		298,288
Construction fund		19,274,179
Fleet fund		556,000
Watershed protection fund		104,958
Capital facilities revenues		3,850,799
Total revenues		<u>110,267,290</u>
Expenditures and other financing uses:		
Operating fund		82,869,600
Construction fund		21,111,429
Fleet fund		400,148
Watershed protection fund		100,000
Total expenditures		<u>104,481,177</u>
Excess of revenues and other financing sources over expenditures and other financing uses		5,786,113
Reconciling items:		
Payment of debt principal		13,072,711
Payment of debt principal to Durham County		28,180
Capital asset purchases		
Construction fund	\$ 20,815,499	
Fleet fund	400,148	
		<u>21,215,647</u>
Capital asset disposals		(17,828)
Debt and accrued interest forgiven and converted to capital contributions		4,584,015
Donated infrastructure		16,414,211
Advance to other funds repaid		(110,726)
Adjustment for unbilled receivables		1,230,479
Adjustment of allowance for bad debts		(329,968)
Accrued interest payable adjustment		(309,222)
Amortization of discount		298,985
OPEB		(1,023,479)
Depreciation		<u>(18,418,243)</u>
Change in net assets - Full accrual basis		<u>\$ 42,420,875</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-6

Parking Facilities Fund
 Schedule of Revenues, Expenditures and Other Financing Sources
 Compared to Budget (Modified Accrual Basis)
 For the Year Ended June 30, 2014

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	<u>\$ 2,710,179</u>	<u>\$ 2,656,838</u>	<u>\$ 53,341</u>
Non-operating revenues			
Investment income	2,815	2,000	815
Miscellaneous	<u>40</u>	<u>480</u>	<u>(440)</u>
Total non-operating revenues	<u>2,855</u>	<u>2,480</u>	<u>375</u>
Total revenues	<u>2,713,034</u>	<u>2,659,318</u>	<u>53,716</u>
Expenditures			
Operating expenditures			
Off-street parking			
Personal services	78,808	121,369	42,561
Operating	2,042,443	2,180,467	138,024
Capital outlay	<u>171,349</u>	<u>179,850</u>	<u>8,501</u>
Total operating expenditures	<u>2,292,600</u>	<u>2,481,686</u>	<u>189,086</u>
Non-departmental general and administrative	<u>453,881</u>	<u>453,881</u>	<u>-</u>
Debt Service			
Principal	1,416,169	1,380,690	(35,479)
Interest and fiscal charges	642,311	618,349	(23,962)
Total debt service	<u>2,058,480</u>	<u>1,999,039</u>	<u>(59,441)</u>
Total expenditures	<u>4,804,961</u>	<u>4,934,606</u>	<u>129,645</u>
Deficiency of revenues over expenditures	<u>(2,091,927)</u>	<u>(2,275,288)</u>	<u>183,361</u>
Other financing sources			
Transfers from reserves	-	319,585	(319,585)
Transfer from other funds	1,999,039	1,999,039	-
Transfers to fund balance	<u>-</u>	<u>(43,336)</u>	<u>43,336</u>
Total other financing sources	<u>1,999,039</u>	<u>2,275,288</u>	<u>(276,249)</u>
Deficiency of revenues over expenditures and other financing sources	<u>\$ (92,888)</u>	<u>\$ -</u>	<u>\$ (92,888)</u>

CITY OF DURHAM, NORTH CAROLINA
 Parking Facilities Fund
 Reconciliation of Modified Accrual to Full Accrual Basis
 For the Year Ended June 30, 2014

Exhibit C-7

Revenues	\$ 2,713,034
Other financing sources	1,999,039
Total revenues and other financing sources	<u>4,712,073</u>
Expenditures	<u>4,804,961</u>
Excess of revenues and other financing sources over expenditures	(92,888)
Reconciling items:	
Payment of debt principal	1,416,168
Capital asset transfers	5,099,681
Accrued interest payable adjustment	20,686
Capital asset purchases	171,350
OPEB	(10,218)
Depreciation	<u>(1,162,333)</u>
Change in net assets - full accrual basis	<u>\$ 5,442,446</u>

CITY OF DURHAM, NORTH CAROLINA

Transit Grants Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2014

	Revenues and Transfers In			
	Grant Authorizations	Prior Years	Current Year	Total
Federal Project: NC-03-0043				
2000 FTA Section 3 - Capital	\$ 11,595,837	\$ 11,205,689	\$ -	\$ 11,205,689
Federal Project: NC-03-0073				
2007 FTA Section 9 - Capital	3,047,830	2,951,924	-	2,951,924
2007 FTA Sec 5309 - Capital	1,742,979	1,742,519	-	1,742,519
Federal Project: NC-04-0029				
2010 Section 5309 Capital	3,750,000	3,712,608	-	3,712,608
2010 Section 5309 Capital	593,750	579,738	14,012	593,750
Federal Project: NC-04-0047				
2011 Section 5309 Bus Earmark	925,960	654,062	224,221	878,283
Federal Project: NC-90-X380				
2006 FTA Section 9 - Planning	300,000	294,155	-	294,155
2006 FTA Section 9 - Capital	2,924,626	2,923,587	-	2,923,587
Federal Project: NC-90-X398				
2008 Section 5307 Bus Grant	734,171	734,171	-	734,171
Federal Project: NC-90-X445				
2008 FTA Section 9 - Planning	428,599	391,440	-	391,440
2008 FTA Section 9 - Capital	3,349,821	3,330,983	(1)	3,330,982
2009 FTA Section 9 - Planning	356,957	355,668	(33,008)	322,660
2009 FTA Section 9 - Capital	3,658,781	3,432,652	-	3,432,652
2010 Section 5307 Planning	320,707	320,707	(1)	320,706
2010 Section 5307 Capital	3,949,651	3,949,651	(1)	3,949,650
Federal Project: NC-90-X505				
2011 Section 5307 Planning	368,677	368,677	-	368,677
2011 Section 5307 Capital	4,168,271	4,066,848	-	4,066,848
Federal Project: NC-90-X523				
2012 Section 5307 Planning	638,136	638,137	-	638,137
2012 Section 5307 Capital	3,983,170	3,918,045	-	3,918,045
Federal Project: NC-90-X534				
2013 Section 9 Capital	4,552,038	4,504,624	(18,885)	4,485,739
Federal Project: NC-95-X012				
2008 Section 5307 Bus Grant	1,468,342	1,468,342	-	1,468,342
Federal Project: NC-95-X024				
2008 Section 5307 Bus Grant	500,000	457,847	-	457,847
2009 Section 5307 Bus Grant	3,850,000	3,790,955	-	3,790,955
2009 Section 5307 Bus Grant	3,240,000	3,202,508	(40)	3,202,468
2009 Section 5307 Bus Grant	1,080,000	1,064,144	-	1,064,144
2010 Section 5307 CMAQ	606,673	606,673	-	606,673
Federal Project: NC-95-X046				
2012 Section 5307 STPDA	98,490	19,698	-	19,698
Federal Project: NC-95-X059				
2010 Section 5307 STPDA	107,755	25,528	-	25,528
Federal Project: NC-95-X063				
2013 Bull City Connector	1,000,000	1,000,000	(44,982)	955,018
Federal Project: NC-96-X004				
ARRA 2010 FTA Section 9 - Capital	3,257,465	3,187,517	-	3,187,517

Exhibit C-8

Expenditures and Transfers Out				
	Grant Authorizations	Prior Years	Current Year	Total
\$	11,595,837	\$ 11,038,573	\$ 49,680	\$ 11,088,253
	3,047,830	2,912,694	7,236	2,919,930
	1,742,979	1,742,519	-	1,742,519
	3,750,000	3,708,454	-	3,708,454
	593,750	576,235	17,515	593,750
	925,960	586,088	280,277	866,365
	300,000	294,155	-	294,155
	2,924,626	2,923,586	-	2,923,586
	734,171	734,171	-	734,171
	428,599	391,440	-	391,440
	3,349,821	3,326,271	11,449	3,337,720
	356,957	355,522	-	355,522
	3,658,781	3,376,118	105,605	3,481,723
	320,707	320,707	-	320,707
	3,949,651	3,949,651	-	3,949,651
	368,677	368,677	-	368,677
	4,168,271	4,041,493	-	4,041,493
	638,136	638,136	-	638,136
	3,983,170	3,901,763	-	3,901,763
	4,552,038	4,492,265	-	4,492,265
	1,468,342	1,468,342	-	1,468,342
	500,000	490,987	-	490,987
	3,850,000	3,784,395	-	3,784,395
	3,240,000	3,193,084	-	3,193,084
	1,080,000	1,064,144	-	1,064,144
	606,673	606,673	-	606,673
	98,490	-	-	-
	107,755	-	-	-
	1,000,000	1,000,000	-	1,000,000
	3,257,465	3,187,517	-	3,187,517

CITY OF DURHAM, NORTH CAROLINA

Transit Grants Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2014

	Revenues and Transfers In			Total
	Grant Authorizations	Prior Years	Current Year	
Federal Project: TBD				
2014 Section 9 Planning	\$ 350,273	\$ -	\$ 238,570	\$ 238,570
2014 Section 9 Capital	4,507,751	5,000	4,551,024	4,556,024
NC Department of Transportation (Direct):				
2013 NCDOT State Apprenticeship	32,432	28,661	(419)	28,242
2014 NCDOT State Apprenticeship	32,392	-	32,042	32,042
2010 Real Time Passenger Information	252,659	242,186	7,692	249,878
2013 State Technology	202,000	20,200	149,161	169,361
2011 NCDOT On-Board Customer Survey	64,000	64,000	-	64,000
Total transit grants	<u>\$ 72,040,193</u>	<u>\$ 65,259,144</u>	<u>\$ 5,119,385</u>	<u>\$ 70,378,529</u>

Exhibit C-8

Expenditures and Transfers Out			
Grant Authorizations	Prior Years	Current Year	Total
\$ 350,273	\$ -	\$ 344,288	\$ 344,288
4,507,751	-	4,565,173	4,565,173
32,432	28,242	-	28,242
32,392	-	32,047	32,047
252,659	241,022	8,546	249,568
202,000	-	165,735	165,735
64,000	64,000	-	64,000
<u>\$ 72,040,193</u>	<u>\$ 64,806,924</u>	<u>\$ 5,587,551</u>	<u>\$ 70,394,475</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-9

Transit Operations Fund
 Schedule of Revenues, Expenditures and Other Financing Sources (Uses)
 Compared to Budget (Modified Accrual Basis)
 For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	<u>\$3,028,995</u>	<u>\$ 3,176,329</u>	<u>\$ (147,334)</u>
Non-operating revenues			
Taxes	9,412,843	9,172,303	240,540
Licenses and permits	3,215,237	2,280,000	935,237
Intergovernmental revenue	2,739,838	2,728,759	11,079
Miscellaneous	<u>480,668</u>	<u>470,720</u>	<u>9,948</u>
Total non-operating revenues	<u>15,848,586</u>	<u>14,651,782</u>	<u>1,196,804</u>
Total revenues	<u>18,877,581</u>	<u>17,828,111</u>	<u>1,049,470</u>
Expenditures			
Operating expenditures			
Operating expenditures	3,310,120	3,396,462	86,342
Capital outlay	-	80,000	80,000
Transit services	12,143,325	13,361,755	1,218,430
General and administrative	324,921	324,921	-
Debt service			
Principal	115,963	115,963	-
Interest and fiscal charges	<u>96,773</u>	<u>96,774</u>	<u>1</u>
Total operating expenditures	<u>15,991,102</u>	<u>17,375,875</u>	<u>1,384,773</u>
Deficiency of revenues over expenditures	<u>2,886,479</u>	<u>452,236</u>	<u>2,434,243</u>
Other financing sources (uses)			
Transfers from reserves	-	721,428	(721,428)
Transfers to fund balance	-	(88,189)	88,189
Transfers to other funds	<u>(1,085,475)</u>	<u>(1,085,475)</u>	<u>-</u>
Total other financing sources	<u>(1,085,475)</u>	<u>(452,236)</u>	<u>(633,239)</u>
Deficiency of revenues over expenditures and other financing sources	<u>\$1,801,004</u>	<u>\$ -</u>	<u>\$ 1,801,004</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-10

Transit Construction Fund

Schedule of Project Expenditures and Other Financing Sources (Use) Compared with Authorizations

(Modified Accrual Basis)

From Inception and For the Year Ended June 30, 2014

	<u>Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Intergovernmental Revenues	\$ 4,460,000	\$ -	\$ -	\$ -
Investment and rental income	-	341	-	341
Total revenues	<u>4,460,000</u>	<u>341</u>	<u>-</u>	<u>341</u>
Transit projects expenditures				
Data Operation Facility	1,075,976	1,031,560	(2,380)	1,029,180
Transit CIP Fleet	4,460,000	-	-	-
Total expenditures	<u>5,535,976</u>	<u>1,031,560</u>	<u>(2,380)</u>	<u>1,029,180</u>
Other financing source				
Capital related debt	1,075,976	1,075,976	-	1,075,976
Total other financing source	<u>1,075,976</u>	<u>1,075,976</u>	<u>-</u>	<u>1,075,976</u>
Deficiency of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ 44,757</u>	<u>\$ 2,380</u>	<u>\$ 47,137</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-11

Transit Fund

Reconciliation of Modified Accrual to Full Accrual Basis
For the Year Ended June 30, 2014

Revenues and other financing sources	
Operating revenues	\$ 3,028,995
Non-operating revenues	15,848,586
Grant fund	5,119,386
Total revenues	<u>23,996,967</u>
Expenditures and other financing uses	
Operating fund	17,076,577
Grant fund	5,585,172
Total expenditures	<u>22,661,749</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	1,335,218
Reconciling items:	
Payment of debt principal	115,963
Capital asset purchases	492,587
Accrued interest payable adjustment	1,324
Depreciation	<u>(2,731,046)</u>
Change in net assets - Full accrual basis	<u>\$ (785,954)</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-12

Solid Waste Disposal Operating Fund
 Schedule of Revenues, Expenditures and Other Financing Sources
 Compared to Budget (Modified Accrual Basis)
 For the Year Ended June 30, 2014

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 6,905,334	\$ 7,990,502	\$ (1,085,168)
Nonoperating revenues			
Taxes	133,223	145,725	(12,502)
Investment income	9,755	15,000	(5,245)
Miscellaneous	1,014	-	1,014
Total nonoperating revenues	143,992	160,725	(16,733)
Total revenues	7,049,326	8,151,227	(1,101,901)
Expenditures			
Operating expenditures			
Personal services	6,304,625	6,317,830	13,205
Operating expenditures	8,937,873	10,292,457	1,354,584
General and administrative	153,670	153,670	-
Total operating expenditures	15,396,168	16,763,957	1,367,789
Debt service			
Principal	2,203,056	2,203,056	-
Interest and fiscal charges	816,252	837,650	21,398
Total debt service	3,019,308	3,040,706	21,398
Total expenditures	18,415,476	19,804,663	1,389,187
Deficiency of revenues over expenditures	(11,366,150)	(11,653,436)	287,286
Other financing sources (uses)			
Refunding of bond issue	2,703,000	2,703,159	(159)
Transfers to other funds	(3,410,211)	(3,410,211)	-
Transfers from reserves	-	445,978	(445,978)
Transfers from other funds	11,914,510	11,914,510	-
Total other financing sources	11,207,299	11,653,436	(446,137)
Deficiency of revenues over expenditures and other financing sources	\$ (158,851)	\$ -	\$ (158,851)

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-13

Solid Waste Construction Fund

Schedule of Project Expenditures and Other Financing Sources (Use) Compared with Authorizations
(Modified Accrual Basis)

From Inception and For the Year Ended June 30, 2014

	<u>Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Non-operating revenues	\$ -	\$ 82,048	\$ (82,048)	\$ -
Intergovernmental revenues	82,048	-	82,048	82,048
Investment and rental income	400,000	400,877	632	401,509
Total revenues	<u>482,048</u>	<u>482,925</u>	<u>632</u>	<u>483,557</u>
Solid Waste projects expenditures				
Solid Waste Fleet	4,422,835	1,095,492	1,421,189	2,516,681
Solid Waste Cart Buyout	3,935,111	3,935,111	-	3,935,111
Landfill Road Relocation	400,000	19,590	380,410	400,000
Total expenditures	<u>8,757,946</u>	<u>5,050,193</u>	<u>1,801,599</u>	<u>6,851,792</u>
Other financing source				
Capital related debt issued	4,249,948	2,149,948	2,100,000	4,249,948
Transfers from other funds	4,025,950	4,025,950	-	4,025,950
Total other financing sources	<u>8,275,898</u>	<u>6,175,898</u>	<u>2,100,000</u>	<u>8,275,898</u>
Deficiency of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$1,608,630</u>	<u>\$ 299,033</u>	<u>\$ 1,907,663</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-14

Solid Waste Disposal Fund
Reconciliation of Modified Accrual to Full Accrual Basis
For the Year Ended June 30, 2014

Revenues and other financing sources	
Operating revenues	\$ 6,905,334
Non-operating revenues	143,992
Other financing sources	14,617,510
Fleet fund	<u>2,100,631</u>
Total revenues and other financing sources	<u>23,767,467</u>
Expenditures and other financing uses	
Operating expenditures	15,396,168
Other financing uses	6,429,519
Fleet fund	1,421,189
Construction fund	<u>380,410</u>
Total expenditures and other financing (uses)	<u>23,627,286</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	140,181
Reconciling items:	
Payment of debt principal	2,203,056
Debt issued - bank loan	(4,415,000)
Premium on debt issued	(388,000)
Capital asset purchases	1,401,600
Adjust bad debt expense	(158,197)
Adjust post closure costs	276,553
Accrued interest payable adjustment	72,819
OPEB	(362,836)
Depreciation	<u>(1,724,454)</u>
Change in net assets - Full accrual basis	<u><u>\$ (2,954,278)</u></u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-15

Ballpark Fund
 Schedule of Revenues, Expenditures and Other Financing Sources (Use)
 Compared to Budget (Modified Accrual Basis)
 For the Year Ended June 30, 2014

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 383,406	\$ 329,000	\$ 54,406
Non-operating revenues			
Investment income	3,030	2,000	1,030
Rent - non-operating property	181,907	181,910	(3)
Total non-operating revenues	184,937	183,910	1,027
Total revenues	568,343	512,910	55,433
Expenditures			
Operating expenditures			
Personal services	47,640	65,476	17,836
Operating expenditures	373,642	568,401	194,759
Non-departmental administration	133,691	133,691	-
Total operating expenditures	554,973	767,568	212,595
Debt service			
Certificates of Participation			
Principal	216,572	216,572	-
Interest and fiscal charges	518,549	660,795	142,246
Total debt service	735,121	877,367	142,246
Total expenditures	1,290,094	1,644,935	354,841
Deficiency of revenues over expenditures	(721,751)	(1,132,025)	410,274
Other financing sources (use)			
Bond proceeds	130,000	130,000	-
Transfers from other funds	1,017,259	1,017,259	-
Transfers from reserves	-	195,492	(195,492)
Transfers to fund balance	-	(100,000)	100,000
Transfers to other funds	(110,726)	(110,726)	-
Total other financing sources	1,036,533	1,132,025	(95,492)
Excess of revenues and other financing sources over expenditures and other financing use	\$ 314,782	\$ -	\$ 314,782

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-16

Ballpark Fund

Reconciliation of Modified Accrual to Full Accrual Basis

For the Year Ended June 30, 2014

Revenues and other financing sources	
Operating revenues	\$ 383,406
Non-operating revenues	184,937
Other financing sources	1,147,259
Construction fund	12,004,626
Total revenues and other financing sources	<u>13,720,228</u>
Expenditures and other financing use	
Operating fund	1,400,820
Construction fund	11,164,725
	<u>12,565,545</u>
Excess of revenues and other financing sources over expenditures and other financing uses	1,154,683
Reconciling items:	
Payment of debt principal	216,572
Debt issued	(12,130,000)
Transfer to pay advance from other funds	110,726
Capital asset purchases	11,164,725
Capital asset transfers	3,646,502
Accrued interest payable adjustment	(71,674)
Depreciation	(555,686)
	<u>3,535,848</u>
Change in net assets - Full accrual basis	<u>\$ 3,535,848</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-17

Ballpark Construction Fund

Schedule of Project Expenditures and Other Financing Sources (Use) Compared with Authorizations

(Modified Accrual Basis)

From Inception and For the Year Ended June 30, 2014

	<u>Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Investment and rental income	\$ -	\$ -	\$ 4,626	\$ 4,626
Total revenues	<u>-</u>	<u>-</u>	<u>4,626</u>	<u>4,626</u>
Ballpark projects expenditures				
Durham Bulls Athletic Park improvements	12,000,000	240,792	11,164,725	11,405,517
Total expenditures	<u>12,000,000</u>	<u>240,792</u>	<u>11,164,725</u>	<u>11,405,517</u>
Other financing source				
Capital related debt	12,000,000	-	12,000,000	12,000,000
Total other financing sources	<u>12,000,000</u>	<u>-</u>	<u>12,000,000</u>	<u>12,000,000</u>
Deficiency of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ (240,792)</u>	<u>\$ 839,901</u>	<u>\$ 599,109</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-18

Storm Water Management Fund
 Schedule of Revenues, Expenditures and Other Financing Sources (Use)
 Compared to Budget (Modified Accrual Basis)
 For the Year Ended June 30, 2014

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 14,082,309	\$ 13,027,049	\$ 1,055,260
Non-operating revenues			
Investment income	22,899	11,000	11,899
Miscellaneous	192,019	238,550	(46,531)
Total non-operating revenues	214,918	249,550	(34,632)
Total revenues	14,297,227	13,276,599	1,020,628
Expenditures			
Operating expenditures			
Storm water management	4,533,351	4,909,385	376,034
Storm water maintenance	1,744,676	1,932,086	187,410
Street cleaning	1,722,175	1,946,614	224,439
Capital outlay	-	26,591	26,591
Non-departmental administration	855,266	855,266	-
Total operating expenditures	8,855,468	9,669,942	814,474
Excess of revenues over expenditures	5,441,759	3,606,657	1,835,102
Other financing sources (use)			
Transfers from reserves	-	385,124	(385,124)
Appropriation from fund balance	-	134,172	(134,172)
Transfer from other funds	232,047	232,047	-
Transfers to other funds	(4,358,000)	(4,358,000)	-
Total other financing use	(4,125,953)	(3,606,657)	(519,296)
Excess of revenues over expenditures and other financing use	\$ 1,315,806	\$ -	\$ 1,315,806

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-19

Storm Water Construction Fund

Schedule of Project Expenditures and Other Financing Sources (Use) Compared with Authorizations

(Modified Accrual Basis)

From Inception and For the Year Ended June 30, 2014

	<u>Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Intergovernmental revenues	\$ 242,811	\$ 20,757	\$ 78,751	\$ 99,508
Accrued investment income	-	449,111	27,590	476,701
Sale of property and misc	33,338	19,294	3,312	22,606
Total revenues	<u>276,149</u>	<u>489,162</u>	<u>109,653</u>	<u>598,815</u>
Storm water projects expenditures				
Private property drainage projects	4,339,370	3,639,430	50,668	3,690,098
City owned property drainage repair	925,417	407,321	344,125	751,446
Flood Plain Mitigation	225,000	-	160,000	160,000
Watershed planning & design	5,631,655	3,571,201	836,826	4,408,027
Hock Plaza Public System Improvements	968,612	968,612	-	968,612
Major Infrastructure improvements	4,509,000	2,587,392	922,234	3,509,626
Stream Gauging Improvement	295,869	295,869	-	295,869
Stormwater Retrofitting	3,207,000	36,425	137,789	174,214
Storm Water fleet	2,417,256	1,712,969	406,362	2,119,331
Total expenditures	<u>22,519,179</u>	<u>13,219,219</u>	<u>2,858,004</u>	<u>16,077,223</u>
Other financing source				
Transfers from other funds	22,243,030	17,586,130	4,358,000	21,944,130
Total other financing sources	<u>22,243,030</u>	<u>17,586,130</u>	<u>4,358,000</u>	<u>21,944,130</u>
Deficiency of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ 4,856,073</u>	<u>\$ 1,609,649</u>	<u>\$ 6,465,722</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-20

Stormwater Surety Bond Fund
Schedule of Revenues, Expenditures and Other Financing Sources
Compared to Budget (Modified Accrual Basis)
For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	<u>\$ 1,161,793</u>	<u>\$ -</u>	<u>\$ 1,161,793</u>
Nonoperating revenues			
Investment income	<u>24,582</u>	<u>-</u>	<u>24,582</u>
Total nonoperating revenues	<u>24,582</u>	<u>-</u>	<u>24,582</u>
Total revenues	<u><u>\$ 1,186,375</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,186,375</u></u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-21

Storm Water Management Fund
Reconciliation of Modified Accrual to Full Accrual Basis
For the Year Ended June 30, 2014

Revenues and other financing sources	
Operating revenues	\$ 14,082,309
Non-operating revenues	214,918
Other financing sources	232,047
Construction fund	4,074,653
Fleet fund	393,000
Surety bond fund	1,186,375
Total revenues and other financing sources	<u>20,183,302</u>
Expenditures and other financing use	
Operating fund	13,213,468
Construction fund	2,451,642
Fleet fund	406,362
Total expenditures and other financing use	<u>16,071,472</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	4,111,830
Reconciling items:	
Capital asset purchases	1,970,218
Capital asset disposals	(1,105)
OPEB	(60,902)
Adjustment for bad debt expense	(50,746)
Adjustment for unbilled receivables	118,103
Depreciation	<u>(565,718)</u>
Change in net assets - Full accrual basis	<u>\$ 5,521,680</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-22

Durham Performing Arts Center Fund
 Schedule of Revenues, Expenditures and Other Financing Sources
 Compared to Budget (Modified Accrual Basis)
 For the Year Ended June 30, 2014

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 2,071,744	\$ 1,400,000	\$ 671,744
Non-operating revenues			
Taxes	1,416,854	1,350,000	66,854
Investment income	5,692	2,000	3,692
Naming Right - nonoperating revenues	400,000	400,000	-
Total non-operating revenues	1,822,546	1,752,000	70,546
Total revenues	3,894,290	3,152,000	742,290
Expenditures			
Personal Services	-	6,404	6,404
Operating expenditures	84,243	135,000	50,757
Non-departmental administration	296,831	296,831	-
Total operating expenditures	381,074	438,235	57,161
Debt service			
Certificates of Participation:			
Principal	795,000	795,000	-
Interest and fiscal charges	1,692,536	1,692,536	-
Total debt service	2,487,536	2,487,536	-
Total expenditures	2,868,610	2,925,771	57,161
Deficiency of revenues over expenditures	1,025,680	226,229	799,451
Other financing sources			
Transfers to other funds	(1,717,000)	(1,717,000)	-
Transfers from Fund Balance	-	1,490,771	(1,490,771)
Total other financing sources	(1,717,000)	(226,229)	(1,490,771)
Excess of revenues and other financing sources over expenditures	\$ (691,320)	\$ -	\$ (691,320)

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-23

Durham Performing Arts Center Maintenance Fund
Schedule of Revenues, Expenditures and Other Financing Sources
Compared to Budget (Modified Accrual Basis)
For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Non-operating revenues			
Investment income	\$ 5,164	\$ 3,000	\$ 2,164
Total non-operating revenues	<u>5,164</u>	<u>3,000</u>	<u>2,164</u>
Total revenues	<u>5,164</u>	<u>3,000</u>	<u>2,164</u>
Expenditures			
Operating expenditures	<u>246,157</u>	<u>629,440</u>	<u>383,283</u>
Deficiency of revenues over expenditures	<u>(240,993)</u>	<u>(626,440)</u>	<u>385,447</u>
Other financing sources			
Transfers from reserves	-	9,440	(9,440)
Transfers from other funds	<u>617,000</u>	<u>617,000</u>	<u>-</u>
Total other financing sources	<u>617,000</u>	<u>626,440</u>	<u>(9,440)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ 376,007</u>	<u>\$ -</u>	<u>\$ 376,007</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-24

Durham Performing Arts Center Funds
Reconciliation of Modified Accrual to Full Accrual Basis
For the Year Ended June 30, 2014

Revenues and other financing sources	
Operating revenues	\$ 2,071,744
Non-operating revenues	1,829,860
Other financing sources	1,517,000
Total revenues and other financing sources	<u>5,418,604</u>
Expenditures and other financing use	
Operating expenditures	3,114,767
Other financing use	1,717,000
	<u>4,831,767</u>
Excess of revenues and other financing sources over expenditures	586,837
Reconciling items:	
Payment of debt principal	795,000
Amortization of discount	(6,133)
Accrued interest payable adjustment	(135,305)
Depreciation	<u>(1,165,059)</u>
Change in net assets - Full accrual basis	<u>\$ 75,340</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-25

Golf Course Fund

Reconciliation of Modified Accrual to Full Accrual Basis

For the Year Ended June 30, 2014

Revenues and other financing sources	
Operating revenues	\$ -
Non-operating revenues	-
Other financing sources	-
Total revenues and other financing sources	<u>-</u>
Expenditures and other financing use	
Operating expenditures	-
Other financing use	-
	<u>-</u>
Excess of revenues and other financing sources over expenditures	-
Reconciling items:	
Donated infrastructure	-
Depreciation	(122,170)
	<u>(122,170)</u>
Change in net assets - Full accrual basis	<u>\$ (122,170)</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-26

Internal Service Funds
 Combining Statement of Net Position
 June 30, 2014

	Internal Service Funds		
	Risk Retention Fund	Employee Insurance Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents/investments	\$ 8,914,411	\$ 9,356,173	\$ 18,270,584
Taxes receivable, net	365	373	738
Accounts receivable	335,418	-	335,418
Total current assets	<u>9,250,194</u>	<u>9,356,546</u>	<u>18,606,740</u>
Total assets	<u>9,250,194</u>	<u>9,356,546</u>	<u>18,606,740</u>
LIABILITIES			
Current liabilities			
Accounts payable	21,435	520,449	541,884
Accrued payroll	1,253	246	1,499
Current portion of pending claims	2,368,513	-	2,368,513
Total current liabilities	<u>2,391,201</u>	<u>520,695</u>	<u>2,911,896</u>
Noncurrent liabilities			
Pending claims	4,288,777	2,169,372	6,458,149
Total noncurrent liabilities	<u>4,288,777</u>	<u>2,169,372</u>	<u>6,458,149</u>
Total liabilities	<u>6,679,978</u>	<u>2,690,067</u>	<u>9,370,045</u>
NET POSITION			
Unrestricted	2,570,216	6,666,479	9,236,695
Total net position	<u>\$ 2,570,216</u>	<u>\$ 6,666,479</u>	<u>\$ 9,236,695</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-27

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended June 30, 2014

	Internal Service Funds		
	Risk Retention Fund	Employee Insurance Fund	Totals
Operating revenues			
Charges for services	\$ 4,621,029	\$ 29,067,748	\$ 33,688,777
Total revenues	<u>4,621,029</u>	<u>29,067,748</u>	<u>33,688,777</u>
Operating expenses			
Personal services	344,460	81,997	426,457
Materials, services and supplies	246,686	5,927	252,613
Claims, fees and other	4,914,121	28,620,560	33,534,681
Total operating expenses	<u>5,505,267</u>	<u>28,708,484</u>	<u>34,213,751</u>
Operating income	<u>(884,238)</u>	<u>359,264</u>	<u>(524,974)</u>
Non-operating revenues (expenses)			
Investment income	40,153	45,804	85,957
Total non-operating revenues (expenses)	<u>40,153</u>	<u>45,804</u>	<u>85,957</u>
Income/(loss) before transfers	<u>(844,085)</u>	<u>405,068</u>	<u>(439,017)</u>
Transfers			
Transfers from other funds	90,567	-	90,567
Change in net assets	(753,518)	405,068	(348,450)
Total net position, beginning	3,323,734	6,261,411	9,585,145
Total net position, ending	<u>\$ 2,570,216</u>	<u>\$ 6,666,479</u>	<u>\$ 9,236,695</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-28

Internal Service Funds
 Combining Statement of Cash Flows
 For the Year Ended June 30, 2014

	Internal Service Fund		
	Risk Retention Fund	Employee Insurance Fund	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 4,552,076	\$ 29,072,307	\$ 33,624,383
Payments to employees	(343,207)	(81,752)	(424,959)
Payments to suppliers	(231,422)	(43,629)	(275,051)
Payments for claims and related professional fees	(4,592,581)	(28,495,834)	(33,088,415)
Reimbursements from other governments	(342)	(341)	(683)
Other revenues	-	-	-
Net cash provided by operating activities	<u>(615,476)</u>	<u>450,751</u>	<u>(164,725)</u>
Cash flows from non-capital financing activities:			
Transfers from other funds	<u>90,567</u>	<u>-</u>	<u>90,567</u>
Net cash provided by (used in) noncapital financing activities	<u>90,567</u>	<u>-</u>	<u>90,567</u>
Cash flows from investing activities:			
Interest on investments	<u>40,153</u>	<u>45,804</u>	<u>85,957</u>
Net cash provided by investing activities	<u>40,153</u>	<u>45,804</u>	<u>85,957</u>
Net increase (decrease) in cash and cash equivalents/investments	(484,756)	496,555	11,799
Cash and cash equivalents/investments, beginning of year	<u>9,399,167</u>	<u>8,859,618</u>	<u>18,258,785</u>
Cash and cash equivalents/investments, end of year	<u>\$ 8,914,411</u>	<u>\$ 9,356,173</u>	<u>\$ 18,270,584</u>

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Internal Service Funds

Combining Statement of Cash Flows (Continued)

For the Year Ended June 30, 2014

Exhibit C-28

	Internal Service Fund		
	Risk Retention Fund	Employee Insurance Fund	Totals
Reconciliation of operating loss to net cash provided by operating activities:			
Operating income	\$ (884,238)	\$ 359,264	\$ (524,974)
Changes in assets and liabilities:			
Receivables	(68,953)	4,559	(64,394)
Due from governmental agencies	(342)	(341)	(683)
Accounts payable	15,264	(37,702)	(22,438)
Accrued payroll	1,253	245	1,498
Pending claims	321,540	124,726	446,266
Net cash provided by operating activities	<u>\$ (615,476)</u>	<u>\$ 450,751</u>	<u>\$ (164,725)</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-1

General Fund
 Schedule of Revenues and Other Financing Sources Compared to Budget
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes:				
Property taxes				
Current levy	\$ 88,570,790	\$ 88,570,790	\$ 90,672,105	\$ 2,101,315
Prior years' levies	1,700,000	1,700,000	1,164,417	(535,583)
Interest and penalties	385,000	385,000	482,595	97,595
Total property taxes	90,655,790	90,655,790	92,319,117	1,663,327
Other local taxes				
Local option sales tax	37,304,762	37,304,762	34,036,845	(3,267,917)
Gross receipts	307,715	307,715	345,736	38,021
Hotel/motel occupancy tax	1,760,000	1,760,000	1,910,372	150,372
Total other local taxes	39,372,477	39,372,477	36,292,953	(3,079,524)
Total taxes	130,028,267	130,028,267	128,612,070	(1,416,197)
Licenses and permits				
Construction permits				
Building permits	1,916,743	1,916,743	2,368,148	451,405
Electrical permits	1,038,781	1,038,781	1,324,902	286,121
Plumbing permits	417,382	417,382	584,575	167,193
Mechanical permits	560,700	560,700	782,545	221,845
Fire protection system permits	95,487	95,487	114,383	18,896
Driveway permits	65,000	65,000	103,480	38,480
Business and professional licenses	2,937,000	2,937,000	2,950,719	13,719
Fire permits	3,742	3,742	-	(3,742)
Sign permits	23,411	23,411	19,109	(4,302)
Street cuts permits	53,000	53,000	86,800	33,800
Miscellaneous licenses and permits	81,500	81,500	88,957	7,457
Total licenses and permits	7,192,746	7,192,746	8,423,618	1,230,872

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-1

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Continued)

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues (Continued)				
Unrestricted Intergovernmental revenues				
State shared				
Utility franchise tax	\$ 13,793,605	\$ 13,793,605	\$ 13,948,450	\$ 154,845
Beer and wine tax	1,074,567	1,074,567	1,034,811	(39,756)
Alcoholic beverage control	127,500	127,500	166,667	39,167
Hold harmless	-	-	2,769,326	2,769,326
Total unrestricted Intergovernmental revenues	<u>14,995,672</u>	<u>14,995,672</u>	<u>17,919,254</u>	<u>2,923,582</u>
Restricted Intergovernmental revenues				
Gasoline tax	5,816,807	5,816,807	6,051,342	234,535
Other agencies				
Durham County	2,368,353	2,368,353	1,732,195	(636,158)
Payment in lieu of taxes	69,653	69,653	47,802	(21,851)
Total restricted Intergovernmental revenues	<u>8,254,813</u>	<u>8,254,813</u>	<u>7,831,339</u>	<u>(423,474)</u>
Investment and rental income				
Investment income	229,500	229,500	208,566	(20,934)
Rental income	30,000	30,000	56,048	26,048
Air lease	8,172	8,172	17,542	9,370
Total investment and rental income	<u>267,672</u>	<u>267,672</u>	<u>282,156</u>	<u>14,484</u>
Charges for services				
General government				
City clerk	-	-	7	7
Development				
Planning and community development	982,700	982,700	900,209	(82,491)
N. C. State Highways Commission				
Street sign and marking	140,000	140,000	129,533	(10,467)
Traffic signals	825,700	825,700	622,371	(203,329)

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-1

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Continued)

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues (Continued)				
Charges for services (Continued)				
Other services	\$ 45,000	\$ 45,000	\$ 335,569	\$ 290,569
Public protection				
Communications center	1,049,410	1,049,410	1,007,539	(41,871)
False alarm charges	152,000	152,000	135,143	(16,857)
Officers' fees	56,480	56,480	58,873	2,393
Radio maintenance	41,062	41,062	500	(40,562)
Fire protection -				
state owned buildings	156,312	156,312	154,551	(1,761)
other buildings	407,500	407,500	414,104	6,604
Fire inspections	816,960	816,960	571,830	(245,130)
Wrecker dispatch fee	40,000	40,000	37,217	(2,783)
Recreation				
Admission/Events/Fees	1,212,455	1,212,455	1,212,616	161
General services				
Lot sales	231,500	231,500	183,151	(48,349)
Interment	284,500	284,500	225,416	(59,084)
Other services	16,000	16,000	14,665	(1,335)
Community service and development				
Housing liens	140,000	140,000	(49,425)	(189,425)
Other services	35,987	35,987	189,530	153,543
Administrative & support services				
Technology surcharge	176,147	176,147	233,090	56,943
Finance & management services	108,144	108,144	48,042	(60,102)
Total charges for services	<u>6,917,857</u>	<u>6,917,857</u>	<u>6,424,531</u>	<u>(493,326)</u>

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-1

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Continued)

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues (Continued)				
Intragovernmental services				
Development				
Street construction - City forces	\$ 250,000	\$ 250,000	\$ 214,592	\$ (35,408)
Engineering fees	85,000	85,000	115,300	30,300
Equipment rental	280,000	280,000	106,197	(173,803)
Total intragovernmental services	615,000	615,000	436,089	(178,911)
Other				
Sale of property	-	120,000	120,000	-
Assessments	100,000	100,000	47,425	(52,575)
Donations	163,810	163,810	66,153	(97,657)
Sale of surplus equipment	314,708	314,708	432,831	118,123
GIS data sales	6,000	6,000	5,823	(177)
Miscellaneous	180,820	180,820	816,989	636,169
Total other	765,338	885,338	1,489,221	603,883
Total revenues	169,037,365	169,157,365	171,418,278	2,260,913
Other financing sources				
Operating transfers from other funds	200,000	200,000	200,000	-
Transfers from reserves	-	4,318,909	-	(4,318,909)
Appropriation from fund balance	394,455	907,055	-	(907,055)
Total other financing sources	594,455	5,425,964	200,000	(5,225,964)
Total revenues and other financing sources	\$ 169,631,820	\$ 174,583,329	\$ 171,618,278	\$ (2,965,051)

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-2

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
Governance				
General government				
City Council	\$ 933,888	\$ 934,116	\$ 849,359	\$ 84,757
City Manager	1,726,240	1,741,750	1,600,663	141,087
Customer service and information	686,569	692,409	692,207	202
City Attorney	1,609,300	1,617,664	1,595,808	21,856
City Clerk	631,893	630,671	630,462	209
Budget and management services	1,224,579	1,235,398	1,185,045	50,353
Audit services	545,601	555,158	553,966	1,192
Public affairs office	587,520	596,392	598,786	(2,394)
Equal opportunity and equity assurance	573,422	723,715	723,347	368
Development				
Economic and employment development	<u>3,199,528</u>	<u>4,472,410</u>	<u>3,470,352</u>	<u>1,002,058</u>
Total governance	<u>11,718,540</u>	<u>13,199,683</u>	<u>11,899,995</u>	<u>1,299,688</u>
Public protection				
Public safety				
Police	52,838,579	53,089,605	51,831,774	1,257,831
Fire	23,565,459	23,612,416	23,423,641	188,775
Transportation and street lighting	3,191,007	3,191,007	3,066,668	124,339
Emergency management	197,348	197,348	197,348	-
911 wireless surcharge	-	2,272	-	2,272
Communications	<u>4,921,238</u>	<u>4,928,671</u>	<u>4,694,350</u>	<u>234,321</u>
Total public protection	<u>84,713,631</u>	<u>85,021,319</u>	<u>83,213,781</u>	<u>1,807,538</u>

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-2

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Final Budget -
	Original	Final	Amounts	Positive (Negative)
Expenditures (Continued)				
Community services and development				
Development				
Planning	\$ 3,052,856	\$ 3,056,832	\$ 2,902,289	\$ 154,543
Inspections	3,545,863	3,548,230	3,513,344	34,886
Housing	1,821,738	2,099,406	1,829,197	270,209
Neighborhood improvement services	3,451,374	3,553,303	3,347,309	205,994
Streets and highways				
Public works	7,374,062	8,276,538	6,757,299	1,519,239
Transportation	4,100,835	4,228,776	4,167,503	61,273
Recreation				
Parks and recreation	10,716,687	11,053,871	9,920,724	1,133,147
General services				
Property facility and management	10,841,364	11,647,759	10,461,398	1,186,361
Fleet maintenance	4,171,427	4,216,362	3,943,760	272,602
Total community services and development (net)	<u>49,076,206</u>	<u>51,681,077</u>	<u>46,842,823</u>	<u>4,838,254</u>
Administrative and support services				
General government				
Human resources	1,704,186	1,712,554	1,614,032	98,522
Technology solutions	5,705,648	6,002,862	5,645,879	356,983
Finance and management services	4,426,088	4,470,693	4,024,804	445,889
Total administrative and support services	<u>11,835,922</u>	<u>12,186,109</u>	<u>11,284,715</u>	<u>901,394</u>

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-2

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Expenditures (Continued)				
Non-departmental charges	\$ 9,698,234	\$ 9,824,577	\$ 8,532,135	\$ 1,292,442
Administrative services	<u>(8,243,258)</u>	<u>(8,215,939)</u>	<u>(8,215,939)</u>	<u>-</u>
Total Non-departmental	<u>1,454,976</u>	<u>1,608,638</u>	<u>316,196</u>	<u>1,292,442</u>
Debt service				
Agent's fees	<u>90,000</u>	<u>90,000</u>	<u>26,156</u>	<u>63,844</u>
Total debt service	<u>90,000</u>	<u>90,000</u>	<u>26,156</u>	<u>63,844</u>
Total expenditures	<u>158,889,275</u>	<u>163,786,826</u>	<u>153,583,666</u>	<u>10,203,160</u>
Other financing uses				
Transfers to other funds				
Public protection				
Public safety	45,404	45,404	33,261	12,143
Administrative and support				
Risk claims	48,709	48,709	48,709	-
Nondepartmental				
Solid waste management	9,630,134	9,630,134	9,630,134	-
Ball park	159,166	159,166	159,166	-
Streets and highways				
Transportation	310,844	310,844	310,844	-
Development				
Planning grant	-	12,000	12,000	-
General Fund				
BID fund	250,000	250,000	250,000	-
911 Fund	-	100	-	100
Risk claims	-	41,858	41,858	-
Water and sewer fund	298,288	298,288	298,288	-
Total transfers to other funds	<u>10,742,545</u>	<u>10,796,503</u>	<u>10,784,260</u>	<u>12,243</u>
Total other financing uses	<u>10,742,545</u>	<u>10,796,503</u>	<u>10,784,260</u>	<u>12,243</u>
Total expenditures and other financing uses	<u>\$ 169,631,820</u>	<u>\$ 174,583,329</u>	<u>\$ 164,367,926</u>	<u>\$ 10,215,403</u>

CITY OF DURHAM, NORTH CAROLINA

Schedule of Taxes Receivable

June 30, 2014

Exhibit D-3

<u>Levy Year</u>	<u>General Fund</u>
2013	955,507
2012	819,475
2011	126,929
2010	244,799
2009	95,225
2008	66,332
2007	27,556
2006	19,007
2005	22,134
2004	20,394
2003	196
2002	-
2001	-
2000	1,444
Previous years	<u>-</u>
Taxes receivable	2,398,998
Allowance for uncollectible taxes	<u>(528,960)</u>
Net taxes receivable	<u><u>\$ 1,870,038</u></u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-4

Housing Projects Fund

Schedule of Project Revenues, Expenditures and Other Financing Sources (Use) Compared with Authorizations

(Modified Accrual Basis)

From Inception and for the Year Ended June 30, 2014

	<u>Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues:				
Intergovernmental revenues	\$ 65,000	\$ 65,000	\$ -	\$ 65,000
Investment and rental income	3,278,085	3,041,818	88,857	3,130,675
Sale of property and miscellaneous	14,110,409	13,459,341	1,110,679	14,570,020
Repayment of loans	13,900,967	13,834,237	673,403	14,507,640
Total revenues	<u>31,354,461</u>	<u>30,400,396</u>	<u>1,872,939</u>	<u>32,273,335</u>
Expenditures				
Personal services	379,416	379,416	-	379,416
Operations and rehabilitation	19,028,459	16,722,583	1,107,907	17,830,490
Capital outlay	14,151,224	12,477,726	-	12,477,726
Total expenditures	<u>33,559,099</u>	<u>29,579,725</u>	<u>1,107,907</u>	<u>30,687,632</u>
Excess of revenues over (under) expenditures	<u>(2,204,638)</u>	<u>820,671</u>	<u>765,032</u>	<u>1,585,703</u>
Other financing sources and use				
Capital related debt issue	-	-	-	-
Transfers from other funds	2,204,638	1,151,154	1,053,484	2,204,638
Total other financing sources	<u>2,204,638</u>	<u>1,151,154</u>	<u>1,053,484</u>	<u>2,204,638</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,971,825</u>	<u>\$ 1,818,516</u>	<u>\$ 3,790,341</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-5

Debt Service Fund

Schedule of Revenues, Expenditures and Other Financing Sources (Use) Compared to Budget

For the Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 34,390,211	\$ 35,291,985	\$ 901,774
Intergovernmental revenues	2,950,000	2,950,000	
Investment and rental income	14,000	18,375	(4,375)
Build America bonds subsidy	692,521	637,465	(55,056)
Total revenues	<u>38,046,732</u>	<u>38,897,825</u>	<u>851,093</u>
Expenditures			
Operating Expenditures	395,487	375,621	19,866
Debt service			
Principal retirement	24,906,018	24,870,537	35,481
Interest and fiscal charges	10,229,616	9,835,646	393,970
Total expenditures	<u>35,531,121</u>	<u>35,081,804</u>	<u>449,317</u>
Excess of revenues over (under) expenditures	<u>2,515,611</u>	<u>3,816,021</u>	<u>1,300,410</u>
Other financing sources (uses)			
Refunding bonds issued	4,238,370	4,238,370	-
Payment to refunded bond escrow agent	(4,238,370)	(4,238,370)	-
Transfers out	(5,141,508)	(5,141,508)	-
Appropriated to fund balance	2,625,897	-	(2,625,897)
Total other financing sources (uses)	<u>(2,515,611)</u>	<u>(5,141,508)</u>	<u>(2,625,897)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ (1,325,487)</u>	<u>\$ (1,325,487)</u>

STATISTICAL SECTION

This part of the City of Durham's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Content	Page
Financial Trends	166
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	176
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	180
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	186
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	188
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF DURHAM, NORTH CAROLINA

Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 78,387,939	\$ 247,929,730	\$ 284,440,648	\$ 308,979,790
Restricted	2,296,628	5,470,678	2,456,330	1,941,147
Unrestricted	<u>81,946,530</u>	<u>91,123,998</u>	<u>103,796,023</u>	<u>98,976,599</u>
Total governmental activities net assets	<u>\$ 162,631,097</u>	<u>\$ 344,524,406</u>	<u>\$ 390,693,001</u>	<u>\$ 409,897,536</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 88,911,314	\$ 316,200,814	\$ 349,179,539	\$ 366,991,110
Restricted	-	2,509,399	-	-
Unrestricted	<u>65,982,952</u>	<u>80,032,245</u>	<u>90,135,727</u>	<u>91,405,791</u>
Total business-type activities net assets	<u>\$ 154,894,266</u>	<u>\$ 398,742,458</u>	<u>\$ 439,315,266</u>	<u>\$ 458,396,901</u>
Primary government				
Invested in capital assets, net of related debt	\$ 167,299,253	\$ 564,130,544	\$ 633,620,187	\$ 675,970,900
Restricted	2,296,628	7,980,077	2,456,330	1,941,147
Unrestricted	<u>147,929,482</u>	<u>171,156,243</u>	<u>193,931,750</u>	<u>190,382,390</u>
Total primary government net assets	<u>\$ 317,525,363</u>	<u>\$ 743,266,864</u>	<u>\$ 830,008,267</u>	<u>\$ 868,294,437</u>

Table 1

2009	2010	2011	2012	2013	2014
\$ 323,448,936	\$ 369,563,274	\$ 344,290,745	\$ 363,103,110	\$ 346,977,147	\$ 365,678,556
2,463,191	1,950,302	34,954,161	32,839,454	36,883,561	45,764,294
<u>84,311,911</u>	<u>53,963,070</u>	<u>55,526,097</u>	<u>50,040,139</u>	<u>70,910,780</u>	<u>54,705,492</u>
<u>\$ 410,224,038</u>	<u>\$ 425,476,646</u>	<u>\$ 434,771,003</u>	<u>\$ 445,982,703</u>	<u>\$ 454,771,488</u>	<u>\$ 466,148,342</u>
\$ 392,330,772	\$ 428,965,534	\$ 405,454,687	\$ 479,801,221	\$ 486,710,155	\$ 523,201,291
-	-	-	-	-	-
<u>97,285,685</u>	<u>92,125,608</u>	<u>133,216,479</u>	<u>103,700,563</u>	<u>118,577,795</u>	<u>135,478,207</u>
<u>\$ 489,616,457</u>	<u>\$ 521,091,142</u>	<u>\$ 538,671,166</u>	<u>\$ 583,501,784</u>	<u>\$ 605,287,950</u>	<u>\$ 658,679,498</u>
\$ 715,779,708	\$ 798,528,808	\$ 749,745,432	\$ 842,904,331	\$ 833,687,302	\$ 888,879,847
2,463,191	1,950,302	34,954,161	32,839,454	36,883,561	45,764,294
<u>181,597,596</u>	<u>146,088,678</u>	<u>188,742,576</u>	<u>153,740,702</u>	<u>189,488,575</u>	<u>190,183,699</u>
<u>\$ 899,840,495</u>	<u>\$ 946,567,788</u>	<u>\$ 973,442,169</u>	<u>\$ 1,029,484,487</u>	<u>\$ 1,060,059,438</u>	<u>\$ 1,124,827,840</u>

CITY OF DURHAM, NORTH CAROLINA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	2005	2006	2007	2008
Governmental activities:				
General government	\$ 15,210,079	\$ 24,813,106	\$ 19,518,056	\$ 32,579,779
Public safety	66,896,888	66,962,709	71,995,709	74,266,731
Development	18,876,960	12,537,890	17,459,744	22,145,119
General services	26,362,967	28,376,381	33,119,500	30,530,229
Parks and recreation	9,343,854	9,323,772	11,760,360	14,589,119
Streets and highways	11,907,139	15,802,933	18,678,219	21,171,250
Interest on long term debt	6,689,582	9,539,186	10,251,980	11,498,060
Total governmental activities expenses	<u>\$ 155,287,469</u>	<u>\$ 167,355,977</u>	<u>\$ 182,783,568</u>	<u>\$ 206,780,287</u>
Business-type activities:				
Water and sewer	\$ 45,292,921	\$ 52,315,606	\$ 55,564,586	\$ 60,167,843
Parking facilities	1,526,711	1,520,207	1,510,477	1,553,378
Transit	15,174,683	16,261,314	17,183,954	18,893,672
Solid waste disposal	8,643,033	8,717,178	9,572,050	9,212,442
Performing arts	1,767,318	-	100,000	6,270
Ballpark	1,691,888	1,641,451	1,668,461	1,717,380
Stormwater management	5,748,296	6,331,513	6,848,831	8,236,447
Golf course	-	-	-	-
Total business-type activities expenses	<u>\$ 79,844,850</u>	<u>\$ 86,787,269</u>	<u>\$ 92,448,359</u>	<u>\$ 99,787,432</u>
Total primary government expenses	<u>\$ 235,132,319</u>	<u>\$ 254,143,246</u>	<u>\$ 275,231,927</u>	<u>\$ 306,567,719</u>
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 459,607	\$ 620,589	\$ 3,189,179	\$ 3,694,594
Public safety	3,648,282	6,922,995	2,440,280	2,488,118
Development	6,073,710	6,433,386	4,839,244	5,752,749
General services	3,100,419	3,427,764	6,960,479	5,405,741
Parks and recreation	2,550,257	2,174,510	1,585,330	1,966,468
Streets and highways	14,387,838	27,533,876	23,718,484	9,906,028
Operating grants and contributions:				
General government	309,368	3,020,945	1,792,868	1,128,092
Public safety	1,020,817	1,727,840	4,632,071	4,292,034
Development	10,800,876	4,686,774	8,321,097	9,441,871
General services	-	19,336	850,627	762,259
Parks and recreation	251,537	1,260,510	9,839,260	5,337,050
Streets and highways	2,431,529	2,320,356	1,183,628	9,229,662
Capital grants and contributions:				
Public safety	-	-	-	-
Development	-	-	-	-
Streets and highways	3,480,357	4,942,566	4,320,221	1,556,902
Total governmental activities program revenues	<u>\$ 48,514,597</u>	<u>\$ 65,091,447</u>	<u>\$ 73,672,768</u>	<u>\$ 60,961,568</u>

Table 2

	2009	2010	2011	2012	2013	2014
\$	24,532,137	\$ 26,685,168	\$ 26,139,817	\$ 27,653,778	\$ 37,163,042	\$ 39,105,915
	82,812,744	85,383,153	81,192,046	82,987,423	86,735,635	93,529,175
	23,290,020	34,697,334	22,528,099	23,442,807	28,146,947	21,641,674
	25,304,925	57,622,508	13,640,394	17,143,243	21,648,235	18,807,194
	22,841,478	22,502,278	17,385,593	16,157,890	14,065,416	14,004,750
	24,085,136	24,491,389	24,004,290	20,619,038	24,482,244	21,364,599
	8,691,947	8,595,473	10,754,278	11,816,528	10,742,531	8,995,423
	<u>\$ 211,558,387</u>	<u>\$ 259,977,303</u>	<u>\$ 195,644,517</u>	<u>\$ 199,820,707</u>	<u>\$ 222,984,050</u>	<u>\$ 217,448,730</u>
\$	61,436,349	\$ 64,487,231	\$ 71,024,795	\$ 76,101,751	\$ 70,907,290	\$ 73,352,021
	1,442,061	1,608,064	1,518,268	1,823,903	2,526,182	4,369,307
	19,910,121	21,294,963	22,743,389	23,347,575	23,452,759	23,697,446
	9,488,188	9,087,988	20,757,639	26,563,381	23,370,898	17,948,248
	4,500,485	3,098,992	3,361,963	3,200,228	3,549,889	3,626,265
	1,449,526	1,452,083	1,419,463	1,380,084	1,370,287	1,700,881
	9,319,564	9,247,697	8,635,933	10,580,761	9,868,025	10,315,651
	-	-	-	71,266	122,170	122,170
	<u>\$ 107,546,294</u>	<u>\$ 110,277,018</u>	<u>\$ 129,461,450</u>	<u>\$ 143,068,949</u>	<u>\$ 135,167,500</u>	<u>\$ 135,131,989</u>
\$	<u>319,104,681</u>	<u>\$ 370,254,321</u>	<u>\$ 325,105,967</u>	<u>\$ 342,889,656</u>	<u>\$ 358,151,550</u>	<u>\$ 352,580,719</u>
\$	3,889,576	\$ 3,431,600	\$ 2,756,365	\$ 7,195,510	\$ 7,618,430	\$ 9,651,074
	2,379,445	1,920,928	1,808,400	2,135,538	2,666,047	2,379,272
	3,426,563	5,170,898	4,428,533	5,178,813	5,618,075	6,323,842
	5,838,707	4,201,701	2,706,940	2,796,006	4,039,131	1,941,129
	1,534,683	1,928,020	1,773,973	1,192,679	5,385,525	1,490,053
	11,997,220	22,214,607	13,739,504	16,813,278	14,955,182	20,405,661
	4,041,713	3,923,674	4,573,824	4,952,134	3,478,346	6,535,075
	4,036,197	4,696,801	3,574,619	4,340,256	4,629,267	4,005,347
	9,873,288	10,235,328	9,281,056	8,366,253	6,968,776	4,730,280
	268,169	2,382,161	2,658,744	1,868,845	41,609	152,272
	2,845,926	(334,251)	680,590	34,311	4,774,786	1,782,546
	6,455,259	5,289,457	3,524,493	2,387,891	2,359,323	2,560,744
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>\$ 56,586,746</u>	<u>\$ 65,060,924</u>	<u>\$ 51,507,041</u>	<u>\$ 57,261,514</u>	<u>\$ 62,534,497</u>	<u>\$ 61,957,295</u>

Continued on next page

CITY OF DURHAM, NORTH CAROLINA

Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Business-type activities:				
Charges for services:				
Water and sewer	\$ 57,085,836	\$ 75,839,049	\$ 64,983,484	\$ 65,348,879
Parking facilities	1,317,776	1,283,475	1,312,072	1,414,947
Transit	3,329,020	4,371,220	4,395,056	4,008,650
Solid waste disposal	7,460,404	8,073,764	8,609,717	8,416,007
Performing Arts	408,298	-	1,027,087	373,045
Ballpark	635,815	650,289	618,559	437,851
Storm water management	7,143,660	7,831,734	8,896,336	8,998,614
Operating grants and contributions:				
Water and sewer	-	-	-	-
Transit	5,163,783	2,923,950	3,003,575	3,046,784
Performing Arts	480,785	-	-	-
Capital grants and contributions:				
Water and sewer	-	-	26,879,106	12,323,622
Transit	3,911,694	4,175,020	3,596,624	4,949,255
Storm water management	-	-	-	-
Civic center	139,934	-	-	-
Golf course	-	-	-	-
Total business-type activities program revenues	<u>\$ 87,077,005</u>	<u>\$ 105,148,501</u>	<u>\$ 123,321,616</u>	<u>\$ 109,317,654</u>
Total primary government program revenues	<u>\$ 135,591,602</u>	<u>\$ 170,239,948</u>	<u>\$ 196,994,384</u>	<u>\$ 170,279,222</u>
Net (Expense)/Revenue				
Governmental activities	\$ (106,772,872)	\$ (102,264,530)	\$ (109,110,800)	\$ (145,818,719)
Business-type activities	<u>7,232,155</u>	<u>18,361,232</u>	<u>30,873,257</u>	<u>9,530,222</u>
Total primary government net (expense)/revenue	<u>\$ (99,540,717)</u>	<u>\$ (83,903,298)</u>	<u>\$ (78,237,543)</u>	<u>\$ (136,288,497)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes, levied for general purposes	\$ 89,217,673	\$ 92,865,460	\$ 99,906,486	\$ 108,383,359
Other taxes	49,191,500	50,360,634	58,853,759	60,329,709
Unrestricted investment and rental earnings	2,030,634	2,175,748	3,294,865	2,462,170
Miscellaneous	868,847	1,933,205	1,599,960	1,822,345
Transfers	<u>(5,916,779)</u>	<u>(10,535,868)</u>	<u>(8,375,675)</u>	<u>(7,974,329)</u>
Total governmental activities	<u>\$ 135,391,875</u>	<u>\$ 136,799,179</u>	<u>\$ 155,279,395</u>	<u>\$ 165,023,254</u>
Business-type activities:				
Property taxes, levied for civic center	\$ 1,393,137	\$ -	\$ -	\$ -
Other taxes	-	-	1,323,876	1,577,084
Unrestricted investment and rental earnings	-	-	-	5,527,165
Restricted intergovernmental revenues	-	-	-	-
Transfers	<u>5,916,779</u>	<u>10,535,868</u>	<u>8,375,675</u>	<u>7,974,329</u>
Total business-type activities	<u>\$ 7,309,916</u>	<u>\$ 10,535,868</u>	<u>\$ 9,699,551</u>	<u>\$ 15,078,578</u>
Total primary government	<u>\$ 142,701,791</u>	<u>\$ 147,335,047</u>	<u>\$ 164,978,946</u>	<u>\$ 180,101,832</u>
Change in Net Assets				
Governmental activities	\$ 28,619,003	\$ 34,534,649	\$ 46,168,595	\$ 19,204,535
Business-type activities	<u>7,232,155</u>	<u>28,897,100</u>	<u>39,248,932</u>	<u>17,504,551</u>
Total primary government	<u>\$ 35,851,158</u>	<u>\$ 63,431,749</u>	<u>\$ 85,417,527</u>	<u>\$ 36,709,086</u>

Business licenses are classified as Charges for Services in Governmental function

Table 2 (Cont)

2009	2010	2011	2012	2013	2014
\$ 68,724,986	\$ 75,246,177	\$ 78,192,118	\$ 84,635,764	\$ 85,309,277	\$ 90,777,092
1,395,737	1,328,330	1,871,560	2,175,617	1,930,635	2,710,218
4,911,889	4,831,855	5,513,256	5,759,746	13,420,105	6,729,900
7,002,893	6,313,452	7,669,738	7,929,936	5,601,658	6,748,151
2,843,549	1,934,922	1,783,510	2,774,596	2,253,377	2,471,745
727,050	639,603	690,856	714,226	706,094	565,313
8,162,539	9,519,571	10,846,257	12,556,333	14,230,948	15,584,436
-	-	-	-	-	-
3,681,205	410,175	-	7,396,418	7,683,496	6,891,873
-	-	-	-	-	-
11,992,922	6,254,389	3,669,209	10,794,509	9,803,094	20,998,226
3,403,109	19,377,395	6,832,254	-	-	-
-	47,757	-	-	-	-
-	-	-	-	-	-
-	-	-	3,794,168	-	-
<u>\$ 112,845,879</u>	<u>\$ 125,903,626</u>	<u>\$ 117,068,758</u>	<u>\$ 138,531,313</u>	<u>\$ 140,938,684</u>	<u>\$ 153,476,954</u>
<u>\$ 169,432,625</u>	<u>\$ 190,964,550</u>	<u>\$ 168,575,799</u>	<u>\$ 195,792,827</u>	<u>\$ 203,473,181</u>	<u>\$ 215,434,249</u>
\$ (154,971,641)	\$ (194,916,379)	\$ (144,137,476)	\$ (142,559,193)	\$ (160,449,553)	\$ (155,491,435)
5,299,585	15,626,608	(12,392,692)	(4,537,636)	5,771,184	18,344,965
<u>\$ (149,672,056)</u>	<u>\$ (179,289,771)</u>	<u>\$ (156,530,168)</u>	<u>\$ (147,096,829)</u>	<u>\$ (154,678,369)</u>	<u>\$ (137,146,470)</u>
\$ 119,243,269	\$ 121,951,932	\$ 126,901,476	\$ 129,027,720	\$ 127,072,425	\$ 128,897,962
53,242,729	48,492,680	51,704,480	54,609,590	57,563,191	59,274,219
2,174,404	1,066,843	811,403	341,750	340,648	670,853
2,427,620	2,098,826	1,435,977	1,823,550	1,218,156	1,386,457
(21,789,879)	(12,441,492)	(27,560,087)	(32,031,717)	(15,519,207)	(23,361,202)
<u>\$ 155,298,143</u>	<u>\$ 161,168,789</u>	<u>\$ 153,293,249</u>	<u>\$ 153,770,893</u>	<u>\$ 170,675,213</u>	<u>\$ 166,868,289</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,317,546	1,279,409	1,384,164	1,461,395	1,558,929	9,412,843
2,812,546	2,127,176	1,028,465	1,170,206	180,162	1,550,077
-	-	-	-	-	722,461
21,789,879	12,441,492	27,560,087	32,031,717	15,519,207	23,361,202
<u>\$ 25,919,971</u>	<u>\$ 15,848,077</u>	<u>\$ 29,972,716</u>	<u>\$ 34,663,318</u>	<u>\$ 17,258,298</u>	<u>\$ 35,046,583</u>
<u>\$ 181,218,114</u>	<u>\$ 177,016,866</u>	<u>\$ 183,265,965</u>	<u>\$ 188,434,211</u>	<u>\$ 187,933,511</u>	<u>\$ 201,914,872</u>
\$ 326,502	\$ (33,747,590)	\$ 9,155,773	\$ 11,211,700	\$ 10,225,660	\$ 11,376,854
31,219,556	31,474,685	17,580,024	30,125,682	23,029,482	53,391,548
<u>\$ 31,546,058</u>	<u>\$ (2,272,905)</u>	<u>\$ 26,735,797</u>	<u>\$ 41,337,382</u>	<u>\$ 33,255,142</u>	<u>\$ 64,768,402</u>

CITY OF DURHAM, NORTH CAROLINA

Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund				
Reserved	\$ 21,658,249	\$ 21,894,849	\$ 23,287,594	\$ 24,712,109
Unreserved	<u>17,951,105</u>	<u>24,041,860</u>	<u>27,073,299</u>	<u>23,010,833</u>
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total general fund	<u>\$ 39,609,354</u>	<u>\$ 45,936,709</u>	<u>\$ 50,360,893</u>	<u>\$ 47,722,942</u>
All Other Governmental Funds				
Reserved	\$ 40,762,038	\$ 8,419,458	\$ 65,888,771	\$ 79,752,352
Unreserved, reported in:				
Capital projects funds	15,791,188	48,290,304	42,445,417	(5,434,923)
Special revenue funds	<u>(684,514)</u>	<u>1,134,872</u>	<u>(7,268,907)</u>	<u>(4,407,902)</u>
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 55,868,712</u>	<u>\$ 57,844,634</u>	<u>\$ 101,065,281</u>	<u>\$ 69,909,527</u>

Table 3

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 21,051,360	\$ 18,938,616				
<u>23,307,978</u>	<u>27,254,982</u>				
		\$ 1,227,623	\$ 1,027,043	\$ 1,048,032	\$ 1,044,455
		17,851,620	19,364,106	21,607,906	21,786,463
		-	-	-	-
		1,343,441	702,504	310,641	428,328
		<u>21,879,765</u>	<u>19,416,039</u>	<u>21,223,905</u>	<u>28,181,588</u>
<u>\$ 44,359,338</u>	<u>\$ 46,193,598</u>	<u>\$ 42,302,449</u>	<u>\$ 40,509,692</u>	<u>\$ 44,190,484</u>	<u>\$ 51,440,834</u>
\$ 64,717,064	\$ 14,947,382				
(4,765,680)	17,089,828				
<u>12,929,833</u>	<u>(504,807)</u>				
		\$ 1,845,599	\$ 1,653,417	\$ 1,556,272	\$ 1,544,550
		15,256,942	11,865,431	13,763,148	22,457,781
		53,940,511	33,038,993	68,108,011	62,110,001
		-	-	-	2,878,268
		<u>(5,082,773)</u>	<u>(6,251,315)</u>	<u>(768,792)</u>	<u>(3,123,028)</u>
<u>\$ 72,881,217</u>	<u>\$ 31,532,403</u>	<u>\$ 65,960,279</u>	<u>\$ 40,306,526</u>	<u>\$ 82,658,639</u>	<u>\$ 85,867,572</u>

CITY OF DURHAM, NORTH CAROLINA

Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:				
Taxes	\$ 126,134,072	\$ 133,898,165	\$ 141,497,314	\$ 150,217,800
Licenses and permits	9,082,272	8,751,786	8,537,794	6,652,707
Intergovernmental revenues	27,475,137	27,270,328	34,186,036	35,127,695
Investment and rental income	3,553,250	4,666,840	7,977,515	7,879,161
Charges for services	12,059,504	12,646,861	13,703,086	11,970,953
Intragovernmental services	763,886	640,016	546,887	1,015,342
Assessments	374,984	199,995	140,212	84,013
Total revenues	<u>\$ 179,443,105</u>	<u>\$ 188,073,991</u>	<u>\$ 206,588,844</u>	<u>\$ 212,947,671</u>
Expenditures:				
General government	\$ 13,171,340	\$ 18,085,327	\$ 24,988,678	\$ 30,046,027
Public safety	66,363,016	68,053,748	68,588,498	73,148,663
Development	20,645,384	20,435,505	16,285,766	22,295,475
General services	36,689,700	38,542,099	41,475,576	41,166,372
Recreation	12,964,365	10,113,070	11,139,093	43,492,591
Streets and highways	18,011,929	19,133,719	26,632,264	28,337,276
Non-departmental charges	1,476,712	1,079,801	-	-
Debt service				
Principal	10,104,617	23,855,266	14,688,567	16,256,579
Interest and other charges	4,793,085	8,756,310	11,687,884	9,753,712
Total expenditures	<u>\$ 184,220,148</u>	<u>\$ 208,054,845</u>	<u>\$ 215,486,326</u>	<u>\$ 264,496,695</u>
Excess of revenues over (under) expenditures	<u>\$ (4,777,043)</u>	<u>\$ (19,980,854)</u>	<u>\$ (8,897,482)</u>	<u>\$ (51,549,024)</u>
Other financing sources (uses):				
Refunding bonds issued	\$ 29,643,481	\$ 18,400,000	\$ 74,719,560	\$ 13,380,000
Transfers in	8,566,087	6,815,713	7,688,930	11,499,117
Transfers out	(14,423,002)	(17,351,581)	(16,064,605)	(19,473,446)
Payment held in escrow for refunded debt	-	-	-	-
Payment to refunded bond escrow agent	(10,931,110)	-	(19,142,319)	-
Sale of property and miscellaneous	3,876,945	4,031,024	9,340,747	12,349,648
Bonds issued	-	6,500,000	-	-
Premium for debt issuances	1,808,586	11,099,453	-	-
Cop's refunding proceeds	6,146,519.00	-	-	-
Total other financing sources (uses)	<u>\$ 24,687,506</u>	<u>\$ 29,494,609</u>	<u>\$ 56,542,313</u>	<u>\$ 17,755,319</u>
Net change in fund balances	<u>\$ 19,910,463</u>	<u>\$ 9,513,755</u>	<u>\$ 47,644,830</u>	<u>\$ (33,793,705)</u>
Debt service as a percentage of noncapital expenditures	9.57%	17.96%	14.30%	13.09%

Table 4

2009	2010	2011	2012	2013	2014
\$ 155,254,378	\$ 152,976,253	\$ 160,178,706	\$ 165,377,908	\$ 163,374,274	\$ 168,203,989
5,797,623	5,990,361	7,134,286	6,663,628	7,597,880	8,423,618
41,587,956	42,197,155	41,860,284	38,887,607	41,474,260	40,503,738
3,840,151	1,817,672	1,363,750	416,564	1,584,738	1,601,274
10,977,188	10,868,718	8,608,740	8,662,154	10,950,429	10,464,441
1,232,851	1,038,940	1,051,838	780,507	588,874	436,089
97,483	123,596	100,533	31,740	52,799	47,425
<u>\$ 218,787,630</u>	<u>\$ 215,012,695</u>	<u>\$ 220,298,137</u>	<u>\$ 220,820,108</u>	<u>\$ 225,623,254</u>	<u>\$ 229,680,574</u>
\$ 25,766,797	\$ 26,780,559	\$ 27,287,098	\$ 23,914,595	\$ 25,522,650	\$ 27,116,585
83,466,731	80,764,638	81,091,906	85,735,956	99,281,034	90,477,631
27,701,181	26,334,708	23,952,253	24,717,823	30,201,620	21,788,944
45,131,904	37,509,706	24,194,064	22,098,580	15,562,121	18,374,461
31,140,037	29,415,253	19,596,203	13,942,740	18,784,212	16,109,884
30,161,954	24,412,827	32,026,198	30,079,144	18,529,651	14,307,433
-	-	-	-	-	-
14,471,346	30,016,103	33,365,076	37,333,669	22,748,723	24,870,535
8,948,469	10,292,037	11,215,175	12,261,198	10,467,579	9,861,803
<u>\$ 266,788,419</u>	<u>\$ 265,525,831</u>	<u>\$ 252,727,973</u>	<u>\$ 250,083,705</u>	<u>\$ 241,097,590</u>	<u>\$ 222,907,276</u>
<u>\$ (48,000,789)</u>	<u>\$ (50,513,136)</u>	<u>\$ (32,429,836)</u>	<u>\$ (29,263,597)</u>	<u>\$ (15,474,336)</u>	<u>\$ 6,773,298</u>
\$ 54,611,093	\$ 15,373,423	\$ 81,777,426	\$ 16,412,163	\$ 77,818,572	\$ 19,244,168
13,660,931	11,259,460	11,198,318	7,723,633	5,454,431	5,337,004
(26,380,716)	(20,779,721)	(33,180,171)	(27,757,322)	(21,022,492)	(20,042,590)
-	-	-	1,398,963	-	-
-	-	-	-	(11,061,568)	(4,238,370)
5,717,567	5,145,420	3,170,990	4,039,650	10,318,298	3,385,773
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 47,608,875</u>	<u>\$ 10,998,582</u>	<u>\$ 62,966,563</u>	<u>\$ 1,817,087</u>	<u>\$ 61,507,241</u>	<u>\$ 3,685,985</u>
<u>\$ (391,914)</u>	<u>\$ (39,514,554)</u>	<u>\$ 30,536,727</u>	<u>\$ (27,446,510)</u>	<u>\$ 46,032,905</u>	<u>\$ 10,459,283</u>
11.34%	18.32%	20.56%	22.62%	15.85%	18.14%

CITY OF DURHAM, NORTH CAROLINA
 Assessed And Estimated Actual Value Of Taxable Property
 Last Ten Fiscal Years

Table 5

Fiscal Year Ended June 30,	Tax Year	Real Property	Personal Property	Public Utility Valuation	Total Assessed Value	Total Direct Tax Rate	Assessed Value to Estimated Actual Value
2005	2004	\$ 12,510,330,734	\$ 2,489,718,523	\$ 325,000,000	\$ 15,325,049,257	0.5830	100
2006	2005	13,094,926,790	2,425,991,192	310,000,000	15,830,917,982	0.5830	100
2007	2006	13,740,351,450	2,540,213,497	320,832,099	16,601,397,046	0.6030	100
2008	2007	14,059,557,426	2,793,458,456	278,513,764	17,131,529,646	0.6180	100
2009	2008 *	18,914,682,379	2,786,518,654	326,391,840	22,027,592,873	0.5400	100
2010	2009	19,178,933,959	2,824,334,215	332,774,842	22,336,043,016	0.5400	100
2011	2010	19,512,984,666	2,886,870,486	322,590,029	22,722,445,181	0.5519	100
2012	2011	19,709,610,537	3,030,215,835	299,930,597	23,039,756,969	0.5575	100
2013	2012	19,998,647,160	3,234,674,942	314,040,150	23,547,362,252	0.5675	100
2014	2013	20,262,612,123	3,111,687,066	309,662,326	23,683,961,515	0.5675	100

* Revaluation of taxable property occurred January 1 of the tax year.
 Next revaluation will occur effective January 1st, 2015.

Assessed valuations are established at 100% of estimated market value for real property and 100% of actual value for personal property.

CITY OF DURHAM, NORTH CAROLINA
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years

Table 6

Fiscal Year	City Direct Rates			Overlapping Rate
	General Fund	Civic Center	Total Tax Rate	Durham County
2004	0.5365	0.0085	0.5450	0.7630
2005	0.5745	0.0085	0.5830	0.7900
2006	0.5745	0.0085	0.5830	0.8090
2007	0.5945	0.0085	0.6030	0.8090
2008	* 0.6130	0.0050	0.6180	0.8340
2009	0.5385	0.0015	0.5400	0.7081
2010	0.5385	0.0015	0.5400	0.7081
2011	0.5519	-	0.5519	0.7459
2012	0.5575	-	0.5575	0.7459
2013	0.5675	-	0.5675	0.7444
2014	0.5675	-	0.5675	0.7744

* Revaluation of taxable property occurred January 1 of the tax year.
 Next revaluation will occur effective January 1st, 2015.

CITY OF DURHAM, NORTH CAROLINA

Table 7

Principal Property Tax Payers
Current Year and Ten Years Ago

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Cree, Inc.	\$ 294,966,354	1	1.25%	\$ 108,945,485	3	0.71%
International Business Systems	197,718,449	2	0.83%	121,838,961	2	0.80%
Southpoint Mall LLC	171,333,444	3	0.72%	60,365,829	8	0.39%
EMC Corporation	147,359,341	4	0.62%	-	-	0.00%
Duke Energy Corp.	130,322,036	5	0.55%	104,456,906	4	0.68%
Corium LLC	93,983,472	6	0.40%	-	-	-
Quintiles Inc.	92,704,849	7	0.39%	42,879,029	10	0.28%
LCFRE Durham Keystone	85,671,940	8	0.36%	-	-	-
Northwood RTC LLC	81,385,311	9	0.34%	-	-	-
AJ Fletcher Foundation	78,288,232	10	0.33%	-	-	0.00%
Verizon South Inc.	-	-	-	173,290,810	1	1.13%
CMD Properties	-	-	-	67,582,287	5	0.44%
VAC Limited Partnership	-	-	-	66,582,723	6	0.43%
GlaxoSmith Kline Inc.	-	-	-	62,718,293	7	0.41%
Highwood/Forsyth LLP	-	-	-	54,783,900	9	0.36%
Quintiles Inc.	-	-	-	42,879,029	10	0.28%
Total	\$ 1,373,733,428		5.80%	\$ 906,323,252		6.26%

Source: Durham County Tax Assessor

CITY OF DURHAM, NORTH CAROLINA
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 8

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections for Subsequent Years	Total Amount	Percentage of Levy
			Amount	Percentage of Levy			
2004	2003	\$ 81,438,376	\$79,681,563	97.84%	\$ 20,973	\$81,417,403	99.97%
2005	2004	90,014,788	88,266,582	98.06%	778	90,014,010	100.00%
2006	2005	94,369,611	92,821,699	98.36%	367	94,369,244	100.00%
2007	2006	101,028,055	99,610,935	98.60%	3,399	101,024,656	100.00%
2008	2007	108,816,349	107,401,816	98.70%	2,574	108,813,775	100.00%
2009	2008	120,460,307	118,274,341	98.19%	9,689	120,450,618	99.99%
2010	2009	124,325,478	120,471,073	96.90%	80,197	124,245,281	99.94%
2011	2010	127,688,355	126,034,143	98.70%	76,589	127,611,766	99.94%
2012	2011	129,656,385	128,038,167	98.75%	205,143	129,451,242	99.84%
2013	2012	135,058,514	133,481,375	98.83%	1,148,064	134,629,439	99.68%
2014	2013	132,827,151	131,871,644	99.28%	-	131,871,644	99.28%

Source: Durham County Tax Assessor

CITY OF DURHAM, NORTH CAROLINA
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Installment Financing Agreements	Revenue Bonds	General Obligation Bonds	Installment Financing Agreements	Revenue Bonds
2005	\$ 86,555,730	\$ 55,195,000	\$ 5,080,000	\$ 101,779,148	\$ 24,200,000	\$ 42,060,000
2006	107,808,509	61,375,000	2,480,000	91,998,397	10,005,000	39,350,000
2007	121,093,770	99,250,000	2,480,000	86,031,230	8,490,000	37,025,000
2008	110,867,190	113,130,000	2,150,000	77,227,810	6,915,000	34,535,000
2009	156,273,845	71,201,000	2,065,000	71,591,161	38,065,000	31,970,000
2010	146,318,190	62,472,000	1,995,000	61,356,816	35,705,000	29,230,000
2011	172,811,832	87,218,439	1,905,000	61,293,025	35,017,061	84,967,079
2012	160,297,103	80,220,635	-	51,333,222	34,433,078	80,831,379
2013	203,586,894	83,024,994	-	49,637,345	32,946,117	77,065,920
2014	164,937,500	76,564,272	-	51,507,500	57,752,467	65,700,000

Notes:

* Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See table 5 for assessed value data and table 14 for population data.

Table 9

<u>State & Fed. Loans</u>	<u>Durham County Notes</u>	<u>Total Primary Government</u>	<u>Percentage of Assessed Value of Property</u>	<u>Per Capita</u>	<u>Percentage of Per Capita Income</u>
\$ 9,045,000	\$ 31,584,598	\$ 355,499,476	2.32	1,718	4.73%
8,160,000	31,555,407	352,732,313	2.23	1,659	4.31%
7,275,000	31,524,067	393,169,067	2.37	1,807	4.43%
6,390,000	31,496,964	382,711,964	2.23	1,719	4.09%
5,505,000	31,474,912	408,145,918	1.85	1,813	4.53%
4,620,000	31,445,226	373,142,232	1.67	1,634	4.03%
3,735,000	22,324,328	469,271,764	2.07	2,006	N/A
2,850,000	17,517,042	427,482,459	1.86	1,786	N/A
6,365,000	13,782,642	466,408,912	1.98	1,929	N/A
9,880,000	11,142,884	437,484,623	1.85	1,802	N/A

CITY OF DURHAM, NORTH CAROLINA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 10

Fiscal Year	(1)	(2)	(3)	(4)	
	General Bonded Debt	Net Bonded Debt	Percentage Actual Taxable Value of Property	Per Capita Bonded Debt	
				Gross	Net
2004	\$ 204,220,000	\$ 204,220,000	1.38%	\$ 997	\$ 997
2005	188,334,878	188,334,878	1.23%	910	910
2006	199,806,906	199,806,906	1.26%	940	940
2007	207,125,000	207,125,000	1.25%	952	952
2008	188,095,000	188,095,000	1.10%	845	845
2009	227,865,006	227,865,006	1.03%	1,012	1,012
2010	207,675,005	207,675,005	0.93%	921	921
2011	232,020,006	232,020,006	1.02%	1,016	1,016
2012	209,750,007	209,750,007	0.91%	876	876
2013	253,224,239	253,224,239	1.08%	1,047	1,047
2014	216,445,000	216,445,000	0.91%	891	891

Notes:

Detail regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Total includes all general obligation bonded debt.
- (2) Represents gross bonded debt less allowable statutory deductions.
- (3) See Table 5 for property value data.
- (4) See Table 13 for population data.

CITY OF DURHAM, NORTH CAROLINA

Table 11

Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

	<u>Bonded Debt</u>	<u>Percentage Applicable to City of Durham Taxpayers</u>	<u>City of Durham Taxpayers' Share of Debt (3)</u>	<u>City's Per Capita Share</u>
Direct - City of Durham (1)	<u>\$ 262,970,962</u>	100.00%	\$ 262,970,962	
Overlapping - (2) Durham County	<u>\$ 555,943,083</u>	75.49%	<u>419,681,433</u>	
			<u>\$ 682,652,395</u>	<u>\$ 2,852.01</u>

Notes:

(1) This total includes all governmental activities debt.

(2) Overlapping debt does not include the debt of the Special Airport Tax District of Durham and Wake Counties as these bonds are payable by the Airport Authority out of airport revenues.

(3) Percentage of direct and overlapping debt is based on June 30, 2013 assessed valuation of the City of Durham (\$23,683,961,515) as compared to the June 30, 2013 assessed valuation of Durham County (\$31,371,859,321).

CITY OF DURHAM, NORTH CAROLINA
 Legal Debt Margin Information,
 Last Ten Fiscal Years

Table 12

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	\$ 1,226,003,941	\$ 1,266,473,439	\$ 1,328,111,764	\$ 1,370,522,372	\$ 1,762,207,430
Total net debt applicable to limit	<u>290,916,931</u>	<u>435,498,175</u>	<u>450,121,175</u>	<u>420,842,261</u>	<u>429,396,496</u>
Legal debt margin	<u>\$ 935,087,010</u>	<u>\$ 830,975,264</u>	<u>\$ 877,990,589</u>	<u>\$ 949,680,111</u>	<u>\$ 1,332,810,934</u>
Total net debt applicable to the limit as a percentage of debt limit	23.73%	34.39%	33.89%	30.71%	24.37%

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit	\$ 1,791,711,443	\$ 1,851,240,899	\$ 1,843,180,558	\$ 1,883,788,980	\$ 1,894,716,921
Total net debt applicable to limit	<u>396,227,791</u>	<u>361,854,035</u>	<u>336,562,346</u>	<u>336,956,391</u>	<u>323,990,491</u>
Legal debt margin	<u>\$ 1,395,483,652</u>	<u>\$ 1,489,386,864</u>	<u>\$ 1,506,618,211</u>	<u>\$ 1,546,832,589</u>	<u>\$ 1,570,726,430</u>
Total net debt applicable to the limit as a percentage of debt limit	22.11%	19.55%	18.26%	17.89%	17.10%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$23,683,961,515
Debt Limit (8% of assessed value)	1,894,716,921
Debt applicable to limit:	
General Obligation Bonds	216,445,000
GO Bonds authorized / unissued	-
Other outstanding debt	134,316,739
Less statutory deductions	<u>(26,771,248)</u>
Total net debt applicable to limit	<u>323,990,491</u>
Legal debt margin	<u>\$ 1,570,726,430</u>

CITY OF DURHAM, NORTH CAROLINA
Demographic Statistics
Last Ten Fiscal Years

Table 13

<u>Fiscal Year Ended June 30,</u>	<u>Population (1)</u>	<u>Personal Income (amounts expressed in thousands)</u>	<u>Per Capita Income (2)</u>	<u>Unemployment Rate</u>
2005	206,893	\$ 7,515,181,332	\$ 36,324	4.6
2006	212,629	8,182,389,178	38,482	3.9
2007	217,637	8,883,942,340	40,820	4.1
2008	222,672	9,368,033,712	42,071	5.6
2009	225,093	9,018,351,045	40,065	7.3
2010	228,329	9,261,252,569	40,561	7.9
2011	233,953	9,775,726,105	41,785	8.1
2012	239,358	Unavailable	Unavailable	7.4
2013	241,752	Unavailable	Unavailable	7.1
2014	242,810 (3)	Unavailable	Unavailable	5.1 (4)

Sources: (1) U.S. Department of Commerce; Census Bureau

(2) U.S. Department of Commerce, Bureau of Economic Analysis.
Per capita income for Durham MSA

(3) City/County Planning Department

(4) U.S. Bureau of Labor Statistics for June of 2014.

CITY OF DURHAM, NORTH CAROLINA

Principal Employers

Current Year and Nine Years Ago

Employer	<u>2014</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Duke University and Medical Center	35,998	1	28.77%
International Business Machines	7,000	2	5.59%
Durham Public Schools	4,600	3	3.68%
GlaxoSmithkline, Inc.	3,700	4	2.96%
Blue Cross Blue Shield of North Carolina	3,200	5	2.56%
Fidelity Investments	2,400	6	1.92%
Durham City Government	2,329	7	1.86%
Quintiles Transnational Corporation	2,300	8	1.84%
Research Triangle Institute	2,300	9	1.84%
Veterans Administration Medical Center	2,162	10	1.73%
Nortel Networks, Inc.	-	-	-
Lenovo Group LTD	-	-	-
Total	<u>65,989</u>		<u>52.74%</u>

Sources: City payroll account, Durham Public Schools,
Durham Chamber of Commerce, US Census Bureau

Note: Approximate numbers reflected.

Table 14

<u>2005</u>		
<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
26,324	1	23.08%
11,527	2	10.11%
5,076	4	4.45%
5,179	3	4.54%
2,675	5	2.35%
-	-	-
2,202	9	1.93%
-	-	-
2,557	7	2.24%
2,086	10	1.83%
2,600	6	2.28%
2,300	8	2.02%
<u>62,526</u>		<u>54.83%</u>

CITY OF DURHAM, NORTH CAROLINA

Full-time-Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

Function/Program	2005	2006	2007
General Government			
City Manager Office	27	29	29
City Clerk	7	7	7
City Attorney	9	11	12
Audit Services	6	5	5
Budget and Management Services	9	8	8
Economic and Employment Development	20	19	17
Equal Opportunity and Equity Assurance	6	6	6
Public Protection			
Police	568	552	582
Fire	301	297	301
Emergency Communications	60	47	58
Community Services and Development			
City/County Planning	42	38	42
City/County Inspections	46	43	43
Housing and Community Development	52	23	25
Neighborhood Improvement Services	-	31	32
Solid Waste Management	155	96	105
Parks and Recreation	82	70	75
Public Works	231	224	251
Transportation	-	-	-
Water Management	284	234	253
Administrative and Support Services			
Finance	64	63	64
General Services	178	116	123
Fleet Management	-	47	47
Human Relations	9	7	6
Human Resources	18	18	19
Technology Solutions	33	28	28
Total	<u>2207</u>	<u>2019</u>	<u>2138</u>

Source: City payroll account

Note: Includes students involved in summer program

Table 15

2008	2009	2010	2011	2012	2013	2014
29	27	33	33	33	33	30
7	7	7	7	7	7	7
11	11	11	12	12	12	12
6	5	5	5	5	5	5
6	10	10	11	11	12	11
19	18	22	25	34	31	29
6	6	5	6	6	6	6
586	619	608	602	614	613	626
302	292	290	306	300	315	316
74	72	72	77	71	70	70
42	43	38	35	35	34	34
43	43	38	36	39	39	40
26	23	23	21	20	21	22
31	36	39	38	43	46	44
115	107	106	107	105	103	103
93	91	130	163	175	173	163
278	259	208	175	180	189	185
-	-	59	55	58	59	61
263	283	281	306	331	303	294
62	52	49	43	43	41	45
117	120	116	114	112	111	116
50	52	52	49	48	49	52
6	6	6	5	-	-	-
18	19	20	20	21	19	18
30	35	38	35	35	38	40
2220	2236	2266	2286	2338	2329	2329

CITY OF DURHAM, NORTH CAROLINA

Miscellaneous Statistics

Last Ten Fiscal Years		2005	2006	2007
Date of incorporation	April 10, 1869			
Form of government	Council/Manager			
Area	square miles	102.97	103.26	103.26
Streets	miles	661.29	670.06	678.94
Street lights		15,223	16,040	17,148
Police				
Stations		5	5	5
Officers		482	500	500
Fire				
Stations		15	15	15
Officers		301	301	301
Education - Durham Public Schools				
Number of elementary schools		28	28	28
Number of middle schools		8	8	9
Number of secondary schools		0	0	0
Number of high schools		7	7	10
Number of alternative school sites		1	1	1
Number of hospital school sites *		1	1	1
Full-time school personnel				
Teachers		2,293	2,368	2,419
Support staff		1,500	1,500	1,500
Municipal Water Department				
Number of customers		75,943	78,308	80,858
Average daily gallons pumped **	mega gallons	26.440	27.786	27.976
Water mains ***	miles	1,182	1,200	1,223
Sanitary sewers	miles	1,200	1,220	1,296
Storm sewers **	miles	615	621	635
Building permits issued		3,666	4,090	3,567
Recreation and culture				
Number of parks		65	65	66
Number of libraries		8	8	8
Number of volumes **		525,018	570,604	575,000
City employees				
Full time		2,023	2,072	2,166
Part time ****		600	615	343

Sources: Various City departments, Durham Public Schools

* The hospital school's services are designed to facilitate the continuation of academic instruction to children who are hospitalized out of the traditional school setting.

** In FY 2013 new method was used in tracking the water mains.

*** Owned by City, private and under split ownership pipes were included in FYs 2005 - 2013. Only pipes under City's and split ownership are included in FY 2014

**** Includes students involved in summer program

Table 16

2008	2009	2010	2011	2012	2013	2014
105.90	106.60	107.30	107.50	108.51	108.64	109.10
683.13	689.32	702.68	708.28	715.33	720.50	730.43
18,166	19,126	19,463	19,691	20,270	20,565	20,743
5	5	5	5	5	5	5
512	496	496	508	518	508	515
15	15	16	16	16	16	16
301	300	290	289	290	305	306
28	29	29	30	30	30	30
9	9	10	10	11	11	10
0	1	1	1	1	1	2
10	11	12	12	12	12	12
1	1	1	1	1	1	1
1	1	1	1	1	1	1 *
2,338	2,276	2,276	2,186	2,219	2,247	2,287
2,064	2,376	2,376	1,277	1,357	2,019	1,924
81,698	84,802	84,896	87,051	87,159	87,159	87,348
26,266	27,110	24,440	25,330	28,200	27,370	26,310
1,227	1,236	1,204	1,210	1,213	1,186	1,228 **
1,301	1,304	1,108	1,067	1,066	1,068	1,123
646	661	669	672	675	675	307 ***
3,845	3,201	3,220	3,458	3,499	3,586	3,725
66	65	64	66	68	68	68
8	10	10	10	10	10	10
585,430	563,837	607,387	673,202	700,381	700,381	703,455
2,220	2,236	2,196	2,229	2,209	2,221	2,230
532	676	598	600	582	718	651 ****

CITY OF DURHAM, NORTH CAROLINA

Capital Asset Statistics by Function/Program,
Last Ten Fiscal Years

Function/Program	2005	2006	2007
Public Protection			
Police Stations	5	5	5
Fire Stations	15	15	15
Public Works			
Streets (miles)	661.29	670.06	678.94
Street Lights	15,223	16,040	17,148
Parks and Recreation			
Parks	65	65	66
Recreation centers	6	6	13
Water			
Water mains (miles)	1,182	1,200	1,223
Pump stations	2	2	2
Fire hydrants	6,100	6,208	7,261
Wastewater			
Sanitary sewers (miles)	1200	1220	1296
Pump stations			
Stormwater/Water Quality			
Storm sewers (miles)	615	621	635

Sources: Various City departments.

- * In FY 2013 new method was used in tracking the water mains.
- ** 2 finish and 4 buster water pump stations are included
- *** Gravity and Force sewer lines are included
- **** Owned by City, private and under split ownership pipes were included in FYs 2005 - 2013. Only pipes under City's and split ownership are included in FY 2014

Table 17

2008	2009	2010	2011	2012	2013	2014
5	5	5	5	5	5	5
15	15	16	16	16	16	16
683.13	689.32	702.68	708.28	715.33	721	730
18,166	19,126	19,463	19,691	20,270	20,565	20,743
66	65	64	66	68	68	68
13	14	14	14	12	13	10
1,227	1,233	1,204	1,206	1,213	1,186	1,228 *
2	2	2	2	3	3	6 **
7,372	7,355	7,364	7,946	8,152	8,406	8,349
1301	1304	1108	1067	1066	1,068	1,123 ***
						64
646	661	669	672	675	675	307 ****

CITY OF DURHAM, NORTH CAROLINA

Operating Indicators by Function/Program

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	
General government				
Building permits issued	3,666	4,090	3,567	
Fire				
Emergency responses	15,075	16,044	16,570	
Fires extinguished	986	1,186	1,046	
Public Works				
Streets maintained	miles	645	670	679
Lane markings laid	miles	140	149	76
Parks and Recreation				
Citywide special events	48	52	76	
Water & Sewer				
New connections	1,657	2,204	2,530	
Water quality investigations	128	156	1,890	
Storm water facility inspections	260	405	544	
Avg daily consumption	thousands of gallons	26,970	27,630	28,071
Solid Waste Disposal				
Recyclables collected	tons per day	38.13	35.02	31.51
Yard waste collected	tons per day	-	-	-
Curbside refuse collected	tons per day	118.81	125.78	127.66
Transfer station refuse collected	tons per day	-	-	-

Sources: Various City departments.

* Last fiscal year number was used

** Storm Water department's methods for tracking inspections have been revised.

Table 18

2008	2009	2010	2011	2012	2013	2014
3,845	3,201	3,220	3,458	3,499	3,586	3,725
19,058	18,345	18,512	18,880	19,309	20,458	22,364
1,139	980	923	1,025	894	910	887
683	689	703	708	715	721	730
37	126	141	112	80	90	85
92	103	90	94	87	87	87 *
1,827	1,209	1,243	1,210	1,086	1,405	1,467
44	73	63	60	60	71	113
517	680	261	223	365	1,395	1,065 **
26.266	26,110	23,310	21,497	23,593	24,750	23,950
31.53	33.69	37.39	37.97	38.51	38.43	38.14
-	-	-	35.55	38.26	38.64	42.43
133.69	135.10	130.05	129.74	131.77	134.54	135.43
-	-	-	245.27	220.03	228.26	202.65

CITY OF DURHAM, NORTH CAROLINA
 Analysis of Current Tax Levy
 City - Wide Levy
 For the Year Ended June 30, 2014

Table 19

	City -Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current	\$ 22,357,663,127	0.5675	\$ 126,879,738	\$ 126,879,738	\$ -
Registered motor vehicles taxed at prior year's rate	1,006,744,908	0.5675	5,713,277		5,713,277
Penalties	-		87,708	87,708	-
Total	<u>23,364,408,035</u>		<u>132,680,723</u>	<u>126,967,446</u>	<u>5,713,277</u>
Discoveries:					
Prior year taxes	317,659,383	0.5675	1,802,717	1,741,869	60,848
Abatements	(291,857,269)		(1,656,290)	(977,641)	(678,649)
Total property valuation	<u>\$ 23,390,210,149</u>				
Net levy			132,827,151	127,731,674	5,095,476
Uncollected taxes at June 30, 2013			(955,507)	(666,405)	(289,102)
Current year's taxes collected			<u>\$ 131,871,644</u>	<u>\$ 127,065,269</u>	<u>\$ 4,806,374</u>
Current levy collection percentage			99%	99%	94%

CITY OF DURHAM, NORTH CAROLINA
 Schedule of Ad Valorem Taxes Receivable
 For the Fiscal Year Ended June 30, 2014

Table 20

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2014
2013-2014	\$ 1,428,912	\$ 132,827,151	\$ 131,871,644	\$ 955,507
2012-2013	1,577,139		1,148,064	819,475
2011-2012	332,072		205,143	126,929
2010-2011	321,388		76,589	244,799
2009-2010	175,422		80,197	95,225
2008-2009	76,021		9,689	66,332
2007-2008	30,130		2,574	27,556
2006-2007	22,406		3,399	19,007
2005-2006	22,501		367	22,134
2004-2005	21,172		778	20,394
2003-2004	21,169		20,973	196
2002-2003	-		-	-
2001-2002	-		-	-
2000-2001	1,444		-	1,444
	<u>\$ 4,029,776</u>	<u>\$ 132,827,151</u>	<u>\$ 133,419,417</u>	<u>2,398,998</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>528,960</u>
Ad valorem taxes with revenues - net				<u>\$ 1,870,038</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 133,605,591
Penalties collected on ad valorem taxes - Agency fund				-
Reconciling items:				
Interest collected				405,828
Adjustments allowed				<u>(862,571)</u>
Subtotal				<u>(456,743)</u>
Total collections and credits				<u>\$ 133,148,848</u>

DURHAM



CITY OF MEDICINE

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CITY OF DURHAM, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2014

Grantor/Pass-Through	Federal CFDA Number	State/ Pass-Through Grantor's Number	Fed (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
FEDERAL AWARDS:					
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
Direct Programs:					
CDBG - Entitlement Grant Cluster:					
08-09 Community Development Block/Entitlement Grant	14.218	B-08-MC-370004	\$ 2,644	\$ -	\$ -
10-11 Community Development Block/Entitlement Grant	14.218	B-10-MC-370004	89,161	-	-
11-12 Community Development Block/Entitlement Grant	14.218	B-11-MC-370004	631,647	-	-
12-13 Community Development Block/Entitlement Grant	14.218	B-12-MC-370004	728,342	-	-
13-14 Community Development Block/Entitlement Grant	14.218	B-13-MC-37-0004	755,120	-	-
Total CDBG - Entitlement Grant Cluster			2,206,914	-	-
Direct Programs:					
08-09 Home Investment Partnerships Program	14.239	M-08-DC-370205	30,000	-	-
10-11 Home Investment Partnerships Program	14.239	M-10-DC-370205	51,801	-	-
11-12 Home Investment Partnerships Program	14.239	M-11-DC-370205	270,401	-	-
12-13 Home Investment Partnerships Program	14.239	M-12-DC-370205	-	-	-
13-14 Home Investment Partnerships Program	14.239	M-13-DC-37-0205	750,998	-	-
			1,103,200	-	-
Emergency Shelter Grants Program 2011-2012	14.231	E-11-MC-37-0006	167,120	-	-
Emergency Shelter Grants Program 2013-2014	14.231	E-13-MC-37-0006	30,852	-	-
			197,972	-	-
FHAP Partnership Funds - FY 2012	14.401	FF204K114021	7,770	-	-
Fair Housing Assistance Program FY 2011	14.401	FF204K104021	7,878	-	-
Fair Housing Assistance Program FY 2012	14.401	FF204K114021	31,496	-	-
Fair Housing Assistance Program FY 2013	14.401	FF204K124021	57,538	-	-
			104,681	-	-
FY 2006 - Economic Development Initiative	14.251	B-06-SP-NC-0585	5,700	-	-
			5,700	-	-
Passed-through North Carolina Department of Commerce:					
CDBG - State Administered CDBG Cluster:					
Neighborhood Stabilization 2011-2012	14.228	11-N-2189	550,000	-	-
Total CDBG - State Administered CDBG Cluster:			550,000	-	-
Total U. S. Department of Housing and Urban Development			4,168,467	-	-
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES :					
Passed-through North Carolina Department of Environmental and Natural Resources:					
Healthy Homes and Lead Poisoning Prevention	93.070	Contract No.3927	(19,988)	-	-
Total U. S. Department of Health and Human Services			(19,988)	-	-

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
 For the Year Ended June 30, 2014

Grantor/Pass-Through	Federal CFDA Number	State/ Pass-Through Grantor's Number	Fed (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
FEDERAL AWARDS (continued):					
U.S. DEPARTMENT OF JUSTICE:					
Direct Programs:					
Bulletproof Vest Partnership 2011	16.607	-	9,589	-	-
2011 Domestic Violence	16.590	2001-WE-AX-0038	133,669	-	-
Federal Task Team Initiatives- FY 2012	-	-	20,586	-	-
Federal Task Team Initiatives- FY 2013	-	-	61,407	-	-
Federal Crimes Task Force- FY 2014	-	-	2,807	-	-
Office of Justice Programs					
2010 Justice and Mental Health Collaboration Program	16.745	2010-MO-BX-0023	-	-	-
ARRA- Combating Criminal Narcotics Activity	16.809	2009-SS-B9-0027	-	-	-
Office of Community Oriented Policing Services					
2010 COPS Hiring Program	16.710	2010-UL-WX-0017	507,491	-	-
US Marshals Service					
Fugitive Apprehension Task Force	-	-	14,796	-	3,699
Passed-through Durham County:					
JAG Program Cluster:					
Edward Byrne Memorial Justice Assistance - 2012	16.738	2012-DJ-BX-1040	47,124	-	-
Edward Byrne Memorial Justice Assistance - 2013	16.738	2012-DJ-BX-0189	14,228	-	-
Total JAG Program Cluster			61,352	-	-
Total U. S. Department of Justice			811,697	-	3,699
U.S. DEPARTMENT OF LABOR:					
Direct Programs:					
ARRA - COBRA Premium Assistance	17.151	-	-	-	-
Passed-through North Carolina Department of Commerce:			-	-	-
Workforce Investment Act (WIA)-Cluster:					
WIA - Admin 2012-2014	17.258	2012-2010-35	9,375	-	-
WIA - Admin 2013-2015	17.258	2013-2010-35	169,068	-	-
WIA - Adult 2011-2013	17.258	2011-2020-35	756	-	-
WIA - Adult 2012-2014	17.258	2012-2020-35	114,425	-	-
WIA - Adult 2013-2015	17.258	2013-2020-35	454,195	-	-
WIA - Dislocated Worker 2011-2013	17.258	2011-2030-35	3,328	-	-
WIA - Dislocated Worker 2012-2014	17.278	2012-2030-35	176,159	-	-
WIA - Dislocated Worker 2013-2015	17.278	2013-2030-35	310,729	-	-
WIA - Youth 2012-2014	17.259	2012-2040-35	134,031	-	-
WIA - Youth 2013-2015	17.259	2013-2040-35	482,845	-	-
WIA - Special Incentives	17.258	2012-2011-35	26	-	-
WIA - Pilot Demonstration 2012-2014	17.278	2012-2031-35	124,845	-	-
WIA - On the Job Training 2012-2014	17.278	2012-2031-35	73,834	-	-
WIA - Dislocated Worker Contingency 2013-2014	17.278	2012-2031-35	199,792	-	-
WIA - Incumbent Worker 2014-2015	17.278	2013-2031-35	581	-	-
Total Workforce Investment Act (WIA)-Cluster			2,253,989	-	-
Total U. S. Department of Labor			2,253,989	-	-

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
 For the Year Ended June 30, 2014

Grantor/Pass-Through	Federal CFDA Number	State/ Pass-Through Grantor's Number	Fed (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
FEDERAL AWARDS (continued):					
U.S. DEPARTMENT OF TRANSPORTATION:					
Direct Programs:					
Highway Planning and Construction Cluster:					
Total Highway Planning and Construction Cluster			-	-	-
Federal Transit Cluster					
Section 5307 - 2004-2005	20.507	NC-90-X366	-	-	-
Section 5307 - 2006-2007	20.507	NC 90 0416	5,789	-	1,447
Section 5307 - 2007-2008	20.507	NC-90-X445	9,159	-	2,290
Section 5307 Bus Grant 2008	20.507	NC-90-X024	-	-	-
Section 5307 - 2008-2009	20.507	NC-90-X445	84,484	-	21,121
Section 9 Capital & Planning Grant 2014	20.507	NC-90-X514	3,927,569	34,429	947,463
Section 5309 Bus Earmark Capital 2009-2010	20.507	NC-04-0029	14,012	-	3,503
Section 5309 Bus Earmark Capital 2010-2011	20.507	NC-04-0047	224,222	-	56,055
Section 3 Capital - 1999-2000	20.500	DOT-11 36223.6.1.3	-	-	49,680
Total Federal Transit Cluster			4,265,235	34,429	1,081,559
Section 5303 Planning - 2012-2013	20.505	36230.10.11.6	21,854	2,732	2,732
Section 5303 Planning - 2014	20.205	14-08-103	198,769	24,846	24,846
			220,623	27,578	27,578
Transit Services Program Cluster:					
Section 5316 Job Access Reverse Commute 2011	20.516	NC-37-X025	38,074	-	23,389
Section 5316 Job Access Reverse Commute 2013	20.516	NC-37-X033	5,078	-	5,078
Section 5317 New Freedom 2009	20.521	NC-57-X006	-	-	-
Section 5317 New Freedom 2010	20.521	NC-57-X006	6,540	-	6,540
Section 5317 New Freedom 2011	20.521	NC-57-X014	25,037	-	25,037
Section 5317 New Freedom 2013	20.521	NC-57-X020	2,006	-	2,006
Total Transit Services Program Cluster			76,735	-	62,050
Passed-through North Carolina Department of Transportation:					
Highway Planning and Construction Cluster:					
Urban Dev. Sec. 104(f) & 133(b)(3)(7) 2011-2012	20.205-5	39225.1.5, 39225.1.18	577	-	144
Urban Dev. Sec. 104(f) & 133(b)(3)(7) 2012-2013	20.205-5	39225.1.5 ; 39225.1.8	215,885	-	53,971
Urban Dev. Sec. 104(f) & 133(b)(3)(7) 2013-2014	20.205-5	39225.1.5; 39225.1.8 U-4445,	1,563,155	-	390,789
NC 147 Pedestrian Bridge	20.205-1	36726.1.1	60,545	-	15,136
American Tobacco Trail Phase E	20.205	EL-2921-E	1,499,155	-	374,789
Total Highway Planning and Construction Cluster			3,339,317	-	834,829
Total U. S. Department of Transportation			7,901,910	62,007	2,006,016

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended June 30, 2014

Grantor/Pass-Through	Federal CFDA Number	State/ Pass-Through Grantor's Number	Fed (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
FEDERAL AWARDS (continued):					
EXECUTIVE OFFICE OF THE PRESIDENT					
Office of National Drug Control Policy					
High Intensity Drug Trafficking Area 2011	95.001	G11GA0004A	8,764	-	-
High Intensity Drug Trafficking Area 2012	95.001	G12GA0004A	165,197	-	18,122
High Intensity Drug Trafficking Area 2013	95.001	G13GA0004A	198,467	-	42,826
Total Executive Office of the President			372,428	-	60,948
U.S. DEPARTMENT OF HOMELAND SECURITY					
Staffing for Adequate Fire and Emergency Response	97.044	EMW-2011-FH-00826	740,273	-	-
Total U.S. Department of Homeland Security			740,273	-	-
U.S. DEPARTMENT OF THE INTERIOR:					
Passed-through North Carolina Department of Cultural Resources:					
Historic Preservation Fund Grant 2012	15.904	-	-	-	-
Historic Preservation Fund Grant 2013	15.904	-	-	6,600	4,400
Total U.S. Department of the Interior			-	6,600	4,400
U.S. ENVIRONMENTAL PROTECTION AGENCY:					
Climate Showcase Communities Grant 2010	66.041	AF-83453101	30,032	-	-
Brownfields Job Training 2012-2013	66.815	95499612	121,877	-	-
Water Supply Facility Security Improvement	66.202	XP 964484406.0	2,523	-	-
Passed-through Southern Research Institute:					
Emerging Technology Diesel Reduction	-	-	-	-	-
Total U.S. Environmental Protection Agency			154,432	-	-
DEPARTMENT OF ENERGY:					
ARRA - Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000766	-	-	-
Total U. S. Department of Energy			-	-	-
TOTAL FEDERAL AWARDS:			16,383,208	68,607	2,075,063

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended June 30, 2014

Grantor/Pass-Through	Federal CFDA Number	State/ Pass-Through Grantor's Number	Fed (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
STATE OF NORTH CAROLINA FINANCIAL ASSISTANCE:					
Department of Transportation:					
Municipal Maintenance- Traffic Control Devices	-	WBS Element: 5.103212; 5.203212; 36247.5.1	-	751,904	-
Division of Highways Powell Bill Funds	-	DOT-4, 32570	-	6,051,342	-
N.C. Governor's Highway Safety Program					
2013 Crash Reconstruction Equipment	-	PT-13-03-03-12	-	6,511	2,170
2014 Checkpoint Equipment	-	K2-14-07-03	-	25,383	-
2014 Traffic Safety	-	PT-14-03-36	-	22,288	7,429
2014 Speed Trailer	-	PT-14-03-18	-	8,867	2,956
Public Transportation Division					
NCDOT - State Maintenance Assistance Program- Transit Operating	-	DOT-9, 36234.7.6.2	-	2,406,792	-
State Technology 2011	-	-	-	7,692	855
State Technology 2013	-	WBS 36235.16.2.8	-	149,162	16,574
Riddle Road/Fayetteville Road Intersection Improv	-	30640 SR-5001C, 40924.1.7, 40924.3.4	-	41,391	7,884
Safe Routes to Schools-Fayetteville St. Elementary	20.205	40924.3.4	2,902	-	-
Apprentice/Intern Program - 2013	-	DOT-11; 13-DG-046	-	-	-
Apprentice/Intern Program - 2014	-	WBS36223.6.11.1	-	28,842	3,205
Total Department of Transportation			2,902	9,500,174	41,073
Department of Environmental and Natural Resources:					
2011 Northeast Central Livability Initiative	-	Contract No. 4039	-	1,168	-
Total Department of Environmental and Natural Resources			-	1,168	-
Clean Water Management Trust Fund:					
Rain Catchers Stormwater Retrofit Program	-	2011-706	-	103,921	81,652
Total NC Clean Water Management Trust Fund			-	103,921	81,652
Total State of North Carolina Financial Assistance			2,902	9,605,263	122,725
Total Federal and State Financial Assistance			\$ 16,386,110	\$ 9,673,870	\$ 2,197,788

CITY OF DURHAM, NORTH CAROLINA

Notes to the Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2014

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Durham and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipients

Of the federal and state expenditures presented in the schedule, the City of Durham provided federal and state awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided
U.S. Department of Housing and Urban Development		
Community Development Block Grant	14.218	\$ 149,461
Home Investment Partnership	14.239	461,809
HUD - Emergency Solutions	14.231	192,336
U.S. Department of Justice		
Edward Byrne Memorial Justice Assistance	16.738	61,352
Domestic Violence	16.590	131,574
U.S. Department of Labor		
Workforce Investment Act - Adult	17.258	268,443
Workforce Investment Act - Dislocated/Incumbent Worker	12.278	367,698
Workforce Investment Act - Youth	17.259	438,852
U.S. Department of Transportation		
Section 5303 Metropolitan Transportation Planning	20.505	107,426
Section 5316 Access Reverse Commute	20.516	40,589
Section 5317 New Freedom Program	20.521	57,421
Executive Office of the President		
High Intensity Drug Trafficking Area (HIDTA) Grant	95.001	147,244
		\$ 2,424,205

**Report of Independent Auditor on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the City Council
City of Durham, North Carolina

We have audited, in accordance with the 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 General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Durham, North Carolina (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Cherry Randt LLP

Raleigh, North Carolina
October 24, 2014

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act

To the Honorable Mayor and
Members of the City Council
City of Durham, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Durham, North Carolina (the "City"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and *the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cherry Roubert LLP

Raleigh, North Carolina
October 24, 2014

**Report on Independent Auditor on Compliance for Each Major State Program and
on Internal Control Over Compliance in Accordance with OMB Circular A-133
and the State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the City Council
City of Durham, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Durham, North Carolina (the “City”), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on the City’s major state program for the year ended June 30, 2014. The City’s major state program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state program.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the City’s major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cherry Roubert LLP

Raleigh, North Carolina
October 24, 2014

CITY OF DURHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material Weaknesses identified? ___yes X no

- Significant deficiency(s) identified
that are not considered to be
Material weaknesses ___yes X none reported

Noncompliance material to financial statements noted ___ yes X no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? ___ yes X no

- Significant deficiency(s) identified
that are not considered to be
Material weaknesses ___yes X none reported

Noncompliance material to federal awards ___ yes X no

Type of auditor’s report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be
Reported in accordance with Section 510(a) of
Circular A-133 ___yes X no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
14.228CL	Neighborhood Stabilization 2011-2012
20.507	Federal Transit Cluster
97.044	Staffing for Adequate Fire and Emergency Response

CITY OF DURHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Dollar threshold used to distinguish
between Type A and Type B Programs \$491,583

Auditee qualified as low-risk auditee X yes no

State Awards

Internal control over major state programs:

- Material weaknesses identified? yes X no
- Significant deficiency(s) identified
that are not considered to be
Material weaknesses yes X none reported

Noncompliance material to state awards yes X no

Type of auditor's report issued on compliance of major state programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the State Single
Audit Implementation Act yes X no

Identification of major state programs:

Program Name

Powell Bill Funds

CITY OF DURHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

II. - Findings Related to the Audit of the Basic Financial Statements of the City

None reported.

III. – Findings and Questioned Costs Related to the Audit of Federal Awards

None reported.

IV. – Findings and Questioned Costs Related to the Audit of State Awards

None reported.

CITY OF DURHAM, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

None.

About the Back Cover

Lucky Strike oil on canvas painted by Bethany Bash

An artist living and working in Durham

Design by City of Durham Department of Public Affairs

Printed and Assembled By the Print Shop

Department of Finance



City of Durham

Department of Finance

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