

Ratings:  
Moody's: Aaa  
S&P: AAA  
(See "Ratings" herein)

**NEW ISSUE—Book-Entry Only**

*This Official Statement has been prepared by the Local Government Commission of North Carolina (the "Commission") and the County of Durham, North Carolina (the "County") to provide information in connection with the sale and issuance of the Bonds described herein. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless otherwise indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.*

**\$100,000,000**  
**County of Durham, North Carolina**  
**General Obligation Bonds, Series 2026A**

**Dated: Date of Delivery**

**Due: As shown on inside cover page**

*Tax Treatment:*

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law, (1) assuming compliance by the County with certain requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), interest on the Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the Bonds is exempt from State of North Carolina income taxation. See "**TAX TREATMENT**" herein.

*Redemption:*

The Bonds are subject to redemption before their maturities as described herein.

*Security:*

The Bonds constitute general obligations of the County, secured by a pledge of the faith and credit and taxing power of the County.

*Interest Payment Dates:*

June 1 and December 1, commencing December 1, 2026.

*Denominations:*

\$5,000 or any integral multiple thereof.

*Expected Delivery Date:*

June 29, 2026.

*Bond Counsel:*

Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina.

*Municipal Advisor:*

DEC Associates, Inc., Charlotte, North Carolina.

***The date of this Official Statement is June 9, 2026.***

# MATURITY SCHEDULE

## County of Durham, North Carolina

### \$100,000,000 General Obligation Bonds, Series 2026A

| <u>Due<br/>June 1</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield<sup>1</sup></u> | <u>CUSIP+</u> |
|-----------------------|-----------------------------|--------------------------|--------------------------|---------------|
| 2027                  | \$ 5,000,000                | 5.00%                    | 2.35%                    | 266705 W99    |
| 2028                  | 5,000,000                   | 5.00                     | 2.40                     | 266705 X23    |
| 2029                  | 5,000,000                   | 5.00                     | 2.46                     | 266705 X31    |
| 2030                  | 5,000,000                   | 5.00                     | 2.52                     | 266705 X49    |
| 2031                  | 5,000,000                   | 5.00                     | 2.60                     | 266705 X56    |
| 2032                  | 5,000,000                   | 5.00                     | 2.70                     | 266705 X64    |
| 2033                  | 5,000,000                   | 5.00                     | 2.75                     | 266705 X72    |
| 2034                  | 5,000,000                   | 5.00                     | 2.81                     | 266705 X80    |
| 2035                  | 5,000,000                   | 5.00                     | 2.89                     | 266705 X98    |
| 2036                  | 5,000,000                   | 5.00                     | 2.98                     | 266705 Y22    |
| 2037                  | 5,000,000                   | 5.00                     | 3.07 <sup>2</sup>        | 266705 Y30    |
| 2038                  | 5,000,000                   | 5.00                     | 3.18 <sup>2</sup>        | 266705 Y48    |
| 2039                  | 5,000,000                   | 5.00                     | 3.28 <sup>2</sup>        | 266705 Y55    |
| 2040                  | 5,000,000                   | 5.00                     | 3.33 <sup>2</sup>        | 266705 Y63    |
| 2041                  | 5,000,000                   | 5.00                     | 3.39 <sup>2</sup>        | 266705 Y71    |
| 2042                  | 5,000,000                   | 5.00                     | 3.46 <sup>2</sup>        | 266705 Y89    |
| 2043                  | 5,000,000                   | 4.00                     | 4.00                     | 266705 Y97    |
| 2044                  | 5,000,000                   | 4.00                     | 4.00                     | 266705 Z21    |
| 2045                  | 5,000,000                   | 4.00                     | 4.15                     | 266705 Z39    |
| 2046                  | 5,000,000                   | 4.00                     | 4.15                     | 266705 Z47    |

<sup>1</sup> Information provided by the underwriter of the Bonds.

<sup>2</sup> Yield to June 1, 2036 call date at par.

<sup>+</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright ©2026 CUSIP Global Services. All rights reserved. CUSIP data herein is provided for convenience of reference only. The Local Government Commission, the County and their respective agents do not take responsibility for the accuracy of such data. Also, investors should be aware that under certain circumstances the CUSIP identification number assigned to a maturity of the Bonds may be changed to a new replacement number.

**COUNTY OF DURHAM, NORTH CAROLINA**

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**Board of Commissioners**

Dr. Michael Lee .....Chair

Nida Allam..... Vice Chair

Michelle Burton  
Wendy Jacobs  
Stephen Valentine

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**Select County Staff**

Claudia Hager .....County Manager

Crystally Wright..... Chief Financial Officer

Larissa S. Williamson.....County Attorney

Monica W. Wallace ..... Clerk to the Board

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**Municipal Advisor**

DEC Associates, Inc.  
Charlotte, North Carolina

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**Bond Counsel**

Parker Poe Adams & Bernstein LLP  
Raleigh, North Carolina

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
LOCAL GOVERNMENT COMMISSION

**INTRODUCTION**

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the purchase of \$100,000,000 General Obligation Bonds, Series 2026A (the “*Bonds*”) of the County of Durham, North Carolina (the “*County*”).

The information furnished herein includes a brief description of the County and its economic condition, government, debt management, tax structure, financial operations, budget, pension plans and contingent liabilities.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date hereof. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“*Rule 15c2-12*”). In accordance with the requirements of Rule 15c2-12, the County has agreed in a resolution adopted by the Board of Commissioners of the County to certain continuing disclosure obligations. See the caption “**CONTINUING DISCLOSURE**” herein.

**THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA**

The Local Government Commission (the “*Commission*”), a division of the Department of State Treasurer, State of North Carolina (the “*State*”), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. *Appendix B* to this Official Statement contains additional information concerning the Commission and its functions.

## THE BONDS

### Description

The Bonds will be dated as of their date of delivery and will bear interest from their date. Interest on the Bonds will be payable semiannually on each June 1 and December 1, commencing December 1, 2026. The Bonds will mature on the dates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be paid on the interest payment date to the person appearing on the books of the County as the registered owner of the Bonds as of the close of business on the 15th day of the month preceding such interest payment date.

The Bonds will be issuable as fully registered bonds in a book-entry system maintained by The Depository Trust Company, Jersey City, New Jersey (“DTC”). DTC will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of \$5,000 and any integral multiple thereof and in accordance with the practices and procedures of DTC. See *Appendix G* hereto for a description of the book-entry system and DTC.

### Redemption Provisions

The Bonds maturing prior to June 1, 2037 will not be subject to redemption prior to maturity. The Bonds maturing on June 1, 2037 and thereafter will be redeemable, at the option of the County, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than June 1, 2036, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

If less than all of the Bonds of any one maturity shall be called for redemption, the County shall select the maturity or maturities of the Bonds to be redeemed in such manner as the County in its discretion may determine, and DTC and its participants shall determine which Bonds within a maturity are to be redeemed in accordance with its rules and procedures; provided, however, that the portion of any Bond to be redeemed must be in principal amount of \$5,000 or integral multiples thereof and that, in selecting Bonds for redemption, each Bond is to be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

When the County elects to redeem any Bonds, notice of such redemption of such Bonds, stating the redemption date, redemption price, any conditions to the redemption and identifying the Bonds or portions thereof to be redeemed and further stating that on such redemption date there are due and payable on each Bond or portion thereof so to be redeemed, the principal thereof and interest accrued to the redemption date and that from and after such date interest thereon shall cease to accrue, is to be given not less than 30 days nor more than 60 days before the redemption date in writing to DTC or its nominee as the registered owner of such Bonds, by prepaid certified or registered United States mail (or by such other means as may be permitted by DTC’s rules and procedures), at the address provided to the County by DTC, but any failure or defect in respect of such mailing will not affect the validity of the redemption. If DTC, or its nominee, is not the registered owner of such Bonds, the County will give notice at the time set forth above by prepaid first class United States mail, to the then-registered owners of such Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the County.

If at the time of mailing of the notice of redemption there is not on deposit, money sufficient to redeem the Bonds called for redemption, such notice may state that it is conditional on the deposit of money for the redemption on the date of redemption as set forth in the notice. Any notice, once given, may be withdrawn by notice delivered in the same manner as the notice of redemption was given.

### **Authorization and Purpose**

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina.

The Bonds are to be issued pursuant to bond orders adopted on July 11, 2022 by the Board of Commissioners of the County, which orders were approved by the vote of a majority of the qualified voters of the County who voted thereon at a referendum duly called and held on November 8, 2022, and a resolution duly adopted by the Board of Commissioners on May 26, 2026 (the “*Bond Resolution*”). The Bonds are being issued for the purpose of paying (a) the capital costs of constructing and improving school facilities for the Durham Public Schools, (b) the capital costs of constructing and improving community college facilities for Durham Technical Community College, (c) the capital costs of expanding and improving museum facilities for the North Carolina Museum of Life and Science and (d) the costs of issuance of the bonds offered herein. Terms of the Bonds were established in the Bond Resolution.

### **Security**

The County is authorized and required by law to levy on all property taxable by the County such *ad valorem* taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon.

## **THE COUNTY**

See *Appendix A* hereto for certain information regarding the County. The Management’s Discussion and Analysis of the financial activities of the County, lifted from the Annual Comprehensive Financial Report for the County for the fiscal year ended June 30, 2025, is included as *Appendix C*. The County’s audited financial statements for the fiscal year ended June 30, 2025 are contained in *Appendix D* hereto.

## **CONTINUING DISCLOSURE**

In accordance with the requirements of Rule 15c2-12, the County has undertaken in the Bond Resolution to provide to the Municipal Securities Rulemaking Board (the “*MSRB*”):

- (1) by not later than seven months after the end of each fiscal year, beginning with the fiscal year ending June 30, 2026, the audited financial statements of the County for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited financial statements of the County for such fiscal year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;
- (2) by not later than seven months after the end of each fiscal year, beginning with the fiscal year

ending June 30, 2026, the financial and statistical data as of a date not earlier than the end of such fiscal year for the type of information included in the tables under the captions "**THE COUNTY—Debt Information** " and "**—Tax Information**" (excluding information on overlapping units), to the extent such items are not included in the audited financial statements referred to in clause (1) above;

- (3) in a timely manner not in excess of 10 business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
  - (a) principal and interest payment delinquencies;
  - (b) non-payment related defaults, if material;
  - (c) unscheduled draws on the debt service reserves reflecting financial difficulties;
  - (d) unscheduled draws on any credit enhancements reflecting financial difficulties;
  - (e) substitution of any credit or liquidity providers, or their failure to perform;
  - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
  - (g) modification of the rights of the Beneficial Owners of the Bonds, if material;
  - (h) call of any of the Bonds for redemption, other than mandatory sinking fund redemption, if material, and tender offers;
  - (i) defeasance of any of the Bonds;
  - (j) release, substitution or sale of any property securing repayment of the Bonds, if material;
  - (k) rating changes;
  - (l) bankruptcy, insolvency, receivership or similar event of the County;
  - (m) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;
  - (n) the appointment of a successor or additional trustee, or the change in the name of a trustee, if material; and
  - (o) incurrence of a financial obligation (as defined below) of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect the beneficial owners of the Bonds, if material; and
  - (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the County, any of which reflect financial difficulties; and
- (4) in a timely manner, notice of a failure of the County to provide required annual financial information described in (1) and (2) above on or before the date specified.

At present, Section 159-34 of the General Statutes of North Carolina requires that the County's financial statements be prepared in accordance with generally accepted accounting principles and that they be audited in accordance with generally accepted auditing standards.

For purposes of the preceding paragraphs (o) and (p), the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of either (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

The County acknowledges in the Bond Resolution that its undertaking pursuant to Rule 15c2-12 is intended to be for the benefit of the Owners and the beneficial owners of the Bonds. The Bond Resolution provides that if the County fails to comply with the undertaking described above, any registered owner or beneficial owner of the Bonds may take action to enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure by the County to comply with such undertaking will not be an event of default under the Bond Resolution and will not result in acceleration of the payment of the Bonds. All actions must be instituted, had, and maintained in the manner provided in the Bond Resolution for the benefit of all registered owners and beneficial owners of the Bonds.

The County is not aware of any instances in the last five years in which it has failed to comply with an undertaking made pursuant to Rule 15c2-12 in any material respect.

The County may modify from time to time, consistent with Rule 15c2-12, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County, but: (1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the County; (2) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12 as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the Owners or the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the Bonds then outstanding. Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided. The County's Rule 15c2-12 undertakings will terminate on payment, or provision having been made for payment in a manner consistent with the Rule 15c2-12, in full of the principal of and interest on the Bonds.

All documents provided to the MSRB as described above will be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The County may discharge its undertaking described above by transmitting those documents or notices in a manner subsequently required by the SEC in lieu of the manner described above.

## APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina (“*Bond Counsel*”), whose approving legal opinion will be available at the time of the delivery of the Bonds. The proposed form of such opinion is attached hereto as *Appendix F*.

## LITIGATION

No litigation is now pending or, to the best of the County’s knowledge, threatened, against or affecting the County which seeks to restrain or enjoin the authorization or issuance of the Bonds or which contests the County’s organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the County’s authorization or issuance of the Bonds, or the County’s authority to carry out its obligations thereunder or which would have a material adverse impact on the County’s condition, financial or otherwise.

## RATINGS

Moody’s Investors Service, Inc. and S&P Global Ratings have given the Bonds ratings of “Aaa” and “AAA”, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective organization providing such rating. Certain information and materials not included in the Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

## TAX TREATMENT

### General

On the date of issuance of the Bonds, Parker Poe Adams & Bernstein LLP, Bond Counsel, will render an opinion that, under existing law, (1) assuming compliance by the County with certain provisions of the Internal Revenue Code of 1986, as amended (the “*Code*”), interest on the Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the Bonds is exempt from State of North Carolina income taxation.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the County rebate certain excess earnings on proceeds and amounts treated as proceeds of the Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be

satisfied by the County subsequent to issuance of the Bonds to maintain the excludability of the interest on the Bonds from gross income for federal income tax purposes. Bond Counsel's opinion is given in reliance on certifications by representatives of the County as to certain facts material to the opinion and the requirements of the Code.

The County has covenanted to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the County with such covenants, and Bond Counsel has not been retained to monitor compliance by the County with such covenants subsequent to the date of issuance of the Bonds. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of or the receipt, accrual or amount of interest with respect to the Bonds.

If the interest on the Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the County to comply with any requirements described above, the County is not required to redeem the Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the Bonds. Prospective purchasers and owners of the Bonds are advised that, if the Internal Revenue Service does audit the Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the County as the taxpayer, and the owners of the Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers and owners of the Bonds should be aware that ownership of the Bonds and the accrual or receipt of interest on the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers and owners of the Bonds should consult their own tax advisors as to collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the Bonds to be subject directly or indirectly to federal, state, or local income taxation, adversely affect the market price or marketability of the Bonds or otherwise prevent the owners of the Bonds from realizing the full current benefit of the status of the interest on the Bonds.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel's opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the County, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

An owner of a Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the Bond if such owner fails to provide to any person required to collect information in accordance with Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" described in Section 6049 of the Code properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

### **Original Issue Discount**

As indicated on the inside cover page, the Bonds maturing on June 1, 2045 and 2046 (the "*OID Bonds*"), are being sold at initial offering prices which are less than the principal amount payable at maturity.<sup>1</sup> Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

In the case of an owner of an OID Bond, the amount of original issue discount on such OID Bond is treated as having accrued daily over the term of such OID Bond on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such OID Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an OID Bond which are attributable to accrued original issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal individual alternative minimum tax. However, it should be noted that the original issue discount that accrues to an owner of an OID bond may result in other collateral federal income tax consequences for certain taxpayers in the year of the accrual.

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<sup>1</sup> Information provided by the underwriter of the Bonds.

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering price of such OID Bond) at a rate determined by reference to the yield to maturity of each individual OID Bond. The amount treated as original issue discount on an OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such OID Bond during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price different from the initial offering price during the initial offering of the Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

### **Original Issue Premium**

As indicated on the inside cover page, the Bonds maturing on June 1, 2027 to 2042, inclusive (the “*Premium Bonds*”), are being sold at initial offering prices which are in excess of the principal amount payable at maturity.<sup>1</sup> The difference between (a) the initial offering prices to the public (excluding bond houses brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond, is reduced from the owner’s cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the “adjusted basis” of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

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<sup>1</sup> Information provided by the underwriter of the Bonds.

## INVESTMENT CONSIDERATIONS

### **Bankruptcy**

The County is a unit of state government and therefore is not subject to the involuntary procedures of Title 11 of the United States Code (the “*Bankruptcy Code*”). Pursuant to Chapter 9 of the Bankruptcy Code, a local governmental unit that satisfies the requirements of section 109(c) of the Bankruptcy Code may seek voluntary protection from its creditors for purposes of adjusting its debts. However, under North Carolina law, a local governmental unit such as the County may not file for bankruptcy protection without the consent of the Commission. While the Bonds are outstanding, the provisions of the Bankruptcy Code and applicable North Carolina law may be amended, supplemented or repealed; therefore, it is not possible to predict whether and under what conditions the County may be authorized to become a debtor in a bankruptcy case and how any such bankruptcy case might affect holders of the Bonds in the future.

If the County were to initiate bankruptcy proceedings under Chapter 9 with the consent of the Commission, the bankruptcy proceedings could have material and adverse effects on holders of the Bonds, including (1) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (2) the incurrence of additional debt, including the claims of those supplying goods and services to the County after the initiation of bankruptcy proceedings and the expenses of administering the bankruptcy case, which may have a priority of payment superior to that of the Bondholders; and (3) the possibility of the adoption of a plan for the adjustment of the County’s debt without the consent of all of the Bondholders, which plan may restructure, delay, compromise or reduce the amount of the claim of the Bondholders if the bankruptcy court finds that such a plan is fair and equitable. The effect of the provisions of the Bankruptcy Code on the rights and remedies of the Bondholders cannot be predicted with certainty and may be affected significantly by judicial interpretation, general principles of equity, and considerations of public policy.

Regardless of any specific adverse determinations in a bankruptcy case of the County, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the Bonds.

### **Cybersecurity**

The County, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “*Systems Technology*”). As a recipient and provider of personal, private, or sensitive information, the County has been and may be in the future the target of cybersecurity incidents that could result in adverse consequences to the County and its Systems Technology, requiring a response action to mitigate the consequences. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the County’s Systems Technology for the purpose of misappropriating assets or information or causing operational disruption and damage.

The County has deployed various security measures to monitor and defend against malicious activity and while the County's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the County that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the County's finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the County to material litigation and other legal risks, which could cause the County to incur material costs related to such legal claims or proceedings.

### **Natural Disasters and Climate Change**

Numerous scientific studies on global climate change demonstrate that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common and extreme weather events will become more frequent because of increasing global temperatures attributable to atmospheric pollution. In the coming years, such extreme events and conditions are expected to increasingly disrupt and damage critical infrastructure and property as well as regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages, supply chain delays and service disruptions. The County cannot predict the timing, extent or severity of climate change and its impacts on operations and financial condition.

### **MUNICIPAL ADVISOR**

DEC Associates, Inc., Charlotte, North Carolina has acted as municipal advisor to the County in connection with the issuance of the Bonds.

### **UNDERWRITING**

The underwriter of the Bonds is Hilltop Securities Inc.<sup>1</sup>

The underwriter of the Bonds has agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering yields hereinabove set forth, the underwriter anticipates total underwriter's discount of \$184,000.00.<sup>1</sup> The public offering prices or yields of the Bonds may be changed from time to time by the underwriter.

### **MISCELLANEOUS**

Any statements in the Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

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<sup>1</sup>Information provided by the underwriter of the Bonds.

## APPENDIX A

### THE COUNTY OF DURHAM, NORTH CAROLINA

#### GENERAL DESCRIPTION

The County is located in the north central portion of the State of North Carolina (the “*State*”) in an area known as the “Triangle” anchored by Duke University in the City of Durham (the “*City*”) which is in the County, North Carolina State University in nearby Raleigh, and The University of North Carolina in nearby Chapel Hill. The County, which was created by the General Assembly of the State in 1881, covers an area of approximately 299 square miles. The County’s topography is typical of the Piedmont Plateau and is characterized by rolling hills and long, low ridges.

#### DEMOGRAPHIC CHARACTERISTICS

The United States Department of Commerce, Bureau of the Census, has recorded the population of the County as follows:

| <b>1990</b> | <b>2000</b> | <b>2010</b> | <b>2020</b> |
|-------------|-------------|-------------|-------------|
| 181,835     | 223,314     | 271,366     | 324,833     |

The Durham City/County Planning Department has estimated the population of the County as follows:

| <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025</b> |
|-------------|-------------|-------------|-------------|
| 327,306     | 332,680     | 336,892     | 343,628     |

Over 90% of the County’s residents reside in the City, the county seat. It is the fourth largest city in the State.

According to the U.S. Census Bureau, the population of the Durham Chapel Hill Metropolitan Statistical Area, which includes Durham, Orange, Chatham, and Person counties, was estimated to be approximately 620,522 as of July 1, 2024. The population of the larger Raleigh Durham Chapel Hill Combined Metropolitan Statistical Area, which includes the four counties noted above as well as Wake, Franklin, Johnston, and Harnett counties, was estimated by the U.S. Census Bureau, to be approximately 2,439,501 as of July 1, 2024.

Per capita income data is in the following table:

| <u>Year</u> | <u>County</u> | <u>State</u> |
|-------------|---------------|--------------|
| 2020        | \$55,117      | \$51,816     |
| 2021        | 58,896        | 57,233       |
| 2022        | 61,727        | 59,092       |
| 2023        | 65,562        | 62,233       |
| 2024        | 69,077        | 65,634       |

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Source: United States Department of Commerce, Bureau of Economic Analysis.

## **BUSINESS AND ECONOMIC PROFILE**

The County’s economic profile evolves from a diverse mixture of education, health care, research, manufacturing, and service industries, and increasingly, clean energy. In 2025, *Business Facilities* magazine named North Carolina as “State of the Year” based on its business climate and economic development growth. In 2026, *WalletHub* ranked Durham as the sixth best large city in the United States in which to start a business. The education and skill level of the labor force is a major factor in attracting employers to the County. Approximately 57% of the County’s residents possess at least a bachelor’s degree, compared with 36% nationally.

## **EDUCATION**

The three institutions of higher education located in the County are Duke University, North Carolina Central University - a constituent institution of The University of North Carolina System, and Durham Technical Community College - a part of the North Carolina Community Colleges System.

*Duke.* Duke University (“*Duke*”) was founded in 1924, when James B. Duke designated Durham’s Trinity College as one of the principal beneficiaries of the Duke Endowment. It has over 8,600 acres on three campuses in the County known as the East campus, West campus, and Central campus. East campus is surrounded by established residential neighborhoods and is a short walking distance to the downtown district of the City. A majority of Duke’s academic programs, including the world-renowned Duke University Medical Center, are located on the 720-acre West campus, which is about 1.5 miles from East campus. Central campus consists of nearly 200 acres and provides housing for over 1,000 upper-class students. Duke enrolls approximately 16,500 students in its ten schools and colleges. Approximately 42,565 people are employed at Duke and Duke University Medical Center, making it the largest employer in the County and the second largest employer in the State. In its 2026 rankings, *U.S. News & World Report* selected Duke as tied for seventh among National Universities.

*NCCU.* North Carolina Central University (“*NCCU*”), founded in 1910 as a private institution, became the first State-supported liberal arts college for black students in the nation. It was designated a constituent institution of The University of North Carolina in 1972. NCCU offers

programs of undergraduate and graduate study with emphasis in the areas of education, law, biomedicine, and biotechnology at its 100-acre campus southeast of downtown Durham. It enrolls approximately 9,280 undergraduate, graduate, and professional students and employs approximately 1,560 persons. In its 2026 rankings, *U.S. News & World Report* selected NCCU 13th among historically black colleges and universities in the nation.

*Durham Technical Community College.* Durham Technical Community College (“DTCC”) offers vocational technical career programs tailored to meet the occupational needs of the Durham community. DTCC offers more than 90 degrees, diplomas, and certificates and serves more than 18,000 students in curriculum, continuing, and corporate education. DTCC receives the majority of its current expense funds from federal and State sources. A portion of the additional 1/4 cent Local Sales and Use Tax for Education approved by voters of the County in November of 2011 is funding the County’s commitment to DTCC. The County does not designate management or significantly influence operations of DTCC, and DTCC is not accountable to the County for its fiscal matters beyond the County’s annual appropriation.

The County has also issued its general obligation bonds from time to time to finance improvements at DTCC. In November 2022, County voters approved a \$112.7 million referendum to construct two health care and life sciences training facilities, which are currently under construction. In January 2023, Novo Nordisk, a leading global healthcare company that produces medicines to treat diabetes and rare blood disorders, announced a \$6 million gift to DTCC to support one of these facilities, a new 35,000-square-foot to be named Novo Nordisk Life Sciences Center. It will house DTCC’s biotechnology degree programs and provide space for industry training and engagement. The other facility is an 80,000 square-foot health sciences building that will house DTCC’s nursing, surgical technology, anesthesia technology, respiratory therapy, clinical research, and occupational therapy programs.

*UNC Chapel Hill; NC State.* The University of North Carolina at Chapel Hill (“UNC”) is located approximately five miles outside the County and North Carolina State University in Raleigh (“NC State”) is located approximately 15 miles outside the County. These neighboring universities and those within the County provide the community with advanced educational offerings, extensive research opportunities, numerous cultural events, and collegiate sports activities. In its 2026 rankings, *U.S. News & World Report* UNC tied for the fourth best public university in the country while NC State tied for 29th.

*North Carolina School of Science and Mathematics.* Ranked by Niche as the best public high school in the nation, the North Carolina School of Science and Mathematics began operating in 1980. It is a residential high school that recruits students with aptitude and interest in science and mathematics from across the State. During a typical year, approximately 680 residential students live on campus. The school also serves students through its online program and other distance education offerings. The school is located on the historic Watts Hospital complex which was donated to the State by the County. It is a constituent institution of The University of North Carolina.

## HEALTH CARE

The City is called the “City of Medicine” because of its vibrant healthcare industry. More than 1,200 medical- and health-related companies are located in the County, employing nearly a third of the County’s workers. Duke University Hospital (“*Duke Hospital*”), Duke Regional Hospital, North Carolina Specialty Hospital, Duke Children’s Hospital and Health Center, a U.S. Department of Veterans Affairs hospital, and Lincoln Community Health Center (“*Lincoln Health*”) are all located within the County. The physician to population ratio is four times that of the national average, and the registered nurse to population ratio is three times that of the national average.

Duke University Health System (“*DUHS*”) employs roughly 26,000 people in the City and surrounding areas while Duke University’s Schools of Medicine and Nursing together employ an additional approximately 11,000 people. Duke Hospital is the flagship of DUHS, which also includes Duke Regional Hospital in the City, Duke Children’s Hospital and Health Center, Duke Raleigh Hospital in Raleigh, and more than 200 ambulatory care clinics. In its 2026 rankings, *U.S. News and World Report* ranked Duke Hospital as the top hospital in the State for the 14<sup>th</sup> year in a row, and ranked the hospital nationally in 11 adult specialties and 10 pediatric specialties. It is a 1,062-bed full-service tertiary and quaternary care hospital that also functions as a research hospital and as a teaching hospital for students of medicine, nursing, and the allied health sciences.

Duke Regional Hospital is an approximately 388-bed acute care hospital that offers a comprehensive range of medical, surgical, and diagnostic services, including orthopedics, weight-loss surgery, women's services, and heart and vascular services. It is leased from the County and operated by DUHS. With more than 3,500 employees, it provides a comprehensive range of medical, surgical and diagnostic services. For its 2026 rankings, *U.S. News & World Report* ranked Duke Regional Hospital as the ninth best hospital in the State.

North Carolina Specialty Hospital is a private, physician-owned medical center that opened its doors in 1926. It has 18 licensed beds, nine observation beds, four operating rooms, and five procedure rooms to accommodate both inpatient and outpatient surgery. North Carolina Specialty Hospital offers surgical specialties in orthopedics, ophthalmology, ear, nose and throat as well as sports medicine, oral surgery, plastic surgery, podiatry, general surgery, bariatric, interventional radiology, pain management, reconstructive surgery, joint replacement, wound healing, and hyperbaric treatment.

Durham Veteran Affairs (VA) Medical Center is also located in the City. It is a 151-bed tertiary care referral, teaching and research facility affiliated with Campbell University College of Pharmacy and Health Sciences, the University of North Carolina Eshelman School of Pharmacy, and the Duke University School of Medicine. The Durham VA Medical Center provides general and specialty medical, surgical, psychiatric inpatient, and ambulatory services, and serves as a major referral center for North Carolina, southern Virginia, northern South Carolina, and eastern Tennessee.

Lincoln Health, a non-profit institution, is a comprehensive health care facility designed for the health care consumer who wishes to enter a continuity-of-care system that includes disease

prevention and maintenance of health care, management of chronic diseases, and hospitalization when indicated. At Lincoln Health, medical care is offered through a comprehensive array of services emphasizing health promotion and disease prevention. Patients are charged according to income based on federal poverty guidelines.

## **RESEARCH AND OTHER COUNTY BUSINESS PARKS**

*Research Triangle Park.* The Research Triangle Park (the “*Park*”) is one of the largest planned research parks in the world, covering over 7,000 acres of rolling, wooded landscape. The Research Triangle Foundation (“*RTF*”), a nonprofit entity, is responsible for the management and development of the Park. Approximately 80% of the Park lies within the County and 95% of Park businesses are located in the County. Founded in 1959, it is approximately equidistant from Duke, UNC, and NC State, which provide research capabilities to industries located in the Park. The Park has grown steadily since its founding from 200,000 square feet of space in 1960 to currently 22.5 million square feet of developed space. The Park is the longest-operating research park in the country. Over 375 companies and approximately 60,000 employees are located in the Park. Major companies located in the Park include IBM Corporation, Cisco Systems, Fidelity Investments, and BASF Corporation. The Park’s presence has generated growth in the surrounding areas of the County for homes and commercial and industrial sites.

The Park continues to innovate. RTF operates separate subsidiaries within the Park, including the Frontier, which redeveloped old IBM buildings in the Park Center to attract startups looking for affordable space. Pursuant to an agreement between RTF and the County, the County has contributed funds to redevelop the 100-acre Park Center within the Park. In November 2021, RTF opened the Boxyard RTP to the public, an 18,000 square-foot complex that turned shipping containers into functional dining and retail spaces. The Hub, the Park’s first live, work, and play development, is currently under development. The first residential housing in the Park’s history, MAA Nixie, opened in March 2026. The \$1.5 billion, 100-acre project is expected to bring one million square feet of office space, 125,000 square feet of retail and office space, 228,000 square feet of custom lab space, 279 hotel rooms, 1,200 apartment units, a luxury hotel, and 16 acres of greenspace once complete. As the first buildings in the Hub have begun to open, the Park has already begun developing the next phase of growth and development.

In 2020, the global pharmaceutical company Eli Lilly and Company (“*Lilly*”) announced plans to build its first North Carolina manufacturing facility in the Park. Since 2020, Lilly has committed approximately \$1.7 billion for the development and expansion of its facilities in the Park. In January 2023, Lilly announced an additional investment of \$450 million to expand its manufacturing capacity and create an additional 100 jobs, including additional parenteral filling, device assembly and packaging capacity to support increased demand for Lilly’s incretin products, which treat diabetes. The Lilly plant is expected to employ approximately 600 people at five buildings over the next decade, with a goal to be fully operational in 2027.

In June 2022 KBI Biopharma, Inc. opened a 150,000square-foot, \$150 million commercial biologics manufacturing facility in the Park. The plant supports the production of mammalian-based products, beginning with the late-stage clinical and commercial program of an undisclosed client.

Biotechnology company United Therapeutics has its co-headquarters in the Park in multiple facilities. In June 2023, the company announced that it would be expanding its footprint in the Park with a \$500 million facility to produce Remodulin, a drug used to treat cardio pulmonary hypertension. The 208,000 square-foot facility opened on time in 2025. The company also has a new 196,000 square-foot mass timber facility for manufacturing dry powder drug products and a 55,000 square-foot distribution center in the Park.

In June 2024, TruLab, the leading provider of technology for clinical trial oversight, relocated its headquarters from downtown Durham to Frontier RTP, located in the Hub.

In July 2024, Science Corporation, a medical technology start-up headquartered in Alameda, California with a facility in the Park, announced plans to expand its facility by 57,000 square feet with a \$65 million investment. The company develops brain-computer interface devices such as a visual prosthesis for degenerative retinal devices.

Laying the groundwork for what is being called RTP 3.0 and better connectivity in RTP, GoTriangle's transit center will be relocated to the Park near the Hub. The Triangle Mobility Hub will be a 19-acre multi-modal, mixed use transit center housing a new headquarters for GoTriangle with covered bays, covered loading zones for paratransit, microtransit, and rideshare vehicles, and air-conditioned waiting areas. A hotel is planned to welcome travelers.

*Treyburn Corporate Park.* Treyburn is a master planned 5,300-acre mixed-use development located in the northeastern part of the County. Treyburn houses schools, a retirement community, a planned community-oriented retail area, and recreational facilities as well as Treyburn Corporate Park - a 1,400-acre master planned business park that was designed to attract corporate headquarters, research and development, as well as manufacturing operations.

Manufacturers located in Treyburn Corporate Park include bioMérieux, a French medical diagnostic testing equipment company, which has its North American headquarters located there. The company manufactures nearly one half of the world's blood culture reagents.

Merck & Co. ("*Merck*"), a global pharmaceutical manufacturing company, selected Treyburn for its new 262-acre vaccine manufacturing campus in 2004, after a national site search. Merck's Hilleman Center in Treyburn Corporate Park has been expanded over time and is one of the largest and most innovative vaccine manufacturing facilities in the world. Its most recent \$1 billion, 225,000 square-foot expansion opened in March 2025. The Hilleman Center houses the production of several Merck pediatric, adolescent, and adult products, including the measles, mumps, and rubella vaccines. Also in 2025, Merck acquired British drugmaker Verona Pharma, with its United States headquarters in Raleigh, for approximately \$10 billion.

AISIN North Carolina Corporation ("*AISIN*"), formerly known as AW North Carolina, Inc., is a supplier of automotive components and systems. It has been located in Treyburn since 1999. AISIN recently invested more than \$200 million to launch two new production lines in its facility for the production of two-motor hybrid transmission systems.

Cormetech, a joint venture between Mitsubishi and Corning also located in Treyburn, develops and manufactures catalytic converters. Southern Research Institute, an energy and transportation fuel research facility which facilitates the development and commercial acceptance of technologies that convert nonpetroleum carbon resources into high value products such as clean diesel fuel, jet fuel, methanol, ethanol, and electric power, has been located in Treyburn since 2007. BD Biosciences manufactures a wide range of labware products at its facility in Treyburn. Novo Nordisk, a Danish pharmaceutical company that specializes in diabetes care products, operates a 150,000 square-foot manufacturing facility in Treyburn formerly owned by Purdue Pharma.

*Other Business and Industrial Development.* In addition to the Park and Treyburn, the County is home to more than 10 major business and industrial parks. The Imperial Center, which adjoins the Park, is an office and industrial park consisting of 450 acres. Buildings containing two million square feet, together with the 331-room Sheraton Hotel and Convention Center, are located in the Imperial Center.

Wolfspeed, Inc., formerly known as Cree, Inc. and Cree/Wolfspeed, is the global leader in silicon carbide technology. The company was created by researchers from NC State and is headquartered in the County. Wolfspeed manufactures computer chips and semiconductor products for power and radio-frequency applications. In August 2024, Wolfspeed announced plans to close its 150-millimeter wafer fabrication facility and reduce its workforce in the City as part of a strategic transition to more advanced manufacturing processes. Despite this closure, Wolfspeed maintains its corporate headquarters and two materials manufacturing facilities in the City.

In February 2023 Kempower, a Finland-headquartered manufacturer of electric vehicle charging systems, selected the County as its North American base. It celebrated the grand opening of its manufacturing facility in June 2024. Its other three factories are located in Europe.

In June 2024, IONNA, a clean energy, technology and electric vehicle charging company founded by eight of the world's largest automakers, including BMW, GM and Honda, announced the City as its global headquarters.

## **DOWNTOWN DEVELOPMENT**

The City's downtown area has undergone significant transformation, marked by a mix of public and private investments that have revitalized the City's central business district. The City's downtown transformation began in 2003 when the City, the County, and Capitol Broadcasting Company partnered to redevelop the historic American Tobacco manufacturing plant, creating the 15-acre American Tobacco Campus with 14 buildings and three structures. Over the next 20 years, the American Tobacco Campus was revitalized from a dormant industrial site into a vibrant mixed-use historic development, with over \$200 million invested in its redevelopment, resulting in 720,000 square feet of commercial space, 80 residential apartments, and two parking facilities. The campus's redevelopment has attracted major tenants to the area, including Duke University, Nutanix, BioLabs, and Meta's Reality Labs division.

Within the American Tobacco Campus are two City-owned entertainment venues that have served as catalysts for continued development downtown - the Durham Performing Arts Center (“*DPAC*”) and the Durham Bulls Athletic Park (“*DBAP*”). DPAC, built in 2008, features a 2,700-seat multi-use performance theater that has garnered numerous awards and recognitions. In its most recent season, DPAC welcomed nearly 500,000 guests to 212 performances, including hit Broadway shows, concerts, comedy shows, and other events. The venue's national prominence is reflected in its 2024-2025 season rankings as the #2 theater in the nation based on ticket revenue by Billboard Magazine and the #5 theatre based on attendance by Pollstar Magazine. DBAP is a 10,000-seat baseball stadium that is home to the Durham Bulls, a Class AAA affiliate of the Tampa Bay Rays. It dates back to 1926 and was last renovated in 2008. DBAP sits on 5.44 acres in the heart of downtown Durham.

Just west of DBAP lies Durham's Innovation District (the “*Innovation District*”), a 27-acre hub that emerged from a collaborative partnership among Boston-based Longfellow Real Estate Partners, local educational company Measurement Inc., and Duke University. The district encompasses 1.8 million square feet of laboratory and office space, complemented by 60,000 square feet of retail space and 250,000 square feet of residential development. In 2020, Longfellow consolidated its stake in the project by acquiring full ownership for \$138 million. Since then, the Innovation District has undergone significant expansion. Two seven-story mixed-use buildings have added nearly 350,000 square feet of office and retail space, supported by a new eight-story parking structure. The residential offerings have grown with the completion of Beckon, a six-story apartment complex featuring 263 units, sustainable design elements, and ground-floor retail space. With its focus on life sciences and innovation-oriented companies, the district continues to house research facilities and technology firms while maintaining partnerships with educational and industry organizations.

The Novus is a 27-story residential skyscraper in the City’s Five Points district that opened in July 2025. It offers condominiums for sale as well as rental apartments and ground-floor retail. Amenities include putting greens, a golf simulator, spaces to work remotely, a pickleball court, an outdoor movie theater, a dog park, as well as pools, hot tubs and a steam room.

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**EMPLOYMENT**

The following table lists, by name, product or service and approximate number of employees, the major business and institutional establishments in the County as of June 2025.

| <u>Company or Institution</u>             | <u>Product or Service</u>             | <u>Approximate Number of Employees</u> |
|---|---------------------------------------|--|
| Duke University and Health System, Inc.   | Clinical care, education and research | 48,313                                 |
| Fidelity Investments                      | Financial Services                    | 8,400                                  |
| International Business Machines (IBM)     | Information technology                | 7,000                                  |
| Blue Cross and Blue Shield North Carolina | Insurance                             | 6,206                                  |
| Durham Public Schools                     | Public Education                      | 5,054                                  |
| Wolfspeed, Inc.                           | Manufacturing                         | 5,013                                  |
| Pfizer                                    | Biopharmaceutical services            | 3,900                                  |
| Cisco Systems, Inc.                       | Digital communications                | 3,700                                  |
| IQVIA (formerly Quintiles)                | Biopharmaceutical services            | 2,700                                  |
| Research Triangle Institute               | Scientific research                   | 1,700                                  |

The Labor & Economic Analysis Division of the North Carolina Department of Commerce has estimated the percentage of unemployment (unadjusted for season) in the County to be as follows:

|          | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |           | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u>      |
|----------|-------------|-------------|-------------|-------------|-------------|-----------|-------------|-------------|-------------|-------------|------------------|
| January  | 3.5%        | 3.2%        | 3.2%        | 3.3%        | 3.7%        | July      | 4.4%        | 3.3%        | 3.2%        | 3.5%        | 3.7%             |
| February | 3.3         | 3.3         | 3.3         | 3.3         | 3.5         | August    | 4.2         | 3.5         | 3.3         | 3.5         | 3.8              |
| March    | 3.1         | 3.1         | 3.2         | 3.3         | 3.2         | September | 3.6         | 2.9         | 2.9         | 2.9         | 3.4              |
| April    | 2.9         | 2.6         | 2.8         | 3.0         | N/A         | October   | 3.6         | 3.2         | 3.1         | 2.8         | N/A <sup>1</sup> |
| May      | 3.1         | 3.0         | 3.1         | 3.3         |             | November  | 3.4         | 3.2         | 3.0         | 3.1         | 3.4              |
| June     | 3.5         | 3.2         | 3.4         | 3.6         |             | December  | 2.9         | 2.8         | 2.8         | 2.9         | 3.1              |

<sup>1</sup> Data for October 2025 not available due to the federal government shutdown.

## RETAIL SALES

Taxable retail sales in the County for the fiscal years ended June 30, 2021 through June 30, 2025 and for a portion of 2026 are shown in the following table:

| <u>Fiscal Year Ended</u><br><u>June 30</u> | <u>Taxable</u><br><u>Retail Sales</u> | <u>Increase (Decrease)</u><br><u>Over Previous Year</u> |
|--|---------------------------------------|---|
| 2021                                       | \$ 8,612,784,253                      | 10.3% <sup>1</sup>                                      |
| 2022                                       | 10,073,809,347                        | 17.0 <sup>1</sup>                                       |
| 2023                                       | 10,661,429,553                        | 5.8   |
| 2024                                       | 10,766,356,401                        | 1.0   |
| 2025                                       | 10,669,278,628                        | (0.9)   |
| 2026 (9 months <sup>2</sup> )              | 8,302,904,016                         | --  |

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

- 1 The large increase in taxable sales for fiscal years 2021 and 2022 may have been due, at least in part, to shifts in consumer spending and direct stimulus support given to households during the COVID-19 pandemic, along with rising inflation.
- 2 For the nine-month period ended March 31, 2026. Taxable retail sales were \$7,940,393,584 for the same nine-month period ended March 31, 2025.

## CONSTRUCTION ACTIVITY

Construction activity in the County, including the City, is indicated by the following table showing the number of building permits issued and the related value of construction:

| <u>Calendar</u><br><u>Year</u> | <u>Commercial</u> |                 | <u>Residential</u> |               | <u>Total Value</u> |
|--------------------------------|-------------------|-----------------|--------------------|---------------|--------------------|
|                                | <u>Number</u>     | <u>Value</u>    | <u>Number</u>      | <u>Value</u>  |                    |
| 2020                           | 1,159             | \$1,517,408,457 | 4,408              | \$727,884,482 | \$2,245,292,939    |
| 2021                           | 852               | 1,114,283,280   | 4,728              | 945,408,390   | 2,059,691,670      |
| 2022                           | 860               | 1,085,091,424   | 4,335              | 1,241,327,778 | 2,326,419,202      |
| 2023                           | 1,011             | 934,782,533     | 4,632              | 1,200,856,473 | 2,135,675,006      |
| 2024                           | 840               | 1,221,288,188   | 4,377              | 1,056,230,302 | 2,277,518,490      |
| 2025                           | 826               | 1,041,299,553   | 5,023              | 1,770,949,968 | 2,812,249,521      |

Source: City/County of Durham Inspections Department.

## GOVERNMENT AND MAJOR SERVICES

*Government Structure.* The County is governed by a Board of Commissioners (the “Board”). The Board consists of five members who are elected at large to four-year terms on a partisan basis. Elections for the Board are held in November of every four years. The Board annually elects a chair and a vice chair from among its members.

The major duties of the Board include adopting an annual budget; establishing the annual property tax rate; appointing various officials (the County Manager, the County Attorney and members of County boards and commissions); enacting policies concerning the operation of the County; planning for County needs; and enacting local ordinances. The Board also has authority to call bond referenda, enter into contracts and establish new programs and departments.

The County Manager is the chief administrator of the County. The County Manager is appointed by the Board and serves at the Board’s discretion. The major duties of the County Manager include supervising and coordinating the activities of the County departments for the Board; seeing that all orders and policies of the Board are carried out; making recommendations on appropriate matters of business; recommending an annual budget and advising the Board on the financial condition of the County; representing the County in business with other agencies; and performing other duties assigned by the Board.

*Durham Public School System (“DPS”).* There is one public school system serving the County. DPS is governed by a Board of Education (the “Board of Education”), consisting of seven members elected for four-year terms. A school superintendent is appointed by the Board of Education.

The State provides funding for a basic minimum educational program which is supplemented by the County and federal governments. This minimum program provides funds for operational costs only, while financing of public-school facilities has been a joint State and County effort. Local financial support is provided by the County for capital and operating costs which is not provided for by the State or federal government.

The County makes contributions to the system from its General Fund and the proceeds of general obligation bonds issued from time to time for public school purposes by the County. The County also provides significant Pre-K support outside of direct DPS funding support.

A portion of the amount expended for Board of Education operating expenses comes from a cent Local Sales and Use Tax for Education that was approved by the voters of the County in November 2011. The County began collecting the additional tax on April 1, 2012, and the Board has committed these proceeds for use toward supporting educational purposes to include debt service on County educational (school) debt. As such, any unspent portion of these funds are committed to fund balance for educational purposes in the County’s General Fund. For the fiscal year ended June 30, 2025, the County collected \$80,019,585. Of this amount, \$23,313,674 was used to fund County debt service on school-related obligations.

The following table shows the combined number of schools by grade level and average daily membership (“ADM”) for the Durham Public School System:

| School Year | Elementary<br>Grades K-5 |                  | Junior High<br>Grades 6-8 |                  | Secondary<br>Grades 9-12 |                  |
|-------------|--------------------------|------------------|---------------------------|------------------|--------------------------|------------------|
|             | Number                   | ADM <sup>1</sup> | Number                    | ADM <sup>1</sup> | Number                   | ADM <sup>1</sup> |
| 2021-22     | 30                       | 13,873           | 9                         | 6,819            | 15                       | 10,688           |
| 2022-23     | 31                       | 13,759           | 9                         | 6,575            | 15                       | 10,790           |
| 2023-24     | 31                       | 13,711           | 9                         | 6,413            | 15                       | 10,724           |
| 2024-25     | 32                       | 13,859           | 10                        | 6,446            | 15                       | 10,806           |
| 2025-26     | 32                       | 13,292           | 10                        | 6,263            | 15                       | 10,108           |

<sup>1</sup> Average daily membership (“ADM”) (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The ADM computations are used as a basis for teacher allotments and for distribution of local funds.

Source: North Carolina Department of Public Instruction.

Various public charter schools also serve the County. They operate under license from the State to conduct innovative education efforts and are funded from local, State, and federal sources. The County’s appropriations to the charter schools are a part of its appropriations to the public school system.

*Transportation.* The County is served by a network of highways, including Interstate highways 40 and 85, U.S. highways 15, 70 and 501, and North Carolina highways 54, 55, 98, 147, and 751. Expansion and betterment of the State highways and federal highways are completely the responsibility of the State.

The County, together with the City, the City of Raleigh, and the County of Wake, owns the Raleigh-Durham International Airport (“RDU”). The airport is operated by the Raleigh-Durham Airport Authority (the “Authority”) and is served by 20 carriers out of two passenger terminals. The County, the Cities of Durham and Raleigh along with Wake County each appoint two members to the eight-member board of the Authority. The County is not financially responsible for airport capital improvements or operations.

GoTriangle (formerly known as Triangle Transit) is the regional public transportation agency that provides bus and shuttle service, paratransit services, ride matching and vanpools, commuter resources, and an emergency ride home program in the Raleigh-Durham-Chapel Hill area. It is engaged in the planning and implementation of major regional transit investments.

An additional ½ cent Local Sales and Use Tax for Public Transportation was approved by the voters of the County in November 2011. The County began to levy this tax in April 2013, as neighboring Orange County approved a similar transit tax so that the proceeds may be concurrently levied and used for multi-jurisdictional options, including implementation of the Bus and Rail Investment Plan. Further, the Board authorized the levy of a \$7.00 Motor Vehicle Registration Tax in March 2013, collection of which began in September of 2013. The proceeds of the tax are distributed to the County and shared with the municipalities located within the County who operate

a public transit system on a pro rata basis. Through an interlocal agreement, the municipalities located within the County agreed to allow the County to retain its share, which is used to fund the Durham County Transit Plan.

The County is served by three railroads (Norfolk Southern Corp., CSX Transportation and Amtrak) and two bus lines as well as the bus service provided by the GoTriangle.

## **HUMAN SERVICES**

*Social Services.* The mission of the County Social Services Department is to partner with families and communities in achieving well-being through prosperity, permanence, safety, and support. The Department offers financial assistance and services to individuals and families directed toward family self-sufficiency and protection of vulnerable adults and children. Social services programs are regulated primarily by State and federal agencies. The County Social Services Department is charged with the administration of these programs on a County-wide basis. Financial assistance and service programs and their administration are funded by varying percentages of federal, State, and County support.

*Mental Health.* Alliance Health (“*Alliance*”) is a multi-county area authority, organized under North Carolina General Statute Chapter 122C-115, to administer mental health, substance abuse, and development disability services for the County and other counties. Funding for the administration of Alliance is the responsibility of the State with counties providing funds for the provision of services.

*Public Health.* The County Health Department’s mission is to preserve, protect and enhance the general health and environment of the community. The County Health Department is comprised of multiple divisions: Administration, Dental Services, Laboratory, Nutrition, Pharmacy, Child Health, Communicable Diseases, Immunization/Refugee Health, STD/HIV Testing, and Women’s Health Services. Major services of the County Health Department include communicable disease control, maternal and child health services, public health nursing, dental health, health education, public health laboratories, and vital statistics. The Environmental Health Division regulates sanitation in food handling establishments, public lodging places, public institutions and recreational facilities, and the sanitation and quality of milk supplies. It also operates rodent and insect control programs, monitors solid waste disposal, and conducts occupational disease programs.

*Health Trust Fund.* Pursuant to agreements executed among the County, Duke Regional Hospital and Duke University Hospital, effective July 1, 1998, the County began leasing its hospital facilities to Duke University Hospital under the terms of a long-term operating lease with a current expiration date of June 30, 2049. The rental payments received and to be received by the County on an annual basis are as follows:

From January 1, 2019 to June 30, 2019 = \$625,000  
From July 1, 2019 to June 30, 2031 = \$1,250,000  
From and after July 1, 2031 = \$0

In addition, under the terms of the sublease, the County receives additional payments, annually adjusted for inflation, for its support of emergency medical services previously provided by Duke Regional Hospital and assumed by the County under the agreements. These funds are accounted for in the General Fund.

*Public Safety.* The Durham County Sheriff's Office serves as the primary law enforcement agency for the approximately 200 square miles of the unincorporated area within the County. Nearly 500 civilian and sworn law enforcement and detention officers work across its multiple divisions and units. The Durham County Sheriff is also responsible for the administration and operation of the County's Detention Facility. The County's Detention Facility houses inmates in a safe, secure, and adequate environment while ensuring the protection of inmates, staff, and the surrounding community through the proper administration and operation of the facility. It is dedicated to providing several "self-help" and work programs for inmates to reduce recidivism and promote rehabilitation and productive use of time spent under incarceration.

*Fire Protection.* Fire protection in the County is provided by four fire departments that provide fire suppression, emergency medical services and rescue. In addition, some sections of the County are covered by three other fire districts with primary response areas outside of the County: Eno Volunteer Fire Department, Moriah Volunteer Fire Department, and New Hope Volunteer Fire Department.

*Public Utility Enterprises.* The primary water and wastewater services provider within the County is the City. The water service area includes all of the City's incorporated area and portions of the County including the Park, and the City's water and sewer system (the "System"). Separate from the City, the County's Utilities Division owns and operates the 12 MGD Triangle Wastewater Treatment Plant and the Rougemont Water System in the northern part of the County.

Electric service is provided by Duke Energy and Piedmont Electric Corporation and natural gas service is provided by Public Service Company of North Carolina, Inc.

*Library Facilities.* The County Main Public Library was the first tax-supported library in the State. Funding for the library system is primarily from local revenues. In 2021, the Main Public Library reopened after a major renovation that focused on environmental sustainability and included the addition of nearly 20,000 square feet. The County has issued general obligation bonds from time to time to finance improvements to its library system.

*Museum of Life and Sciences.* Although the Museum of Life and Sciences (the "Science Museum") is owned by a nonprofit corporation, the County provides funding to support both its operations and capital projects. The Science Museum was previously known as the North Carolina Museum of Life and Science and the North Carolina Children's Museum. It is situated on an 84-acre campus less than five miles from downtown Durham.

*Other Services.* The County and the City jointly own and operate the Durham Convention Center (the "Convention Center") which includes more than 40,000 square feet of meeting space among 13 rooms and a 14,080 square-foot Grand Ballroom. The Convention Center was constructed as part of a downtown development project, with public and private components, that

included the renovation of the Carolina Theater and a City-owned building leased to the Durham Arts Council and the construction of public parking facilities, a hotel, and a private office building.

The County operates and maintains the 8,500-seat Durham County Memorial Stadium and generates on-going revenues through rental and concession fees. In 2019, the County completed a renovation of the stadium. The renovations included installation of an artificial turf football field, an eight-lane track as well as an expanded press box with elevator, improved locker rooms, improved ADA access, and additional restrooms and concessions.

## **ENVIRONMENTAL SUSTAINABILITY**

Through its Office of Sustainability, the County has developed and implemented many environmental sustainability initiatives.

As the State's first community plan aimed at reducing greenhouse gases, the County's Greenhouse Gas Emissions Reduction Plan (the "*GHGR Plan*") targets a 30% reduction in local government greenhouse gas emissions and a 50% reduction in community greenhouse gas emissions from 2005 levels by 2030. In October 2021, the County adopted a Renewable Energy Action Plan as a way of implementing the Board's 2018 resolution calling for the transition from fossil-fuel-powered operations to 80% clean renewable energy by 2030 and 100% by 2050.

The County has implemented several changes to various departments and organizations in furtherance of the GHGR Plan and Renewable Energy Action Plan, including conducting extensive energy and water upgrades to County facilities, installing electric vehicle charging stations, providing energy retrofits for homes, and purchasing fuel-efficient transit buses and other transportation. The County has also partnered with the City and Solarize the Triangle, a community-based group-purchasing program, to make solar power more affordable and accessible in the Raleigh-Durham-Chapel Hill area. Additional environmental initiatives include the County's high-performance building policy, which requires all new buildings to meet high environmental standards.

## **DEBT INFORMATION**

*Legal Debt Limit.* The County is subject to the Local Government Bond Act of North Carolina, which limits the net bonded general obligation debt the County may have outstanding to 8% of the appraised value of property subject to taxation less property valued for abatement. At June 30, 2025, such statutory limit for the County was \$4,266,357,462.

*Outstanding General Obligation Debt.* General obligation bonds issued by the County are backed by a pledge of the County's full faith and credit and taxing power.

**GENERAL OBLIGATION BONDS<sup>1</sup>**

|                               | For Fiscal Year Ending |                      |                      |                      |                      |
|-------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
|                               | June 30, 2021          | June 30, 2022        | June 30, 2023        | June 30, 2024        | June 30, 2025        |
| Governmental Bonds            | \$287,420,103          | \$253,482,741        | \$227,590,505        | \$222,055,000        | \$199,735,000        |
| Business-Type Bonds           | --                     | --                   | --                   | --                   | --                   |
| <b>Total Debt Outstanding</b> | <b>\$287,420,103</b>   | <b>\$253,482,741</b> | <b>\$227,590,505</b> | <b>\$222,055,000</b> | <b>\$199,735,000</b> |

1 Excludes debt service on the County’s short term draw down general obligation bonds, which have since been refunded with long-term general obligation bonds or will be refunded with the County’s 2026B Bonds. These included (a) up to \$70,000,000 General Obligation Bond, Series 2019 issued June 2019, (b) up to \$50,000,000 General Obligation Bond, Series 2021 issued August 2021 and (c) up to \$185,000,000 2023 Bond issued August 2023.

**GENERAL OBLIGATION DEBT RATIOS**

| At June 30 | Total Outstanding GO Debt <sup>1</sup> | Assessed Valuation | Total GO Debt to Assessed Valuation | Population <sup>2</sup> | Total GO Debt Per Capita | Assessed Valuation Per Capita <sup>3</sup> |
|------------|--|--------------------|-------------------------------------|-------------------------|--------------------------|--|
| 2021       | \$287,420,103                          | \$45,610,306,084   | 0.63%                               | 321,488                 | \$894                    | \$141,872                                  |
| 2022       | 253,482,741                            | 47,075,905,221     | 0.54                                | 327,306                 | 774                      | 143,830                                    |
| 2023       | 227,590,505                            | 49,404,432,621     | 0.46                                | 332,680                 | 684                      | 148,504                                    |
| 2024       | 222,055,000                            | 51,324,214,755     | 0.43                                | 336,892                 | 659                      | 152,346                                    |
| 2025       | 199,735,000                            | 53,329,468,270     | 0.37                                | 343,628                 | 581                      | 155,195                                    |

1 Excludes debt service on the County’s short-term draw down general obligation bonds, which have since been refunded with long-term general obligation bonds. These included (a) up to \$70,000,000 General Obligation Bond, Series 2019 issued on June 12, 2019 and (b) up to \$50,000,000 General Obligation Bond, Series 2021 issued on August 10, 2021.

2 Estimates from Durham City/County Planning Department.

3 Totals may not foot due to rounding.

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2025<sup>1</sup>**

| Fiscal Year Ending June 30 | Principal            | Interest            | Principal & Interest |
|----------------------------|----------------------|---------------------|----------------------|
| 2026                       | \$22,220,000         | \$7,614,992         | \$29,834,992         |
| 2027                       | 20,010,000           | 6,685,168           | 26,695,168           |
| 2028                       | 16,380,000           | 5,822,281           | 22,202,281           |
| 2029                       | 16,340,000           | 5,015,981           | 21,355,981           |
| 2030                       | 16,250,000           | 4,298,381           | 20,548,381           |
| 2031-2035                  | 62,205,000           | 13,193,150          | 75,398,150           |
| 2036-2040                  | 39,445,000           | 4,677,500           | 44,122,500           |
| 2041-2045                  | 6,885,000            | 550,800             | 7,435,800            |
|                            | <b>\$199,735,000</b> | <b>\$47,858,253</b> | <b>\$247,593,253</b> |

1 The amounts shown do not include unamortized original issue bond premium or any outstanding draw down bonds or bond anticipation notes because they have no fixed amortization of principal.

**GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED**

| Purpose           | Date Authorized | Amount Authorized | Bonds Issued <sup>1</sup> | Unissued Balance  | Bonds Now Offered | Balance After Sale |
|-------------------|-----------------|-------------------|---------------------------|-------------------|-------------------|--------------------|
| Schools           | 11/8/2022       | \$423,505,000     | \$169,012,579             | \$254,492,421     | \$81,400,000      | \$173,092,421      |
| Community College | 11/8/2022       | 112,740,000       | 12,000,000                | 100,740,000       | 15,900,000        | 84,840,000         |
| Museum            | 11/8/2022       | <u>13,995,000</u> | <u>3,987,421</u>          | <u>10,007,579</u> | <u>2,700,000</u>  | <u>7,307,579</u>   |
| Totals            |                 | \$550,240,000     | \$185,000,000             | \$365,240,000     | \$100,000,000     | \$265,240,000      |

<sup>1</sup> Short-term bonds issued under the County’s draw program. The County currently expects to refund these short-term bonds from proceeds of long-term fixed rate bonds to be issued on or about July 29, 2026.

Limited obligation bonds and installment financing contracts are secured by specific assets of the County.

**LIMITED OBLIGATION BONDS AND INSTALLMENT FINANCING CONTRACTS  
DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2025**

| Fiscal Year<br>Ending June 30 | Limited Obligation Bonds |                      | Installment Financing Contracts |                 | Total Principal<br>& Interest |
|-------------------------------|--------------------------|----------------------|---------------------------------|-----------------|-------------------------------|
|                               | Principal                | Interest             | Principal                       | Interest        |                               |
| 2026                          | \$27,564,000             | \$17,276,498         | \$370,735                       | \$29,265        | \$45,240,498                  |
| 2027                          | 27,410,000               | 16,063,418           | 387,800                         | 20,700          | 43,881,918                    |
| 2028                          | 27,315,000               | 14,925,375           | 405,263                         | 11,737          | 42,657,375                    |
| 2029                          | 27,175,000               | 13,798,894           | 208,123                         | 2,378           | 41,184,395                    |
| 2030                          | 26,985,000               | 12,715,469           | -                               | -               | 39,700,469                    |
| 2031-2035                     | 113,245,000              | 52,618,320           | -                               | -               | 165,863,320                   |
| 2036-2040                     | 99,470,000               | 29,253,274           | -                               | -               | 128,723,274                   |
| 2041-2045                     | 53,470,000               | 8,632,190            | -                               | -               | 62,102,190                    |
|                               | <u>\$402,535,000</u>     | <u>\$152,306,970</u> | <u>\$1,371,921</u>              | <u>\$64,080</u> | <u>\$556,277,971</u>          |

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

The County participates in a number of federal and State grant awards programs. The disbursement of funds under these programs is subject to audit in accordance with the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the North Carolina State Single Audit Implementation Act. The amounts, if any, of expenditures which may be disallowed by the granting agencies resulting from such audits cannot be determined at this time, although the County expects they will be immaterial.

See Note E in the Notes to Basic Financial Statements of the County in *Appendix D* attached hereto for further information on the long-term obligations of the County.

*Derivative Agreements.* The County has previously entered into an interest rate swap agreement related to certain of its debt. See Note A in the Notes to Basic Financial Statements of the County in *Appendix D* attached hereto.

## **DEBT OUTLOOK**

The County maintains a 10-year Capital Improvement Plan (“*CIP*”), which is fully updated every two years. It is submitted to the Board for review and approval during the budget cycle. The *CIP* provides for County needs as well as those of its public schools, Durham Technical Community College and the Museum of Life and Science. The *CIP* is fully updated every two years. In January 2024, the County published its requested *CIP* on its website for the fiscal years 2024 through 2033, which totals \$2.2 billion. The nearly \$300 million variance is due to scope changes, project sequencing adjustments and inflation increases. The 2024 requested information captured on the website reflects project requests since the 2022-2031 adopted plan. The website's interactive link provides transparency to both the Board and the public by showing projects under consideration. The Board will deliberate the plan over the next several months, with the goal of adopting the *CIP* by November 2024. As has been its historical practice, the County plans to utilize short-term financings for both general obligation and limited obligation bonds to provide the initial funds for a substantial portion of these projects with long-term financings following approximately three years thereafter.

In November 2022, County voters approved the issuance of \$550,240,000 general obligation bonds for the Durham Public Schools, Durham Technical Community College and the Museum of Life and Sciences (the “*2022 Referendum Authority*”) of which \$185,000,000 was issued in the form of a bond anticipation note in August 2023, which will be refunded by the 2026 Bonds. The County currently expects to enter into a second short-term draw general obligation financing utilizing their 2022 Referendum Authority in July 2026 in an aggregate principal amount not to exceed \$185,000,000.

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## TAX INFORMATION

### *General Information.*

|                                       | Fiscal Year Ended June 30, |                         |                         |                         |                         |
|---------------------------------------|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                                       | 2021                       | 2022                    | 2023                    | 2024                    | 2025                    |
| Assessed Valuation                    |                            |                         |                         |                         |                         |
| Assessment Ratio <sup>1</sup>         | 100%                       | 100%                    | 100%                    | 100%                    | 100%                    |
| Real Property                         | \$38,075,875,096           | \$39,132,997,771        | \$40,573,912,713        | \$41,898,662,716        | \$42,978,891,406        |
| Personal Property                     | 4,048,724,118              | 4,351,409,488           | 5,015,567,148           | 5,583,640,062           | 6,102,598,856           |
| Public Service Companies <sup>2</sup> | 630,273,733                | 670,273,733             | 677,619,677             | 522,340,633             | 564,026,842             |
| Registered Vehicles                   | <u>2,855,433,137</u>       | <u>2,921,224,229</u>    | <u>3,137,333,083</u>    | <u>3,319,571,344</u>    | <u>3,683,951,166</u>    |
| Total Assessed Valuation <sup>3</sup> | <u>\$45,610,306,084</u>    | <u>\$47,075,905,221</u> | <u>\$49,404,432,621</u> | <u>\$51,324,214,755</u> | <u>\$53,329,468,270</u> |
| Per Capita Assessed Valuation         | \$141,872                  | \$143,829               | \$148,504               | \$152,346               | \$155,195               |
| Rate per \$100                        | .7122                      | .7222                   | .7222                   | .7522                   | .7987                   |
| Levy <sup>4</sup>                     | \$305,801,999              | \$320,125,424           | \$336,522,246           | \$363,785,007           | \$399,153,416           |

1 Percentage of appraised value has been established by statute.

2 Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.

3 Calculated using population estimates of the Durham City/County Planning Department.

4 Includes only direct County property tax levy. Does not include special district taxes and portions of the County subject to municipal taxes.

Note: A revaluation of real property is required by statute at least every eight years. The previous general reappraisal (revaluation) was effective January 1, 2019, which was for taxes levied in fiscal year 2019-20. The current general reappraisal became effective January 1, 2025 for taxes levied in fiscal year 2025-26.

### *Tax Collections.*

| Fiscal Year Ended June 30 | Current Year's Levy Collected | Percentage of Current Year's County-Wide Levy Collected <sup>1</sup> |
|---------------------------|-------------------------------|--|
| 2021                      | \$527,954,594                 | 99.46%   |
| 2022                      | 559,131,786                   | 99.81  |
| 2023                      | 587,363,305                   | 99.52  |
| 2024                      | 625,033,707                   | 99.71  |
| 2025                      | 689,655,326                   | 99.74  |

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

*Ten Largest Taxpayers for Fiscal Year Ended June 30, 2025.*

| Name                              | Type of Enterprise                 | Assessed Valuation | Percentage of Assessed Value |
|-----------------------------------|------------------------------------|--------------------|------------------------------|
| Wolfspeed Inc.                    | Manufacturing<br>Pharmaceutical    | \$787,284,368      | 1.48%                        |
| Eli Lilly & Company               | Manufacturing                      | 655,027,287        | 1.23                         |
| Merck Sharp & Dohme Corp          | Medical Research                   | 524,290,807        | 0.98                         |
| AISIN North Carolina Corporation  | Manufacturing                      | 311,475,660        | 0.58                         |
| Duke Energy Carolinas, LLC        | Utility                            | 275,892,929        | 0.52                         |
| ARE-NC Region No. 19 Holding, LLC | Property Management                | 229,052,378        | 0.43                         |
| KBI Biopharma Inc.                | Biopharmaceutical<br>Manufacturing | 227,406,659        | 0.43                         |
| Biogen US Corporation             | Medical Research                   | 189,198,703        | 0.35                         |
| Southpoint Mall LLC               | Retail                             | 185,830,435        | 0.35                         |
| EMC Corporation (Dell)            | Information Technology             | <u>170,202,416</u> | <u>0.32</u>                  |
| TOTAL                             |                                    | \$3,555,661,642    | 6.67%                        |

**2025-2026 BUDGET OUTLOOK**

The County approved a \$1.04 billion budget for fiscal year 2026, which is 7.5% more than the previous year’s budget. It includes a 3.5 cent property tax increase with a \$15.9 million increase for Durham Public Schools and a 3-4% pay increase for all of the County’s employees. It also funds 44.5 new positions.

The County Budget and Finance staff monitor fiscal and revenue trends throughout the year and provide budget updates to the Board at least quarterly. Based on this review process, budget adjustments occur as needed, with limited allocations made that require funding beyond a one-time period. One of the major entities funded within the County’s budget is DPS. The County allocates funding to the schools every month based on an annual appropriation. DPS updates operating and capital budget expenditures trends during quarterly joint meetings between the Board of Education and Board of County Commissioners.

**EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

The County participates in the North Carolina Local Governmental Employees’ Retirement System (“*NC LGERS*”), a cost-sharing multiple employer defined benefit pension plan administered by the State. For information concerning the County’s participation in various pension plans and its other retirement benefits, see Note H to the County’s Audited Financial Statements in *Appendix D*.

Financial statements and required supplementary information for NC LGERS are included in the Annual Comprehensive Financial Report (“*ACFR*”) for the State. Please refer to the State’s ACFR for additional information.

## **OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Under the terms of a County resolution, the County administers a single employer defined benefit Healthcare Benefits Plan. For additional information concerning the County's obligation to provide such health care benefits and information concerning a plan of the County to provide death benefits to certain employees, see Note H in the Notes to Basic Financial Statements of the County in *Appendix D* attached hereto.

The County's total OPEB liability of \$152,627,727 was measured as of June 30, 2024 and was determined based on an actuarial valuation as of June 30, 2023. A number of actuarial assumptions, including the appropriate discount rate, were made in determining this valuation.

## **CONTINGENT LIABILITIES**

The County follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or possible to estimate in amount. Though there are actions against the County presently pending, the County Attorney has reviewed and evaluated these, and it is her opinion that these actions, individually and collectively, will not materially affect the ability of the County to meet its financial obligations. Further, there are no actions challenging the validity of the 2026A Bonds.

**THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION**

The Local Government Commission (the “Commission”) is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale, and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on-site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit’s debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act, and its ability to service the proposed debt. All general obligation issues are customarily sold based on formal sealed bids submitted at the Commission’s offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems, and practices. The Commission’s staff also counsels the units of local government in treasury and cash management, budget preparation, and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his or her approval before the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets, and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors to assist the unit in working out a refinancing plan, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable, and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such a plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary of the Commission deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue regarding a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed with following such plan.

**Management Discussion and Analysis**

The following is Management’s Discussion and Analysis of the financial activities of the County, lifted from the Annual Comprehensive Financial Report for Durham County for the fiscal year ended June 30, 2025. Management’s Discussion and Analysis provides an objective and easily readable short and long-term analysis of the County’s financial activities based on currently known facts, decisions, or conditions. Management’s Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the County have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.



## Management's Discussion and Analysis

As management of Durham County, North Carolina (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages xi-xxi.

### Financial Highlights

- The assets and deferred outflows of resources of Durham County exceeded its liabilities and deferred inflows of resources at the close of the 2025 fiscal year by \$166,219,501 (*total net position*). However, of this amount, unrestricted net position has a deficit balance of (\$130,845,410) (*unrestricted net position*) for governmental activities which is primarily because of the debt the County has issued on behalf of the school system, Durham Technical Community College and the Museum of Life and Science to fund capital outlay as required by State law. The assets funded by the County are owned by the Durham Public School System, Durham Technical Community College and the Museum of Life and Science and are capitalized in their financial statements. Therefore, the County, as the issuing government, has incurred a liability without a corresponding increase in assets.
- The government's total net position decreased by \$7,335,564, a decrease of 4.23 percent, due to a decrease in the governmental activities' net position and an increase in the business-type activities' net position of \$16.28 million and \$8.95 million, respectively. See Note O for explanation of restatement of beginning net position.
- As of the close of the 2025 fiscal year, the County's governmental funds reported combined ending fund balances of \$437,925,072, a decrease of \$16,719,796 in comparison with the prior year before restatement. Approximately 23.49 percent of this total amount, or \$102,862,465, is *restricted or non-spendable*.
- At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$215,272,365 or 31.6 percent of total general fund expenditures, compared to fiscal year 2024 which was \$196,097,810 or 29.47 percent of total general fund expenditures, which reflects an increase 7.24 percent.
- The net change in fund balance for fiscal year 2025 in the general fund was an increase of \$16,467,018. The primary reasons for the increase were the excess revenues over expenditures of over \$119.0 million, less transfers out of over \$106.9 million plus transfers in of over \$4.0 million, and leases and subscriptions issued of \$325,752.
- The County's total governmental activities long-term liabilities increased by \$14,080,553 (1.29 percent) during the 2025 fiscal year. The key factors in this increase were issuances Bond Anticipation Notes (BANs) of \$80,726,966; the increase in the LGERS pension obligation of \$4,102,300, the increase of compensated absences of \$483,993 and the net increase in the LEOSSA liability of \$84,466. These increases were offset by the annual reductions in debt in the amounts of \$22,320,000 in General Obligation Bonds (GO Bonds), \$27,615,000 in LOBs, \$7,508,425 in amortization of bond premiums, the net decrease in lease and subscription liability of \$889,947 and \$1,513,618, respectively, and the net decrease in OPEB obligation of \$11,115,642. Durham County continues to maintain its AAA bond rating.

## Overview of the Financial Statements

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

## Basic Financial Statements

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

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

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

Following the notes is the required supplementary information.

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

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

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

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

for the Board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

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

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

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

The County maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the American Rescue Plan Act (ARPA) fund, the Opioid Settlement fund, the capital projects fund, and the debt service fund, all of which are major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Durham County adopts an annual budget for its general fund, as required by General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the general fund and the community health trust fund demonstrates how well the County complied with the budget ordinance and whether the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found on pages 30-37 of this report.

**Proprietary funds.** Durham County has two kinds of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sewer utility and stormwater operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities, only in more detail. The proprietary fund financial statements provide separate information for the sewer utility which is a major fund of the County and the stormwater which is a non-major fund of the County.

The basic proprietary fund financial statements can be found on pages 38-41 of this report.

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-109 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Durham County's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. Required supplementary information can be found on pages 113-119 of this report.

Following the required supplementary information, combining statements referred to earlier are provided to show details in connection with non-major governmental funds. Budgetary information for each fund as required by the North Carolina General Statutes and detailed comparative statements, including annually budgeted funds, can also be found in this section. Combining and individual fund statements and schedules can be found on pages 127-169 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$166,219,501 as of June 30, 2025. Net position is reported in three categories: net investment in capital assets, restricted net position and unrestricted net position.

The County's net position decreased by \$7,335,564 for the fiscal year ended June 30, 2025. One of the largest portions, in the amount of \$124,484,479, reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Durham County's Net Position

|                                      | Governmental Activities |                | Business - type Activities |                | Total          |                |
|--------------------------------------|-------------------------|----------------|----------------------------|----------------|----------------|----------------|
|                                      | 2025                    | 2024, restated | 2025                       | 2024, restated | 2025           | 2024, restated |
| Current and other assets             | \$ 544,146,713          | \$ 581,917,820 | \$ 75,480,237              | \$ 66,168,884  | \$ 619,626,950 | \$ 648,086,704 |
| Capital assets                       | 632,743,176             | 606,937,621    | 69,571,410                 | 70,728,657     | 702,314,586    | 677,666,278    |
| Total assets                         | 1,176,889,889           | 1,188,855,441  | 145,051,647                | 136,897,541    | 1,321,941,536  | 1,325,752,982  |
| Total deferred outflows of resources | 83,341,211              | 98,470,573     | 957,331                    | 1,116,895      | 84,298,542     | 99,587,468     |
| Long-term liabilities outstanding    | 1,101,951,221           | 1,099,799,665  | 9,504,246                  | 10,499,911     | 1,111,455,467  | 1,110,299,576  |
| Other liabilities                    | 69,781,598              | 89,921,602     | 1,448,509                  | 1,034,430      | 71,230,107     | 90,956,032     |
| Total liabilities                    | 1,171,732,819           | 1,189,721,267  | 10,952,755                 | 11,534,341     | 1,182,685,574  | 1,201,255,608  |
| Total deferred inflows of resources  | 57,303,012              | 59,999,677     | 31,991                     | 41,239         | 57,335,003     | 60,040,916     |
| Net position:                        |                         |                |                            |                |                |                |
| Net investment in capital assets     | 61,949,096              | 53,700,724     | 62,535,383                 | 62,173,685     | 124,484,479    | 115,874,409    |
| Restricted                           | 100,091,583             | 107,068,865    | 11,864,522                 | 10,203,666     | 111,956,105    | 117,272,531    |
| Unrestricted                         | (130,845,410)           | (123,164,519)  | 60,624,327                 | 54,061,505     | (70,221,083)   | (69,103,014)   |
| Total net position                   | \$ 31,195,269           | \$ 37,605,070  | \$ 135,024,232             | \$ 126,438,856 | \$ 166,219,501 | \$ 164,043,926 |

The second portion of the County's net position, in the amount of \$111,956,105, represents resources that are subject to external legal restrictions that limit the County's ability to access and use these funds beyond the purpose for which they were provided. Unexpended bond proceeds, grant funding and statutorily restricted revenues are included in this category. The debt related to the unspent/unexpended bond proceeds is not included in the restricted net position.

The remaining portion of net position is unrestricted net position. This balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. As of June 30, 2025, the unrestricted net position is a deficit of (\$70,221,083). The unrestricted deficit is attributable primarily to the general obligation bonds issued by the County for the public schools, Durham Technical Community College, and the Museum for Life and Science. Even though the debt has been issued to finance the acquisition, construction and renovation for the public schools, Durham Technical Community College and the Museum of Life and Science, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it is not financing assets owned by the County. Therefore, this debt is reflected within the unrestricted portion of net position rather than as part of the category net investment in capital assets. The unrestricted net position for the governmental activities has a deficit balance of (\$130,845,410) while the other two categories of net position, net investment in capital assets and restricted net position, and all three categories of net position of the business-type activities are positive. The unrestricted net position for the business-type activities has a positive balance of \$60,624,327.

### Durham County's Changes in Net Position

|  | Governmental Activities |                      | Business - type Activities |                       | Total                 |                       |
|--|-------------------------|----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
|  | 2025                    | 2024, restated       | 2025                       | 2024, restated        | 2025                  | 2024, restated        |
| Revenues                                       |                         |                      |                            |                       |                       |                       |
| Program revenues:                              |                         |                      |                            |                       |                       |                       |
| Charges for services                           | \$ 46,523,347           | \$ 40,690,905        | \$ 23,987,465              | \$ 22,263,436         | \$ 70,510,812         | \$ 62,954,341         |
| Operating grants and contributions             | 105,888,076             | 95,063,327           | 178,139                    | -                     | 106,066,215           | 95,063,327            |
| Capital grants and contributions               | 8,293,924               | 2,263,807            | 430,028                    | 135,576               | 8,723,952             | 2,399,383             |
| General revenues:                              |                         |                      |                            |                       |                       |                       |
| Taxes  | 569,833,511             | 537,862,879          | -                          | -                     | 569,833,511           | 537,862,879           |
| Investment and interest income                 | 18,353,603              | 18,141,726           | 1,667,647                  | 1,117,660             | 20,021,250            | 19,259,386            |
| Other revenues                                 | 1,192,086               | 1,343,163            | -                          | -                     | 1,192,086             | 1,343,163             |
| Total revenues                                 | <u>750,084,547</u>      | <u>695,365,807</u>   | <u>26,263,279</u>          | <u>23,516,672</u>     | <u>776,347,826</u>    | <u>718,882,479</u>    |
| Expenses:                                      |                         |                      |                            |                       |                       |                       |
| General government                             | 126,500,805             | 112,974,080          | -                          | -                     | 126,500,805           | 112,974,080           |
| Public safety                                  | 114,195,029             | 109,677,188          | -                          | -                     | 114,195,029           | 109,677,188           |
| Transportation                                 | 1,607,568               | 1,311,317            | -                          | -                     | 1,607,568             | 1,311,317             |
| Economic and physical development              | 16,589,754              | 13,130,041           | -                          | -                     | 16,589,754            | 13,130,041            |
| Environmental Protection                       | 14,391,663              | 13,396,439           | -                          | -                     | 14,391,663            | 13,396,439            |
| Human services                                 | 122,496,541             | 136,690,860          | -                          | -                     | 122,496,541           | 136,690,860           |
| Education                                      | 324,117,793             | 292,887,030          | -                          | -                     | 324,117,793           | 292,887,030           |
| Cultural and recreational                      | 22,112,888              | 19,510,407           | -                          | -                     | 22,112,888            | 19,510,407            |
| Interest and fiscal charges                    | 24,356,751              | 24,155,932           | -                          | -                     | 24,356,751            | 24,155,932            |
| Sewer utility                                  | -                       | -                    | 14,740,674                 | 14,172,698            | 14,740,674            | 14,172,698            |
| Stormwater                                     | -                       | -                    | 2,573,913                  | 2,570,617             | 2,573,913             | 2,570,617             |
| Total expenses                                 | <u>766,368,792</u>      | <u>723,733,294</u>   | <u>17,314,587</u>          | <u>16,743,315</u>     | <u>783,683,379</u>    | <u>740,476,609</u>    |
| Increase (decrease) in net position            | <u>(16,284,245)</u>     | <u>(28,367,487)</u>  | <u>8,948,692</u>           | <u>6,773,357</u>      | <u>(7,335,553)</u>    | <u>(21,594,130)</u>   |
| Net position, beginning as previously reported | 37,605,070              | 48,485,381           | 126,438,856                | 119,665,499           | 164,043,926           | 168,150,880           |
| Prior period adjustment (Note O)               | 9,874,445               | 17,487,176           | (363,316)                  | -                     | 9,511,129             | 17,487,176            |
| Net position, beginning, restated              | 47,479,515              | 65,972,557           | 126,075,540                | 119,665,499           | 173,555,055           | 185,638,056           |
| Net position, ending                           | <u>\$ 31,195,270</u>    | <u>\$ 37,605,070</u> | <u>\$ 135,024,232</u>      | <u>\$ 126,438,856</u> | <u>\$ 166,219,502</u> | <u>\$ 164,043,926</u> |

For the year ended June 30, 2025, GASB Statement No. 101, Compensated Absences, was implemented. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This change restated and reduced the beginning net position of governmental activities in the government-wide statements by \$18,130,479 and the business-type activities and proprietary funds by \$363,316.

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

- Continued diligence in the collection of property taxes by maintaining an overall collection percentage of 99.74 percent for the current levy year.

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

**Governmental activities.** The governmental activities net position decreased by \$16,284,246 (34.30 percent). Revenues increased in fiscal year 2025 compared to fiscal year 2024 by over \$26.7 million (3.69 percent). Expenses increased by over \$24.50 million (3.30 percent). The general revenues accounted for the bulk of the increase in revenues. In fiscal year 2025, property taxes levied for general purposes and for fire districts increased by over \$39.48 million (10.14 percent) and \$23 thousand (0.20 percent), respectively. This increase was primarily because of the increase in assessed property values, a three cent increase in the tax rate, and the County's continued collection efforts including participation in the North Carolina Local Government Debt Setoff Clearinghouse Program. In addition, local option sales taxes decreased for the fourteenth consecutive year by over \$7.98 million (6.23 percent) as a result of increased spending and collections, especially collections of sales taxes from online purchases, which became more prevalent during the pandemic. Investment and interest income increased by over \$211.9 thousand (1.17 percent), which is primarily because of improved market conditions.

Charges for services increased for governmental activities by \$5.83 million. This increase was attributable to the increase in public safety of \$5.35 million and environmental protection of \$542 thousand. The increase was offset by a decrease in the general government charges of \$1.23 million in 2025 and over \$1.38 million in decreased charges for register of deeds due to a cooling housing market and higher interest rates. Environmental protection increased due to the gain of 700 households via new construction and an increase in the solid waste fee. Charges for public safety increased due to greater levels of services provided and a higher fee structure for emergency medical services. There were increases in revenues for economic and physical development, cultural and recreational, human services, and transportation functions.

The operating grant program revenues for governmental activities increased by \$12.88 million (13.85 percent). The human services function increased by over \$298.8 thousand primarily due to an influx of federal and state grants from a variety of sources, ongoing support for Covid-19, and funds for the medicaid transformation and expansion. General government revenue increased by over \$8.59 million. Changes in the public safety, economic development, environmental protection, and cultural and recreational functions were not as significant.

The capital grants and contributions for education increased by \$1.57 million due to more construction activity that was funded with Public School Building (PSBCF) revenue sources.

In certain functional areas, increases in the governmental activities' expenditures closely paralleled inflation and growth in the demand for services. The County's total governmental activities' expenditures increased by over \$24.50 million (3.30 percent).

Education expenditures increased by \$31.23 million (10.66 percent). This increase in expenditures was for education-related construction primarily for Durham Public Schools (DPS) and Durham Technical Community College (DTCC).

Human services expenditures decreased by almost \$19.0 million (13.44 percent) due in large part to decreases in medicaid expansion, public and mental health for covid-related expenditures, and community intervention and support services for medicaid expansion.

Interest and fiscal charges increased by over \$200.8 thousand (0.83 percent) due to no debt being issued during fiscal year 2025 and a decrease in outstanding debt.

Public safety expenditures decreased by \$2.84 million (2.42 percent) which is mainly due to decreases of \$2.1 million in the offices of the Sheriff and the County Jail for various operational costs. There were additional decreases of \$1.23 million for the Office of Emergency Services. Other increases were for the youth home, animal control, and emergency communications center totaling \$490 thousand.

General government expenditures increased by over \$9.10 million (7.76 percent) due to increase in ARPA expenditures (\$5.6 million), increase in general services expenditures (\$3.5 million), increase in information technology systems (IS&T) (\$3.5 million), increase in human resource expenditures (\$2.1 million), increase in tax administration expenditures (\$1.8 million), and increase in county administration (\$1.5 million). These increases were netted against increases in operational expenditures for several departments totaling \$5.6 million.

Economic and physical development expenditures increased by over \$3.15 million (23.49 percent) due to increases in other economic and physical development (\$1.8 million); increases in ARPA related expenditures (\$1.6 million), increases in industrial extension (\$1.1 million) These increases were offset by decreases in planning, cooperative extension payments, industrial extension and economic development totaling \$789 thousand.

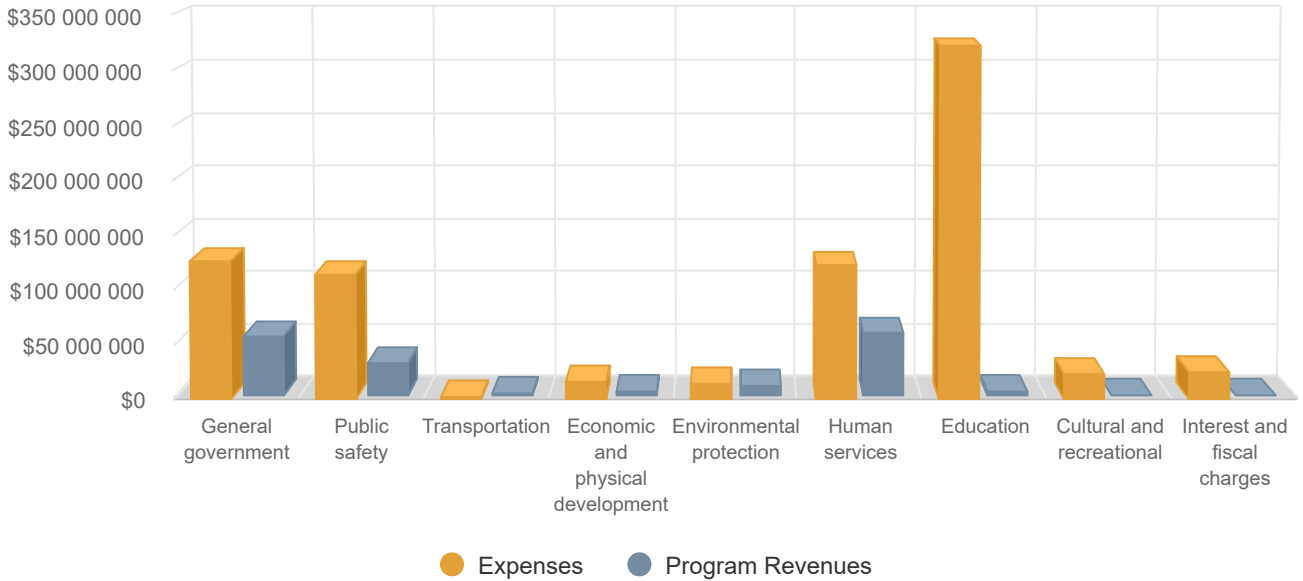
Environmental protection expenditures increased by \$666 thousand (4.9 percent) due to operating costs having remained overall flat for fiscal year 2024.

Cultural and recreational expenditures increased by almost \$1.76 million (8.61 percent) due mostly to increased spending on the construction costs of the County's library system of almost \$466 thousand, pension costs of \$491 thousand, and allocation of joint venture costs of \$510 thousand.

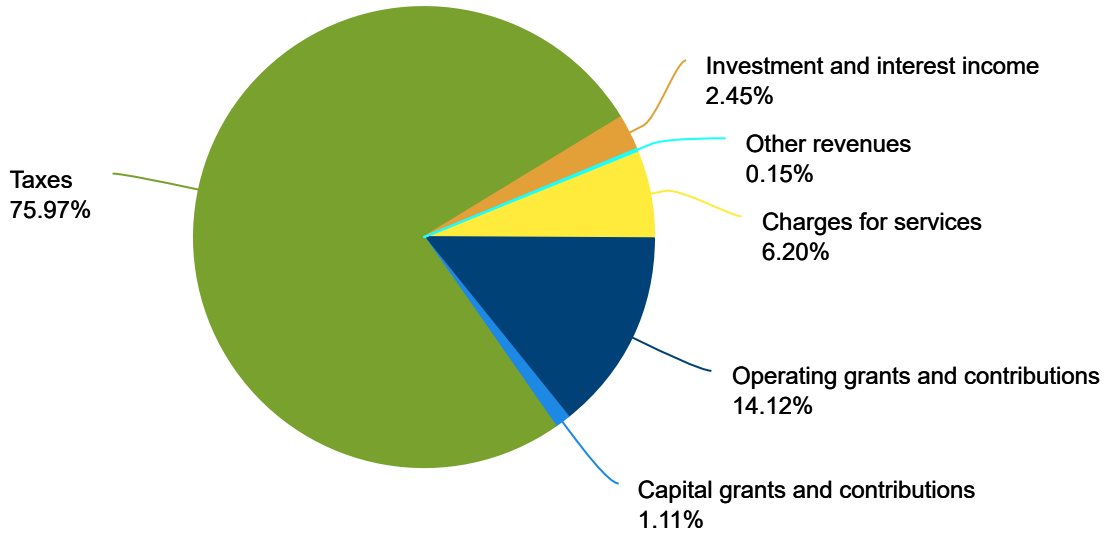
Transportation increased almost \$254 thousand due to an increase in expenditures of \$270 thousand for transportation operating costs (transit tracker database; bicycle, pedestrian, greenway plan, and other transit plan initiatives).



**Expenses and Program Revenues – Governmental Activities**



**Revenues by Source – Governmental Activities**



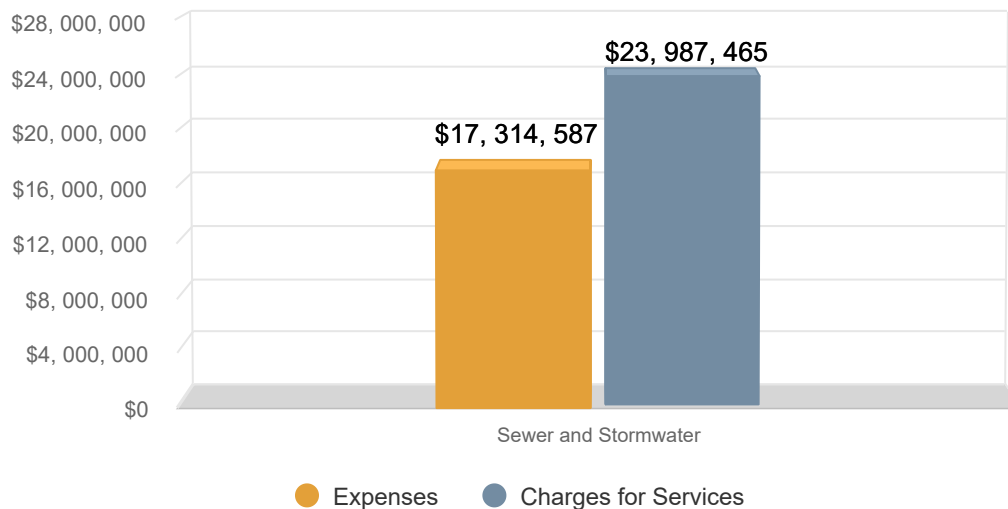
**Business-type activities.** Business-type activities increased the County’s net position by \$8,948,692 accounting for 121.99 percent of the total change in the government’s net position. Key elements of this are as follows:

- Expenses increased \$207,956 (1.22 percent) primarily because of increases in operating expenses related to increases in maintenance expenses (\$391,770) which was offset by a decrease in personnel expenses (\$110,936). The operating margin year-over-year increase was \$2.44 million

as a result of the increased revenue from services provided. There were no debt issuance costs for fiscal year 2025.

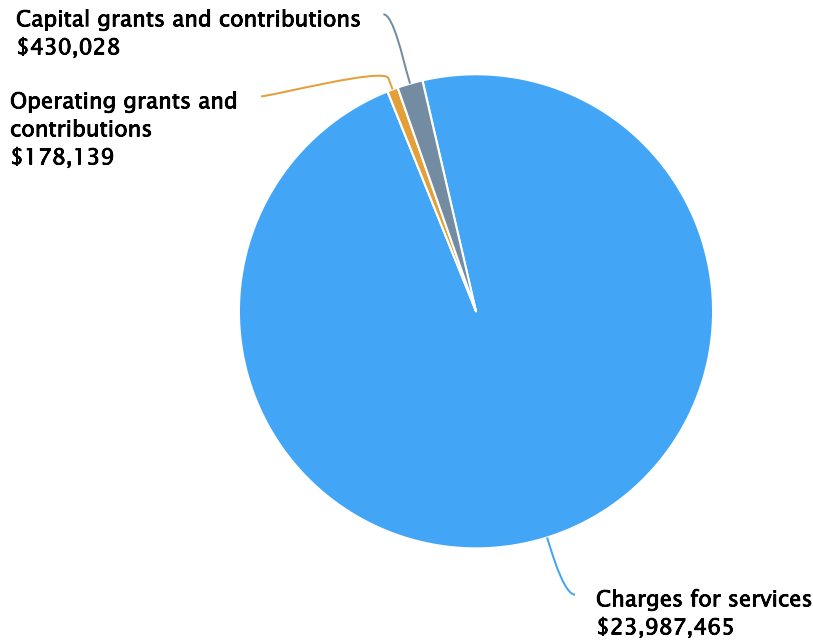
- Revenues increased by \$1,724,029 (7.74 percent). This change is the result of the \$2.7 million increase in charges for services provided by Sewer Utility and Stormwater. The increase in charges for services revenue is offset by a \$0.96 million decrease in nonoperating revenues including sewer connection fees, construction permits, inspection fees, and miscellaneous revenue. In fiscal year 2025, the sewer consumption rates and stormwater utility fee rates increased 12 and 25 percent, respectively.
- Investment and interest income increased by \$549,987 (49.21 percent) primarily because of improved market conditions because of a stable economy and fiscal policies.
- There were capital contributions for sewer utility for the partial funding of the purchase of capital equipment in the amount of \$430,028. There were no capital contributions to Stormwater in fiscal year 2025.

**Expenses and Charges for Service Revenues – Business-type Activities**





## Revenues by Source – Business-type Activities



### Financial Analysis of the County’s Funds

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

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

As of the end of the fiscal year, the County’s governmental funds reported combined ending fund balances of \$437,925,072, a decrease of \$16,719,796 in comparison with the prior year before restatement. Approximately 18.68 percent of this total amount (\$81,821,615) constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it is 1) non-spendable (\$3,105,795), 2) restricted by revenue source for specific purposes, programs, and services (\$27,361,912), or 3) because it is restricted by State Statute (\$72,394,758).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, Durham County’s fund balance available for appropriation in the general fund was \$215,272,365, while total fund balance reached \$290,772,918. The Board of County Commissioners of Durham County has determined that the County should maintain an available fund balance of 35 percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the County. As of June 30, 2025, the County has an available fund balance of 31.6 percent of general fund expenditures, while total fund balance represents 43.19 percent of that same amount. The percentage of available fund balance to total general fund expenditures increased from 29.47 percent

for fiscal year 2024 to 31.6 percent for fiscal year 2025, a decrease of 13.56 percent. The net change in the general fund balance for fiscal 2025 was an increase of \$16,467,018. The primary reason for the increase is that transfers out (\$107.2 million) are greater than the sum of excess revenues over expenditures (\$94.5 million) and other financing sources (\$1.8 million).

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

- The general fund taxes increased by 6.62 percent or \$34,463,099. This increase is the result of increased collections in the current year levies of \$29,858,419 (8.36 percent) and increased occupancy tax revenue of \$167,830 (3.44 percent). The increase in tax levies is primarily because of the natural year-over-year growth in assessed property values, a 4.65 cent property tax rate increase, and efficient collection methods of staff. The negative change in the option sales tax is mainly due to decreased taxable sales activity as well as decreased collections of taxes from online sales. This is the first year of decreased local option sales tax collections due to changes in retail and online spending patterns and economic normalization after strong growth years. Other tax revenues did not change materially since the prior year.
- Intergovernmental revenues of the general fund increased by 5.65 percent or \$4,410,456. The increase is primarily because of increases in intergovernmental revenues for Finance (\$1.1 million, ABC Board (\$1 million), and Other (\$6.9 million), which was offset by decreases in intergovernmental revenues for Public Health (\$2.3 million), and Community Intervention Support Services (\$2 million). These increases are due to increase in state hold harmless funds, an increase in ABC board profit distribution, and a return of funds from local agencies. The decreases were due to overall reduced federal funding for human services programs in public health and community intervention and support services.
- Charges for services increased by \$5,538,043 (14.88 percent). This is attributable to increases in charges for services for Office of Emergency Services of \$4.8 million, General governmental charges of \$1 million, register of deeds of \$372 thousand, and increase in collection fees of \$313 thousand. These increases were offset by a decrease in charges for Elections registration lists of \$789 thousand and a decrease in charges for public protection \$180 thousand. These increases in charges for services were mainly due to the Office of Emergency Services experiencing an increase of charges related to medicaid for EMS, General governmental charges increase due to an increase in charges for services related to shared revenue for business personal property audit fees, increase in Register of Deeds due to increase in collections of pension related service charges, and increase of Collection fees due to increase in revenue related to the collection fees received from the City of Durham. The decreases that offset the increases are mainly due to decrease in election registration lists because of decreased election activity during the fiscal year. Public protection experienced decreased charges due to decreased revenue due to youth home services. Changes in environmental protection, social services, and other charges for service revenues were immaterial.
- Investment earnings decreased by \$436.40 thousand (3.72 percent) mainly due to improved market conditions and rent decreased by \$118,371 (13.54 percent), which is due to fluctuations in market interest rates and investment balances during the fiscal year.
- Licenses and permits decreased by \$43,628 (14.26 percent) mainly because of decreases in cablevision and franchise fees of \$44 thousand. The change in wine and beer license and other licenses and permits revenue was immaterial.

- Other revenues decreased by \$47,378 (3.82 percent) primarily because of a \$44 thousand net increase in miscellaneous and other revenues combined with a \$55 thousand decrease in proceeds from sale of confiscated property.
- General government expenditures increased by \$9,868,024 (11.99 percent) mostly because of increases in service contracts related to Information Services and Technology, County Manager, Human resources, Tax, Elections, and General Services totaling \$9.4 million. Variances in expenditures for other departments within the general government functional area were less significant.
- Public safety increased by \$2,053,735 (2.25 percent) mostly because of increases in County sheriff expenditures of \$872 thousand due to increased costs for the upfitting of patrol vehicles. The Youth Home expenditures increased by \$486 thousand due to expanded comprehensive medical services and enhanced treatment and support programs for residents. Animal control increases of \$389 thousand are attributable to primarily due to expanded animal care services, increased veterinary and medical treatment costs, and operational enhancements to support shelter capacity and animal welfare initiatives. The office of emergency services increased by \$208 thousand due to reflecting costs associated with Fundamental and Enhanced Commissioning Services for the new Durham County and City Emergency Operations Center. Variance in expenditures in other departments within the public safety functional area were less significant.
- Transportation expenditures increased by \$270,292 (21.00 percent) primarily due to increased funding for the Transit Plan initiative.
- Environmental protection increased by \$337,029 (4.67 percent) primarily due to the increase in expenditures for environmental engineering of over \$163 thousand and the increases solid waste of \$146 thousand. Solid waste expenditures rose due to increased costs of contract services with the City of Durham due the increased volume of municipal solid waste and yard waste. Environmental engineering expenditures increased due to sublease for future Childcare Center and acquisition of Bottomland Forest. Other expenditures increased by just over \$27 thousand.
- Economic and physical development increased by \$1,295,858 (14.67 percent) primarily because of increases in industrial extension expenditures of \$1.1 million; increases in cooperative extension policy payments, soil and water conservation, open space management and other economic development expenditures totaling \$2.3 million. These decreases were offset by decreases in ARPA related economic development expenditures of \$1.86 million.
- Human services' expenditures decreased by \$15,584,532 (11.80 percent). This change is due to the decreases in mental health for behavioral health services (\$9.4 million), decreases in public health related to decreased funding for grant initiatives (\$937 thousand), and decreases in other services supporting community partners (\$6 million).
- Education increased by \$20,837,236 (9.99 percent) from the prior fiscal year. Of this increase, Durham Public Schools received increased funding for operating expenditures of \$24.65 million offset by a decrease in capital expenditures of \$4 million. Durham Technical Community College's operating and capital funding increased \$725,018. Other education decreased by \$537,487 primarily related to decreases in the pre-k and early childhood programs.
- Cultural and recreational expenditures increased by \$580,449 (3.34 percent), with an increase for the library system of \$680 thousand due to normal inflationary costs for community outreach, digital inclusion, and literacy programing. Moreover, this increase was offset by a decrease of \$100 thousand for other cultural and recreational expenditures to support the NC Museum of Life and Science.

The American Rescue Plan Fund has a total fund balance of zero. This fund is used to account for monies allocated to state and local governments by the American Rescue Plan Act (ARPA). ARPA funds can support several priorities including a public health response due to COVID-19, addressing negative economic impacts, replacing public sector revenue loss, and funding premium pay for essential workers. The federal dollars can also address water, sewer, and broadband infrastructure. In fiscal year 2025, the fund recognized revenue of \$26,030,956, which was mostly expended on general government activities.

The Opioid Settlement Fund has a total fund balance of \$7,299,818. This fund accounts for monies awarded to the States and local governments to be used for opioid drug abatement and remediation programs. In fiscal year 2025, the County determined that revenues received from the opioid settlement are exchange transactions. In the prior year, the County accounted for the opioid revenues as non-exchange transactions; therefore, has implemented GASB 100 (Accounting Changes and Error Corrections) for this current fiscal year. In addition, due to having to recognize a receivable and deferred revenue for all future payouts of the settlement, the Opioid Settlement Fund is now a major fund.

The primary revenue activity was the recognition of intergovernmental revenue of \$1,939,757, which was a decrease of \$2.6 million or 57.47 percent. Investment revenue of \$130 thousand increased by \$74 thousand or 132.60 percent. Expenditures increased by \$711 thousand or 1038.56 percent for increased program expenditures for human services needs of citizens affected by the opioid epidemic.

The Capital Projects Fund has a total fund balance of \$31,020,652. This money is restricted and assigned as a financing resource to be used for the acquisition and construction or improvement of major capital facilities other than those financed by proprietary funds. The net decrease in fund balance during the current year in the capital projects' fund was \$33,506,549 due to resources for the issuance of debt, transfers in, and revenue being less than the expenditures for the acquisition and construction or improvement of major capital facilities for the County, School System, Durham Technical Community College, and the Museum of Life and Science. The County's activity was recorded to construction in progress in capital assets of the County while the Schools System's, Durham Technical Community College's and the Museum of Life and Science's activity was recorded in their capital assets as they hold title to those assets.

The primary revenue activity was the recognition of other financing sources, such as issuance of installment purchases of \$80.7 million, and transfers in (\$26.8 million). The fund also recognized intergovernmental revenues (\$4.29 million) and investments (\$2.9 million). For expenditures, there was construction activity in the amount of \$147,494,508. In addition, there were other financing uses in the transfers out of \$773,943 from the Capital Projects Fund to the General Fund and the Debt Service Fund.

The Debt Service Fund has a total fund balance of \$103,091,058, all of which is financing resources to be used for the retirement of the County's general long-term debt other than debt issued for and serviced by proprietary funds. The net increase in fund balance during the current year in the Debt Service Fund was \$1,140,559 because the revenues and other financing sources were more than the annual retirement of the principal and interest of the County's general long-term debt, debt issuance costs, and other financing uses.

The primary funding activity was the recognition of other financing sources such as the transfers in (\$100.0 million). The fund also recognized charges for services (\$523 thousand) and investments

(\$3.68 million). In the expenditures, there was principal and interest for the retirement of general long-term debt in the amounts of \$50.3 million and \$31.0 million, respectively. Other financing uses, transfers out, were \$21.7 million.

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

At the end of the fiscal year, the unrestricted net position of the enterprise funds amounted to \$60,624,327. There was an increase in total net position of \$8,948,692. Other factors concerning the finances of this fund have already been addressed in the discussion of Durham County's business-type activities.

## General Fund Budgetary Highlights

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

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services or initiate new programs where timing is critical. Amendments to the General Fund budget totaled \$33,832,627 and can be summarized, briefly, as follows:

- \$8,952,659 in increases allocated to the general government were primarily to honor commitments from fiscal year 2024; fund increases in various service contracts for the Tax Administration, Court Facilities, and Detention Center departments, and support internal reorganizations.
- \$2,726,616 in increases allocated to public safety were primarily to honor commitments from fiscal year 2024; appropriate unspent restricted funds in fiscal year 2025; distribute grant funding for various grant initiatives for the Office of the Sheriff and the Office of Emergency Services.
- \$1,226,215 in increases allocated to economic and physical development were primarily to redistribute budgeted personnel expenses from other functional areas, funding from endowments, and honor commitments from fiscal year 2024.
- \$2,746,831 in increases allocated to environmental protection were primarily to redistribute budgeted personnel expenses from other functional areas, honor commitments from fiscal year 2024, and to recognize grant awards to provide retrofits and limited home repair to low-to-moderate income households.
- \$9,328,042 in increases allocated to human services were primarily to honor commitments from fiscal year 2024 and recognize extensive grant awards supporting multiple County programs for community intervention, Covid-19, communicable diseases, women's health, and the emergency rental program.
- \$351,162 in increases allocated to cultural and recreational were primarily to honor commitments from fiscal year 2024, appropriate unspent restricted funds in fiscal year 2025, and recognize state grant funds.
- \$109,673 in increases allocated to education were primarily to increase Durham Pre-K funds for childcare services, and fund contracts to support youth enrichment and learning activities.

- \$1,368,253 in increases allocated to transportation were primarily to honor commitments from fiscal year 2024 and allocate funding for the Bus Rapid Transit Plan and the Transit Plan management.
- \$7,299,768 in increases allocated to Capital Outlay to cover capital expenditures of the departments.

Of this increase, \$7,722,191 was to be funded from intergovernmental and other revenues. Operating transfers-in increased funding by \$1,584,750. The remaining \$25,078,870 was to be budgeted from available fund balance. During the year, revenues were less than budgetary estimates by \$1,983,790 while other financing sources exceeded budgetary estimates by \$133,930. Expenditures were far less than budgetary estimates with a positive variance of \$61,822,105, thus eliminating the need to draw upon existing fund balance.

## Capital Asset and Debt Administration

**Capital assets.** Durham County's capital assets for its governmental and business-type activities as of June 30, 2025 totaled \$702,314,586 (net of accumulated depreciation/amortization). These assets include land, easements, buildings, water systems, improvements, office furniture and equipment, machinery and equipment, computer hardware, computer software, vehicles, construction in progress, and right-to-use leases and subscriptions. The total increase in the County's net capital assets for the current fiscal year was \$24,648,308 (3.64 percent). Governmental activities increased \$25,805,555 (4.25 percent) and business-type activities decreased by \$1,157,247 (1.64 percent).

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

- Construction for the Durham Public School Projects continued in fiscal year 2025 in the amount of \$84,969,469. The County did not capitalize this construction activity because the County does not hold title to these properties.
- Property acquisition for Durham Technical Community College occurred in fiscal year 2025 in the amount of \$9,471,425. The County did not capitalize this construction activity because the County does not hold title to this property.
- Construction activity for Library (Main and Stanford L. Warren) upgrades continued in the amount of \$1,681,633 during fiscal year 2025.
- Construction for the Museum of Life and Science occurred in fiscal year 2025 in the amount of \$3,227,842. Construction occurred to reinvent and modernize the Museum of Life and Science's learning environments, improve and expand visitor infrastructure, and make sustainability upgrades. The County did not capitalize this construction activity because the County does not hold title to this property.
- Construction activity for environmental protection and economic development occurred in the amount of \$26,059,071. Of this amount, the County capitalized the entire amount. Of the construction activity that was capitalized for environmental protection, the major activities were in environmental engineering for the Elections Office S. Roxboro renovation (\$10,711,998), the 500 Block Parking Deck (\$5,426,210), the Snow Hill Road Pump Station (\$6,473,011) and the Emergency Operations Center (\$1,912,078). Additional activity occurred on the 300 Block Parking Deck, Lincoln Community Health Parking Lot expansion, Open Space/Farmland Preservation, Administration Building II upgrade, Judicial Annex Building Renovation, Geer St Temp Fleet Main Facility, Project Build Renovations at Shoppes at Hope Valley, the Santee Road project, and DSS main street renovations.

- Construction activity for the general government occurred in the amount of \$10,102,042. Of this amount, the County capitalized \$10,094,949. The remaining amount of \$7,093 was not capitalized as the County does not hold title to these properties. Of the construction activity that was capitalized for general government, the major activities were the general services Detention Center capital infrastructure project (\$3,0042,144), the general services Detention Center Window Replacement (\$735,390), the Slater Road Lift Station (\$1,471,191), the IS&T IT hardware replacement project (\$1,185,818), '21 IT hardware replacement (\$1,036,370), and the the general services Ongoing HVAC Replacement project (\$674,370). Other activity occurred for various general services projects including county security improvements and County Building Envelope Upgrade; various IT projects including IST Hardware and Software, Audio-Visual Technologies, and '21 telecommunications projects.
- Construction activity for public safety occurred in the amount of \$13,420,887. The County capitalized the entire amount which was mainly for the Multi-Department Radios and Towers (\$7,498,527), the new Youth home (\$1,377,090), Sheriff Firing Range Renovations (\$582,002), Station #18 - Co-Location for Office of Emergency Services (\$372,953), Detention Center Food Doors (\$467,300), the Sheriff Body Worn Camera project (\$1,385,640), Sheriff IT Server Room Upgrades (\$685,688), and the Sheriff IT Life Cycle Replacement project (\$721,311).
- In governmental activities, major capital asset increases, net of disposals, occurred in the asset classes of buildings (\$13,839,020), machinery and equipment (\$1,083,580), computer software (\$1,404,473) and vehicles (\$1,083,580). Right-to-use leases and subscriptions decreased by \$1,087,724.

**Durham County's Capital Assets  
(Net of Depreciation)**

|                                     | Governmental Activities |                       | Business - type Activities |                      | Total                 |                       |
|-------------------------------------|-------------------------|-----------------------|----------------------------|----------------------|-----------------------|-----------------------|
|                                     | 2025                    | 2024                  | 2025                       | 2024                 | 2025                  | 2024                  |
| Land                                | \$ 18,230,462           | \$ 10,121,435         | \$ 5,817,902               | \$ 5,817,902         | \$ 24,048,364         | \$ 15,939,337         |
| Easements                           | 3,053,493               | 3,053,493             | 5,000                      | 5,000                | 3,058,493             | 3,058,493             |
| Improvements- water and sewer lines | -                       | -                     | 12,066,599                 | 12,230,511           | 12,066,599            | 12,230,511            |
| Buildings                           | 313,788,845             | 311,885,228           | 28,779,922                 | 31,152,355           | 342,568,767           | 343,037,583           |
| Water systems                       | 2,131,631               | 2,182,238             | -                          | -                    | 2,131,631             | 2,182,238             |
| Office furniture and equipment      | 804,498                 | 740,120               | -                          | -                    | 804,498               | 740,120               |
| Machinery and equipment             | 2,756,331               | 2,926,477             | 3,832,166                  | 5,577,247            | 6,588,497             | 8,503,724             |
| Computer hardware                   | 860,840                 | 4,234,377             | 29,808                     | 51,780               | 890,648               | 4,286,157             |
| Computer software                   | 1,119,696               | 321,036               | -                          | -                    | 1,119,696             | 321,036               |
| Vehicles                            | 8,422,747               | 8,296,588             | 323,036                    | 147,767              | 8,745,783             | 8,444,355             |
| Right-to-use leases/subscriptions   | 5,490,575               | 7,852,849             | -                          | -                    | 5,490,575             | 7,852,849             |
| Construction in progress            | 276,084,058             | 255,323,780           | 18,716,977                 | 15,746,095           | 294,801,035           | 271,069,875           |
| <b>Total</b>                        | <b>\$ 632,743,176</b>   | <b>\$ 606,937,621</b> | <b>\$ 69,571,410</b>       | <b>\$ 70,728,657</b> | <b>\$ 702,314,586</b> | <b>\$ 677,666,278</b> |

Additional information on the County's capital assets can be found in Note D on pages 73-75 of this report.

**Long-term debt.** At the end of the current fiscal year, Durham County had total debt outstanding of \$811,522,884. Of this amount, \$211,517,108 comprises bonded debt backed by the full faith and credit of the government. Also included is \$1,893,944 of bonded debt secured by a pledge of

and lien upon, and payable solely from, the net receipts of the enterprise system, and in certain circumstances, by proceeds of the revenue bonds, investment earnings and certain net insurance and other proceeds. The revenue bonds are additionally secured by and payable from money and securities of certain funds, accounts and sub-accounts held by the trustee under the trust agreement and the first supplemental trust agreement. The balance consists of limited obligation bonds in the amount of \$432,365,151, installment notes in the amount of \$1,371,921, BANs in the amount of \$154,158,125, other financing agreements in the amount of \$5,230,261, leases in the amount of \$4,587,692, and subscriptions in the amount of \$398,682. The general obligation bond anticipation notes are also backed by the full faith and credit of the government.

The County’s total debt, excluding accrued compensated absences, total OPEB liability, net LGERS pension liability, and LEOSSA total pension liability, decreased by \$11,097,088 (1.35 percent) during the current fiscal year. The key factors in this decrease were issuances of limited obligation installment financing contracts of \$49,531,638, bond anticipation notes of \$30,454,210, and general obligation bonds of \$24,704,987. These increased amounts were offset by annual governmental and business-type-debt retirements of \$4,988,909.

### Durham County’s Outstanding Debt General Obligations, Revenue Bonds, Installment Purchases and Other Financing Agreements

|                               | Governmental Activities |                       | Business - type Activities |                     | Total                 |                       |
|-------------------------------|-------------------------|-----------------------|----------------------------|---------------------|-----------------------|-----------------------|
|                               | 2025                    | 2024                  | 2025                       | 2024                | 2025                  | 2024                  |
| General obligation bonds      | \$ 211,517,108          | \$ 252,295,492        | \$ -                       | \$ -                | \$ 211,517,108        | \$ 252,295,492        |
| Revenue bonds                 | -                       | -                     | 1,893,944                  | 2,785,831           | 1,893,944             | 2,785,831             |
| Limited obligation bonds      | 432,365,151             | 479,089,682           | -                          | -                   | 432,365,151           | 479,089,682           |
| Installment notes payable     | 1,371,921               | 1,726,462             | -                          | -                   | 1,371,921             | 1,726,462             |
| Bond Anticipation Notes       | 154,158,125             | 73,431,159            | -                          | -                   | 154,158,125           | 73,431,159            |
| Leases                        | 4,587,692               | 5,477,639             | -                          | -                   | 4,587,692             | 5,477,639             |
| Subscription-based technology | 398,682                 | 1,912,300             | -                          | -                   | 398,682               | 1,912,300             |
| Other financing agreements    | -                       | -                     | 5,230,261                  | 5,901,407           | 5,230,261             | 5,901,407             |
| <b>Total</b>                  | <b>\$ 804,398,679</b>   | <b>\$ 813,932,734</b> | <b>\$ 7,124,205</b>        | <b>\$ 8,687,238</b> | <b>\$ 811,522,884</b> | <b>\$ 822,619,972</b> |

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the County is \$4,266,357,462. The amount of debt relevant to the statutory limit is \$603,641,921, which yields a legal debt margin of \$3,662,715,541. The net bonded debt per capita is \$616.

Additional information on the County’s long-term debt can be found in Note E on pages 76-82 of this report.

### Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the County is 3.6 percent as of June 2025, which is consistent with the rate of 3.6 as of June 2024. The County’s unemployment rate is less than the state’s unemployment rate of 3.7 percent and the national rate of 4.1 percent as of June 2025.

- The construction activity for non-residential and residential construction was \$2.2 billion for calendar year 2024 compared to almost \$2.1 billion for the calendar year 2023.
- The manufacturing sector employment had a decrease of 2.48 percent (598 positions) for calendar year 2024 (23,508) compared to calendar year 2023 (24,106).
- Retail sales are reported on total taxable sales based on sales and use tax returns. The total taxable sales for Durham County for 2025 reported were \$10.669 billion compared to \$10.766 billion reported for fiscal year 2024, a decrease of \$0.097 billion (0.90 percent). The decrease in retail sales is due to unexpected changes in the economy.
- Major Economic development announcements for 2024 were over \$75 million, and economic announcements occurring for 2025 amounted to over \$2 billion.
- The per capita income for Durham County for 2023 is \$64,059, an increase of 8.45 percent over 2022. Wake County has a per capita income of \$81,322. The per capita for North Carolina increased from 2023 to 2024 to \$64,855, an increase of 4.89 percent, while the per capita for the nation increased to \$72,512, an increase of 3.86 percent. The source for this information is the Bureau of Economic Analysis (BEA).
- Inflationary trends in the region compare favorably to the national indices.

All these factors were considered in preparing the County's budget for the 2026 fiscal year.

At the end of the current fiscal year, fund balance available for appropriation for the general fund was \$215,272,365 or 31.6 percent of total general fund expenditures, an increase of \$19.17 million or 9.78 percent, respectively, from the previous fiscal year. The County has appropriated \$28,791,716 million of this amount for spending in the 2025 fiscal year budget.

**Governmental Activities:** Property taxes in the current fiscal year 2025 levy are based on the assessed values as of January 1, 2019, effective date of the County's last general reappraisal. For fiscal year 2025, the budgeted property tax collection percentage approved by the Board of County Commissioners remains at 99.60 percent given the unexpected changes in the economy. Moreover, the County has taken a conservative approach to property valuation and is relying on the natural year-to-year growth of 3.9% percent, providing an additional \$17.8 million in revenue for fiscal year 2026. The tax rate assessed for the 2025 fiscal year is \$0.7987, which was \$0.7522 for the prior fiscal year. For fiscal year 2026, the County will establish a "revenue-neutral" property tax rate to limit the property tax rate growth after the revaluation tax rate is established. As such, the "revenue-neutral" tax rate for fiscal year 2026 will increase \$0.025 cents to \$0.4785 for the general fund and will increase \$0.01 cents to \$7.57 for the capital financing fund. The total increase in tax rate will be \$0.035 cents to \$55.42. A transfer from the community health trust fund, a special revenue fund, is budgeted for the 2025 fiscal year as a funding source for health-related spending.

**Business-Type Activities:** The sewer rates were increased for fiscal year 2025 in the sewer utility fund. The consumption rate charge was increased by 13 percent from \$6.36/hundred cubic feet to \$7.19/hundred cubic feet for all customers, both residential and industrial, effective July 1, 2025. The consumption rate charges increase from \$7.19/hundred cubic feet to \$8.05/hundred cubic feet in fiscal year 2026. The rate increases for both years were necessary to maintain operational expenses, capital costs, and funds to service debt. There were increases and/or new construction inspection, development review, industrial user, monitoring, and surcharge fees related to sewer utilities for fiscal year 2025.

The County moved stormwater services from the general fund to a new stormwater proprietary (enterprise) fund effective July 1, 2020. In doing so, the stormwater rate structures for its fees and charges for services were evaluated and restructured, effective July 1, 2020, to ensure that the user fees would be sufficient to fund these services. The stormwater rates/fees for fiscal year 2025 increased 25 percent from \$64 to \$80. The fee increased from \$80 to \$96 for fiscal year 2026. These increases for both years were to cover the cost of complying with Falls Lake and Jordan Lake rules designed to restore water quality in the lakes by reducing the amount of pollution entering upstream.

### **Requests for Information**

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

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## Financial Information

### Financial Statements

The financial statements of the County have been audited by certified public accountants for the fiscal years ended June 30, 2025, 2024 and 2023. Copies of these financial statements containing the reports of the independent certified public accountants are available by contacting the office of Crystally Wright, Chief Financial Officer, at Durham County, 201 East Main Street, 7th floor, Durham, North Carolina 27701 or on the County's website at <https://dconc.gov/Finance/Financial-Reports>.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. The County has received this award consecutively for the 21st year. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. The County believes that the annual financial report for the year ended June 30, 2025, will continue to meet the requirements under the Certificate of Achievement Program.

The County financial statements present the government-wide financial statements, which are shown on pages D-2 through D-4 of this official statement and include fund and budgetary reporting. The government-wide financial statements are prepared on the full accrual basis of accounting. The government-wide statements report capital assets and all long-term obligations, for both governmental-type and business-type activities. As a result, government officials can demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as major funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the County's ability to manage and estimate its resources. See pages D-9 through D-12 for the presentation of the County's budgetary statement.

The following financial statements are the basic financial statements of Durham County and the notes thereto, lifted from the Annual Comprehensive Financial Report of the County for the fiscal year ended June 30, 2025.

## Basic Financial Statements

Statement of Net Position  
June 30, 2025

|  | Governmental<br>Activities | Business Type<br>Activities | Total Primary<br>Government | Durham<br>County ABC<br>Board |
|--|----------------------------|-----------------------------|-----------------------------|-------------------------------|
| <b>Assets</b>  |                            |                             |                             |                               |
| Cash and cash equivalents / investments                                | \$ 383,401,280             | \$ 60,500,176               | \$ 443,901,456              | \$ 4,798,408                  |
| Cash and cash equivalents / investments - restricted                   | 44,528,966                 | 11,864,522                  | 56,393,488                  | -                             |
| Receivables:   |                            |                             |                             |                               |
| Accounts receivable  | 2,159,902                  | 697,969                     | 2,857,871                   | -                             |
| Restricted opioid receivables  | 15,266,068                 | -                           | 15,266,068                  | -                             |
| Stormwater fees receivable   | -                          | 390,472                     | 390,472                     | -                             |
| Accrued interest receivable  | 1,556,237                  | 124,139                     | 1,680,376                   | -                             |
| Net property taxes receivable  | 2,884,570                  | -                           | 2,884,570                   | -                             |
| Water services receivable  | (1,843)                    | -                           | (1,843)                     | -                             |
| Beer and wine tax receivable   | 1,460                      | -                           | 1,460                       | -                             |
| Occupancy tax receivable   | 57,810                     | -                           | 57,810                      | -                             |
| Solid waste receivable   | 36,006                     | -                           | 36,006                      | -                             |
| Animal taxes receivable  | 272                        | -                           | 272                         | -                             |
| Net emergency medical services receivable                              | 4,642,341                  | -                           | 4,642,341                   | -                             |
| WSR loan receivable  | 2,550,000                  | -                           | 2,550,000                   | -                             |
| Parking deck receivable  | 9,765,000                  | -                           | 9,765,000                   | -                             |
| Leases   | 7,066,959                  | -                           | 7,066,959                   | -                             |
| Inventory  | 2,212,402                  | -                           | 2,212,402                   | 12,166,511                    |
| Due from other governments - federal and state agencies                | 49,442,910                 | 332,670                     | 49,775,580                  | -                             |
| Due from other governments - local                                     | 9,380,208                  | 1,561,039                   | 10,941,247                  | -                             |
| Due from other agencies - other  | 20,313                     | -                           | 20,313                      | -                             |
| Prepaid expenses   | 270,360                    | 9,250                       | 279,610                     | 406,514                       |
| Investment in joint venture  | 8,171,767                  | -                           | 8,171,767                   | -                             |
| Pension assets - ROD Supplemental Plan                                 | 334,913                    | -                           | 334,913                     | -                             |
| Derivative financial instrument  | 398,812                    | -                           | 398,812                     | -                             |
| Capital assets:  |                            |                             |                             |                               |
| Nondepreciable:  |                            |                             |                             |                               |
| Land   | 18,230,462                 | 5,817,902                   | 24,048,364                  | 5,923,338                     |
| Easements  | 3,053,493                  | 5,000                       | 3,058,493                   | -                             |
| Construction in progress   | 276,084,058                | 18,716,977                  | 294,801,035                 | 1,491,344                     |
| Depreciable:   |                            |                             |                             |                               |
| Land improvements - sewer lines and systems                            | -                          | 30,740,128                  | 30,740,128                  | -                             |
| Buildings  | 488,085,078                | 56,854,766                  | 544,939,844                 | 10,094,784                    |
| Water systems  | 2,530,425                  | -                           | 2,530,425                   | -                             |
| Office furniture and equipment   | 2,763,316                  | -                           | 2,763,316                   | 2,917,559                     |
| Machinery and equipment  | 18,854,549                 | 11,337,795                  | 30,192,344                  | -                             |
| Computer hardware  | 27,601,053                 | 107,951                     | 27,709,004                  | -                             |
| Computer software  | 18,356,912                 | 73,157                      | 18,430,069                  | -                             |
| Vehicles   | 32,439,893                 | 959,150                     | 33,399,043                  | 348,896                       |
| Accumulated depreciation   | (260,746,638)              | (55,041,416)                | (315,788,054)               | (4,435,445)                   |
| Right of use assets  | 10,931,271                 | -                           | 10,931,271                  | 3,115,129                     |
| Accumulated amortization   | (5,440,696)                | -                           | (5,440,696)                 | (1,322,373)                   |
| Total capital assets, net of accumulated depreciation and amortization | 632,743,176                | 69,571,410                  | 702,314,586                 | 18,133,232                    |
| Total assets   | 1,176,889,889              | 145,051,647                 | 1,321,941,536               | 35,504,665                    |

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

## Basic Financial Statements

### Statement of Net Position (Continued)

#### June 30, 2025

|   | Governmental<br>Activities | Business Type<br>Activities | Total Primary<br>Government | Durham County<br>ABC Board |
|---|----------------------------|-----------------------------|-----------------------------|----------------------------|
| <b>Deferred outflows of resources</b>                 |                            |                             |                             |                            |
| ROD pension deferrals                                 | \$ 194,980                 | \$ -                        | \$ 194,980                  | \$ -                       |
| LGERS pension deferrals                               | 55,448,796                 | 869,154                     | 56,317,950                  | 1,312,276                  |
| LEOSSA pension deferrals                              | 2,023,298                  | -                           | 2,023,298                   | -                          |
| OPEB deferrals  | 17,669,539                 | -                           | 17,669,539                  | 28,783                     |
| Deferred charges on refundings                        | 8,004,598                  | 88,177                      | 8,092,775                   | -                          |
| Total deferred outflows of resources                  | <u>83,341,211</u>          | <u>957,331</u>              | <u>84,298,542</u>           | <u>1,341,059</u>           |
| <b>Liabilities</b>                                    |                            |                             |                             |                            |
| Accounts payable                                      | 32,268,970                 | 1,111,284                   | 33,380,254                  | 1,811,024                  |
| Arbitrage rebate payable                              | -                          | 13,000                      | 13,000                      | -                          |
| Accrued interest payable                              | 2,806,101                  | 22,453                      | 2,828,554                   | -                          |
| Accrued payroll and related amounts withheld          | 11,524,711                 | 261,958                     | 11,786,669                  | 253,563                    |
| Due to other governments - federal and state agencies | 104,811                    | -                           | 104,811                     | 1,166,054                  |
| Due to other governments - local                      | 934,388                    | -                           | 934,388                     | 1,499,871                  |
| Security deposits                                     | 5,759                      | 39,814                      | 45,573                      | -                          |
| Retiree and COBRA prepaid benefit contributions       | 234,469                    | -                           | 234,469                     | -                          |
| Escrow - register of deeds                            | 785,352                    | -                           | 785,352                     | -                          |
| Unearned revenue                                      | 21,117,037                 | -                           | 21,117,037                  | -                          |
| Current portion of long-term liabilities:             |                            |                             |                             |                            |
| Accrued compensated absences due within one year      | 13,787,570                 | 227,951                     | 14,015,521                  | -                          |
| Bonds and other notes payable due within one year     | 57,653,740                 | 1,583,033                   | 59,236,773                  | 513,630                    |
| OPEB liability due within one year                    | 5,506,859                  | -                           | 5,506,859                   | -                          |
| LEOSSA liability due within one year                  | 752,598                    | -                           | 752,598                     | -                          |
| Long-term liabilities due in more than one year:      |                            |                             |                             |                            |
| Net pension liability - LGERS                         | 104,066,098                | 1,689,396                   | 105,755,494                 | 2,356,346                  |
| Total pension liability - LEOSSA                      | 9,780,555                  | -                           | 9,780,555                   | -                          |
| Total OPEB liability                                  | 147,120,868                | -                           | 147,120,868                 | 435,816                    |
| Accrued compensated absences                          | 16,537,994                 | 462,694                     | 17,000,688                  | 258,453                    |
| Bonds and other notes payable                         | 746,744,939                | 5,541,172                   | 752,286,111                 | 3,493,579                  |
| Total liabilities                                     | <u>1,171,732,819</u>       | <u>10,952,755</u>           | <u>1,182,685,574</u>        | <u>11,788,336</u>          |
| <b>Deferred inflows of resources</b>                  |                            |                             |                             |                            |
| ROD pension deferrals                                 | 5,987                      | -                           | 5,987                       | -                          |
| LGERS pension deferrals                               | 422,179                    | 31,991                      | 454,170                     | 12,835                     |
| LEOSSA pension deferrals                              | 807,037                    | -                           | 807,037                     | -                          |
| OPEB deferrals  | 49,623,882                 | -                           | 49,623,882                  | -                          |
| Leases  | 6,443,927                  | -                           | 6,443,927                   | -                          |
| Total deferred inflows of resources                   | <u>57,303,012</u>          | <u>31,991</u>               | <u>57,335,003</u>           | <u>12,835</u>              |
| <b>Net position</b>                                   |                            |                             |                             |                            |
| Net investment in capital assets                      | 61,949,096                 | 62,535,383                  | 124,484,479                 | 14,126,023                 |
| Restricted for:                                       |                            |                             |                             |                            |
| Stabilization by State Statute                        | 72,394,758                 | -                           | 72,394,758                  | -                          |
| Capital projects                                      | 14,767,999                 | 11,864,522                  | 26,632,521                  | 1,825,093                  |
| Grants and technology                                 | 5,050,567                  | -                           | 5,050,567                   | -                          |
| Fire services   | 243,528                    | -                           | 243,528                     | -                          |
| Opioid settlement funds                               | 7,299,818                  | -                           | 7,299,818                   | -                          |
| Register of Deeds' Pension Plan                       | 334,913                    | -                           | 334,913                     | -                          |
| Unrestricted net position (deficit)                   | (130,845,410)              | 60,624,327                  | (70,221,083)                | 9,093,437                  |
| <b>Total net position</b>                             | <u>\$ 31,195,269</u>       | <u>\$ 135,024,232</u>       | <u>\$ 166,219,501</u>       | <u>\$ 25,044,553</u>       |

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



### Statement of Activities Year Ended June 30, 2025

| Functions/Programs  | Expenses              | Program Revenues        |  |  | Net Expense and Changes in Net Position |                             |                       | Durham<br>County ABC<br>Board |
|---|-----------------------|-------------------------|--|--|---|-----------------------------|-----------------------|-------------------------------|
|   |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                      |                             | Total                 |                               |
|   |                       |                         |  |  | Governmental<br>Activities              | Business-type<br>Activities |                       |                               |
| <b>Primary government:</b>                                |                       |                         |  |  |   |                             |                       |                               |
| Governmental activities:                                  |                       |                         |  |  |   |                             |                       |                               |
| General government  | \$ 126,500,806        | \$ 16,752,380           | \$ 38,295,432                            | \$ -                                   | \$ (71,452,994)                         | \$ -                        | \$ (71,452,994)       | \$ -                          |
| Public safety   | 114,195,029           | 23,790,487              | 5,846,998                                | 637,195                                | (83,920,349)                            | -                           | (83,920,349)          | -                             |
| Transportation  | 1,607,568             | 2,198                   | 1,187,860                                | -                                      | (417,510)                               | -                           | (417,510)             | -                             |
| Economic and physical development                         | 16,589,754            | 89,137                  | 3,511,529                                | -                                      | (12,989,088)                            | -                           | (12,989,088)          | -                             |
| Environmental protection                                  | 14,391,663            | 3,837,256               | 14,525                                   | 4,134,854                              | (6,405,028)                             | -                           | (6,405,028)           | -                             |
| Human services  | 122,496,541           | 1,750,044               | 56,458,585                               | -                                      | (64,287,912)                            | -                           | (64,287,912)          | -                             |
| Education   | 324,117,793           | 24,670                  | -  | 3,521,875                              | (320,571,248)                           | -                           | (320,571,248)         | -                             |
| Cultural and recreational                                 | 22,112,888            | 277,175                 | 573,147                                  | -                                      | (21,262,566)                            | -                           | (21,262,566)          | -                             |
| Interest and fiscal charges                               | 24,356,751            | -                       | -  | -                                      | (24,356,751)                            | -                           | (24,356,751)          | -                             |
| Total governmental activities                             | 766,368,793           | 46,523,347              | 105,888,076                              | 8,293,924                              | (605,663,446)                           | -                           | (605,663,446)         | -                             |
| Business-type activities:                                 |                       |                         |  |  |   |                             |                       |                               |
| Sewer utility   | 14,740,674            | 19,921,261              | -  | 430,028                                | -                                       | 5,610,615                   | 5,610,615             | -                             |
| Stormwater  | 2,573,913             | 4,066,204               | 178,139                                  | -                                      | -                                       | 1,670,430                   | 1,670,430             | -                             |
| Total business-type activities                            | 17,314,587            | 23,987,465              | 178,139                                  | 430,028                                | -                                       | 7,281,045                   | 7,281,045             | -                             |
| <b>Total primary government</b>                           | <b>\$ 783,683,380</b> | <b>\$ 70,510,812</b>    | <b>\$ 106,066,215</b>                    | <b>\$ 8,723,952</b>                    | <b>(605,663,446)</b>                    | <b>7,281,045</b>            | <b>(598,382,401)</b>  | <b>-</b>                      |
| <b>Component units:</b>                                   |                       |                         |  |  |   |                             |                       |                               |
| Durham County ABC Board                                   | \$ 61,826,447         | \$ 61,910,665           | \$ -                                     | \$ -                                   | -                                       | -                           | -                     | 84,218                        |
| <b>Total component units</b>                              | <b>\$ 61,826,447</b>  | <b>\$ 61,910,665</b>    | <b>\$ -</b>                              | <b>\$ -</b>                            | <b>-</b>                                | <b>-</b>                    | <b>-</b>              | <b>84,218</b>                 |
| General revenues:   |                       |                         |  |  |   |                             |                       |                               |
| Taxes   |                       |                         |  |  |   |                             |                       |                               |
| Property taxes, levied for general purposes               |                       |                         |  |  | 428,848,508                             | -                           | 428,848,508           | -                             |
| Property taxes, levied for fire districts                 |                       |                         |  |  | 11,456,261                              | -                           | 11,456,261            | -                             |
| Property taxes, levied for other districts purposes       |                       |                         |  |  | 3,315,190                               | -                           | 3,315,190             | -                             |
| Local option sales tax                                    |                       |                         |  |  | 120,182,883                             | -                           | 120,182,883           | -                             |
| Occupancy tax   |                       |                         |  |  | 5,054,667                               | -                           | 5,054,667             | -                             |
| Gross receipts tax  |                       |                         |  |  | 797,080                                 | -                           | 797,080               | -                             |
| Vehicle registration tax                                  |                       |                         |  |  | 178,922                                 | -                           | 178,922               | -                             |
| Investment and interest income                            |                       |                         |  |  | 18,353,603                              | 1,667,647                   | 20,021,250            | 141,660                       |
| Other revenues  |                       |                         |  |  | 1,192,086                               | -                           | 1,192,086             | -                             |
| <b>Total general revenues</b>                             |                       |                         |  |  | 589,379,200                             | 1,667,647                   | 591,046,847           | 141,660                       |
| <b>Change in net position</b>                             |                       |                         |  |  | (16,284,246)                            | 8,948,692                   | (7,335,554)           | 225,878                       |
| <b>Net position, beginning</b>                            |                       |                         |  |  | 37,605,070                              | 126,438,856                 | 164,043,926           | 24,818,675                    |
| <b>Accounting Changes and Error Corrections (Note O):</b> |                       |                         |  |  | 9,874,445                               | (363,316)                   | 9,511,129             | -                             |
| <b>Net position, beginning of year, restated</b>          |                       |                         |  |  | 47,479,515                              | 126,075,540                 | 173,555,055           | -                             |
| <b>Net position, ending</b>                               |                       |                         |  |  | <b>\$ 31,195,269</b>                    | <b>\$ 135,024,232</b>       | <b>\$ 166,219,501</b> | <b>\$ 25,044,553</b>          |

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

Basic Financial Statements

**Balance Sheet  
Governmental Funds  
June 30, 2025**

|   | General Fund          | American<br>Rescue Plan<br>Act | Opioid<br>Settlement<br>Fund | Capital<br>Projects<br>Fund | Debt Service<br>Fund  | Nonmajor<br>Special<br>Revenue<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------------------|--------------------------------|------------------------------|-----------------------------|-----------------------|---|--------------------------------|
| <b>Assets</b>   |                       |                                |                              |                             |                       |   |                                |
| Cash and cash equivalents / investments   | \$ 251,547,242        | \$ 126,334                     | \$ -                         | \$ 15,019,422               | \$ 103,091,192        | \$ 6,581,789                            | \$ 376,365,979                 |
| Cash and cash equivalents / investments<br>- restricted                           | 7,035,302             | 19,868,152                     | 5,891,318                    | 18,525,968                  | -                     | 243,528                                 | 51,564,268                     |
| Receivables:  |                       |                                |                              |                             |                       |   |                                |
| Accounts receivable, net  | 2,159,902             | -                              | -                            | -                           | -                     | -                                       | 2,159,902                      |
| Restricted opioid receivables   | -                     | -                              | 15,266,068                   | -                           | -                     | -                                       | 15,266,068                     |
| Accrued interest receivable   | 1,556,237             | -                              | -                            | -                           | -                     | -                                       | 1,556,237                      |
| Net property taxes receivable   | 2,767,847             | -                              | -                            | -                           | -                     | 116,723                                 | 2,884,570                      |
| Solid waste receivable  | 36,006                | -                              | -                            | -                           | -                     | -                                       | 36,006                         |
| Beer & Wine receivable  | 1,460                 | -                              | -                            | -                           | -                     | -                                       | 1,460                          |
| Occupancy tax receivable  | 57,810                | -                              | -                            | -                           | -                     | -                                       | 57,810                         |
| Animal taxes receivable   | 272                   | -                              | -                            | -                           | -                     | -                                       | 272                            |
| Water services receivable   | (1,843)               | -                              | -                            | -                           | -                     | -                                       | (1,843)                        |
| Net emergency medical services receivable   | 4,642,341             | -                              | -                            | -                           | -                     | -                                       | 4,642,341                      |
| WSR loan receivable   | -                     | -                              | -                            | 2,550,000                   | -                     | -                                       | 2,550,000                      |
| Parking deck receivable   | -                     | -                              | -                            | 9,765,000                   | -                     | -                                       | 9,765,000                      |
| Leases  | 7,066,959             | -                              | -                            | -                           | -                     | -                                       | 7,066,959                      |
| Inventory   | 2,212,402             | -                              | -                            | -                           | -                     | -                                       | 2,212,402                      |
| Due from other governments - federal and<br>state agencies                        | 43,874,844            | 21,122                         | 12,386                       | 5,471,957                   | -                     | 62,601                                  | 49,442,910                     |
| Due from other governments - local  | 9,380,208             | -                              | -                            | -                           | -                     | -                                       | 9,380,208                      |
| Due from agencies - other   | 11,290                | 9,023                          | -                            | -                           | -                     | -                                       | 20,313                         |
| Due from capital project fund   | 3,047,554             | -                              | -                            | -                           | -                     | -                                       | 3,047,554                      |
| Prepaid expenditures  | 270,360               | -                              | -                            | -                           | -                     | -                                       | 270,360                        |
| <b>Total assets</b>   | <b>335,666,193</b>    | <b>20,024,631</b>              | <b>21,169,772</b>            | <b>51,332,347</b>           | <b>103,091,192</b>    | <b>7,004,641</b>                        | <b>538,288,776</b>             |
| <b>Liabilities</b>  |                       |                                |                              |                             |                       |   |                                |
| Accounts payable  | 16,015,757            | 298,861                        | 117,614                      | 14,714,141                  | -                     | 1,122,597                               | 32,268,970                     |
| Accrued payroll and related amounts<br>withheld                                   | 11,445,405            | 53,076                         | 26,230                       | -                           | -                     | -                                       | 11,524,711                     |
| Due to other governments - federal and state<br>agencies                          | 104,811               | -                              | -                            | -                           | -                     | -                                       | 104,811                        |
| Due to other governments - local  | 934,254               | -                              | -                            | -                           | 134                   | -                                       | 934,388                        |
| Due to general fund   | -                     | -                              | -                            | 3,047,554                   | -                     | -                                       | 3,047,554                      |
| Security deposits   | 5,759                 | -                              | -                            | -                           | -                     | -                                       | 5,759                          |
| Retiree and COBRA prepaid benefit<br>contributions                                | 234,469               | -                              | -                            | -                           | -                     | -                                       | 234,469                        |
| Escrow - register of deeds  | 785,352               | -                              | -                            | -                           | -                     | -                                       | 785,352                        |
| Unearned revenue  | 1,419,648             | 19,672,694                     | -                            | -                           | -                     | -                                       | 21,092,342                     |
| <b>Total liabilities</b>  | <b>30,945,455</b>     | <b>20,024,631</b>              | <b>143,844</b>               | <b>17,761,695</b>           | <b>134</b>            | <b>1,122,597</b>                        | <b>69,998,356</b>              |
| <b>Deferred inflows of resources</b>  |                       |                                |                              |                             |                       |   |                                |
| Prepaid taxes   | -                     | -                              | -                            | -                           | -                     | 24,695                                  | 24,695                         |
| Net property taxes receivable   | 2,767,847             | -                              | -                            | -                           | -                     | 116,723                                 | 2,884,570                      |
| Solid waste receivable  | 36,006                | -                              | -                            | -                           | -                     | -                                       | 36,006                         |
| Animal taxes receivable   | 272                   | -                              | -                            | -                           | -                     | -                                       | 272                            |
| Water services receivable   | (1,843)               | -                              | -                            | -                           | -                     | -                                       | (1,843)                        |
| Net emergency medical services receivable   | 4,642,341             | -                              | -                            | -                           | -                     | -                                       | 4,642,341                      |
| WSR loan receivable   | -                     | -                              | -                            | 2,550,000                   | -                     | -                                       | 2,550,000                      |
| Beer & Wine receivable  | 1,460                 | -                              | -                            | -                           | -                     | -                                       | 1,460                          |
| Occupancy tax receivable  | 57,810                | -                              | -                            | -                           | -                     | -                                       | 57,810                         |
| Leases  | 6,443,927             | -                              | -                            | -                           | -                     | -                                       | 6,443,927                      |
| Opioid settlement funds   | -                     | -                              | 13,726,110                   | -                           | -                     | -                                       | 13,726,110                     |
| <b>Total deferred inflows of resources</b>  | <b>13,947,820</b>     | <b>-</b>                       | <b>13,726,110</b>            | <b>2,550,000</b>            | <b>-</b>              | <b>141,418</b>                          | <b>30,365,348</b>              |
| <b>Fund balances</b>  |                       |                                |                              |                             |                       |   |                                |
| Non-spendable:  | 3,105,795             | -                              | -                            | -                           | -                     | -                                       | 3,105,795                      |
| Restricted:   |                       |                                |                              |                             |                       |   |                                |
| Stabilization by State Statute  | 72,394,758            | -                              | -                            | -                           | -                     | -                                       | 72,394,758                     |
| Restricted for other purposes   | 7,035,302             | -                              | 7,299,818                    | 12,783,264                  | -                     | 243,528                                 | 27,361,912                     |
| Committed:  | 97,623,732            | -                              | -                            | -                           | -                     | -                                       | 97,623,732                     |
| Assigned  | 28,791,716            | -                              | -                            | 18,237,388                  | 103,091,058           | 5,497,098                               | 155,617,260                    |
| Unassigned  | 81,821,615            | -                              | -                            | -                           | -                     | -                                       | 81,821,615                     |
| <b>Total fund balances</b>  | <b>290,772,918</b>    | <b>-</b>                       | <b>7,299,818</b>             | <b>31,020,652</b>           | <b>103,091,058</b>    | <b>5,740,626</b>                        | <b>437,925,072</b>             |
| <b>Total liabilities, deferred<br/>inflows of resources and<br/>fund balances</b> | <b>\$ 335,666,193</b> | <b>\$ 20,024,631</b>           | <b>\$ 21,169,772</b>         | <b>\$ 51,332,347</b>        | <b>\$ 103,091,192</b> | <b>\$ 7,004,641</b>                     | <b>\$ 538,288,776</b>          |

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

**Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
June 30, 2025**

|  |                        |
|--|------------------------|
| Total fund balance - governmental funds  | \$ 437,925,072         |
| Amounts reported for governmental activities in the statement of net position are different because:   |                        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 632,743,176            |
| Other long-term assets used in governmental activities are not a current financial resource and, therefore, are not reported in the funds.   | 8,905,492              |
| Deferred outflows of resources used in governmental activities represent a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds. | 83,341,211             |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.  | 23,896,726             |
| Deferred inflows of resources used in governmental activities represent an acquisition of net assets that applies to future periods and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.                 | (50,859,085)           |
| Long-term liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.   | <u>(1,104,757,322)</u> |
| Net position of governmental activities  | <u>\$ 31,195,269</u>   |

Basic Financial Statements

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2025**

|  | General Fund   | American Rescue Plan Act | Opioid Settlement Fund | Capital Projects Fund | Debt Service Fund | Nonmajor Special Revenue Funds | Total Governmental Funds |
|--|----------------|--------------------------|------------------------|-----------------------|-------------------|--------------------------------|--------------------------|
| <b>Revenues</b>  |                |                          |                        |                       |                   |                                |                          |
| Taxes  | \$ 554,887,857 | \$ -                     | \$ -                   | \$ -                  | \$ -              | \$ 14,767,283                  | \$ 569,655,140           |
| Licenses and permits   | 262,330        | -                        | -                      | -                     | -                 | -                              | 262,330                  |
| Intergovernmental revenues   | 82,437,271     | 26,030,956               | 1,939,757              | 4,290,459             | -                 | -                              | 114,698,443              |
| Investments  | 11,306,438     | -                        | 130,418                | 2,945,036             | 3,675,393         | 296,318                        | 18,353,603               |
| Rent   | 755,786        | -                        | -                      | -                     | -                 | -                              | 755,786                  |
| Charges for services   | 42,763,646     | -                        | -                      | -                     | 523,079           | 1,250,000                      | 44,536,725               |
| Other revenues   | 1,192,086      | -                        | -                      | -                     | -                 | -                              | 1,192,086                |
| Total revenues   | 693,605,414    | 26,030,956               | 2,070,175              | 7,235,495             | 4,198,472         | 16,313,601                     | 749,454,113              |
| <b>Expenditures</b>  |                |                          |                        |                       |                   |                                |                          |
| Current:   |                |                          |                        |                       |                   |                                |                          |
| General government   | 92,164,641     | 20,746,767               | -                      | 7,093                 | -                 | -                              | 112,918,501              |
| Public safety  | 93,206,044     | -                        | 88,322                 | -                     | -                 | 11,712,389                     | 105,006,755              |
| Transportation   | 1,557,481      | -                        | -                      | -                     | -                 | -                              | 1,557,481                |
| Environmental protection   | 7,552,796      | -                        | -                      | 6,473,011             | -                 | -                              | 14,025,807               |
| Economic and physical development                                    | 10,127,566     | 2,931,237                | -                      | -                     | -                 | 3,324,009                      | 16,382,812               |
| Human services   | 116,456,055    | 795,955                  | 691,509                | -                     | -                 | -                              | 117,943,519              |
| Education  | 229,472,334    | -                        | -                      | 94,440,894            | -                 | -                              | 323,913,228              |
| Cultural and recreational  | 17,968,043     | -                        | -                      | 3,227,842             | -                 | -                              | 21,195,885               |
| Debt service:  |                |                          |                        |                       |                   |                                |                          |
| Principal retirement   | 2,277,153      | -                        | -                      | -                     | 50,289,541        | -                              | 52,566,694               |
| Interest and fiscal charges  | 105,736        | -                        | -                      | -                     | 31,028,667        | -                              | 31,134,403               |
| Arbitrage penalties  | -              | -                        | -                      | -                     | 35,104            | -                              | 35,104                   |
| Capital Outlay   | 3,675,013      | 1,471,191                | -                      | 43,345,668            | -                 | -                              | 48,491,872               |
| Total expenditures   | 574,562,862    | 25,945,150               | 779,831                | 147,494,508           | 81,353,312        | 15,036,398                     | 845,172,061              |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | 119,042,552    | 85,806                   | 1,290,344              | (140,259,013)         | (77,154,840)      | 1,277,203                      | (95,717,948)             |
| <b>Other financing sources (uses)</b>                                |                |                          |                        |                       |                   |                                |                          |
| Transfers in   | 4,096,055      | -                        | -                      | 26,799,441            | 100,001,276       | -                              | 130,896,772              |
| Transfers out  | (106,997,341)  | (85,806)                 | (48,124)               | (773,943)             | (21,705,877)      | (1,285,681)                    | (130,896,772)            |
| Lease liabilities issued   | 193,607        | -                        | -                      | -                     | -                 | -                              | 193,607                  |
| Subscription liabilities issued                                      | 132,145        | -                        | -                      | -                     | -                 | -                              | 132,145                  |
| Issuance of installment purchases                                    | -              | -                        | -                      | 80,726,966            | -                 | -                              | 80,726,966               |
| Total other financing sources (uses)                                 | (102,575,534)  | (85,806)                 | (48,124)               | 106,752,464           | 78,295,399        | (1,285,681)                    | 81,052,718               |
| <b>Net change in fund balances</b>                                   | 16,467,018     | -                        | 1,242,220              | (33,506,549)          | 1,140,559         | (8,478)                        | (14,665,230)             |
| <b>FUND BALANCE - BEGINNING</b>                                      | 277,739,402    | -                        | 4,678,662              | 64,527,201            | 101,950,499       | 5,749,104                      | 454,644,868              |
| <b>ACCOUNTING CHANGES AND ERROR<br/>CORRECTIONS (NOTE O):</b>        | (3,433,502)    | -                        | 1,378,936              | -                     | -                 | -                              | (2,054,566)              |
| <b>FUND BALANCE, BEGINNING OF YEAR,<br/>RESTATE</b>                  | 274,305,900    | -                        | 6,057,598              | 64,527,201            | 101,950,499       | 5,749,104                      | 452,590,302              |
| <b>FUND BALANCE - ENDING</b>   | \$ 290,772,918 | \$ -                     | \$ 7,299,818           | \$ 31,020,652         | \$ 103,091,058    | \$ 5,740,626                   | \$ 437,925,072           |

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

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Year Ended June 30, 2025**

|  |                        |
|--|------------------------|
| Net changes in fund balances - total governmental funds  | \$ (14,665,230)        |
| Amounts reported for governmental activities in the statement of activities are different because:   |                        |
| 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 and amortization expense. This is the amount by which capital outlay exceeded depreciation in the current year.  | 25,551,139             |
| Deferred outflows of resources used in governmental activities represent a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then, and therefore, are not reported in the funds.   | (15,129,362)           |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   | 235,435                |
| Deferred inflows of resources used in governmental activities represent an acquisition of net assets that applies to future periods and so will not be recognized as a revenue until then, and therefore, are not reported in the funds.   | 1,429,498              |
| 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 the governmental funds. Some expenditures reported in the governmental funds do require the use of current financial resources because items are prepaid using the purchases method and, therefore, are not reported as expenses in the statement of activities. | 6,819,709              |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.                    | <u>(20,525,435)</u>    |
| Change in net position of governmental activities  | <u>\$ (16,284,246)</u> |

## Basic Financial Statements

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2025**

|   | Budgeted Amounts   |                    | Actual             | Positive<br>(Negative)<br>Variance |
|---|--------------------|--------------------|--------------------|------------------------------------|
|   | Original           | Final              |                    |                                    |
| <b>Revenues</b>                             |                    |                    |                    |                                    |
| Taxes                                       |                    |                    |                    |                                    |
| Current levy                                | \$ 425,611,393     | \$ 425,611,393     | \$ 426,792,716     | \$ 1,181,323                       |
| Prior years' levy                           | 500,000            | 500,000            | 813,392            | 313,392                            |
| Tax penalties and interest                  | 700,000            | 700,000            | 932,631            | 232,631                            |
| Advertising and selling                     | 22,000             | 22,000             | 37,493             | 15,492                             |
| Payments in lieu of taxes                   | 50,000             | 50,000             | 67,149             | 17,149                             |
| Local option sales tax                      | 131,247,084        | 131,247,084        | 120,182,883        | (11,064,201)                       |
| Animal tax                                  | -                  | -                  | 10                 | 10                                 |
| Occupancy tax                               | 4,925,000          | 4,925,000          | 5,042,631          | 117,631                            |
| Gross receipts tax                          | 675,000            | 675,000            | 797,080            | 122,080                            |
| Vehicle registration tax                    | 250,000            | 250,000            | 178,922            | (71,078)                           |
| Solid waste tax                             | 35,000             | 35,000             | 27,963             | (7,037)                            |
| White goods tax                             | 25,000             | 25,000             | 14,987             | (10,013)                           |
| Total taxes                                 | <u>564,040,477</u> | <u>564,040,477</u> | <u>554,887,857</u> | <u>(9,152,621)</u>                 |
| Intergovernmental revenues                  |                    |                    |                    |                                    |
| Beer and wine tax                           | -                  | -                  | 139,317            | 139,317                            |
| Social services                             | 37,449,839         | 39,080,724         | 39,501,787         | 421,063                            |
| Public health                               | 9,924,598          | 10,956,527         | 11,427,006         | 470,479                            |
| Community intervention and support services | 1,175,920          | 1,175,920          | 225,857            | (950,063)                          |
| Library                                     | 658,734            | 892,858            | 573,147            | (319,711)                          |
| Finance                                     | 9,000,000          | 9,000,000          | 12,650,279         | 3,650,279                          |
| ABC Board                                   | 2,750,000          | 2,750,000          | 3,585,773          | 835,773                            |
| Other                                       | 12,419,393         | 16,508,637         | 14,334,105         | (2,174,532)                        |
| Total intergovernmental revenues            | <u>73,378,484</u>  | <u>80,364,666</u>  | <u>82,437,271</u>  | <u>2,072,605</u>                   |
| Charges for services                        |                    |                    |                    |                                    |
| Elections registration lists                | 200                | 200                | 65,556             | 65,356                             |
| Register of deeds                           | 6,165,000          | 6,165,000          | 5,719,297          | (445,703)                          |
| General government charges                  | 10,865,476         | 10,865,476         | 8,959,751          | (1,905,725)                        |
| Collection fees                             | 2,319,400          | 2,319,400          | 2,667,191          | 347,791                            |
| Public protection                           | 1,951,351          | 1,951,351          | 1,704,370          | (246,981)                          |
| Environmental protection                    | 17,000             | 17,000             | 19,246             | 2,246                              |
| Solid waste fees                            | 2,437,316          | 2,437,316          | 2,415,888          | (21,428)                           |
| Facilities fees                             | 244,000            | 244,000            | 224,231            | (19,769)                           |
| Library fees and charges                    | 101,500            | 101,500            | 78,142             | (23,358)                           |
| Public health                               | 468,563            | 468,563            | 600,194            | 131,631                            |
| Social services                             | 3,000              | 3,000              | 3,822              | 822                                |
| Office of emergency services                | 18,107,968         | 18,107,968         | 20,285,104         | 2,177,136                          |
| Other charges                               | 22,852             | 27,275             | 20,854             | (6,421)                            |
| Total charges for services                  | <u>42,703,626</u>  | <u>42,708,049</u>  | <u>42,763,646</u>  | <u>55,597</u>                      |
| Investment and rental income                |                    |                    |                    |                                    |
| Investment earnings                         | 6,030,000          | 6,761,586          | 11,306,438         | 4,544,852                          |
| Rent  | 760,200            | 760,200            | 755,786            | (4,414)                            |
| Total investment and rental income          | <u>6,790,200</u>   | <u>7,521,786</u>   | <u>12,062,224</u>  | <u>4,540,438</u>                   |

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

Basic Financial Statements

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Continued)  
General Fund  
Year Ended June 30, 2025**

|  | Budgeted Amounts |             | Actual      | Positive<br>(Negative)<br>Variance |
|--|------------------|-------------|-------------|------------------------------------|
|  | Original         | Final       |             |                                    |
| Licenses and permits                       |                  |             |             |                                    |
| Cablevision and franchise fees             | \$ 350,000       | \$ 350,000  | \$ 247,637  | \$ (102,363)                       |
| Wine and beer licenses                     | 17,000           | 17,000      | 14,693      | (2,307)                            |
| Total licenses and permits                 | 367,000          | 367,000     | 262,330     | (104,670)                          |
| Other revenues                             |                  |             |             |                                    |
| Miscellaneous                              | 297,225          | 297,225     | 852,257     | 555,032                            |
| Confiscated property federal investigation | 50,000           | 50,000      | 9,346       | (40,654)                           |
| Inmate welfare                             | 125,000          | 125,000     | 89,669      | (35,331)                           |
| Sale of surplus property and materials     | 30,000           | 30,000      | 144,409     | 114,409                            |
| Other                                      | 85,000           | 85,000      | 96,405      | 11,405                             |
| Total other revenues                       | 587,225          | 587,225     | 1,192,086   | 604,861                            |
| Total revenues                             | 687,867,012      | 695,589,203 | 693,605,414 | (1,983,790)                        |
| <b>Expenditures</b>                        |                  |             |             |                                    |
| Current:                                   |                  |             |             |                                    |
| General administration                     |                  |             |             |                                    |
| Board of county commissioners              | 1,273,183        | 1,343,699   | 1,201,775   | 141,924                            |
| County manager                             | 8,425,143        | 8,568,840   | 7,753,231   | 815,609                            |
| Finance                                    | 6,166,784        | 6,336,560   | 5,265,094   | 1,071,466                          |
| Tax  | 9,145,933        | 9,683,766   | 9,888,907   | (205,141)                          |
| Legal                                      | 3,890,629        | 4,154,783   | 3,714,353   | 440,430                            |
| Court facilities                           | 602,790          | 603,990     | 260,609     | 343,381                            |
| Human resources                            | 10,062,377       | 12,172,766  | 11,419,208  | 753,558                            |
| Elections                                  | 3,525,589        | 3,546,050   | 3,240,303   | 305,747                            |
| Risk management and insurance              | 5,963,308        | 6,054,672   | 5,034,036   | 1,020,636                          |
| General services                           | 21,164,940       | 22,348,850  | 20,817,122  | 1,531,728                          |
| Geographic information systems             | 535,488          | 535,488     | 535,488     | -                                  |
| Information systems and technology         | 18,181,530       | 20,115,574  | 19,141,965  | 973,609                            |
| Register of deeds                          | 2,557,881        | 2,989,133   | 2,355,970   | 633,163                            |
| Other                                      | 1,822,179        | 3,816,242   | 1,536,580   | 2,279,662                          |
| Total general administration               | 93,317,754       | 102,270,413 | 92,164,641  | 10,105,772                         |
| Public safety                              |                  |             |             |                                    |
| Criminal justice partnership               | 8,144,366        | 7,840,386   | 6,681,902   | 1,158,484                          |
| County sheriff                             | 31,337,168       | 32,274,192  | 31,895,371  | 378,821                            |
| County jail                                | 23,451,301       | 24,149,397  | 18,887,433  | 5,261,964                          |
| Youth home                                 | 3,624,530        | 3,655,898   | 3,226,756   | 429,142                            |
| Animal control                             | 3,253,782        | 3,208,967   | 3,455,706   | (246,739)                          |
| Emergency communications center            | 1,805,077        | 1,805,077   | 1,639,459   | 165,618                            |
| Office of emergency services               | 28,652,073       | 29,997,346  | 27,093,517  | 2,903,829                          |
| Medical examiner                           | 441,900          | 505,550     | 325,900     | 179,650                            |
| Total public safety                        | 100,710,197      | 103,436,813 | 93,206,044  | 10,230,769                         |
| Transportation                             |                  |             |             |                                    |
| Airport authority                          | 12,500           | 12,500      | 12,500      | -                                  |
| Go Triangle                                | 195,768          | 195,768     | 178,922     | 16,846                             |
| County transportation                      | 4,449,664        | 5,817,917   | 1,366,059   | 4,451,858                          |
| Total transportatio                        | 4,657,932        | 6,026,185   | 1,557,481   | 4,468,704                          |

Basic Financial Statements

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Continued)  
General Fund  
Year Ended June 30, 2025**

|   | Budgeted Amounts   |                    | Actual             | Positive<br>(Negative)<br>Variance |
|---|--------------------|--------------------|--------------------|------------------------------------|
|   | Original           | Final              |                    |                                    |
| Environmental protection                    |                    |                    |                    |                                    |
| Solid waste                                 | \$ 2,781,793       | \$ 2,863,822       | \$ 2,657,413       | \$ 206,409                         |
| Environmental engineering                   | 10,661,317         | 13,274,468         | 4,823,994          | 8,450,474                          |
| Other                                       | 66,671             | 118,322            | 71,389             | 46,933                             |
| Total environmental protection              | <u>13,509,781</u>  | <u>16,256,612</u>  | <u>7,552,796</u>   | <u>8,703,816</u>                   |
| Economic and physical development           |                    |                    |                    |                                    |
| Planning                                    | 1,637,930          | 1,637,930          | 1,430,101          | 207,829                            |
| Cooperative extension                       | 2,911,077          | 3,932,861          | 2,987,002          | 945,859                            |
| Soil and water conservation                 | 1,103,099          | 1,183,927          | 1,224,174          | (40,247)                           |
| Open space management                       | 100,000            | 277,058            | 69,048             | 208,010                            |
| Industrial extension                        | 2,657,731          | 2,597,062          | 2,588,201          | 8,861                              |
| ARPA  | -                  | -                  | 943                | (943)                              |
| Other                                       | 1,801,976          | 1,809,190          | 1,828,097          | (18,907)                           |
| Total economic and physical development     | <u>10,211,813</u>  | <u>11,438,028</u>  | <u>10,127,566</u>  | <u>1,310,462</u>                   |
| Human services                              |                    |                    |                    |                                    |
| Public health                               | 39,558,207         | 41,969,948         | 38,414,874         | 3,555,074                          |
| Mental health                               | 6,503,802          | 6,503,802          | -                  | 6,503,802                          |
| Social services                             | 74,811,790         | 79,036,992         | 72,400,986         | 6,636,006                          |
| Community intervention and support services | 4,797,063          | 5,219,720          | 3,743,690          | 1,476,030                          |
| ARPA  | -                  | -                  | 1,872              | (1,872)                            |
| Other                                       | 380,356            | 2,648,798          | 1,894,633          | 754,165                            |
| Total human services                        | <u>126,051,218</u> | <u>135,379,260</u> | <u>116,456,055</u> | <u>18,923,205</u>                  |
| Education                                   |                    |                    |                    |                                    |
| Durham public schools                       |                    |                    |                    |                                    |
| Current                                     | 206,601,332        | 206,601,332        | 206,601,332        | -                                  |
| Capital                                     | 2,000,000          | 2,000,000          | 2,000,000          | -                                  |
| Durham technical community college          |                    |                    |                    |                                    |
| Current                                     | 11,872,083         | 11,872,083         | 11,872,083         | -                                  |
| Capital                                     | 560,000            | 560,000            | 560,000            | -                                  |
| Other education                             | 9,503,403          | 9,613,076          | 8,438,919          | 1,174,157                          |
| Total education                             | <u>230,536,818</u> | <u>230,646,491</u> | <u>229,472,334</u> | <u>1,174,157</u>                   |
| Cultural and recreational                   |                    |                    |                    |                                    |
| Library                                     | 16,198,861         | 16,550,023         | 15,509,919         | 1,040,104                          |
| Other                                       | 2,458,124          | 2,458,124          | 2,458,124          | -                                  |
| Total cultural and recreational             | <u>18,656,985</u>  | <u>19,008,147</u>  | <u>17,968,043</u>  | <u>1,040,104</u>                   |
| Debt service:                               |                    |                    |                    |                                    |
| Principal retirement                        | -                  | -                  | 2,277,153          | (2,277,153)                        |
| Interest and fiscal charges                 | -                  | -                  | 105,736            | (105,736)                          |
| Total debt service                          | <u>-</u>           | <u>-</u>           | <u>2,382,889</u>   | <u>(2,382,889)</u>                 |

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

Basic Financial Statements

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Continued)  
General Fund  
Year Ended June 30, 2025**

|   | Budgeted Amounts    |                     | Actual                | Positive<br>(Negative)<br>Variance |
|---|---------------------|---------------------|-----------------------|------------------------------------|
|   | Original            | Final               |                       |                                    |
| Capital Outlay  |                     |                     |                       |                                    |
| General Government  | \$ 4,553,250        | \$ 11,158,288       | \$ 3,154,267          | \$ 8,004,021                       |
| Public safety   | 70,000              | 184,119             | 235,274               | (51,155)                           |
| Environmental protection  | -                   | 184,750             | 7,086                 | 177,664                            |
| Economic and physical development   | -                   | 3,590               | -                     | 3,590                              |
| Human services  | -                   | 307,497             | 193,612               | 113,885                            |
| Cultural and recreational   | -                   | 84,774              | 84,774                | -                                  |
| Total capital outlay  | <u>4,623,250</u>    | <u>11,923,018</u>   | <u>3,675,013</u>      | <u>8,248,005</u>                   |
| Total expenditures  | <u>602,275,748</u>  | <u>636,384,967</u>  | <u>574,562,862</u>    | <u>61,822,105</u>                  |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b>                        | <u>85,591,264</u>   | <u>59,204,236</u>   | <u>119,042,552</u>    | <u>(63,805,895)</u>                |
| <b>Other financing sources (uses)</b>   |                     |                     |                       |                                    |
| Transfers in  | 2,377,375           | 3,962,125           | 4,096,055             | 133,930                            |
| Transfers out   | (113,667,785)       | (113,944,377)       | (106,997,341)         | 6,947,036                          |
| Lease liabilities issued  | -                   | -                   | 193,607               | 193,607                            |
| Subscription liabilities issued   | -                   | -                   | 132,145               | 132,145                            |
| Appropriated fund balance   | 25,699,146          | 50,778,016          | -                     | (50,778,016)                       |
| Total other financing uses  | <u>(85,591,264)</u> | <u>(59,204,236)</u> | <u>(102,575,534)</u>  | <u>(43,371,298)</u>                |
| <b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES<br/>UNDER EXPENDITURES AND OTHER USES</b> | <u>\$ -</u>         | <u>\$ -</u>         | <u>16,467,018</u>     | <u>\$ (107,177,193)</u>            |
| <b>FUND BALANCE - BEGINNING</b>   |                     |                     | 277,739,402           |                                    |
| <b>ACCOUNTING CHANGES AND ERROR CORRECTIONS (NOTE O):</b>                                   |                     |                     | <u>(3,433,502)</u>    |                                    |
| <b>FUND BALANCE, BEGINNING OF YEAR, RESTATED</b>  |                     |                     | <u>274,305,900</u>    |                                    |
| <b>FUND BALANCE - ENDING</b>  |                     |                     | <u>\$ 290,772,918</u> |                                    |

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2025 to the fund balance on a modified accrual basis (GAAP):

|   |                       |
|---|-----------------------|
| Fund Balance (Non-GAAP) June 30, 2025   | \$ 290,772,918        |
| Reconciling Adjustments:                |                       |
| Other Financing Sources (Uses)          | 2,382,889             |
| Lease and\ SBITA Capital Outlay         | <u>(2,382,889)</u>    |
| Fund Balance (GAAP Basis) June 30, 2025 | <u>\$ 290,772,918</u> |

## Basic Financial Statements

**Statement of Net Position  
Proprietary Funds  
June 30, 2025**

|   | Enterprise Funds   |                             |               |
|---|--------------------|-----------------------------|---------------|
|   | Sewer Utility Fund | Nonmajor<br>Stormwater Fund | Total         |
| <b>Assets</b>   |                    |                             |               |
| Current assets  |                    |                             |               |
| Cash and cash equivalents / investments                 | \$ 54,329,385      | \$ 6,170,791                | \$ 60,500,176 |
| Cash and cash equivalents / investments - restricted    | 11,864,522         | -                           | 11,864,522    |
| Receivables:  |                    |                             |               |
| Stormwater fees receivable                              | -                  | 390,472                     | 390,472       |
| Accounts receivable                                     | 679,719            | 18,250                      | 697,969       |
| Accrued interest receivable                             | 108,848            | 15,291                      | 124,139       |
| Total receivables                                       | 788,567            | 424,013                     | 1,212,580     |
| Due from other governments - federal and state agencies | 329,712            | 2,958                       | 332,670       |
| Due from other governments - local                      | 1,561,039          | -                           | 1,561,039     |
| Prepaid expenses  | 9,250              | -                           | 9,250         |
| Total current assets                                    | 68,882,475         | 6,597,762                   | 75,480,237    |
| Noncurrent assets                                       |                    |                             |               |
| Capital assets:   |                    |                             |               |
| Land  | 5,817,902          | -                           | 5,817,902     |
| Easements   | 5,000              | -                           | 5,000         |
| Land improvements - sewer and water lines               | 30,740,128         | -                           | 30,740,128    |
| Building treatment plant                                | 56,854,766         | -                           | 56,854,766    |
| Machinery and equipment                                 | 11,329,725         | 8,070                       | 11,337,795    |
| Vehicles  | 730,362            | 228,788                     | 959,150       |
| Computer hardware                                       | 100,347            | 7,604                       | 107,951       |
| Computer software                                       | 73,157             | -                           | 73,157        |
| Construction in progress                                | 18,716,977         | -                           | 18,716,977    |
| Total capital assets                                    | 124,368,364        | 244,462                     | 124,612,826   |
| Less accumulated depreciation and amortization          | (54,893,072)       | (148,344)                   | (55,041,416)  |
| Net capital assets                                      | 69,475,292         | 96,118                      | 69,571,410    |
| <b>Total assets</b>                                     | 138,357,767        | 6,693,880                   | 145,051,647   |
| <b>Deferred outflows of resources</b>                   |                    |                             |               |
| LGERS pension deferrals                                 | 781,983            | 87,171                      | 869,154       |
| Deferred charges on refundings                          | 88,177             | -                           | 88,177        |
| <b>Total deferred outflows of resources</b>             | 870,160            | 87,171                      | 957,331       |
| <b>Liabilities</b>                                      |                    |                             |               |
| Current liabilities                                     |                    |                             |               |
| Current portion of accrued compensated absences         | 164,722            | 63,229                      | 227,951       |
| Current portion of long-term debt                       | 1,583,033          | -                           | 1,583,033     |
| Accounts payable  | 1,102,520          | 8,764                       | 1,111,284     |
| Arbitrage rebate payable                                | 13,000             | -                           | 13,000        |
| Accrued interest payable                                | 22,453             | -                           | 22,453        |
| Accrued payroll and related amounts withheld            | 193,862            | 68,096                      | 261,958       |
| Security deposits                                       | -                  | 39,814                      | 39,814        |
| Total current liabilities                               | 3,079,590          | 179,903                     | 3,259,493     |

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

Basic Financial Statements

**Statement of Net Position  
Proprietary Funds (continued)  
June 30, 2025**

|                                      | Enterprise Funds   |              |                |
|--------------------------------------|--------------------|--------------|----------------|
|                                      | Sewer Utility Fund | Nonmajor     | Total          |
| <b>Noncurrent liabilities</b>        |                    |              |                |
| Accrued compensated absences         | \$ 333,258         | \$ 129,436   | \$ 462,694     |
| Net pension liability - LGERS        | 1,461,922          | 227,474      | 1,689,396      |
| Long-term debt                       | 5,541,172          | -            | 5,541,172      |
| Total noncurrent liabilities         | 7,336,352          | 356,910      | 7,693,262      |
| <b>Total liabilities</b>             | 10,415,942         | 536,813      | 10,952,755     |
| <b>Deferred inflows of resources</b> |                    |              |                |
| Pension deferrals - LGERS            | 34,796             | (2,805)      | 31,991         |
| <b>Net position</b>                  |                    |              |                |
| Net investment in capital assets     | 62,439,265         | 96,118       | 62,535,383     |
| Restricted for capital projects      | 11,864,522         | -            | 11,864,522     |
| Unrestricted                         | 54,473,402         | 6,150,925    | 60,624,327     |
| <b>Total net position</b>            | \$ 128,777,189     | \$ 6,247,043 | \$ 135,024,232 |

## Basic Financial Statements

**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2025**

|   | Enterprise Funds      |                             |                       |
|---|-----------------------|-----------------------------|-----------------------|
|   | Sewer Utility Fund    | Nonmajor<br>Stormwater Fund | Total                 |
| <b>Operating revenues</b>                       |                       |                             |                       |
| Charges for services                            | \$ 17,894,566         | \$ 2,682,480                | \$ 20,577,046         |
| <b>Operating expenses</b>                       |                       |                             |                       |
| Personnel services                              | 4,031,737             | 1,339,563                   | 5,371,300             |
| Utilities                                       | 718,057               | -                           | 718,057               |
| Maintenance and other                           | 4,776,340             | 1,205,800                   | 5,982,140             |
| Depreciation                                    | 5,009,595             | 28,550                      | 5,038,145             |
| Total operating expenses                        | <u>14,535,729</u>     | <u>2,573,913</u>            | <u>17,109,642</u>     |
| <b>Operating income (loss)</b>                  | <u>3,358,837</u>      | <u>108,567</u>              | <u>3,467,404</u>      |
| <b>Nonoperating revenue (expense)</b>           |                       |                             |                       |
| Investment and interest income                  | 1,482,523             | 185,126                     | 1,667,649             |
| Sewer connection fees                           | 2,025,195             | -                           | 2,025,195             |
| Construction permits                            | -                     | 1,342,975                   | 1,342,975             |
| Inspection fees                                 | 1,500                 | 40,702                      | 42,202                |
| Interest and fiscal charges                     | (204,947)             | -                           | (204,947)             |
| Miscellaneous                                   | -                     | 47                          | 47                    |
| Intergovernmental revenues                      | -                     | 178,139                     | 178,139               |
| Total nonoperating revenue (expense)            | <u>3,304,271</u>      | <u>1,746,989</u>            | <u>5,051,260</u>      |
| <b>Income before contributions</b>              | 6,663,108             | 1,855,556                   | 8,518,664             |
| Capital contributions                           | 430,028               | -                           | 430,028               |
| <b>Change in net position</b>                   | 7,093,136             | 1,855,556                   | 8,948,692             |
| <b>Beginning net position</b>                   | 121,946,192           | 4,492,664                   | 126,438,856           |
| <b>Accounting Changes and Error Corrections</b> | (262,139)             | (101,177)                   | (363,316)             |
| <b>Beginning net position, restated</b>         | <u>121,684,053</u>    | <u>4,391,487</u>            | <u>126,075,540</u>    |
| <b>Total net position, ending</b>               | <u>\$ 128,777,189</u> | <u>\$ 6,247,043</u>         | <u>\$ 135,024,232</u> |

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

## Basic Financial Statements

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2025**

|   | Enterprise Fund       |                     |                      |
|---|-----------------------|---------------------|----------------------|
|   | Sewer Utility<br>Fund | Stormwater<br>Fund  | Total                |
| <b>Operating activities</b>   |                       |                     |                      |
| Cash received from customers  | \$ 16,196,847         | \$ 2,551,294        | \$ 18,748,141        |
| Cash paid to employees  | (3,784,583)           | (1,255,967)         | (5,040,550)          |
| Cash paid for operating plant   | (5,096,378)           | (1,204,230)         | (6,300,608)          |
| Sewer connection fees received  | 2,025,195             | -                   | 2,025,195            |
| Construction permits received   | -                     | 1,342,975           | 1,342,975            |
| Inspection fees received  | 1,500                 | 40,702              | 42,202               |
| Security deposits   | -                     | (6,480)             | (6,480)              |
| Miscellaneous received  | -                     | 46                  | 46                   |
| <b>Net cash provided from operating activities</b>  | <u>9,342,581</u>      | <u>1,468,340</u>    | <u>10,810,921</u>    |
| <b>Capital and related financing activities</b>   |                       |                     |                      |
| Principal payments on long-term debt  | (1,531,146)           | -                   | (1,531,146)          |
| Interest paid   | (196,872)             | -                   | (196,872)            |
| Intergovernmental revenues  | -                     | 178,139             | 178,139              |
| Acquisition and construction costs of capital assets  | (3,408,588)           | (42,282)            | (3,450,870)          |
| <b>Net cash provided from (used in) capital and related financing activities</b>                  | <u>(5,136,606)</u>    | <u>135,857</u>      | <u>(5,000,749)</u>   |
| <b>Investing activities</b>   |                       |                     |                      |
| Investment income and dividends   | 1,471,553             | 179,987             | 1,651,540            |
| <b>Net cash provided from investing activities</b>  | <u>1,471,553</u>      | <u>179,987</u>      | <u>1,651,540</u>     |
| <b>Net increase in cash and cash equivalents/investments</b>                                      | <u>5,677,528</u>      | <u>1,784,184</u>    | <u>7,461,712</u>     |
| <b>Cash and cash equivalents/investments</b>  |                       |                     |                      |
| <b>Beginning of year</b>  | <u>60,516,379</u>     | <u>4,386,607</u>    | <u>64,902,986</u>    |
| <b>End of year</b>  | <u>\$ 66,193,907</u>  | <u>\$ 6,170,791</u> | <u>\$ 72,364,698</u> |
| <b>Reconciliation of operating income to net cash provided from operating activities</b>          |                       |                     |                      |
| Operating income  | \$ 3,358,837          | \$ 108,567          | \$ 3,467,404         |
| Adjustments to reconcile operating income to net cash provided by operating activities:           |                       |                     |                      |
| Depreciation  | 5,009,595             | 28,550              | 5,038,145            |
| Nonoperating miscellaneous income   | 2,026,695             | 1,383,721           | 3,410,416            |
| Change in assets, deferred outflows of resources, deferred inflows of resources, and liabilities: |                       |                     |                      |
| Accounts receivable   | (89,715)              | (129,773)           | (219,488)            |
| Due from other governments - federal and state agencies   | (158,017)             | (1,414)             | (159,431)            |
| Due from other governments - local  | (1,449,987)           | -                   | (1,449,987)          |
| Deferred outflows of resources for pensions   | 78,319                | 37,156              | 115,475              |
| Accounts payable  | 402,643               | 1,570               | 404,213              |
| Compensated absences and accrued payroll  | 74,622                | 26,133              | 100,755              |
| Total adjustments   | <u>5,983,744</u>      | <u>1,359,773</u>    | <u>7,343,517</u>     |
| <b>Net cash provided from operating activities</b>  | <u>\$ 9,342,581</u>   | <u>\$ 1,468,340</u> | <u>\$ 10,810,921</u> |
| <b>Supplemental Schedule of Noncash Capital and Related Financing Activities:</b>                 |                       |                     |                      |
| Capital contributions   | <u>\$ 430,028</u>     | <u>\$ -</u>         | <u>\$ 430,028</u>    |

## Basic Financial Statements

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2025**

|   | <u>Private-<br/>Purpose<br/>Trust Funds</u> | <u>Custodial<br/>Funds</u> |
|---|---|----------------------------|
| <b>Assets</b>                               |   |                            |
| Cash and cash equivalents                   | \$ 53,120                                   | \$ 2,825,821               |
| Accounts receivable                         | -   | 172,280                    |
| Taxes receivable for other governments, net | -   | 1,592,217                  |
| Due from governmental agencies              | -   | 1,975,586                  |
| Total assets                                | <u>53,120</u>                               | <u>6,565,904</u>           |
| <b>Liabilities</b>                          |   |                            |
| Accounts payable and accrued liabilities    | -   | 159,676                    |
| Due to public schools                       | -   | 271,951                    |
| Due to other governments                    | -   | 3,721,568                  |
| Unearned revenue                            | -   | 1,273                      |
| Total liabilities                           | <u>-</u>                                    | <u>4,154,468</u>           |
| <b>Net position</b>                         |   |                            |
| Held in trust/restricted for:               |   |                            |
| Individuals, organizations, and governments | <u>53,120</u>                               | <u>2,411,435</u>           |
| <b>Total net position</b>                   | <u>\$ 53,120</u>                            | <u>\$ 2,411,435</u>        |



**Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
Year Ended June 30, 2025**

|  | <b>Private-<br/>Purpose<br/>Trust<br/>Funds</b> | <b>Custodial<br/>Funds</b> |
|--|---|----------------------------|
| <b>Additions</b>                           |   |                            |
| Employee contributions                     | \$ 2,766  | \$ -                       |
| Investment income                          | 1,285   | 188,230                    |
| Collections for public schools             | -   | 1,700,174                  |
| Tax collections for other governments      | -   | 267,578,622                |
| Collections on behalf of sheriff           | -   | 705,098                    |
| Collections on behalf of inmates           | -   | 673,099                    |
| Total additions                            | 4,051   | 270,845,223                |
| <b>Deductions</b>                          |   |                            |
| Benefit payments                           | 2,700   | -                          |
| Payments on behalf of sheriff              | -   | 453,068                    |
| Payments on behalf of inmates              | -   | 644,532                    |
| Collection distributions to public schools | -   | 1,650,457                  |
| Tax distributions to other governments     | -   | 269,903,638                |
| Administrative costs                       | -   | 2,910,351                  |
| Total deductions                           | 2,700   | 275,562,046                |
| <b>Change in net Position</b>              | 1,351   | (4,716,823)                |
| <b>Total net position - beginning</b>      | 51,769  | 7,128,258                  |
| <b>Total net position - ending</b>         | \$ 53,120                                       | \$ 2,411,435               |

# Notes to the Basic Financial Statements

ANNUAL COMPREHENSIVE FINANCIAL REPORT  
COUNTY OF DURHAM

## A. Summary Of Significant Accounting Policies

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

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

### 1. Reporting Entity

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

#### Discretely Presented Component Unit

##### Durham County Board of Alcoholic Control (ABC Board)

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

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

##### Durham County ABC Board

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

##### Durham County Industrial Facility and Pollution Control Financing Authority

Durham County Industrial Facility and Pollution Control Financing Authority (the “Authority”) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board, all of whom are appointed by the County Commissioners. The County can remove any board member of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore,

## Notes to the Financial Statements

**A. Summary Of Significant Accounting Policies (Continued)**

it is not presented in the financial statements. The Authority does not issue separate financial statements.

**2. Government-wide and Fund Financial Statements**

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

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

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

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

The County reports the following major governmental funds:

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

**A. Summary Of Significant Accounting Policies (Continued)**

*American Rescue Plan Act.* This fund accounts for the financial resources that are kept in a special revenue fund. American Rescue Plan Act (ARPA) revenues are unearned revenue until the Board determines their use. Once the use is determined the funds are transferred to the appropriate fund before being expended.

*Opioid Settlement Fund.* This fund is to account for revenues for amounts paid by a number of corporations to settle various opioid lawsuits. These amounts are restricted to be spent for certain opioid abatement and remediation activities.

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

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

The County reports the following major enterprise fund:

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

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

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

*Fiduciary Funds.* The County reports two types of fiduciary funds, *Private-Purpose Trust Funds* and *Custodial Funds*.

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

*Custodial Funds.* Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or

## Notes to the Financial Statements

**A. Summary Of Significant Accounting Policies (Continued)**

private purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria.

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

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

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, subscriptions, leases, 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 leases and IT subscriptions are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. The State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as receivable in these financial statements and are offset by allowance for doubtful accounts.

Sales tax distributions and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the County, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.



**A. Summary Of Significant Accounting Policies (Continued)**

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

4. Budgetary Data Control

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

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

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

The following summarizes the supplementary appropriations made for General and Debt Service Funds during fiscal year 2025:

|              | <u>Original Budget</u> | <u>Total<br/>Amendments</u> | <u>Revised Budget</u> |
|--------------|------------------------|-----------------------------|-----------------------|
| General      | \$ 821,184,336         | \$ 59,343,619               | \$ 880,527,955        |
| Debt Service | \$ 108,841,636         | \$ 12,787,807               | \$ 121,629,443        |

**Notes to the Financial Statements****A. Summary Of Significant Accounting Policies (Continued)**

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

**Cash and Investments**

Pooled cash and investments are maintained and used by all funds except the American Rescue Plan Fund, and certain fiduciary funds. The fiduciary accounts are maintained in demand deposit accounts.

**Cash and Cash Equivalents**

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

**Deposits and Investments**

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

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

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

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

At June 30, 2025, the County's deposits had a carrying amount of \$142,264,824 and bank balances of \$154,628,077. Of the carrying amount, \$2,878,941 was related to fiduciary funds. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$153,878,077 was covered by collateral held under the Pooling Method.



**A. Summary Of Significant Accounting Policies (Continued)**

At June 30, 2025, the ABC Board’s deposits had a carrying amount of \$2,218,080 and a bank balance of \$2,159,855. All of the bank balance was insured by federal depository insurance or collateralized under the Pooling Method. North Carolina General Statute 159-30 authorizes the County and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States of America; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers’ acceptances; and the North Carolina Capital Management Trust (NCCMT), a SEC-registered money market mutual fund allowable by G.S. 159-30(c) (8). It is the County’s policy to hold investments to maturity in order to realize full book value and interest earnings.

The County’s investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices.

The ABC Board’s investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by either quoted market prices, significant other observable inputs, or significant unobservable inputs. Non-participation interest earnings contracts and the NCCMT Government Portfolio, an SEC registered 2a-7 external investment pool, are measured at amortized cost, which is the NCCMT’s share price. The NCCMT Term Portfolio’s securities are valued based at fair value as determined by significant other observable inputs. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost. At June 30, 2025, the ABC Board’s investments were \$2,580,328.

As of June 30, 2025, the County had the following investments and maturities:

| Investment Type                                       | Fair Value            | Valuation Measurement Method | Less than 6           |             |                      |
|---|-----------------------|------------------------------|-----------------------|-------------|----------------------|
|   |                       |                              | Months                | 6-12 Months | 1-5 Years            |
| US Government Agencies                                | \$ 36,725,700         | Fair Value - Level 2         | \$ 5,948,920          | \$ -        | \$ 30,776,780        |
| Commercial Paper                                      | 3,953,440             | Fair Value - Level 2         | 3,953,440             | -           | -                    |
| NC Capital Management Trust<br>- Government Portfolio | 317,729,921           | Fair Value - Level 1         | 317,729,921           | -           | -                    |
| Certificate of Deposit                                | 2,500,000             | Fair Value - Level 1         | 2,500,000             | -           | -                    |
| <b>Total</b>  | <b>\$ 360,909,061</b> |                              | <b>\$ 330,132,281</b> | <b>\$ -</b> | <b>\$ 30,776,780</b> |

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

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

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

## Notes to the Financial Statements

**A. Summary Of Significant Accounting Policies (Continued)****Interest Rate Risk:**

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

**Credit Risk:**

The County has no formal policy regarding credit risk but maintains internal management procedures that limit the County's investments to the provisions of North Carolina General Statute 159-30 that restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County invests in commercial paper bearing the highest credit rating, as determined by nationally recognized statistical rating organizations (NRSROs) and banker's acceptances where the accepting bank or its holding company are incorporated in North Carolina. As of June 30, 2025, the County held \$3,953,440 investments in commercial paper. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2025. The County's investments in US agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

**Custodial Credit Risk:**

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

The ABC Board has no formal policy regarding custodial credit risk for deposits; however, it is the current informal policy to follow State requirements.

**Concentration of Credit Risk:**

The County places no limit on investments in Federal Agency issued obligations. The percentage of the County's investments in Federal Farm Credit Bank, Federal Home Loan Mortgage Corp, Federal Home Loan Bank and Fannie Mae are 13%, 22%, 46% and 19%, respectively. Investments in these securities comprise 10.2% of the County's total investment portfolio. All of the previously mentioned securities, owned by the County at June 30, 2025, were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank.

**Interest rate SWAP:**

Effective July 30, 2004, the County entered into a floating-to-floating or basis SWAP on \$125,810,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B and 2004 A&B

**A. Summary Of Significant Accounting Policies (Continued)**

General Obligation Bonds. Effective September 1, 2009, the SWAP was modified to increase the notional amount to \$186,365,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008A&B General Obligation Bonds and 2009A Certificates of Participation. Effective July 1, 2011, the SWAP was modified to increase the notional amount to \$216,051,000 of its outstanding fixed-rate Series 2000, 2001, 2002 A&B, 2004 A&B, 2006 A&B, 2008 A&B, 2010 A&B General Obligation Bonds and 2009 A&B Certificates of Participation.

On June 22, 2024, due to the scheduled phasing out of the LIBOR index, the County modified its Confirmation with the SWAP counterparty, The Bank of New York Mellon, to substitute the LIBOR based rate for a SOFR base rate. A spread of plus 0.42826% was calculated at the time of closing to create an equivalent effective rate at transition.

The notional amount of the SWAP Agreement is equal to the par value of selected associated bonds. The objective of the SWAP was to create economics (generate present value savings) similar to a 65% of SOFR synthetic fixed-rate financing without the County having to issue actual refunding bonds. The SWAP Agreement provides for the County to make payments to the counterparty based on the taxable-equivalent Bond Market Association (BMA) index and for the counterparty to make reciprocal payments based on a floating rate priced at six-month SOFR plus a net amount of 1.132%. In 2006 the Bond Market Association became SIFMA. The agreement matures March 1, 2031. The derivatives contract uses the International SWAP Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The basis SWAP agreement is an investment derivative under GASB Statement No. 53.

**Fair value:**

As of June 30, 2025, the SWAP had a positive fair value totaling \$387,353 estimated using the zero-coupon method. This method calculated the future net settlement payments required by the SWAPs, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the SWAPs. The positive fair value is reported as an asset, derivative financial instrument, in the Statement of Net Position. The fair value decreased by \$11,459 in fiscal year 2025. The changes in fair value are reported in investment income in the Statement of Activities.

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Notes to the Financial Statements

**A. Summary Of Significant Accounting Policies (Continued)**

| (In Thousands)  |                 |                |                  |                         |                        |            |                            |
|---|-----------------|----------------|------------------|-------------------------|------------------------|------------|----------------------------|
| Associated Bond Issues  | Notional Amount | Effective Date | Termination Date | Variable Rate Paid      | Variable Rate Received | Fair Value | Counterparty Credit Rating |
| Series 2000, 2001, 2002 A&B,<br>2004 A&B, 2006 A&B,<br>2008 A&B 2009<br>A Certificates of Participation | \$ -            | -              | -                | SIFMA<br>SWAP<br>Index/ | 1.132% +<br>6Month     | \$ 387,353 | Aa2/AA-/AA                 |
| General Obligation Bonds<br>and Certificates of Participation   | \$ 216,051,000  | 7/1/11         | 3/1/31           | Divisor*                | SOFR                   | \$ -       |                            |

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

**Risks:**

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

**Credit risk:**

As of June 30, 2025, the County was exposed to credit risk, or economic loss due to a counterparty default on its outstanding SWAP in the amount of \$387,353 because the SWAP had a positive fair value. However, should the relationship between the tax-exempt and taxable interest rates change and the fair values of the SWAP become negative, the County would not be exposed to credit risk in the amount of the derivative’s fair value. Both County and the counterparty’s payment obligations under the SWAP are guaranteed by Aa2/AA-(S&P)/AA (Fitch) rated Bank of New York Mellon.

6. Property Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes, in the current fiscal year 2025 levy, are based on the assessed values as of January 1, 2019, effective date of the county’s last general reappraisal. A general reappraisal (revaluation) of all real property is required to be performed at least once every eight years to establish market value, however the statutes allow for a shorter reappraisal cycle. The next general reappraisal (revaluation) will be effective January 1, 2026.

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

As of September 1, 2013, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by an allowance for uncollectible

**A. Summary Of Significant Accounting Policies (Continued)**

taxes. In addition, property taxes collected in advance of the fiscal year to which they apply are recorded as deferred inflows of resources.

**7. Lease Receivable**

Durham County's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease. For additional information, refer to the disclosures below.

**8. Allowance for Doubtful Accounts**

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

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**A. Summary Of Significant Accounting Policies (Continued)**

Receivables for individual major and nonmajor funds at June 30, 2025, were as follows:

|                                 | Accounts            | Accrued Interest    | Taxes               | Stormwater Fees   | Solid Waste      | Emergency Medical Services | Community Development Mortgage Loans | Lease Receivable    | Restricted opioid receivables, net | Parking deck receivable | Due from Other Governments | Total                 |
|---------------------------------|---------------------|---------------------|---------------------|-------------------|------------------|----------------------------|--------------------------------------|---------------------|------------------------------------|-------------------------|----------------------------|-----------------------|
| Governmental funds:             |                     |                     |                     |                   |                  |                            |                                      |                     |                                    |                         |                            |                       |
| General                         | \$ 2,254,578        | \$ 1,556,237        | \$ 2,917,256        | \$ -              | \$ 36,006        | \$ 95,751,301              | \$ 305,342                           | \$ 7,066,959        | \$ -                               | \$ -                    | \$ 53,266,341              | \$ 163,154,020        |
| Capital projects                | 2,550,000           | -                   | -                   | -                 | -                | -                          | -                                    | -                   | -                                  | 9,765,000               | 5,471,957                  | 17,786,957            |
| American Rescue Plan Act        | -                   | -                   | -                   | -                 | -                | -                          | -                                    | -                   | -                                  | -                       | 30,144                     | 30,144                |
| Opioid                          | -                   | -                   | -                   | -                 | -                | -                          | -                                    | -                   | 15,266,068                         | -                       | 12,386                     | 15,278,454            |
| Other governmental              | -                   | -                   | 118,848             | -                 | -                | -                          | -                                    | -                   | -                                  | -                       | 62,604                     | 181,452               |
| Total receivables               | 4,804,578           | 1,556,237           | 3,036,104           | -                 | 36,006           | 95,751,301                 | 305,342                              | 7,066,959           | 15,266,068                         | 9,765,000               | 58,843,432                 | 196,431,027           |
| Allowance for doubtful accounts | (94,676)            | -                   | (93,838)            | -                 | -                | (91,108,960)               | (305,342)                            | -                   | -                                  | -                       | -                          | (91,602,816)          |
| Total governmental funds        | <u>\$ 4,709,902</u> | <u>\$ 1,556,237</u> | <u>\$ 2,942,266</u> | <u>\$ -</u>       | <u>\$ 36,006</u> | <u>\$ 4,642,341</u>        | <u>\$ -</u>                          | <u>\$ 7,066,959</u> | <u>\$ 15,266,068</u>               | <u>\$ 9,765,000</u>     | <u>\$ 58,843,432</u>       | <u>\$ 104,828,211</u> |
| Proprietary funds               |                     |                     |                     |                   |                  |                            |                                      |                     |                                    |                         |                            |                       |
| Sewer utility                   | \$ 679,719          | \$ 108,848          | \$ -                | \$ -              | \$ -             | \$ -                       | \$ -                                 | \$ -                | \$ -                               | \$ -                    | \$ 1,890,751               | \$ 2,679,318          |
| Stormwater                      | 18,250              | 15,291              | -                   | 390,472           | -                | -                          | -                                    | -                   | -                                  | -                       | 2,958                      | 426,971               |
| Total receivables               | 697,969             | 124,139             | -                   | 390,472           | -                | -                          | -                                    | -                   | -                                  | -                       | 1,893,709                  | 3,106,289             |
| Total proprietary funds         | <u>\$ 697,969</u>   | <u>\$ 124,139</u>   | <u>\$ -</u>         | <u>\$ 390,472</u> | <u>\$ -</u>      | <u>\$ -</u>                | <u>\$ -</u>                          | <u>\$ -</u>         | <u>\$ -</u>                        | <u>\$ -</u>             | <u>\$ 1,893,709</u>        | <u>\$ 3,106,289</u>   |

The Community Development Mortgage Loans Receivable consists of certain proceeds from bonds that have been used to make non-interest-bearing loans to qualifying individuals in accordance with the County’s Community Development Program. These loans contain various provisions, including deferral periods and forgiveness of indebtedness if certain conditions are met. Due to the uncertainty of collectability, the full amount of the outstanding loans receivable balance as of June 30, 2025, of \$305,342 has been included in the allowance for doubtful accounts.

**A. Summary Of Significant Accounting Policies (Continued)**

## 9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion - deferred charges on refundings and pension and OPEB related deferrals.

In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criterion for this category - net property taxes receivable, solid waste receivable, animal taxes receivable, water services receivable, net emergency medical services receivable, WSR loan receivable, beer and wine tax receivable, occupancy tax receivable, parking deck receivable, leases, and other OPEB and pension related deferrals. In addition, certain unavailable revenues related to opioid settlement receivables are reported as deferred inflows of resources, but only on the balance sheet of the governmental funds.

## 10. Inventories and Prepaid Items

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

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

## 11. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as tangible or non-consumable assets with an acquisition cost of more than \$5,000 and intangible assets with an acquisition cost or acquisition value, if donated or gifted, of more than \$50,000. The estimated useful life of tangible, non-consumable, and intangible assets must be in excess of one year. Purchased or constructed capital assets are recorded at original cost at the time of acquisition or completion. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not increase the service capacity of the asset or materially extend assets' lives are not capitalized.

Notes to the Financial Statements

**A. Summary Of Significant Accounting Policies (Continued)**

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the County are depreciated or amortized on a straight-line basis over the following estimated useful lives:

| Description                                  | Estimated Useful Lives                     |
|--|--|
| Buildings                                    | 40 years                                   |
| Office furniture and equipment               | 7 years                                    |
| Machinery and equipment                      | 5 years                                    |
| Vehicles                                     | 5 years                                    |
| Computer hardware                            | 3 years                                    |
| Computer software                            | 3 years                                    |
| Sewer system                                 | 50 years                                   |
| Water system                                 | 50 years                                   |
| Construction in progress (CIP)               | N/A  |
| Right to use lease assets, see Note D        | Term of the lease                          |
| Right of use subscription assets, see Note D | Term of the subscription                   |
| Easements                                    | Indefinite, to be monitored for impairment |

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

| Description                | Estimated Useful Lives |
|----------------------------|------------------------|
| Buildings and Improvements | 10 - 30 years          |
| Vehicles                   | 5 years                |
| Furniture and equipment    | 5 - 15 years           |

The ABC Board defines capital assets as assets with an individual cost in excess of \$5,000 and an estimated life in excess of one year.

**A. Summary Of Significant Accounting Policies (Continued)**

Leases and subscriptions are recognized on a straight-line basis over the terms of the lease agreement.

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

The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease. The related leases are discussed in the Leases subsection of the Long-term Obligations section of these notes.

The right-to-use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. The right-to-use subscription assets are amortized on a straight-line basis over the subscription term.

**12. Long-term Obligations**

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

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

**13. Compensated Absences**

Permanent employees of the County earn vacation leave at rates dependent on their work schedules and service tenure, up to a maximum of 25 days per year after 20 years. The maximum permissible accumulation is 30 days, and employees are paid for any accumulated vacation leave up to the maximum amount upon termination. At the end of each calendar year, accumulated vacation leave in excess of 30 days (in hours, based on an employee's work schedule) is converted to sick leave. Accumulated vacation leave and salary related payments at June 30, 2025 amounted to \$11,300,055. Of this amount, \$11,055,636 is recorded as a liability in the government-wide financial statements for governmental activities, and \$244,419,

## Notes to the Financial Statements

**A. Summary Of Significant Accounting Policies (Continued)**

is recorded as a liability in the proprietary fund financial statements and the government-wide financial statements for business-type activities. ABC Board employees may accumulate up to 30 days earned vacation and such leave is fully vested when earned. The ABC Board's accumulated earned vacation and related expenses at June 30, 2025 amounted to \$258,453.

The sick leave policies of the County provide for the unlimited accumulation of sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. With the implementation of GASB No. 101, the County now uses a five-year look-back period to estimate the amount of sick leave that is "more likely than not to be paid or used" and recognize that portion as a liability for compensated absence and salary-related payments. Estimated accumulated sick leave and salary-related payments at June 30, 2025 amounted to \$19,716,153. Of this amount, \$19,269,928 is recorded in the government-wide financial statements for governmental activities, and \$446,225 is recorded as a liability in the proprietary fund financial statements and the government-wide financial statements for business-type activities. The ABC Board does not have an obligation for accumulated sick leave until it is actually taken, so no accrual for sick leave has been made.

**14. Opioid Settlement Funds**

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of funds will be front loaded. Per the terms of the memorandum of agreement (MOA), the County created a special revenue fund, the Opioid Settlement Fund to account for these funds. All funds are to be used for opioid abatement and remediation activities.

Thus far, the amounts the County has received or will receive qualify as an exchange or exchange-like transaction.

Accordingly, the Opioid Settlement Major Special Revenue Fund received \$1,778,735 in cash during the year and recognized revenue of \$1,939,757. Additional revenue was also recognized for Governmental Activities.

**15. Reimbursements for Pandemic-related Expenditures**

In fiscal year 2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The American Rescue Plan will deliver \$350 billion for state, local, territorial, and tribal governments to respond to the COVID-19 emergency. Funding will also focus on infrastructure issues that face communities including efforts to bring back jobs. Durham County was allocated \$62,445,275 of fiscal recovery funds paid in two equal installments in July 2021 and July 2022.



**A. Summary Of Significant Accounting Policies (Continued)**

A total of \$16,790,750 and \$26,030,956 in ARPA funds have been expended as of June 30, 2024 and June 30, 2025, respectively. Total ARPA expenditures to-date are \$42,872,581. The BOCC has established an allocation plan and adopted a multi-year budget ordinance for the full amount. Funds must be obligated by a funds reservation by December 31, 2024 and Counties have until December 31, 2026 to expend all remaining funds. ARPA funds can support several priorities including a public health response due to COVID-19, address negative economic impacts, replace public sector revenue loss, and fund premium pay for essential workers. The federal dollars can also address water, sewer, and broadband infrastructure.

16. Encumbrances

As required by North Carolina General Statutes, encumbrance accounting is employed in the governmental funds. The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. These amounts are included in the Stabilization by State Statute and restricted for other purposes in the restricted fund balance. Amounts outstanding at June 30, 2025 are as follows:

| Major Funds   |               |                       |
|---------------|---------------|-----------------------|
| General Fund  | ARPA Fund     | Capital Projects Fund |
| \$ 12,364,724 | \$ 18,647,413 | \$ 7,310,546          |

17. Net Position/Fund Balances

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

## Notes to the Financial Statements

**A. Summary Of Significant Accounting Policies (Continued)**

- Leases Receivable, net - portion of fund balance that is not an available resource because it is not in spendable form. The reported amount is calculated by reducing the lease receivable by the related deferred inflow of resources.

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

- Restricted for Stabilization of State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories, prepaids and lease receivables in excess of deferred inflows of resources for leases, as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.
- Restricted for tax technology - portion of fund balance that is restricted by revenue source for tax technology purposes.
- Restricted for Sheriff - portion of fund balance that is restricted by revenue source for Sheriff and law enforcement purposes.
- Restricted for fire marshal - portion of fund balance that is restricted by revenue source for fire marshal.
- Restricted for public health - portion of fund balance that is restricted by revenue source for public health.
- Restricted for museum - portion of fund balance that is restricted by revenue source for museum purposes.
- Restricted for social services programs - portion of fund balance that is restricted by revenue source for social services programs.
- Restricted for library programs - portion of fund balance that is restricted by revenue source for library programs.
- Restricted for criminal justice programs - portion of fund balance that is restricted by revenue source for criminal justice programs.
- Restricted for environmental protection programs - portion of fund balance that is restricted by revenue source for environmental protection programs.
- Restricted for register of deeds - portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds Office.

## Notes to the Financial Statements

**A. Summary Of Significant Accounting Policies (Continued)**

- Restricted for Special Butner - portion of fund balance that is restricted by revenue source for the Special Butner area of Durham County.
- Restricted for Opioid Settlement - portion of the fund balance that is restricted by revenue source to be used toward prevention and treatment of opioid addiction related to a national settlement with four pharmaceutical companies.
- Restricted for education - portion of fund balance restricted by revenue source that can be used only for school capital or school debt service for Durham Public Schools.
- Restricted for capital projects - portion of fund balance that is restricted by revenue source and can only be used for capital outlay in the County.

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

- Committed for risk management - portion of fund balance that can only be used for catastrophic occurrences.
- Committed for public health - portion of fund balance that can only be used for public health purposes.
- Committed for debt service - portion of fund balance that can only be used for debt service.
- Committed for public arts - portion of fund balance that can only be used for public arts.
- Committed for sheriff inmate - portion of fund balance that can only be used for supporting items or services that directly benefit the inmates.
- Committed for education; article 46 - portion of fund balance that can only be used for education purposes.
- Committed for OPEB - portion of fund balance that can only be used for Other Post-Employment Benefits (OPEB).
- Committed for self-insured health benefits - portion of fund balance that can only be used for the County's self-insured benefits (medical and dental).
- Committed for LEO special separation allowance - portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations.

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

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

Notes to the Financial Statements

**A. Summary Of Significant Accounting Policies (Continued)**

The following schedule presents the fund balances at June 30, 2025:

|                                   | General Fund          |             | Major                  |                       |                       | Nonmajor              | Total Governmental Funds |
|-----------------------------------|-----------------------|-------------|------------------------|-----------------------|-----------------------|-----------------------|--------------------------|
|                                   |                       | ARPA        | Opioid Settlement Fund | Capital Projects Fund | Debt Service Fund     | Special Revenue Funds |                          |
| <b>Fund balances</b>              |                       |             |                        |                       |                       |                       |                          |
| Non-spendable:                    |                       |             |                        |                       |                       |                       |                          |
| Inventories                       | \$ 2,212,402          | \$ -        | \$ -                   | \$ -                  | \$ -                  | \$ -                  | 2,212,402                |
| Prepaid expenditures              | 270,360               | -           | -                      | -                     | -                     | -                     | 270,360                  |
| Leases                            | 623,033               | -           | -                      | -                     | -                     | -                     | 623,033                  |
| Restricted:                       |                       |             |                        |                       |                       |                       |                          |
| Stabilization by State Statute    | 72,394,758            | -           | -                      | -                     | -                     | -                     | 72,394,758               |
| Tax technology                    | 26,135                | -           | -                      | -                     | -                     | -                     | 26,135                   |
| Sheriff                           | 914,581               | -           | -                      | -                     | -                     | -                     | 914,581                  |
| Fire marshal                      | -                     | -           | -                      | -                     | -                     | 243,528               | 243,528                  |
| Public health programs            | 538,726               | -           | -                      | -                     | -                     | -                     | 538,726                  |
| Museum                            | 1,717,871             | -           | -                      | -                     | -                     | -                     | 1,717,871                |
| Social services programs          | 1,205,968             | -           | -                      | -                     | -                     | -                     | 1,205,968                |
| Library programs                  | 149,559               | -           | -                      | -                     | -                     | -                     | 149,559                  |
| Criminal justice programs         | 64,452                | -           | -                      | -                     | -                     | -                     | 64,452                   |
| Environmental protection programs | 1,762,021             | -           | -                      | -                     | -                     | -                     | 1,762,021                |
| Register of deeds                 | 647,286               | -           | -                      | -                     | -                     | -                     | 647,286                  |
| Special Butner                    | 8,703                 | -           | -                      | -                     | -                     | -                     | 8,703                    |
| Opioid settlement funds           | -                     | -           | 7,299,818              | -                     | -                     | -                     | 7,299,818                |
| Education                         | -                     | -           | -                      | 761                   | -                     | -                     | 761                      |
| Restricted for capital projects   | -                     | -           | -                      | 12,782,503            | -                     | -                     | 12,782,503               |
| Committed:                        |                       |             |                        |                       |                       |                       |                          |
| Risk management                   | 6,008,690             | -           | -                      | -                     | -                     | -                     | 6,008,690                |
| Public health                     | 151                   | -           | -                      | -                     | -                     | -                     | 151                      |
| Debt service                      | 7,227,751             | -           | -                      | -                     | -                     | -                     | 7,227,751                |
| Public arts                       | 693,096               | -           | -                      | -                     | -                     | -                     | 693,096                  |
| Sheriff inmate                    | 915,305               | -           | -                      | -                     | -                     | -                     | 915,305                  |
| Education: Article 46             | 1,359,521             | -           | -                      | -                     | -                     | -                     | 1,359,521                |
| OPEB                              | 73,554,469            | -           | -                      | -                     | -                     | -                     | 73,554,469               |
| Self-insured health benefits      | 6,172,878             | -           | -                      | -                     | -                     | -                     | 6,172,878                |
| LEO Special Separation Allowance  | 1,691,871             | -           | -                      | -                     | -                     | -                     | 1,691,871                |
| Assigned, reported in:            |                       |             |                        |                       |                       |                       |                          |
| General fund                      | 28,791,716            | -           | -                      | -                     | -                     | -                     | 28,791,716               |
| Capital projects fund             | -                     | -           | -                      | 18,237,388            | -                     | -                     | 18,237,388               |
| Debt service                      | -                     | -           | -                      | -                     | 103,091,058           | -                     | 103,091,058              |
| Assigned, reported in nonmajor:   |                       |             |                        |                       |                       |                       |                          |
| Special revenue                   | -                     | -           | -                      | -                     | -                     | 5,497,098             | 5,497,098                |
| Unassigned                        | 81,821,615            | -           | -                      | -                     | -                     | -                     | 81,821,615               |
| <b>Fund balances Total</b>        | <b>\$ 290,772,918</b> | <b>\$ -</b> | <b>\$ 7,299,818</b>    | <b>\$ 31,020,652</b>  | <b>\$ 103,091,058</b> | <b>\$ 5,740,626</b>   | <b>\$ 437,925,072</b>    |

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

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

**A. Summary Of Significant Accounting Policies (Continued)**

Durham County has an adopted fund balance policy. Included in the policy for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Chief Financial Officer may deviate from this priority after consultation with the County Manager. In addition, per the policy, the goal for the unassigned fund balance of the General Fund is 16% of total actual prior fiscal expenditures and the goal of total fund balance available as a percentage of expenditures is 35%. Once the 35% level has been achieved, the amount over 35% shall be used to fund the annual OPEB contribution to meet the OPEB obligation, pay-as-you-go capital projects or other non-recurring expenditures. In addition, the OPEB portion of the total fund balance for the general fund shall not exceed 25% of the total fund balance to ensure that the committed for OPEB portion of fund balance remains reasonably proportionate to the total fund balance for the general fund as a whole to include unassigned fund balance. Management has been instructed to conduct business in such a manner to achieve these goals. As of June 30, 2025, the County's unassigned fund balance as a percentage of expenditures and the total fund balance available as a percentage of expenditures were 12.01% and 31.60%, respectively.

**18. Defined Benefit Pension and OPEB Plans**

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Register of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"); and one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). The County also administers a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers, the Law Enforcement Officers' Special Separation Allowance (LEOSSA). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms.

## Notes to the Financial Statements

**B. Reconciliation of Government-Wide and Fund Financial Statements**

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(438,688,712) consists of the following:

1. "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds."

|  |                       |
|--|-----------------------|
| Capital assets (net of accumulated depreciation)   | \$ 627,252,601        |
| Right to use assets (net of accumulated amortization)  | <u>5,490,575</u>      |
| Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ 632,743,176</u> |

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

|  |                     |
|--|---------------------|
| Investment in joint venture  | \$ 8,171,767.00     |
| Derivative financial instrument  | 398,812             |
| Pension asset - ROD  | <u>334,913</u>      |
| Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ 8,905,492</u> |

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

|  |                      |
|--|----------------------|
| Pension deferrals - LGERS  | \$ 55,448,796        |
| Pension deferrals - ROD  | 194,980              |
| Pension deferrals - LEOSSA   | 2,023,298            |
| OPEB deferrals   | 17,669,539           |
| Deferred charges on debt refundings  | <u>8,004,598</u>     |
| Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ 83,341,211</u> |

Notes to the Financial Statements

**B. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

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

|  |                      |
|--|----------------------|
| Property taxes receivable (net)  | \$ 2,884,570         |
| Beer and wine tax receivable   | 1,460                |
| Occupancy tax receivable   | 57,810               |
| Solid waste receivable   | 36,006               |
| Animal taxes receivable  | 272                  |
| Emergency medical services receivable (net)  | 4,642,341            |
| Water services receivable  | (1,843)              |
| WSR loan receivable  | 2,550,000            |
| Deferred opioid receivable   | <u>13,726,110</u>    |
| Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ 23,896,726</u> |

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

|  |                        |
|--|------------------------|
| Pension deferrals — LGERS  | \$ (422,179)           |
| Pension deferrals — ROD  | (5,987)                |
| Pension deferrals — LEOSSA   | (807,037)              |
| Pension deferrals — OPEB   | <u>(49,623,882)</u>    |
| Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ (50,859,085)</u> |

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## Notes to the Financial Statements

**B. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

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

|  |                           |
|--|---------------------------|
| Bonds and other notes payable due within one year  | \$ (57,653,740)           |
| Bonds and other notes payable  | (746,744,939)             |
| OPEB liability due within one year   | (5,506,859)               |
| Total OPEB liability   | (147,120,868)             |
| Net pension liability — LGERS  | (104,066,098)             |
| LEOSSA liability due within one year   | (752,598)                 |
| Total pension liability — LEOSSA   | (9,780,555)               |
| Accrued compensated absences due within one year   | (13,787,570)              |
| Accrued compensated absences   | (16,537,994)              |
| Accrued interest payable   | <u>(2,806,101)</u>        |
| Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ (1,104,757,322)</u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$1,619,016 is comprised of the following:

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

|  |                      |
|--|----------------------|
| Capital outlay   | \$ 48,624,017        |
| Donated Assets   | 395,000              |
| Less: depreciation expense   | (20,390,258)         |
| Less: amortization expense   | (2,272,173)          |
| Plus (less): gain (loss) on capital assets   | (551,030)            |
| (Plus) less: (decrease) increase in investment in joint venture  | <u>(254,417)</u>     |
| Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ 25,551,139</u> |

## Notes to the Financial Statements

**B. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

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

|  |                        |
|--|------------------------|
| ROD pension deferrals  | \$ (46,444)            |
| LGERS pension deferrals  | (7,262,357)            |
| LEOSSA pension deferrals   | (795,872)              |
| OPEB deferrals   | (5,876,230)            |
| Unamortized loss on debt refundings  | <u>(1,148,459)</u>     |
| Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ (15,129,362)</u> |

3. “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.”

|  |                   |
|--|-------------------|
| Increase (decrease) in property taxes receivable (net)   | \$ 209,297        |
| Increase (decrease) in emergency medical services receivable (net)   | 921,101           |
| Decrease (increase) in deferred revenue of animal tax receivable   | (10)              |
| Increase (decrease) in deferred revenue of solid waste receivable  | 4,969             |
| Increase (decrease) in water services receivable   | (515)             |
| Opioid settlement funds revenues   | (911,607)         |
| Increase (decrease) in Wine and beer tax receivable  | 164               |
| Other  | 12,036            |
| Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ 235,435</u> |

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

|  |                     |
|--|---------------------|
| Increase (decrease) in pension deferrals - OPEB  | \$ 827,997          |
| Decrease (increase) in pension deferrals - LGERS   | 439,271             |
| Decrease (increase) in pension deferrals - ROD   | 10,737              |
| Increase (decrease) in pension deferrals - LEOSSA  | <u>151,493</u>      |
| Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ 1,429,498</u> |

## Notes to the Financial Statements

**B. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

5. "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 the governmental funds. Some expenditures reported in the governmental funds do require the use of current financial resources because items are prepaid using the purchases method and, therefore, are not reported as expenses in the statement of activities."

|  |                     |
|--|---------------------|
| Increase (decrease) in pension asset   | \$ (42,844)         |
| (Increase) decrease in accrued interest payable  | 417,686             |
| (Increase) decrease in accrued compensated absences  | (483,993)           |
| Increase (decrease) in pension liability - LEOSSA  | (84,466)            |
| Decrease (increase) in OPEB liability  | 11,115,642          |
| Increase (decrease) in pension liability - LGERS   | <u>(4,102,316)</u>  |
| Net adjustment to increase total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ 6,819,709</u> |

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

|  |                        |
|--|------------------------|
| Principal repayments   | \$ 52,566,694          |
| Amortization of bond premium   | 7,508,425              |
| Increase (decrease) in debt (net)  | (80,726,966)           |
| Termination of lease   | 344,417                |
| (Increase) decrease in right to use liabilities  | (253,109)              |
| Arbitrage penalties  | <u>35,104</u>          |
| Net adjustment to decrease total fund balance for the governmental funds to arrive at net position for governmental activities | <u>\$ (20,525,435)</u> |

**C. Lease Receivables**

Leases are financing of the right to use an underlying asset. As such, a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The County has entered into lease arrangements to lease buildings and other assets owned by the County to others.

For the fiscal year ending June 30, 2025, the County had 2 active leases. The County recognized lease revenue of \$1,267,167 and interest revenue of \$151,147 under these leases.



## D. Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

### Governmental Activities:

|   | Beginning<br>Balance  | Increases/<br>Transfers In | Decreases/<br>Transfers Out | Ending<br>Balance     |
|---|-----------------------|----------------------------|-----------------------------|-----------------------|
| Nondepreciable capital assets:              |                       |                            |                             |                       |
| Land  | \$ 10,121,435         | \$ 8,109,027               | \$ -                        | \$ 18,230,462         |
| Easements                                   | 3,053,493             | -                          | -                           | 3,053,493             |
| Construction in progress                    | 255,323,780           | 44,816,368                 | (24,056,090)                | 276,084,058           |
| Total nondepreciable capital assets         | <u>268,498,708</u>    | <u>52,925,395</u>          | <u>(24,056,090)</u>         | <u>297,368,013</u>    |
| Depreciable capital assets:                 |                       |                            |                             |                       |
| Buildings                                   | 474,246,058           | 13,839,020                 | -                           | 488,085,078           |
| Water Systems                               | 2,530,425             | -                          | -                           | 2,530,425             |
| Office furniture and Equipment              | 2,516,354             | 255,877                    | (8,915)                     | 2,763,316             |
| Machinery and Equipment                     | 17,770,969            | 1,259,524                  | (175,944)                   | 18,854,549            |
| Computer Hardware                           | 27,523,569            | 129,595                    | (52,111)                    | 27,601,053            |
| Computer Software                           | 16,952,439            | 1,404,473                  | -                           | 18,356,912            |
| Vehicles                                    | 30,582,757            | 2,802,834                  | (945,698)                   | 32,439,893            |
| Total depreciable capital assets            | <u>572,122,571</u>    | <u>19,691,323</u>          | <u>(1,182,668)</u>          | <u>590,631,226</u>    |
| Less accumulated depreciation for:          |                       |                            |                             |                       |
| Buildings                                   | 162,360,830           | 11,935,403                 | -                           | 174,296,233           |
| Water Systems                               | 348,187               | 50,607                     | -                           | 398,794               |
| Office furniture and Equipment              | 1,776,234             | 191,499                    | (8,915)                     | 1,958,818             |
| Machinery and Equipment                     | 14,844,492            | 1,427,129                  | (173,403)                   | 16,098,218            |
| Computer Hardware                           | 23,289,192            | 3,503,131                  | (52,110)                    | 26,740,213            |
| Computer Software                           | 16,631,403            | 605,813                    | -                           | 17,237,216            |
| Vehicles                                    | 22,286,169            | 2,676,676                  | (945,699)                   | 24,017,146            |
| Total accumulated depreciation              | <u>241,536,507</u>    | <u>20,390,258</u>          | <u>(1,180,127)</u>          | <u>260,746,638</u>    |
| Total depreciable capital assets, net       | <u>330,586,064</u>    | <u>(698,935)</u>           | <u>(2,541)</u>              | <u>329,884,588</u>    |
| Depreciable right-to-use assets:            |                       |                            |                             |                       |
| Right-to-use assets-lease buildings         | 6,919,168             | 193,607                    | (1,070,756)                 | 6,042,019             |
| Right-to-use assets-subscriptions           | 5,099,827             | 132,145                    | (342,720)                   | 4,889,252             |
| Total amortizable capital assets            | <u>12,018,995</u>     | <u>325,752</u>             | <u>(1,413,476)</u>          | <u>10,931,271</u>     |
| Less accumulated amortization for:          |                       |                            |                             |                       |
| Right-to-use assets-lease buildings         | 1,632,320             | 735,312                    | (683,118)                   | 1,684,514             |
| Right-to-use assets-subscriptions           | 2,488,941             | 1,536,861                  | (269,620)                   | 3,756,182             |
| Total accumulated amortization              | <u>4,121,261</u>      | <u>2,272,173</u>           | <u>(952,738)</u>            | <u>5,440,696</u>      |
| Total amortizable right-to-use assets, net  | <u>7,897,734</u>      | <u>(1,946,421)</u>         | <u>(460,738)</u>            | <u>5,490,575</u>      |
| Governmental activities capital assets, net | <u>\$ 606,982,506</u> | <u>\$ 50,280,039</u>       | <u>\$ (24,519,369)</u>      | <u>\$ 632,743,176</u> |

During 2025, the County incurred expenses of \$84,969,469 for public school construction. The County maintains school construction activity funded through sources provided by the County in the Capital Projects Fund until completion of the projects. However, the County does not hold title to these Durham County Board of Education properties.

## Notes to the Financial Statements

**D. Capital Assets (Continued)**

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

## Governmental activities:

|   |                      |
|---|----------------------|
| General government                          | \$ 16,724,968        |
| Public safety                               | 4,897,249            |
| Environmental protection                    | 111,120              |
| Economic and physical development           | 3,105                |
| Human Services                              | 572,794              |
| Educational                                 | 202,024              |
| Cultural and recreational                   | 151,171              |
| Total depreciation and amortization expense | <u>\$ 22,662,431</u> |

**Business-type Activities:**

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>      | <u>Transfers/<br/>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-----------------------|---------------------------------|-----------------------|
| Nondepreciable capital assets:               |                              |                       |                                 |                       |
| Land   | \$ 5,817,902                 | \$ -                  | \$ -                            | \$ 5,817,902          |
| Easements                                    | 5,000                        | -                     | -                               | 5,000                 |
| Construction In Progress                     | 15,746,095                   | 2,970,881             | -                               | 18,716,977            |
| Total nondepreciable capital assets          | <u>21,568,997</u>            | <u>2,970,881</u>      | <u>-</u>                        | <u>24,539,879</u>     |
| Depreciable capital assets:                  |                              |                       |                                 |                       |
| Land Improvements: Water and Sewer Lines     | 30,310,100                   | 430,028               | -                               | 30,740,128            |
| Buildings                                    | 56,854,766                   | -                     | -                               | 56,854,766            |
| Machinery and Equipment                      | 11,108,859                   | 228,936               | -                               | 11,337,795            |
| Computer Hardware                            | 107,951                      | -                     | -                               | 107,951               |
| Computer Software                            | 73,157                       | -                     | -                               | 73,157                |
| Vehicles                                     | 708,098                      | 251,052               | -                               | 959,150               |
| Total depreciable capital assets             | <u>99,162,931</u>            | <u>910,016</u>        | <u>-</u>                        | <u>100,072,947</u>    |
| Less accumulated depreciation for:           |                              |                       |                                 |                       |
| Land Improvements: Water and Sewer Lines     | 18,079,589                   | 593,940               | -                               | 18,673,529            |
| Buildings                                    | 25,702,411                   | 2,372,433             | -                               | 28,074,844            |
| Machinery and Equipment                      | 5,531,612                    | 1,974,017             | -                               | 7,505,629             |
| Computer Hardware                            | 56,171                       | 21,972                | -                               | 78,143                |
| Computer Software                            | 73,157                       | -                     | -                               | 73,157                |
| Vehicles                                     | 560,331                      | 75,783                | -                               | 636,114               |
| Total accumulated depreciation               | <u>50,003,271</u>            | <u>5,038,145</u>      | <u>-</u>                        | <u>55,041,416</u>     |
| Total depreciable capital assets, net        | <u>49,159,660</u>            | <u>(4,128,129)</u>    | <u>-</u>                        | <u>45,031,531</u>     |
| Business-type activities capital assets, net | <u>\$ 70,728,657</u>         | <u>\$ (1,157,248)</u> | <u>\$ -</u>                     | <u>\$ 69,571,410</u>  |



**D. Capital Assets (Continued)**

Capital assets activity for the ABC Board for the year ended June 30, 2025 was as follows:

|  | Beginning<br>Balance | Increases           | Transfers/<br>Decreases | Ending Balance       |
|--|----------------------|---------------------|-------------------------|----------------------|
| Nondepreciable capital assets:             |                      |                     |                         |                      |
| Land                                       | \$ 2,930,654         | \$ 2,992,684        | \$ -                    | \$ 5,923,338         |
| Work in Process                            | 325,994              | 1,436,516           | (271,166)               | 1,491,344            |
| Total nondepreciable capital assets        | <u>3,256,648</u>     | <u>4,429,200</u>    | <u>(271,166)</u>        | <u>7,414,682</u>     |
| Depreciable capital assets:                |                      |                     |                         |                      |
| Buildings and improvements                 | 10,010,619           | 84,165              | -                       | 10,094,784           |
| Furniture and Equipment                    | 2,684,601            | 248,523             | (15,565)                | 2,917,559            |
| Vehicles                                   | 348,896              | -                   | -                       | 348,896              |
| Total depreciable capital assets           | <u>13,044,116</u>    | <u>332,688</u>      | <u>(15,565)</u>         | <u>13,361,239</u>    |
| Less accumulated depreciation for:         |                      |                     |                         |                      |
| Buildings and improvements                 | 1,988,924            | 323,136             | -                       | 2,312,060            |
| Furniture and Equipment                    | 1,593,230            | 278,075             | (15,565)                | 1,855,740            |
| Vehicles                                   | 234,770              | 32,875              | -                       | 267,645              |
| Total accumulated depreciation             | <u>3,816,924</u>     | <u>634,086</u>      | <u>(15,565)</u>         | <u>4,435,445</u>     |
| Total depreciable capital assets, net      | <u>9,227,192</u>     | <u>(301,398)</u>    | <u>-</u>                | <u>8,925,794</u>     |
| Depreciable right-to-use assets:           |                      |                     |                         |                      |
| Right-to-use assets-leased buildings       | 3,115,129            | -                   | -                       | 3,115,129            |
| Total amortizable capital assets           | <u>3,115,129</u>     | <u>-</u>            | <u>-</u>                | <u>3,115,129</u>     |
| Less accumulated amortization for:         |                      |                     |                         |                      |
| Right-to-use assets-leased buildings       | 831,553              | 490,820             | -                       | 1,322,373            |
| Total accumulated amortization             | <u>831,553</u>       | <u>490,820</u>      | <u>-</u>                | <u>1,322,373</u>     |
| Total amortizable right-to-use assets, net | <u>2,283,576</u>     | <u>(490,820)</u>    | <u>-</u>                | <u>1,792,756</u>     |
| ABC Board capital assets, net              | <u>\$ 14,767,416</u> | <u>\$ 3,636,982</u> | <u>\$ (271,166)</u>     | <u>\$ 18,133,232</u> |

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## Notes to the Financial Statements

**E. Long-Term Obligations**

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2025:

|   | Beginning<br>Balance, as<br>restated | Increases            | Decreases            | Ending Balance          | Amounts Due<br>Within One Year |
|---|--------------------------------------|----------------------|----------------------|-------------------------|--------------------------------|
| Governmental activities:                  |                                      |                      |                      |                         |                                |
| General obligation bonds                  | \$ 222,055,000                       | \$ -                 | \$ 22,320,000        | \$ 199,735,000          | \$ 22,220,000                  |
| Leases                                    | 5,477,639                            | 198,993              | 1,088,940            | 4,587,692               | 607,631                        |
| Subscriptions                             | 1,912,300                            | 59,600               | 1,573,218            | 398,682                 | 325,286                        |
| Limited Obligations bonds                 | 430,150,000                          | -                    | 27,615,000           | 402,535,000             | 27,465,000                     |
| Bond Anticipation Notes                   | 73,431,159                           | 80,726,966           | -                    | 154,158,125             | -                              |
| Unamortized bond premium                  | 49,120,683                           | -                    | 7,508,424            | 41,612,259              | 6,665,088                      |
| Direct installment placement<br>financing | 1,726,462                            | -                    | 354,541              | 1,371,921               | 370,735                        |
| OPEB Liability                            | 163,743,369                          | -                    | 11,115,642           | 152,627,727             | 5,506,859                      |
| Accrued compensated absences              | 29,841,571                           | 483,993              | -                    | 30,325,564              | 13,787,570                     |
| Net pension liability (LGERS)             | 99,963,798                           | 4,102,300            | -                    | 104,066,098             | -                              |
| Total pension liability (LEOSSA)          | 10,448,687                           | 84,466               | -                    | 10,533,153              | 752,598                        |
| <b>Total</b>                              | <b>\$ 1,087,870,668</b>              | <b>\$ 85,656,318</b> | <b>\$ 71,575,765</b> | <b>\$ 1,101,951,221</b> | <b>\$ 77,700,767</b>           |
| Business-type activities                  |                                      |                      |                      |                         |                                |
| State Revolving Loans                     | \$ 5,901,407                         | \$ -                 | \$ 671,146           | \$ 5,230,261            | \$ 671,146                     |
| Revenue bonds                             | 2,645,000                            | -                    | 860,000              | 1,785,000               | 880,000                        |
| Unamortized bond premium                  | 140,831                              | -                    | 31,887               | 108,944                 | 31,887                         |
| Accrued compensated absences              | 610,365                              | 80,280               | -                    | 690,645                 | 227,951                        |
| Net pension liability (LGERS)             | 1,565,624                            | 123,772              | -                    | 1,689,396               | -                              |
| <b>Total</b>                              | <b>\$ 10,499,912</b>                 | <b>\$ 204,052</b>    | <b>\$ 1,563,033</b>  | <b>\$ 9,504,246</b>     | <b>\$ 1,810,984</b>            |

For governmental activities and business-type activities, the respective portions of the net LGERS pension liability are liquidated by the General Fund, Sewer Utility Fund and Stormwater Fund.

For governmental activities and business-type activities, the total OPEB liability and total LEOSSA pension liability are liquidated by the General Fund.

The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to eight percent (8%) of the appraised value of property subject to taxation less property valued for abatement. At June 30, 2025, such statutory limit for the County was \$4,266,357,462 and applicable debt related to this debt limit was \$603,641,921 resulting in a legal debt margin of \$3,662,715,541.



## E. Long-Term Obligations (Continued)

### Leases

The County has entered into lease arrangements for buildings, land, other assets, and equipment. The right to use assets are intangible assets and are recorded in Note D - Capital Assets.

As of June 30, 2025, the County had 6 active leases. The leases have annual payments that range from \$13,684 to \$413,023 and interest rates that range from 0.2370% to 1.5942%. As of June 30, 2025, the total combined value of the lease liability is \$4,587,692.

### Subscriptions

The County has entered into subscription arrangements. The right to use subscription assets are intangible assets and are recorded in Note D - Capital Assets.

As of June 30, 2025, the County had 3 active subscriptions. The subscriptions have annual payments that range from \$7,718 to \$1,202,591 and interest rates that range from 2.0377% to 2.5827%. As of June 30, 2025, the total combined value of the subscription liability is \$398,682.

### Installment Purchases

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

In September 2012, the County entered into a \$4,549,999 direct installment placement contract to finance energy and water conservation measures to reduce energy and water consumption and/or energy-related operating cost. The direct financing placement contract required principal and interest payments beginning in fiscal year 2015 with a fixed interest rate of 2.285%. As of June 30, 2025, the debt amount remaining is \$1,371,921.

### General Obligation Bonds

Durham County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the County. The County pledges full faith and credit and taxing power as security for general obligation bonds. There were no General obligation bonds issued in fiscal year 2025.

Interest requirements for the general obligation bonds are payable semi-annually at annual rates varying from 1.25% to 5.00%. General Fund revenues are used to repay general long-term debt obligations.

Additional information related to outstanding general obligation bonds can be found on page 81.

### Limited Obligation Bonds

Durham County issues LOBs for the acquisition and construction of major capital facilities. Limited obligation bonds are collateralized by specific assets of the county.

**Notes to the Financial Statements****E. Long-Term Obligations (Continued)**

LOBs issued in fiscal year 2013 are collateralized with the County's Justice Plaza (e.g., Justice Center, Jail and Parking Deck).

LOBs issued in fiscal years 2012 and 2016 were refundings for COPs 2009A and COPs 2009B, respectively, that are collateralized with the County's Health and Human Services Building.

LOBs issued in fiscal year 2019 are collateralized with the County's Administrative II Building.

LOBs issued in fiscal years 2020 partially refunded LOBs issued in fiscal years 2012 and 2013 that are collateralized with the County's Health and Human Services Building and the County's Justice Plaza (e.g., Justice Center, Jail and Parking Deck).

Additional LOBs issued in 2020 are collateralized with the County's Administrative I Building.

In April of 2023, the County closed on a \$192,465,000 Limited Obligation Bond issuance, which served as permanent financing for the outstanding balance of the \$225,000,000 draw program entered into in 2021 as well as additional "new-money" for a number of projects that were determined to be close to completion. The financing is comprised of a tax-exempt \$168,780,000 Series A and a \$23,685,000 taxable Series B. Both series are amortized with level principal over a 20-year term. This financing permanently closed the draw facility. This financing is collateralized with the Health and Human Services Complex and the new Northern High School.

In May of 2024, the County closed on a \$71,295,000 Limited Obligation Bond issuance, which served as permanent financing for a number of capital projects that had a significant amount of expenditures made and close enough to completion to provide the remaining funds needed. Both the tax-exempt Series A (\$36,970,000) and taxable Series B (\$30,760,000) are amortized with level principal over a 20-year term. The principal payments are structured to amortize the taxable series. This financing is collateralized with the Health and Human Services Complex and the new Northern High School.

Additional information related to outstanding limited obligation bonds can be found on page 81.

**Bond Anticipation Notes**

Durham County issues general obligation bond anticipation notes (BANs) for the acquisition and construction of major capital facilities. The BANs are general obligations of the County, and the County has pledged its faith and credit to the payment of principal and interest on the BANs. The BANs will be replaced by general obligation bonds. Interest requirements are payable monthly on the amount outstanding with the interest rates based upon market conditions.

The County authorized issuance of \$50,000,000 in April 2021 which was fully drawn and paid with the August 2023 GO permanent financing. Additionally, in August 2023, the County entered into a new \$185,000,000 BAN agreement as part of the 2022 GO Bond Referendum authorization.

During the fiscal year, there was \$80,726,966 in additional GO BANs drawn down.

Additional information related to outstanding bond anticipation notes can be found on page 81.



## **E. Long-Term Obligations (Continued)**

### **Revenue bonds**

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

In fiscal year 2003, \$24,515,000 of revenue bonds were issued to finance the construction project to expand the existing wastewater treatment facilities. In fiscal year 2013, \$34,325,000 of refunded revenue bonds were issued to refund the 2003 revenue bonds outstanding. The bonds are payable through 2027. The amount of the pledge is equal to the remaining principal and interest \$1,851,982. Principal and interest paid for the year and total customer revenues were \$925,861 and \$19,281,165, respectively. Interest requirements for the revenue bonds are also payable annually at a fixed rate of 2.49%. These debt obligations are secured by a pledge of and lien upon, and payable solely from, the net receipts of the enterprise system and, in certain circumstances, by proceeds of the revenue bonds, investment earnings and certain net insurance and other proceeds. The revenue bonds are additionally secured by and payable from money and securities of certain funds, accounts and sub-accounts held by the trustee under the trust agreement and the first supplemental trust agreement. Sewer Utility Fund revenues are used to repay sewer utility long-term obligations.

Additional information related to outstanding revenue bonds can be found on page 81.

### **State Revolving Loans**

The County has entered into two State Revolving Loans to finance water and sewer improvements. All State Revolving Loans are being serviced by revenues from the sewer utility fund.

Additional information related to outstanding state revolving loans can be found on page 81.

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## Notes to the Financial Statements

**E. Long-Term Obligations (Continued)**

General obligation bonds, installment purchases, certificate of participation bonds, revenue bonds and other financing agreements outstanding at June 30, 2025 are as follows:

| <b>Purpose</b>                            | <b>Interest Rates</b> | <b>Date Issued</b> | <b>Date Series Matures</b> | <b>Amount of Original Issue</b> | <b>Outstanding June 30, 2025</b> |
|---|-----------------------|--------------------|----------------------------|---------------------------------|----------------------------------|
| <b>Governmental activities:</b>           |                       |                    |                            |                                 |                                  |
| Public improvement refunding, Series 2014 | 2.00% to 5.00%        | 6/3/2014           | 4/1/2034                   | \$ 44,635,000                   | \$ 6,690,000                     |
| Public improvement refunding, Series 2015 | 3.00% to 5.00%        | 7/9/2015           | 10/1/2026                  | 29,340,000                      | 8,610,000                        |
| Public improvement refunding, Series 2016 | 3.00% to 5.00%        | 9/29/2016          | 10/1/2036                  | 96,460,000                      | 63,450,000                       |
| Public improvement, Series 2017           | 3.23%                 | 3/16/2017          | 10/1/2026                  | 3,800,000                       | 760,000                          |
| Public improvement refunding, Series 2019 | 3.00% to 5.00%        | 3/5/2019           | 6/1/2039                   | 44,220,000                      | 30,940,000                       |
| Public improvement refunding, Series 2021 | 1.25% to 5.00%        | 2/23/2021          | 6/1/2040                   | 61,805,000                      | 47,900,000                       |
| Public improvement refunding, Series 2023 | 4.00% to 5.00%        | 8/17/2023          | 6/1/2043                   | 45,980,000                      | 41,385,000                       |
| Limited Obligation Bonds, 2012            | 2.00% to 5.00%        | 3/29/2012          | 6/1/2032                   | 63,780,000                      | 3,190,000                        |
| Limited Obligation Bonds, 2013            | 1.50% to 5.00%        | 3/28/2013          | 6/1/2043                   | 112,470,000                     | 3,745,000                        |
| Limited Obligation Bonds, 2016 Refunding  | 4.00% to 5.00%        | 4/1/2016           | 12/1/2030                  | 34,590,000                      | 17,095,000                       |
| Limited Obligation Bonds, 2018            | 3.00% to 5.00%        | 9/6/2018           | 10/1/2038                  | 54,860,000                      | 38,390,000                       |
| Limited Obligation Bonds, 2020A           | 2.375% to 3.085%      | 1/23/2020          | 6/1/2040                   | 17,120,000                      | 12,825,000                       |
| Limited Obligation Bonds, 2020B Refunding | 1.69% to 3.085%       | 1/23/2020          | 12/1/2042                  | 100,280,000                     | 86,340,000                       |
| Limited Obligation Bonds, 2023A           | 5.00%                 | 4/19/2023          | 6/1/2043                   | 168,780,000                     | 151,905,000                      |
| Limited Obligation Bonds, 2023B           | 3.985% to 5.064%      | 4/19/2023          | 6/1/2043                   | 23,685,000                      | 21,315,000                       |
| Limited Obligation Bonds, 2024A           | 5.00%                 | 5/23/2024          | 6/1/2044                   | 36,970,000                      | 36,970,000                       |
| Limited Obligation Bonds, 2024B           | 4.69% to 5.125%       | 5/23/2024          | 6/1/2034                   | 34,325,000                      | 30,760,000                       |
| Installment purchase, utility purchase    | 2.285%                | 9/18/2012          | 9/18/2028                  | 4,549,000                       | 1,371,921                        |
| Bond Anticipation Notes                   | Variable Rate         | 8/10/2021          | 8/21/2026                  | 4,066,403                       | 154,158,125                      |
| Total governmental activities             |                       |                    |                            |                                 | <u>\$ 757,800,046</u>            |
| <b>Business-type activities:</b>          |                       |                    |                            |                                 |                                  |
| Refunding, Revenue Bonds 2012             |                       |                    |                            |                                 |                                  |
| sewer plant expansion/improvements        | 2.49%                 | 8/23/2012          | 6/11/2027                  | \$ 13,985,000                   | \$ 1,785,000                     |
| Enterprise State Revolving Loan I         | 2.22%                 | 10/7/2012          | 5/1/2032                   | -                               | 972,361                          |
| Enterprise State Revolving Loan II        | 2.22%                 | 1/28/2011          | 5/1/2033                   | -                               | 4,257,900                        |
| Total business-type activities            |                       |                    |                            |                                 | <u>\$ 7,015,261</u>              |
| Total bonded indebtedness                 |                       |                    |                            |                                 | <u>\$ 764,815,307</u>            |

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**E. Long-Term Obligations (Continued)**

The annual requirements as of June 30, 2025 to amortize outstanding debt and funds available for draw under installment purchase contracts including interest payments, exclusive of accrued compensated absences are as follows:

**Governmental activities:**

| Year Ending June 30, | General Obligation Bonds |                      | Limited Obligation Bonds |                       | Installment Note Payable* |                  | Lease Liabilities   |                   | Subscription Liabilities |                  | Total                 |                       |
|----------------------|--------------------------|----------------------|--------------------------|-----------------------|---------------------------|------------------|---------------------|-------------------|--------------------------|------------------|-----------------------|-----------------------|
|                      | Principal                | Interest             | Principal                | Interest              | Principal                 | Interest         | Principal           | Interest          | Principal                | Interest         | Principal             | Interest              |
| 2026                 | \$ 22,220,000            | \$ 7,614,992         | \$ 27,465,000            | \$ 17,276,498         | \$ 370,735                | \$ 29,265        | \$ 607,632          | \$ 67,631         | \$ 325,286               | \$ 8,714         | \$ 50,965,327         | \$ 25,006,949         |
| 2027                 | 20,010,000               | 6,685,168            | 27,410,000               | 16,063,418            | 387,800                   | 20,700           | 520,822             | 59,541            | 73,396                   | 1,604            | 48,554,284            | 22,840,677            |
| 2028                 | 16,380,000               | 5,822,281            | 27,315,000               | 14,925,375            | 405,263                   | 11,737           | 529,985             | 51,418            | -                        | -                | 44,756,385            | 20,819,705            |
| 2029                 | 16,340,000               | 5,015,981            | 27,175,000               | 13,798,894            | 208,123                   | 2,378            | 555,942             | 42,903            | -                        | -                | 43,776,108            | 18,868,671            |
| 2030                 | 16,250,000               | 4,298,381            | 26,985,000               | 12,715,469            | -                         | -                | 507,427             | 34,462            | -                        | -                | 43,742,427            | 17,048,312            |
| 2031-2035            | 62,205,000               | 13,193,150           | 113,245,000              | 47,575,562            | -                         | -                | 1,865,884           | 55,639            | -                        | -                | 177,315,884           | 60,824,351            |
| 2036-2040            | 39,445,000               | 4,677,500            | 99,470,000               | 24,802,342            | -                         | -                | -                   | -                 | -                        | -                | 138,915,000           | 29,479,842            |
| 2041-2045            | 6,885,000                | 550,800              | 53,470,000               | 5,149,412             | -                         | -                | -                   | -                 | -                        | -                | 60,355,000            | 5,700,212             |
|                      | <u>\$ 199,735,000</u>    | <u>\$ 47,858,253</u> | <u>\$ 402,535,000</u>    | <u>\$ 152,306,970</u> | <u>\$ 1,371,921</u>       | <u>\$ 64,080</u> | <u>\$ 4,587,692</u> | <u>\$ 311,594</u> | <u>\$ 398,682</u>        | <u>\$ 10,318</u> | <u>\$ 608,380,415</u> | <u>\$ 200,588,719</u> |

NOTE: The installment note payable principal amount on the above schedule amortizing outstanding debt as of June 30, 2025 does not include outstanding bond anticipation notes (BANs) that are included in the summary of transactions affecting the County's long-term obligations for the year ended and in the outstanding debt with interest rates, date of issue, maturity dates, original issue amount and amount outstanding at year end. The BANs are not included in the above schedule because there is no annual payment. The County is authorized to utilize a draw-down program whereby funds are drawn to reimburse the County for capital project expenditures over a three-year period. At the end of the three years (or less), the County issues fixed rate debt to pay off this debt. In August 2023, the County entered into a new BAN agreement authorized up to \$185,000,000 to which the County had drawn \$154,158,125 as of June 30, 2025.

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**E. Long-Term Obligations (Continued)**

**Business-type activities:**

| Year Ending June 30, | State Revolving Loan |                   | Revenue Bonds       |                  | Total               |                   |
|----------------------|----------------------|-------------------|---------------------|------------------|---------------------|-------------------|
|                      | Principal            | Interest          | Principal           | Interest         | Principal           | Interest          |
| 2026                 | \$ 671,146           | \$ 116,112        | \$ 880,000          | \$ 44,447        | \$ 1,551,146        | \$ 160,559        |
| 2027                 | 671,146              | 101,213           | 905,000             | 22,535           | 1,576,146           | 123,748           |
| 2028                 | 671,146              | 86,313            | -                   | -                | 671,146             | 86,313            |
| 2029                 | 671,146              | 71,413            | -                   | -                | 671,146             | 71,413            |
| 2030                 | 671,146              | 56,514            | -                   | -                | 671,146             | 56,514            |
| 2031-2035            | 1,874,531            | 80,145            | -                   | -                | 1,874,531           | 80,145            |
|                      | <u>\$ 5,230,261</u>  | <u>\$ 511,710</u> | <u>\$ 1,785,000</u> | <u>\$ 66,982</u> | <u>\$ 7,015,261</u> | <u>\$ 578,692</u> |

**Durham County ABC Board:**

| Year Ending June 30, | Lease Liabilities   |                   |
|----------------------|---------------------|-------------------|
|                      | Principal           | Interest          |
| 2026                 | \$ 513,630          | \$ 64,162         |
| 2027                 | 454,346             | 36,185            |
| 2028                 | 265,187             | 23,236            |
| 2029                 | 267,051             | 16,128            |
| 2030                 | 276,902             | 8,761             |
| Thereafter           | 165,093             | 2,416             |
|                      | <u>\$ 1,942,209</u> | <u>\$ 150,888</u> |

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**F. Commitments**

1. Industrial Extension Policy

The Industrial Extensions Policy (IEP) provides for the expenditure of public funds for the promotion of local economic development when the BOCC considers such development serves a public purpose. The BOCC considers the promotion of local economic development when it assists in the creation of a more stable economy by providing displaced workers with continuing employment opportunities, attracting better paying and more highly skilled jobs, diversifying the local economy and creating a broader tax base from which Durham County can draw funding for other programs that benefit the general health, safety and welfare of the citizens. Any industrial enterprise seeking to qualify for economic development investment funds must provide the County with a written statement which includes specific information as outlined in the policy. They then must receive approval from the BOCC prior to the undertaking of construction. The Board evaluates each enterprise on a case-by-case basis prior to making a decision whether to provide economic development investment funds. Any enterprise desiring to use economic development investment funds must enter into a performance agreement with Durham County.

The determination of whether satisfactory progress has been made shall be the sole discretion of Durham County based upon the performance guidelines set out in the performance agreement. The BOCC views the promotion of local economic development as an investment in the future of Durham County.

The annual requirements to amortize reimbursements payable under this policy at June 30, 2025 are as follows:

| Year Ending June 30, | Governmental activities |             |
|----------------------|-------------------------|-------------|
|                      | Principal               | Interest    |
| 2026                 | \$ 3,010,587            | \$ -        |
| 2027                 | 3,010,587               | -           |
| 2028                 | 2,582,016               | -           |
| 2029                 | 1,653,444               | -           |
| 2030                 | 1,057,016               | -           |
| 2031-2035            | 1,795,206               | -           |
|                      | <u>\$ 13,108,856</u>    | <u>\$ -</u> |

Interest requirements related to the Industrial Extensions Policy are nominal.

2. School Facilities

In 2021, the BOCC revised the approved Capital Improvement Plan (CIP) for fiscal years 2022-2031 that included new Durham Public school projects totaling \$581,000,000 funded through voter-approved general obligation bond referendums in November 2022 and proposed for November 2026. Total construction in progress for fiscal year 2025 for these projects was \$84,969,469 while total combined construction in progress since inception was \$574,574,431.

## Notes to the Financial Statements

**F. Commitments (Continued)**

## 3. Construction

The total ten-year estimated and funded project costs of the CIP through June of 2031 is \$1,913,277,993. The plan continues to serve as a blueprint to meet the growing facility needs of the County. The funding sources for the CIP include: General Obligation Bonds, Limited Obligation Bonds (LOB's), Bank Financing, County contributions (PayGo), Revenue Bonds (Enterprise Fund), and other miscellaneous revenues.

The CIP allocated funding for fiscal year 2025 in the amount of \$232,191,445. Funds provided approximately \$150,134,137 for education, \$7,431,120 for culture and recreation, \$31,468,126 for public safety, \$12,708,401 for capital projects of general governmental activities, \$18,920,000 for business-type activities, \$4,329,661 for environmental protection activities, and \$7,200,000 for human services activities.

As part of the ten-year CIP for fiscal years 2022-2031, a general obligation bond referendum totaling \$550,240,000 was approved by Durham County citizens as a funding source, and a planned \$258,200,000 general obligation bond referendum in FY 2026-2027. The referendums will fund \$581,000,000 for school facilities, \$56,600,000 for two parking decks with affordable housing, \$19,600,000 for business type activities, and \$22,100,000 for Public Safety. As of fiscal year-end, none (\$0) of the November 2022 voter approved general obligations bonds was issued.

## 4. Capital commitments

The County had commitments at June 30, 2025 of \$15,671,080 for the expansion of the wastewater treatment plant and construction of sewer distribution systems.

Funding for the active projects for governmental activities and business-type activities include general obligation bonds, limited obligation bonds (LOBs), revenue bonds, general contributions, sewer utility contributions and other miscellaneous revenues.

## 5. Other commitments

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

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



**F. Commitments (Continued)**

The amounts, if any, of expenditures which may be disallowed by the granting agencies resulting from such audit cannot be determined at this time, although the County expects they would be immaterial.

**G. Interfund Balances and Activities**

The following is a schedule of interfund receivable and payable balances as of June 30, 2025:

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

The due to General Fund from Capital Projects Fund is because of an interfund loan approved by the BOCC for advance funding to begin construction activity on capital projects.

**Transfers:**

The following is a summary of transfers for the year ended June 30, 2025:

|                                | Transfers in:       |                       |                       |                       |
|--------------------------------|---------------------|-----------------------|-----------------------|-----------------------|
|                                | General Fund        | Capital Projects Fund | Debt Service Fund     | Total                 |
| Transfers out:                 |                     |                       |                       |                       |
| General fund                   | \$ -                | \$ 7,585,258          | \$ 99,412,083         | \$ 106,997,341        |
| Capital projects fund          | 184,750             | -                     | 589,193               | 773,943               |
| Debt service fund              | 2,491,694           | 19,214,183            | -                     | 21,705,877            |
| ARPA Fund                      | 85,806              | -                     | -                     | 85,806                |
| Opioid Settlement Fund         | 48,124              | -                     | -                     | 48,124                |
| Nonmajor Special Revenue Funds | 1,285,681           | -                     | -                     | 1,285,681             |
| Total transfers                | <u>\$ 4,096,055</u> | <u>\$ 26,799,441</u>  | <u>\$ 100,001,276</u> | <u>\$ 130,896,772</u> |

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

Transfers from the American Rescue Plan Act (ARPA) Fund to the General Fund are for funding health-related expenditures.

Transfers from the Opioid Settlement Fund to the General Fund are for funding health-related expenditures.

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

**Notes to the Financial Statements****G. Interfund Balances and Activities (Continued)**

Transfers from the Debt Service Fund to the Capital Projects Fund are for funding non-capitalizable costs related to a capital project and public safety security and the construction of new capital projects, respectively.

Transfers from Nonmajor Special Revenue Funds to the General Fund are for funding health-related expenditures.

**H. Employee Retirement Systems and Pension Plans****1. North Carolina Local Governmental Employees' Retirement System**

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of

## H. Employee Retirement Systems and Pension Plans (Continued)

creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50 or have completed five years of creditable service as a LEO and have reached age 55 or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County and ABC employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's required contribution rate for the year ended June 30, 2025, was 15.04% of compensation for law enforcement officers and 13.63% for general employees and firefighters. The ABC Board's required contribution rate for the year ended June 30, 2025, was 13.65% for general employees. Required contribution rates were actuarially determined such that, employer contributions, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$21,278,732 for the year ended June 30, 2025. Contributions to the pension plan from the ABC Board were \$461,745 for the year ended June 30, 2025.

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

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

On June 30, 2025, the County reported a liability of \$105,755,494 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions used in the valuation. The County's proportionate share of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2025, (measured as of June 30, 2024) the County's proportionate share was 1.569%, which was an increase of 0.036% from its proportion reported as of June 30, 2024 (measured as of June 30, 2023).

Notes to the Financial Statements

**H. Employee Retirement Systems and Pension Plans (Continued)**

For the year ended June 30, 2025, the County recognized pension expense of \$32,434,117. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
|--|-----------------------------------|----------------------------------|
| Differences between Expected and Actual Experience   | \$ 18,532,364                     | \$ 124,604                       |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments                           | 14,377,395                        | -                                |
| Changes in Proportion and Differences between County Contributions on Proportionate Share of Contributions | 2,129,459                         | 329,566                          |
| County Contributions Subsequent to the Measurement Date  | 21,278,732                        | -                                |
| <b>Total</b>   | <b>\$ 56,317,950</b>              | <b>\$ 454,170</b>                |

\$21,278,732 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

|      |                      |
|------|----------------------|
| 2026 | \$ 10,755,333        |
| 2027 | 21,626,841           |
| 2028 | 3,828,549            |
| 2029 | (1,625,675)          |
|      | <u>\$ 34,585,048</u> |

*Actuarial Assumptions.* The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |               |
|---------------------------|---------------|
| Inflation                 | 2.50%         |
| Salary Increases          | 3.25 to 8.25% |
| Investment Rate of Return | 6.50%         |

\*includes inflation and productivity of 3.25%

\*\*includes inflation of 2.50%

The plan actuary currently uses mortality rates based on the RP-2014 *Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study as of December 31, 2019. Future and ad hoc cost of

Notes to the Financial Statements

**H. Employee Retirement Systems and Pension Plans (Continued)**

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

| Asset Class                | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|-------------------|--|
| Fixed Income               | 33.0%             | 2.4%                                   |
| Global Equity              | 38.0%             | 6.9%                                   |
| Real Estate                | 8.0%              | 6.0%                                   |
| Alternatives               | 8.0%              | 8.6%                                   |
| Opportunistic fixed income | 7.0%              | 5.3%                                   |
| Inflation Sensitive        | 6.0%              | 4.3%                                   |
|                            | <u>100%</u>       |  |

The information above is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems.

The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate.* The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the County's proportionate

Notes to the Financial Statements

**H. Employee Retirement Systems and Pension Plans (Continued)**

share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 5.50%, or 1-percentage-point higher, 7.50%, than the current rate:

|   | 1% Decrease<br>5.50% | Discount Rate<br>6.50% | 1% Increase<br>7.50% |
|---|----------------------|------------------------|----------------------|
| County's Proportionate Share of the Net Pension Liability (Asset) | \$ 187,401,804       | \$ 105,755,478         | \$ 38,590,146        |

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

2. Law Enforcement Officers' Special Separation Allowance

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2023, the valuation date, the Separation Allowance's membership consisted of:

|                             |     |
|-----------------------------|-----|
| Retirees Receiving Benefits | 35  |
| Active Plan Members         | 185 |
| Total                       | 220 |

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

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

*Actuarial Assumptions.* The entry age normal actuarial cost method was used in the December 31, 2023 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:



**H. Employee Retirement Systems and Pension Plans (Continued)**

|                     |               |
|---------------------|---------------|
| Inflation           | 2.50%         |
| Salary Increases*   | 3.25 to 7.75% |
| Discount Rate       | 4.28%         |
| *includes inflation |               |

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate as of December 31, 2023.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

All mortality rates use Pub-2010 amount-weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

*Deaths after Retirement (Healthy).* Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

*Deaths after Retirement (Disabled Members at Retirement).* Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

*Deaths after Retirement (Survivors of Deceased Members).* Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

*Deaths prior to Retirement.* Mortality rates are based on the Safety Mortality Table for Employees.

*Contributions.* The County is required by Article 12D of G.S. Chapter 143 provides these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions on a pay-as-you-go basis. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the separation allowance are financed through investment earnings. In the year ended June 30, 2025 the County paid \$752,598 as the benefit became due.

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

On June 30, 2025, the County reported a total pension liability of 10,533,153. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was rolled forward to December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the County recognized pension expenses of \$1,485,746.

Notes to the Financial Statements

**H. Employee Retirement Systems and Pension Plans (Continued)**

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between Expected and Actual Experience                              | \$ 1,215,873                         | \$ -                                |
| Changes of Assumptions and Other Inputs   | 420,819                              | 807,037                             |
| Benefit Payments and Administrative expenses Subsequent to the Measurement Date | 386,606                              | -                                   |
| <b>Total</b>  | <u>\$ 2,023,298</u>                  | <u>\$ 807,037</u>                   |

\$386,606 reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30:</u> |                   |
|----------------------------|-------------------|
| 2026                       | \$ 400,117        |
| 2027                       | 58,766            |
| 2028                       | 299,674           |
| 2029                       | 71,069            |
| 2030                       | 29                |
|                            | <u>\$ 829,655</u> |

*Sensitivity of the County's total pension liability to changes in the discount rate.* The following presents the County's total pension liability calculated using the discount rate of 4.28% as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 3.28%, or 1-percentage-point higher, 5.28% than the current rate:

|                         | 1% Decrease 3.28% | Discount Rate 4.28% | 1% Increase 5.28% |
|-------------------------|-------------------|---------------------|-------------------|
| Total Pension Liability | \$ 11,304,639     | \$ 10,533,153       | \$ 9,828,786      |

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

|  | <u>2024</u>          |
|--|----------------------|
| Total Pension Liability as of December 31, 2023  | \$ 10,448,687        |
| Service Cost   | 401,936              |
| Interest on the Total Pension Liability  | 403,516              |
| Differences between Expected and Actual Experience in the Measurement of the Total Pension Liability | 209,646              |
| Changes of Assumptions and Other Inputs  | (209,047)            |
| Benefit Payments   | (721,585)            |
| Total Pension Liability as of December 31, 2024  | <u>\$ 10,533,153</u> |

*Changes of assumptions and benefit terms.* Changes of assumptions and other inputs reflect a change in the discount rate from 4.00% at December 31, 2023 to 4.28% at December 31, 2024. There are no changes in assumed inflation rate, assumed wage inflation or benefit terms since the prior measurement date.

**H. Employee Retirement Systems and Pension Plans (Continued)****3. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The County contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.

*Funding Policy.* Article 12 E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts contributed are vested immediately. Law enforcement officers may also make voluntary contributions to the Plan. The County's contributions were calculated using a covered payroll amount of \$14,918,638. Contributions for the year ended June 30, 2025 were \$1,299,093, which consisted of \$745,932 from the County and \$553,162 from the law enforcement officers. The County's required contributions and the officers' voluntary contributions represented 5% and 3.71%, respectively, of the covered payroll.

**4. Registers of Deeds' Supplemental Pension Fund**

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

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship

Notes to the Financial Statements

**H. Employee Retirement Systems and Pension Plans (Continued)**

to the actuary’s required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$27,125 for the year ended June 30, 2025.

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

On June 30, 2025, the County reported an asset of \$334,913 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension asset was based on the County’s share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2025, the County’s proportion was #REF, which was #REF from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the County recognized pension expense of \$105,664. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between Expected and Actual Experience  | \$ 7,353                                      | \$ 5,987                                     |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments                            | 129,338                                       | -  |
| Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions | 31,164  | -  |
| County Contributions subsequent to the Measurement Date   | 27,125  | -  |
| Total   | <u>\$ 194,980</u>                             | <u>\$ 5,987</u>                              |

\$27,125 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30:</u> |                   |
|----------------------------|-------------------|
| 2026                       | \$ 80,046         |
| 2027                       | 69,615            |
| 2028                       | 11,742            |
| 2029                       | 465               |
| 2030                       | -                 |
|                            | <u>\$ 161,868</u> |

Notes to the Financial Statements

**H. Employee Retirement Systems and Pension Plans (Continued)**

*Actuarial Assumptions.* The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|   |                 |
|---|-----------------|
| Inflation                                     | 2.50%           |
| Salary Increases                              | 3.25 to 8.25% * |
| Investment Rate of Return                     | 3.00% **        |
| *includes inflation and productivity of 3.25% |                 |
| **includes inflation                          |                 |

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study as of December 31, 2019. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the Bond Index Investment Pool.

The information above is based on 30-year expectations developed with the consulting actuary for the 2023 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 0.78%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the current funding policy. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate.* The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 3.00%, as well as what the County’s proportionate

Notes to the Financial Statements

**H. Employee Retirement Systems and Pension Plans (Continued)**

share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower, 2.00%, or 1-percentage-point higher, 4.00%, than the current rate:

|   | 1% Decrease<br>2.00% | Discount<br>Rate 3.00% | 1% Increase<br>4.00% |
|---|----------------------|------------------------|----------------------|
| County's Proportionate Share of the Net Pension Liability (Asset) | \$ (221,909)         | \$ (334,913)           | \$ (430,099)         |

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

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

The net pension liability (asset) for LGERS and RODSPF was measured as of December 31, 2023, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of December 31, 2024, with an actuarial valuation date of December 31, 2023. The County's proportion of the net pension liability (asset) was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. The following information is related to the County's proportionate share and pension expense (revenue):

|   | LGERS      | LEOSSA     | RODSPF  | Total      |
|---|------------|------------|---------|------------|
| Proportion of the net pension liability (asset) | 1.569%     | N/A        | -%      | N/A        |
| Total pension liability                         | -          | 10,533,153 | -       | 10,533,153 |
| Pension expense                                 | 32,434,116 | 1,485,746  | 105,664 | 34,025,526 |

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**H. Employee Retirement Systems and Pension Plans (Continued)**

At June 30, 2025 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | LGERS         | LEOSSA       | RODSPF   | Total         |
|---|---------------|--------------|----------|---------------|
| <b>Deferred Outflows of Resources</b>   |               |              |          |               |
| Differences between Expected and Actual Experience  | \$ 18,532,364 | \$ 1,215,873 | \$ 7,353 | \$ 19,755,590 |
| Changes of Assumptions  | -             | 420,819      | -        | 420,819       |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments                            | 14,377,395    | -            | 129,338  | 14,506,733    |
| Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions | 2,129,459     | -            | 31,164   | 2,160,623     |
| County Contributions/Benefit Payments and Administration Costs Subsequent to the Measurement Date*          | 21,278,732    | 386,606      | 27,125   | 21,692,463    |
| *Contributions are for LGERS and RODSPF, Benefit and Administration Costs are for LEOSSA                    |               |              |          |               |
| <b>Deferred Inflows of Resources</b>  |               |              |          |               |
| Differences between Expected and Actual Experience  | 124,604       | -            | 5,987    | 130,591       |
| Changes of Assumptions  | -             | 807,037      | -        | 807,037       |
| Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions | 329,566       | -            | -        | 329,566       |

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

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

*Funding Policy.* The County’s contributions were calculated using a covered payroll amount of \$140,396,752. Total contributions for the year ended June 30, 2025 were \$11,748,757 which consisted of \$7,031,713 from the County and \$4,717,044 from the non-law enforcement personnel. The County’s required contribution and the non-law enforcement personnel’s voluntary contribution represented 8.37% of the covered payroll amount.

6. Other Post-Employment Benefits

*Plan Description.* Under the terms of a County resolution, the County administers a single employer defined benefit Healthcare Benefits Plan (HCB Plan). This plan provides post-employment healthcare benefits to retirees of the County who participate in the North Carolina Local Governmental Employees’ Retirement System (LGERS) and have at least 30 years of

Notes to the Financial Statements

**H. Employee Retirement Systems and Pension Plans (Continued)**

continuous service with the County. For retirees with at least 30 years of continuous service, the County pays the full cost of the retiree’s medical insurance until they become Medicare-eligible. At that time medical coverage is terminated and the County pays the full cost of Medicare Supplement policy. This benefit is also extended to retirees aged 60 or older with at least 25 years of continuous service, and to retirees of any age with at least 20 years of continuous service who were hired prior to July 1, 2006.

Retirees with at least ten years of service can purchase coverage at the County’s group rates for themselves. The cost is prorated for employees that do not meet the service-hour requirement. Retirees can purchase coverage for their dependents at the County’s group rate for healthcare, dental and vision until they become Medicare eligible. In addition, all employees with ten or more years of service will receive a death benefit in the amount of \$10,000 at no cost to the retiree. The BOCC may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

|                                   |                     |
|-----------------------------------|---------------------|
| Inactive Members or Beneficiaries |                     |
| Currently Receiving Benefits      | 852                 |
| Active Members                    | 1,946               |
| <b>Total Membership</b>           | <u><u>2,798</u></u> |

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

|   | <u>Retiree Only</u> | <u>Retiree + Children</u> | <u>Retiree + Spouse</u> | <u>Retiree + Family</u> |
|---|---------------------|---------------------------|-------------------------|-------------------------|
| Health Insurance (Retirees with >20 years)  | -                   | 574                       | 857                     | 1,553                   |
| Health Insurance (Retirees with < 20 years) | 895                 | 1,469                     | 1,752                   | 2,447                   |
| Dental Insurance                            | 53                  | 111                       | 120                     | 151                     |
| Vision Insurance                            | 9                   | 16                        | 15                      | 24                      |

*Funding Policy.* For the current year, the County did not contribute to an irrevocable trust but rather set aside funding for the HCB Plan in the fund balance of the General Fund. The total committed fund balance for OPEB as of fiscal year end for the General Fund was \$73,554,469. The County at this time has chosen to fund the healthcare benefits on a pay-as-you-go basis. The County’s total OPEB liability of \$152,627,727 was measured as of June 30, 2024 and was determined based on an actuarial valuation as of June 30, 2024.

Notes to the Financial Statements

**H. Employee Retirement Systems and Pension Plans (Continued)**

*Actuarial Methods and Assumptions.* The total OPEB liability is based upon an actuarial valuation performed as of the valuation date, June 30, 2024. The total OPEB liability as of the June 30, 2024 measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurements unless otherwise specified:

|  |               |
|--|---------------|
| Inflation                                  | 2.50%         |
| Real Wage Growth                           | 0.75%         |
| Wage Inflation                             | 3.25%         |
| Salary Increases, including Wage Inflation |               |
| General Employees                          | 3.25 to 8.41% |
| Firefighters                               | 3.25 to 8.15% |
| Law Enforcement Officers                   | 3.25 to 7.90% |
| Municipal Bond Index Rate                  |               |
| Prior Measurement Date                     | 3.65%         |
| Measurement Date                           | 3.93%         |
| Healthcare Cost Trends                     |               |
| Pre-Medicare                               | 7.00%         |
| Medicare                                   | 5.125%        |

\*Listed rate is for 2024, decreasing to an ultimate rate of 4.50% by 2034 for Pre-Medicare and 2027 for Medicare.

The County selected a Municipal Bond Index Rate Equal to the Bond Buyer 20-Year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the total OPEB liability.

Demographic actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board. The remaining actuarial assumptions used the June 30, 2024 valuation, which were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation.

**Changes in the Total OPEB Liability**

|  |                              |
|--|------------------------------|
| <b>Total OPEB Liability as of June 30, 2023</b>                | <b>\$ 163,743,369</b>        |
| <b>Changes for the Year:</b>                                   |                              |
| Service Cost at the End of the Year                            | 4,269,265                    |
| Interest on Total OPEB Liability, service cost, and Cash Flows | 6,049,790                    |
| Difference between Expected and Actual Experience              | (12,819,843)                 |
| Changes of Assumptions or Other Inputs                         | (4,043,971)                  |
| Net Benefit Payments   | <u>(4,570,883)</u>           |
| <b>Net Changes</b>   | <u>(11,115,642)</u>          |
| <b>Total OPEB Liability as of June 30, 2024</b>                | <b><u>\$ 152,627,727</u></b> |

Notes to the Financial Statements

**H. Employee Retirement Systems and Pension Plans (Continued)**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower, 2.93%, or 1-percentage point higher, 4.93%, than the current discount rate, 3.93%:

|                      | 1% Decrease<br>2.93% | Discount Rate<br>3.93% | 1% Increase<br>4.93% |
|----------------------|----------------------|------------------------|----------------------|
| Total OPEB Liability | \$ 179,065,626       | \$ 152,627,727         | \$ 131,757,151       |

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

|                      | 1% Decrease<br>Pre-Medicare 6%<br>Medicare 4.125% | Discount Rate<br>Pre-Medicare 7%<br>Medicare 5.125% | 1% Increase<br>Pre-Medicare 8%<br>Medicare 6.125% |
|----------------------|---|---|---|
| Total OPEB Liability | \$ 131,423,316                                    | \$ 152,627,727                                      | \$ 179,859,932                                    |

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

For the year ended June 30, 2025, the County recognized OPEB negative expense of (\$434,233). At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between Expected and Actual Experience                              | \$ -                              | \$ 24,091,596                    |
| Changes of Assumptions and Other Inputs   | 12,162,680                        | 25,532,286                       |
| Benefit Payments and Administrative Expenses Subsequent to the Measurement Date | 5,506,859                         | -                                |
| <b>Total</b>  | <b>\$ 17,669,539</b>              | <b>\$ 49,623,882</b>             |

\$5,506,859 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date of June 30, 2024, will be recognized as a decrease of the total pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30:</u> |                        |
|----------------------------|------------------------|
| 2026                       | \$ (7,775,177)         |
| 2027                       | (9,164,129)            |
| 2028                       | (11,233,849)           |
| 2029                       | (5,572,500)            |
| 2030                       | (2,811,175)            |
| Thereafter                 | (904,372)              |
|                            | <u>\$ (37,461,202)</u> |



## H. Employee Retirement Systems and Pension Plans (Continued)

### 7. Other Employment Benefits

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

All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers.

Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. Contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. For the fiscal year ended June 30, 2025 the County made contributions to the State for death benefits of \$62,795. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.03% and 0.14% of covered payroll, respectively. The net position of the Death Benefit Plan is not available for future benefit payments but will be used to reduce future contribution requirements.

*Life Insurance Plan.* The County provides paid life insurance to all full-time and part-time benefit eligible employees. The life insurance benefit amount is equal to the employee's annual salary on July 1st of the present fiscal year rounded to the next higher \$1,000. Employees can purchase additional amounts to increase the amount in equal increments from \$10,000 to \$500,000, amounts equal to \$150,000 or more may be subject to an earnings cap. Spousal insurance can be purchased in the same increments, but may not exceed 100% of the employee amount. Life insurance amounts for dependent children can be purchased in amounts from \$2,500 to \$10,000 in \$2,500 increments. The cost of the County-provided 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.

*Accidental Death & Dismemberment Plan.* The County provides paid accidental death & dismemberment insurance to all full-time and part time benefit eligible employees. The AD&D benefit is equal to the employee's annual salary on July 1st of the present fiscal year rounded to the next higher \$1,000.

## Notes to the Financial Statements

**I. Deferred Outflows and Inflows of Resources**

Following are the deferred outflows of resources that are reported in the government-wide financial statements at June 30, 2025:

|   | <b>Governmental<br/>Activities</b> | <b>Business Type<br/>Activities</b> |
|---|------------------------------------|-------------------------------------|
| Deferred charge on refunding of debt  | \$ 8,004,598                       | \$ 88,177                           |
| Pensions:   |                                    |                                     |
| Differences between expected and actual experience  | 19,373,495                         | 382,095                             |
| Net difference between projected and actual investment earnings   | 14,502,297                         | 4,436                               |
| Changes of assumptions  | 420,819                            | -                                   |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 2,116,718                          | 43,905                              |
| Benefit payments and administrative costs paid subsequent to the measurement date                         | 21,253,745                         | 438,718                             |
| OPEB:   |                                    |                                     |
| Changes of assumptions and other inputs   | 12,162,680                         | -                                   |
| Benefit payments and administrative costs paid subsequent to the measurement date                         | 5,506,859                          | -                                   |
|   | <u>\$ 83,341,211</u>               | <u>\$ 957,331</u>                   |

Following are the deferred inflows of resources that are reported in the government-wide financial statements at June 30, 2025:

|   | <b>Governmental<br/>Activities</b> | <b>Business Type<br/>Activities</b> |
|---|------------------------------------|-------------------------------------|
| Leases where the County is the lessor   | \$ 6,443,927                       | \$ -                                |
| Pension:  |                                    |                                     |
| Differences between expected and actual experience  | 121,814                            | 8,778                               |
| Changes of assumptions  | 807,037                            | -                                   |
| Changes in proportion and differences between contributions and proportionate share of contribution | 306,352                            | 23,213                              |
| OPEB:   |                                    |                                     |
| Differences between expected and actual experience  | 24,091,596                         | -                                   |
| Changes of assumptions  | 25,532,286                         | -                                   |
|   | <u>\$ 57,303,012</u>               | <u>\$ 31,991</u>                    |

Notes to the Financial Statements

**I. Deferred Outflows and Inflows of Resources (Continued)**

Following are the deferred inflows of resources that are reported in the governmental fund financial statements at June 30, 2025:

|  | General Fund         | Opioid Settlement Fund | Capital Projects Fund | Non-major Governmental Funds |
|--|----------------------|------------------------|-----------------------|------------------------------|
| Taxes received before the period for which property taxes are levied | \$ 2,767,847         | \$ -                   | \$ -                  | \$ 116,723                   |
| Leases where the County is the lessor                                | 6,443,927            | -                      | -                     | -                            |
| Prepaid taxes  | -                    | -                      | -                     | 24,695                       |
| Taxes receivable, net, less penalties                                | 95,548               | -                      | -                     | -                            |
| WSR loan receivable  | -                    | -                      | 2,550,000             | -                            |
| Restricted Opioid settlement receivables, net                        | -                    | 13,726,110             | -                     | -                            |
| Other receivables  | 4,640,498            | -                      | -                     | -                            |
|  | <u>\$ 13,947,820</u> | <u>\$ 13,726,110</u>   | <u>\$ 2,550,000</u>   | <u>\$ 141,418</u>            |

**J. Risk Management**

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

*Benefits Plan.* The County has a partially self-funded benefits plan. The County funds a core plan (health, dental, vision, life insurance and dependent coverage). The County’s health and dental are fully self-funded. The County reports claims expenditures and liabilities in the General Fund. During fiscal year 2025, a total of \$42,745,650 was incurred for benefits and administrative costs of the County’s benefit plan. As of June 30, 2025, the incurred but not reported liability for health and dental was \$4,069,002.

The following is a reconciliation of changes in liabilities for self-insured claims from amounts reported June 30, 2023 to the current fiscal year ended June 30, 2025:

|  | Dental Claims      | Health Claims       | Total               |
|--|--------------------|---------------------|---------------------|
| Balance June 30, 2023                                | \$ 231,524         | \$ 3,090,447        | \$ 3,321,971        |
| Claims reported and changes in estimates for FY 2024 | 1,571,539          | 13,740,139          | 15,311,678          |
| Claims paid in FY 2024                               | <u>(2,014,669)</u> | <u>(20,454,750)</u> | <u>(22,469,419)</u> |
| Balance June 30, 2024                                | 211,606            | 3,624,164           | 3,835,770           |
| Claims reported and changes in estimates for FY 2025 | 1,644,283          | 16,402,312          | 18,046,595          |
| Claims paid in FY 2025                               | <u>(2,073,843)</u> | <u>(23,877,524)</u> | <u>(25,951,367)</u> |
| Balance June 30, 2025                                | <u>\$ 217,954</u>  | <u>\$ 3,851,048</u> | <u>\$ 4,069,002</u> |

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

**Notes to the Financial Statements****J. Risk Management (Continued)**

In accordance with North Carolina General Statute 159-29, the County's Tax Collector is bonded for \$250,000, and the County's Chief Financial Officer is bonded for \$1,000,000. In addition, the County's Sheriff and Register of Deeds are each individually bonded \$25,000 and \$50,000, respectively. All other employees, which includes those employees who have access to cash and inventory, are covered under a blanket bond in the amount of \$500,000

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

**K. Litigation**

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

**L. Jointly Governed Organizations****Central Pines Regional Council**

Durham County, in conjunction with five other counties and thirty municipalities, established the Central Pines Regional Council ("Council"). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$115,982 to the Council during the fiscal year ended June 30, 2025. There is no on-going financial interest or responsibility by the County.

**Go Triangle**

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



## **M. Joint Ventures Without Equity Interest**

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

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

### **Raleigh-Durham Airport Authority**

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

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

### **Durham Technical Community College**

Durham County provides funds to Durham Technical Community College, primarily for capital improvement and maintenance of facilities. In accordance with State law, the County appoints four of the thirteen Board of Trustee members. The County does not designate management or significantly influence operations, and the College is not accountable to the County for its fiscal matters beyond the County's appropriation to the College. The County's fiscal year 2025 appropriation of approximately \$11,872,083 to the College represents approximately 23.54% of its total current non-operating revenues, with the majority of funding being provided by the State of North Carolina Department of Community Colleges. In addition, the County contributed \$560,000 to capital outlay bringing the County's contribution to Durham Technical Community College capital outlay to 34.05%. The County does not have an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements as of June

**Notes to the Financial Statements****M. Joint Ventures Without Equity Interest (Continued)**

30, 2025. Complete financial statements for the College may be obtained at their administrative offices at 1637 Lawson Street, Durham, North Carolina 27703.

**N. Joint Ventures with Equity Interest****Durham Convention and Visitors Bureau**

The Durham Convention and Visitors Bureau (the "Bureau") was established in fiscal year 1989 in conjunction with a County occupancy tax levy to promote and solicit business, conventions, meetings and tourism in Durham County. The governing body of the Bureau is an eleven-member Board of Directors with five members appointed by the City of Durham, five members appointed by the County of Durham and one member jointly appointed. Funding is derived from the occupancy tax levied upon the rental of rooms, lodging or similar accommodations. Monthly, the County is required to distribute to the Bureau a percentage of the tax collected. The Bureau is a joint venture between the County of Durham and the City of Durham with the County having a 57.5% equity interest and the City having a 42.5% equity interest.

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

On June 30, 2025, the County recorded an equity interest in the Bureau of \$842,300 which is included in the investment in the joint venture in the statement of net position. Complete financial statements may be obtained at the administrative offices at 101 East Morgan Street, Durham, North Carolina 27701.

**Durham Civic Center Authority**

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

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

On October 9, 1987, the County and City of Durham entered into agreements with a private developer to purchase an eighty-two thousand (82,000) square foot Civic Center. The County and City initially deposited \$17,300,000 (\$3,000,000 by the County and \$14,300,000 by the City) in escrow which together with interest earned was used to purchase the facility. As of June 30, 2006, the County had attained 50% equity interest in the Civic Center by the initial deposit of \$3,000,000 and additional equity purchases of \$8,089,177 per the agreement.

**N. Joint Ventures with Equity Interest (Continued)**

Therefore, the County has fulfilled its agreement regarding the Civic Center and no additional equity purchases are due.

In January 2004, the City of Durham refunded debt that included the Civic Center Authority's long-term debt. Therefore, the Civic Center Authority's long-term debt consists of \$1,110,123 in general obligation bonds issued by the City of Durham, maturing in varying installments from 1997 to 2008 with interest at 2.00% to 4.00%. The debt is being serviced from property tax revenues of the City and amounts for additional equity purchases made by the County. The County's net investment in the Authority is reported in the investment in joint ventures in the statement of net position. At June 30, 2025, the County's equity interest in the Authority was \$7,329,467. The County also shares with the City in funding all costs arising out of the management, operation, maintenance and repair of the Civic Center. In 2025, the amount funded by the County was approximately \$100,000. Complete financial statements for the Authority may be obtained from the City of Durham's administrative offices at 101 City Hall Plaza, Durham, North Carolina 27701.

The total investment in joint ventures for Durham County recorded in the statement of net position for governmental activities for the above two ventures at June 30, 2025 is \$8,171,767.

**O. Accounting Changes and Error Corrections****Change in Accounting Principle**

During the fiscal year ended, June 30, 2025, the County implemented GASB Statement No. 101, Compensated Absences. The County performed a comprehensive review of its sick leave liability and applied the criteria established within Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. As a result, the County determined that the impacts of GASB 101 did have a material effect on the County and restated the beginning enterprise funds net position and the business-type net position by \$379,487 and the beginning governmental activities in the government-wide statements by \$18,916,151. The effects of the change in accounting principle are summarized in the table below in the "Change in Accounting Principle" column.

**Error Corrections**

A restatement of \$1,378,936 was made for the Opioid Settlement fund to record fiscal year 2024 revenue that was received within the 90-day availability period after year end as an adjustment to the beginning fund balance. Originally the funds were determined to be related to fiscal year 2025, so no revenue was recognized. During the fiscal year 2025 audit, it was determined that revenue should have been recognized for fiscal year 2024 and should not have been deferred inflows of resources. Beginning fund balance of the Opioid Settlement fund increased in the amount of the correction. This error correction increased the beginning net position for the government-wide Statements. The effects of the error correction are summarized in the table below in the "Error Correction - Opioid Revenue" column.

A restatement of \$30,059,490 was made to decrease unamortized bond premium to reflect the correct amortization method. During the fiscal year audit, it was determined that the bond premium associated with general obligation bonds and limited obligation bonds for the governmental activities was amortized using the incorrect amortization method. Since the inception of the

**Notes to the Financial Statements****O. Accounting Changes and Error Corrections (Continued)**

premiums, annual amortization had been amortized using the straight-line amortization method instead of using the effective interest amortization method as required by GASB 62 when there is a significant difference between the two methods. To correct this error, the beginning net position increased for the government-wide statements. The effects of the error correction are summarized in the table below in the “Error Correction - Effective Interest” column.

A restatement of \$3,433,502 was made for the General fund to correct intergovernmental revenue for revenue that was erroneously reported in prior years both when the revenue was recognized and the cash was received. As a result, the due from other governments - local balance was overstated. To correct this error, the beginning fund balance decreased for the fund statements and the government-wide statements. The effects of the error correction are summarized in the table below in the “Error Correction - Due from other governments - local” column.

A restatement of \$801,843 was made for the government-wide financial statements to correct the vacation liability. During the fiscal year audit, it was determined that the vacation liability accrual was calculated using the incorrect retirement percentage. Since fiscal year 2017, the vacation liability accrual had been calculated using the state retirement percentage instead of using the supplemental retirement percentage. To correct this error, the beginning net position for the governmental activities in the government-wide statements was increased by \$785,672 and the beginning net position in the enterprise funds statements and the business-type activities in the government-wide statements was increased by \$16,171. The effects of the error correction are summarized in the table below in the “Error Correction - Vacation Accrual Liability” column.

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**O. Accounting Changes and Error Corrections (Continued)**

The following is the prior period adjustments for this change in accounting principle:

|   | 6/30/2024<br>As<br>Previously<br>Reported | Change in<br>Accounting<br>Principle | Error<br>Correction<br>- Vacation<br>Accrual<br>Liability | Error<br>Correction<br>- Opioid<br>Revenue | Error<br>Correction<br>- Due from<br>other<br>governments<br>- local | Error<br>Correction<br>- Effective<br>Interest<br>Method | 6/30/2024<br>As Restated |
|---|---|--------------------------------------|---|--|--|--|--------------------------|
| <b>Government-Wide</b>  |   |                                      |   |  |  |  |                          |
| Governmental Activities                                       | \$ 37,605,070                             | \$ (18,916,151)                      | \$ 785,672  | \$ 1,378,936                               | \$ (3,433,502)   | \$ 30,059,490  | \$ 47,479,515            |
| Business-Type Activities                                      | 126,438,856                               | (379,487)                            | 16,171  | -  | -  | -  | 126,075,540              |
| <b>Total Primary<br/>Government</b>                           | <u>\$ 164,043,926</u>                     | <u>\$ (19,295,638)</u>               | <u>\$ 801,843</u>   | <u>\$ 1,378,936</u>                        | <u>\$ (3,433,502)</u>  | <u>\$ 30,059,490</u>                                     | <u>\$ 173,555,055</u>    |
| <b>Governmental Funds</b>                                     |   |                                      |   |  |  |  |                          |
| General Fund  | \$ 277,739,402                            | \$ -                                 | \$ -  | \$ -                                       | \$ (3,433,502)   | \$ -   | \$ 274,305,900           |
| Opioid Fund   | 4,678,662                                 | -                                    | -   | 1,378,936                                  | -  | -  | 6,057,598                |
| Capital Projects  | 64,527,201                                | -                                    | -   | -  | -  | -  | 64,527,201               |
| Debt Service Fund   | 101,950,499                               | -                                    | -   | -  | -  | -  | 101,950,499              |
| Nonmajor Special<br>Revenue Funds                             | 5,749,104                                 | -                                    | -   | -  | -  | -  | 5,749,104                |
| <b>Total Governmental<br/>Funds</b>                           | <u>\$ 454,644,868</u>                     | <u>\$ -</u>                          | <u>\$ -</u>   | <u>\$ 1,378,936</u>                        | <u>\$ (3,433,502)</u>  | <u>\$ -</u>  | <u>\$ 452,590,302</u>    |
| <b>Proprietary Funds</b>                                      |   |                                      |   |  |  |  |                          |
| Sewer Utility Fund  | \$ 121,946,192                            | \$ (273,653)                         | \$ 11,514   | \$ -                                       | \$ -   | \$ -   | \$ 121,684,053           |
| Stormwater Fund<br>(nonmajor)                                 | 4,492,664                                 | (105,834)                            | 4,657   | -  | -  | -  | 4,391,487                |
| <b>Total Proprietary<br/>Funds</b>                            | <u>\$ 126,438,856</u>                     | <u>\$ (379,487)</u>                  | <u>\$ 16,171</u>  | <u>\$ -</u>                                | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ 126,075,540</u>    |
| <b>Fiduciary Funds</b>  |   |                                      |   |  |  |  |                          |
| Private Purpose Funds   | \$ 51,769                                 | \$ -                                 | \$ -  | \$ -                                       | \$ -   | \$ -   | \$ 51,769                |
| Custodial Funds   | 7,128,258                                 | -                                    | -   | -  | -  | -  | 7,128,258                |
| <b>Total Fiduciary<br/>Funds</b>                              | <u>\$ 7,180,027</u>                       | <u>\$ -</u>                          | <u>\$ -</u>   | <u>\$ -</u>                                | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ 7,180,027</u>      |
| <b>Discretely Presented<br/>Component Units</b>               |   |                                      |   |  |  |  |                          |
| Durham County ABC<br>Board                                    | \$ 24,818,675                             | \$ -                                 | \$ -  | \$ -                                       | \$ -   | \$ -   | \$ 24,818,675            |
| <b>Total Discretely<br/>Presented<br/>Component<br/>Units</b> | <u>\$ 24,818,675</u>                      | <u>\$ -</u>                          | <u>\$ -</u>   | <u>\$ -</u>                                | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ 24,818,675</u>     |

**P. Subsequent Events**

The County will look to issue a permanent fixed rate financing, in the form of General Obligation bonds, to pay off the outstanding balance of its current \$185mm GO BAN around March 2026. At this time the County will seek to establish a new GO BAN facility in an amount that is yet to be determined, but sufficient for an approximate two year period of spending on projects currently associated with its 2022 GO Referendum.

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**Notes to the Financial Statements****P. Subsequent Events (Continued)**

The County is the recipient of a \$19.3mm State Revolving Fund (SRF) Revenue backed loan at a discounted interest rate and intends on using it to finance the Chin Page Lift Station. The current costs of the project exceeds the loan amount so additional funds in conjunction with the SRF loan will be necessary to complete the project. The County's Department of Engineering and Environmental Services has identified some additional projects which may be associated with this or a related revenue bond issuance.

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The following financial statements have been compiled from the audited financial statements of the County for the fiscal years ended June 30, 2025, 2024, and 2023.

County of Durham, North Carolina  
**Balance Sheet**  
**General Fund**  
As of June 30, 2025, 2024 and 2023

|  | 2025                  | 2024                  | 2023                  |
|--|-----------------------|-----------------------|-----------------------|
| <b>Assets</b>  |                       |                       |                       |
| Cash and cash equivalents  | \$ 251,547,242        | \$ 237,543,946        | \$ 253,676,083        |
| Cash and cash equivalents, restricted                                      | 7,035,302             | 4,801,201             | 5,288,272             |
| Receivables, net:  |                       |                       |                       |
| Accounts   | 2,159,902             | 1,091,941             | 844,035               |
| Accrued interest   | 1,556,237             | 1,556,237             | 762,372               |
| Property taxes   | 2,767,847             | 2,562,720             | 2,941,275             |
| Solid waste  | 36,006                | 31,037                | 34,794                |
| Beer and wine  | 1,460                 | 1,296                 | 950                   |
| Occupancy taxes  | 57,810                | 45,774                | 58,152                |
| Other taxes  | 272                   | 282                   | 335                   |
| Water services   | (1,843)               | (1,328)               | 322                   |
| Emergency medical services   | 4,642,341             | 3,721,240             | 3,291,204             |
| Leases   | 7,066,959             | 8,140,711             | 9,224,393             |
| Inventories  | 2,212,402             | 2,216,935             | 2,079,918             |
| Due from other governments, federal and state agencies                     | 43,874,844            | 40,423,566            | 31,967,224            |
| Due from other governments, local  | 9,380,208             | 14,676,651            | 11,091,662            |
| Due from other agencies  | 11,290                | 38,777                | 13,541                |
| Due from other funds   | 3,047,554             | 3,047,554             | 3,047,554             |
| Prepaid expenditures   | 270,360               | 146,193               | 139,495               |
| Total assets   | \$ 335,666,193        | \$ 320,044,733        | \$ 324,461,581        |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>        |                       |                       |                       |
| <b>Liabilities</b>   |                       |                       |                       |
| Accounts payable   | \$ 16,015,757         | \$ 14,164,327         | \$ 10,508,728         |
| Accrued payroll and related amounts withheld                               | 11,445,405            | 10,765,638            | 9,202,721             |
| Due to other governments, federal and state agencies                       | 104,811               | 901                   | 1,706                 |
| Due to other governments, local  | 934,254               | 1,189,756             | 668,336               |
| Security deposits  | 5,759                 | 37,604                | 38,638                |
| Retiree and COBRA benefit contributions                                    | 234,469               | 219,594               | 188,576               |
| Register of deeds  | 785,352               | 730,251               | 561,419               |
| Unearned revenue   | 1,419,648             | 1,125,145             | 859,468               |
| Total liabilities  | 30,945,455            | 28,233,216            | 22,029,592            |
| <b>Deferred Inflows of Resources</b>                                       |                       |                       |                       |
| Receivables, net:  |                       |                       |                       |
| Property taxes   | 2,767,847             | 2,562,720             | 2,941,275             |
| Solid waste  | 36,006                | 31,037                | 34,794                |
| Beer and wine  | 1,460                 | 1,296                 | 950                   |
| Occupancy taxes  | 57,810                | 45,774                | 58,152                |
| Other taxes  | 272                   | 282                   | 335                   |
| Water services   | (1,843)               | (1,328)               | 388                   |
| Emergency medical services   | 4,642,341             | 3,721,240             | 3,291,203             |
| Leases   | 6,443,927             | 7,711,094             | 8,982,501             |
| Total deferred inflows of resources  | 13,947,820            | 14,072,115            | 15,309,598            |
| <b>Fund Balances</b>   |                       |                       |                       |
| Non-spendable  | 3,105,795             | 2,792,745             | 2,461,304             |
| Restricted:  |                       |                       |                       |
| Stabilization by state statute   | 72,394,758            | 78,848,848            | 69,860,130            |
| Other  | 7,035,302             | 4,801,201             | 5,288,272             |
| Committed  | 97,623,732            | 101,591,599           | 101,740,227           |
| Assigned   | 28,791,716            | 28,449,479            | 29,754,613            |
| Unassigned   | 81,821,615            | 61,255,530            | 78,017,845            |
| Total fund balances  | 290,772,918           | 277,739,402           | 287,122,391           |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 335,666,193</b> | <b>\$ 320,044,733</b> | <b>\$ 324,461,581</b> |

The accompanying notes are an integral part of these financial statements

County of Durham, North Carolina  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund**  
For the Fiscal Years Ended June 30, 2025, 2024 and 2023

|   | 2025           | 2024           | 2023           |
|---|----------------|----------------|----------------|
| <b>Revenues</b>                               |                |                |                |
| Taxes   | \$ 554,887,857 | \$ 523,858,260 | \$ 490,660,505 |
| Licenses and permits                          | 262,330        | 305,958        | 368,350        |
| Intergovernmental                             | 82,437,271     | 78,026,815     | 71,395,486     |
| Investments                                   | 11,306,438     | 11,742,793     | 5,691,692      |
| Rent  | 755,786        | 874,157        | 256,953        |
| Charges for services                          | 42,763,646     | 37,225,603     | 38,375,429     |
| Other   | 1,192,086      | 1,239,464      | 1,042,545      |
| Total Revenues                                | 693,605,414    | 653,273,050    | 607,790,960    |
| <b>Expenditures</b>                           |                |                |                |
| General government                            | 92,164,641     | 82,296,617     | 78,025,748     |
| Public safety                                 | 93,206,044     | 91,152,309     | 87,716,880     |
| Transportation                                | 1,557,481      | 1,287,189      | 911,796        |
| Economic and physical development             | 10,127,566     | 8,831,708      | 8,899,321      |
| Environmental protection                      | 7,552,796      | 7,215,767      | 6,371,595      |
| Human services                                | 116,456,055    | 132,040,587    | 108,474,971    |
| Education                                     | 229,472,334    | 208,635,098    | 195,702,082    |
| Culture and recreation                        | 17,968,043     | 17,387,594     | 16,775,145     |
| Capital outlay                                | 3,675,013      | 6,135,712      | -              |
| Debt service:                                 |                |                |                |
| Principal                                     | 2,277,153      | 3,173,613      | 12,149,445     |
| Interest                                      | 105,736        | 185,766        | 83,321         |
| Total Expenditures                            | 574,562,862    | 558,341,960    | 515,110,304    |
| Revenues Over Expenditures                    | 119,042,552    | 94,931,090     | 92,680,656     |
| <b>Other Financing Sources (Uses)</b>         |                |                |                |
| Transfers from other funds:                   |                |                |                |
| Special revenue funds                         | 1,419,611      | 1,619,157      | 2,095,475      |
| Capital projects funds                        | 184,750        | 92,188         | 142,500        |
| Debt service fund                             | 2,491,694      | 53,152         | -              |
| Transfers to other funds:                     |                |                |                |
| Capital Projects Fund                         | (7,585,258)    | (10,778,100)   | (22,277,512)   |
| Debt Service Fund                             | (99,412,083)   | (96,422,027)   | (104,525,553)  |
| Lease liabilities issued                      | 193,607        | 76,686         | 5,208,652      |
| SBITA liabilities issued                      | 132,145        | -              | 7,987,232      |
| Total Other Financing Uses                    | (102,575,534)  | (105,358,944)  | (111,369,206)  |
| Net change in fund balances                   | 16,467,018     | (10,427,854)   | (18,688,550)   |
| Fund balances, beginning of year              | 277,739,402    | 287,122,391    | 305,810,941    |
| Restatement                                   | (3,433,502)    | 1,044,865      | -              |
| Fund balances, beginning of year, as restated | 274,305,900    | 288,167,256    | 305,810,941    |
| Fund balances, end of year                    | \$ 290,772,918 | \$ 277,739,402 | \$ 287,122,391 |

The accompanying notes are an integral part of these financial statements

County of Durham, North Carolina  
**Balance Sheet**  
**Debt Service Fund**  
As of June 30, 2025, 2024 and 2023

|  | 2025           | 2024           | 2023          |
|--|----------------|----------------|---------------|
| <b>Assets</b>                              |                |                |               |
| Cash and cash equivalents                  | \$ 103,091,192 | \$ 101,950,633 | \$ 82,120,892 |
| Accounts receivable, net                   | -              | -              | 2,358         |
| Total assets                               | \$ 103,091,192 | \$ 101,950,633 | \$ 82,123,250 |
| <b>Liabilities</b>                         |                |                |               |
| Due to other governments, local            | \$ 134         | \$ 134         | \$ 134        |
| Total liabilities                          | 134            | 134            | 134           |
| <b>Fund balances</b>                       |                |                |               |
| Assigned                                   | 103,091,058    | 101,950,499    | 82,123,116    |
| Total fund balances                        | 103,091,058    | 101,950,499    | 82,123,116    |
| <b>Total liabilities and fund balances</b> | \$ 103,091,192 | \$ 101,950,633 | \$ 82,123,250 |

The accompanying notes are an integral part of these financial statements

County of Durham, North Carolina  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Debt Service Fund**

For the Fiscal Years Ended June 30, 2025, 2024 and 2023

|                                       | 2025           | 2024           | 2023          |
|---------------------------------------|----------------|----------------|---------------|
| <b>Revenues</b>                       |                |                |               |
| Investments                           | \$ 3,675,393   | \$ 1,939,420   | \$ 822,317    |
| Charges for services                  | 523,079        | 541,432        | 494,039       |
| Other                                 | -              | 103,698        | -             |
| Total Revenues                        | 4,198,472      | 2,584,550      | 1,316,356     |
| <b>Expenditures</b>                   |                |                |               |
| Debt service:                         |                |                |               |
| Principal                             | 50,289,541     | 46,758,712     | 37,131,381    |
| Interest and other fees               | 31,063,771     | 29,572,013     | 21,900,949    |
| Total Expenditures                    | 81,353,312     | 76,330,725     | 59,032,330    |
| Revenues Under Expenditures           | (77,154,840)   | (73,746,175)   | (57,715,974)  |
| <b>Other Financing Sources (Uses)</b> |                |                |               |
| Transfer from other funds:            |                |                |               |
| General Fund                          | 99,412,083     | 96,422,027     | 104,525,553   |
| Special revenue funds                 | -              | 419,750        | 546,250       |
| Capital project funds                 | 589,193        | 154,482        | 296,878       |
| Transfer to other funds:              |                |                |               |
| General Fund                          | (2,491,694)    | (53,152)       | -             |
| Capital project funds                 | (19,214,183)   | (3,760,237)    | (2,300,000)   |
| Issuance of debt                      | -              | 45,980,000     | 192,465,000   |
| Premium on issuance of debt           | -              | 4,410,688      | 26,796,243    |
| Payment to refunding escrow agent     | -              | (50,000,000)   | (218,120,316) |
| Total Other Financing Sources         | 78,295,399     | 93,573,558     | 104,209,608   |
| Net change in fund balances           | 1,140,559      | 19,827,383     | 46,493,634    |
| Fund balances, beginning of year      | 101,950,499    | 82,123,116     | 35,629,482    |
| Fund balances, end of year            | \$ 103,091,058 | \$ 101,950,499 | \$ 82,123,116 |

The accompanying notes are an integral part of these financial statements

The following financial statements have been compiled from the budget ordinance and related amendments of the County for the fiscal year ending June 30, 2026.

County of Durham, North Carolina  
**Compiled Budget - General and Debt Service Funds**  
**For the Fiscal Year Ending June 30, 2026**  
As of March 31, 2026

|  | <b>General</b> | <b>Debt<br/>Service</b> |
|--|----------------|-------------------------|
| <b>Estimated Revenues</b>  |                |                         |
| Taxes  | \$ 609,010,542 | \$ -                    |
| Licenses and permits   | 364,000        | -                       |
| Intergovernmental  | 79,981,471     | -                       |
| Investments  | 5,336,071      | 1,500,000               |
| Rent   | 673,550        | -                       |
| Charges for services   | 44,243,577     | 500,000                 |
| Other  | 1,259,447      | 97,442                  |
| Total estimated revenues   | 740,868,658    | 2,097,442               |
| <br><b>Appropriations</b>  |                |                         |
| General government   | 253,577,740    | 2,834                   |
| Public safety  | 110,170,791    | -                       |
| Transportation   | 5,751,140      | -                       |
| Economic and physical development  | 12,460,593     | -                       |
| Environmental protection   | 12,714,710     | -                       |
| Human services   | 134,019,883    | -                       |
| Education  | 246,918,771    | -                       |
| Culture and recreation   | 20,457,169     | -                       |
| Capital outlay   | 537,658        | -                       |
| Debt service:  |                |                         |
| Principal  | -              | 73,568,953              |
| Interest and other fees  | -              | 43,020,889              |
| Total appropriations   | 796,608,455    | 116,592,676             |
| <br>Estimated revenues over (under) appropriations                             | (55,739,797)   | (114,495,234)           |
| <br><b>Other financing sources (uses)</b>                                      |                |                         |
| Transfers from other funds:  |                |                         |
| General fund   | -              | 105,687,704             |
| Capital project funds  | 380,300        | 2,834                   |
| Special revenue funds  | 4,292,994      | -                       |
| Debt service fund  | 2,491,694      | -                       |
| Fiduciary funds  | 1,280,000      | 2,500,000               |
| Transfers to other funds:  |                |                         |
| Special revenue funds  | -              | (8,267,474)             |
| Debt service fund  | (105,687,704)  | -                       |
| Issuance of debt   | 105,563,147    | -                       |
| Appropriated fund balance  | 47,419,366     | 14,572,170              |
| Total other financing sources (uses)   | 55,739,797     | 114,495,234             |
| <br>Estimated revenues and other sources over<br>appropriations and other uses | \$ -           | \$ -                    |

Compiled by the staff of the Durham County Finance Department

**CERTAIN CONSTITUTIONAL, STATUTORY AND ADMINISTRATIVE  
PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF  
GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL  
GOVERNMENT OF THE STATE OF NORTH CAROLINA**

**Constitutional Provisions**

The North Carolina Constitution (the “Constitution”) requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;
- (d) to suppress riots or insurrections;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the issuing unit’s outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for “public purposes.” The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather,

it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding \$300, any personal property. The General Assembly may also exempt from taxation not exceeding \$1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit-wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

### **The Local Government Bond Act**

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "Act") and G.S. Ch. 159, Art. 7 or to issue short-term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in Appendix B to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of

appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

“Net debt” is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (e) below, (e) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits “balloon installments” in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the Commission and the Commission may

require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

#### Short-Term Obligations

*Bond Anticipation Notes* - Units of local government are authorized to issue short term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

*Tax Anticipation Notes* - Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

*Revenue Anticipation Notes* - Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

*Grant Anticipation Notes* - Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

## **The Local Government Budget and Fiscal Control Act**

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the “Fiscal Control Act”), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants’ Industry Audit Guide, Audits of State and Local Government Units.

*Budget* - The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

*Fiscal Control* – The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

## **Major General Fund Revenue Sources**

*Ad Valorem Tax* - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the

unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

*Tax Base* - The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

- (1) Tangible household personal property is excluded from the property tax base.
- (2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.
- (3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.
- (4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.
- (5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:
  - (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).
  - (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
  - (c) Certain pollution abatement and resource recovery equipment.
  - (d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
  - (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.
  - (f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.
- (6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the

preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.

- (7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use

*Appraisal Standard* - All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

*Frequency of Appraisal* - Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

*Tax Day* - All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

*Tax Levy* - Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

*Tax Collection* - The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

### **Local Government Sales and Use Taxes**

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one-half percent sales tax.

### **Alcoholic Beverage Control Store Profits**

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly

has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of \$20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and \$10 of the \$20 is paid to the State's General Fund.

### **Intragovernmental Shared Revenues**

The net amount of excise taxes collected by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and municipalities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 20.47 percent of malt beverage tax revenue, 49.44 percent of unfortified wine tax revenue and 18 percent of fortified wine tax revenue. A municipality or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold at retail in a municipality located in a county in which the sale of such beverage is otherwise prohibited, only the municipality receives a portion of the amount distributed.

The State levies a tax on the gross receipts derived from the sale of electricity at the combined general rate prescribed by statute. The State distributes 44 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute.

The State levies a sales tax on the gross receipts derived from providing telecommunications and ancillary services at the statutorily prescribed combined general rate. Each quarter, the State distributes to municipalities 18.7 percent of the net proceeds from that quarter, minus \$2,620,948.

The State levies a tax on the gross receipts derived from the sale of piped natural gas at the combined general rate. The State distributes quarterly 20 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute, with certain "gas cities" eligible for an increase to their shares provided that certain requirements are met.

All cities and counties receive shares of three State sales taxes on video programming service and telecommunications service revenues pursuant to a formula provided by statute. The revenue to be distributed includes 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. Before the distribution of such net proceeds is made, certain cities or counties may receive supplemental public, educational or governmental access channel ("PEG Channel") support funds from such net proceeds, provided that certain requirements are met.

### **State and Local Fiscal Relations**

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

*Public Schools and Community Colleges* - The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the

public school and community college systems are raised primarily by county government from its general revenues including the local sales tax revenue.

*Court System* - The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

*Correctional System* - The State finances all of the cost of correctional facilities used for confinement of convicted felons and long-term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short-term misdemeanants and prisoners awaiting trial.

*Highway System* - The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

**APPENDIX F**

**FORM OF OPINION OF BOND COUNSEL**

[Letterhead of Parker Poe Adams & Bernstein LLP]

June \_\_, 2026

County of Durham, North Carolina  
Durham, North Carolina

***\$100,000,000***  
***County of Durham, North Carolina***  
***General Obligation Bonds,***  
***Series 2026A***

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the County of Durham, North Carolina (the “*County*”) of \$100,000,000 aggregate principal amount of its General Obligation Bonds, Series 2026A (the “*2026A Bonds*”). The 2026A Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times, all as provided in the resolution adopted by the Board of Commissioners of the County (the “*Board*”) on May 26, 2026 (the “*Bond Resolution*”) and in the Pricing Certificate (as defined in the Bond Resolution), delivered on the date hereof as authorized by the Bond Resolution.

In connection with the issuance of the 2026A Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

- (a) Certified copies of (a) the bond order authorizing the issuance of up to \$423,505,000 General Obligation School Bonds, (b) the bond order authorizing the issuance of up to \$112,740,000 General Obligation Community College Bonds, and (c) the bond order authorizing the issuance of up to \$13,995,000 General Obligation Museum Bonds, each adopted by the Board on July 11, 2022 and approved by the vote of a majority of the voters of the County who voted thereon on November 8, 2022 at a referendum duly called and held;
- (b) A certified copy of the Bond Resolution;
- (c) Specimens of the 2026A Bonds; and
- (d) Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The 2026A Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the “*State*”), including The Local Government Bond Act, Section 159-43 et seq. of the General Statutes of North Carolina.

2. The 2026A Bonds are legal, valid, and binding general obligations of the County.

3. The County has pledged its faith and credit for the payment of the principal of and the interest on the 2026A Bonds. The County is authorized to levy on all real property taxable by the County such ad valorem taxes as may be necessary to pay the 2026A Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the 2026A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest on the 2026A Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “*Code*”)) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026A Bonds in order that the interest on the 2026A Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the 2026A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2026A Bonds. We express no opinion regarding other federal tax consequences related to the ownership of or the receipt, accrual or amount of interest on, the 2026A Bonds.

5. Interest on the 2026A Bonds is exempt from State of North Carolina income taxation.

Our services as Bond Counsel in connection with the issuance and sale of the 2026A Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the 2026A Bonds and the tax status of interest with respect thereto.

We express no opinion relating to the accuracy, completeness or sufficiency of the Preliminary Official Statement or the Official Statement (collectively, the “*Official Statement*”), or any other offering material relating to the 2026A Bonds (excepting only the matters set forth as our opinion in the Official Statement and the section entitled “**TAX TREATMENT**”) or as to the financial resources of the County or the ability of the County to make the payments required on the 2026A Bonds, that may have been relied on by anyone in making the decision to purchase the 2026A Bonds.

The rights of the owners of the 2026A Bonds and the enforceability of the 2026A Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors’ rights and remedies generally, and by general principles of equity, whether such principles are considered in a proceeding at law or in equity.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the

County of Durham, North Carolina

June \_\_, 2026

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accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing on such public records, certifications, and documents and proceedings.

The opinions expressed above are given as of the date hereof, and we assume no obligation to revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

**PARKER POE ADAMS & BERNSTEIN LLP**

**BOOK-ENTRY ONLY SYSTEM**

Beneficial ownership interests in the Bonds will be available only in a book-entry system. The actual purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in such Bonds purchased. So long as The Depository Trust Company (the “DTC”), a New York corporation, or its nominee is the registered owner of the Bonds, references in this Official Statement to the registered owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners of the Bonds.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the Bonds, payment of interest and other payments with respect to the Bonds to DTC Participants or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and of other transactions by and between DTC, DTC Participants and Beneficial Owners is based on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s Participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (the “DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest and redemption premiums, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the County or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption premiums, if any, is the County's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Commission or the County may decide to discontinue use of the system of book-entry- only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC, and the County takes no responsibility for the accuracy thereof.

The County cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Bonds (a) payments of principal of, premium, if any, and interest on the Bonds, (b) confirmations of their ownership interests in the Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

THE COUNTY HAS NO RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, PREMIUM, IF ANY OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE TERMS OF THE RESOLUTIONS AUTHORIZING THE ISSUANCE OF THE BONDS; AND (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.