

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

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 25, 2025

NEW ISSUE—Book-Entry Only

This Official Statement has been prepared by the Local Government Commission of North Carolina and the City of Durham, North Carolina 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 indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.

\$95,205,000*

**City of Durham, North Carolina
 General Obligation Bonds, Series 2025**

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 City 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 optional redemption prior to maturity as described herein.

Security

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

Interest Payment Dates

June 1 and December 1, commencing December 1, 2025.

Denominations

\$5,000 or any integral multiple thereof.

Expected Closing/Settlement

May 28, 2025.

Bond Counsel

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

Financial Advisor

First Tryon Advisors LLC, Charlotte, North Carolina.

Sale Date

May 6, 2025.

Sale of Bonds

Pursuant to sealed and electronic bids in accordance with the Notice of Sale.

The date of this Official Statement is May __, 2025

*Preliminary, subject to change.

MATURITY SCHEDULE*

City of Durham, North Carolina

\$95,205,000* General Obligation Bonds, Series 2025

<u>Due June 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield¹</u>	<u>CUSIP⁺</u>
2026	\$4,760,000			
2027	4,760,000			
2028	4,760,000			
2029	4,760,000			
2030	4,760,000			
2031	4,760,000			
2032	4,760,000			
2033	4,760,000			
2034	4,760,000			
2035	4,760,000			
2036	4,760,000			
2037	4,760,000			
2038	4,760,000			
2039	4,765,000			
2040	4,760,000			
2041	4,760,000			
2042	4,760,000			
2043	4,760,000			
2044	4,760,000			
2045	4,760,000			

*Preliminary, subject to change.

¹Information obtained from the underwriters of the Bonds.

⁺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 ©2025 CUSIP Global Services. All rights reserved. CUSIP data herein is provided for convenience of reference only. The Local Government Commission, the City 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.

CITY OF DURHAM, NORTH CAROLINA

CITY COUNCIL

Leonardo Williams.....Mayor

Mark-Anthony Middleton..... Mayor Pro-Tempore

Javiera Caballero

DeDreana Freeman

Chelsea Cook

Carl Rist

Nate Baker (At-Large Council Member)

CITY STAFF

W. Bowman Ferguson City Manager

Tim Flora Chief Financial Officer

Kimberly M. Rehberg City Attorney

FINANCIAL ADVISOR

First Tryon Advisors LLC
Charlotte, North Carolina

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 sale and issuance of \$95,205,000* General Obligation Bonds, Series 2025 (the “*Bonds*”), of the City of Durham, North Carolina (the “*City*”).

The information furnished herein includes a brief description of the City and its economic condition, government, debt management, tax structure, financial operations, budget, pension plans and contingent liabilities. The City has assisted the Local Government Commission (the “*Commission*”) in gathering and assembling the information contained herein. See **Appendix A** hereto for information regarding the City.

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 (the “*SEC*”) under the Securities Exchange Act of 1934, as amended (the “*Rule*”) except when it is in its preliminary form, for the omission of certain pricing and other information to be made available by the successful bidder or bidders for the Bonds by the Commission. In accordance with the requirements of such Rule, the City has agreed in a resolution adopted by the City Council of the City prior to the sale of the Bonds to certain continuing disclosure obligations. See the caption “**CONTINUING DISCLOSURE**” herein.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

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.

*Preliminary, subject to change.

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, 2025. The Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest will be paid on the interest payment date to the person appearing on the record books of the City as the registered owner of the Bonds as of the close of business on the 15th day of the month (whether or not a business day) preceding the interest payment date.

The Bonds will be issuable as fully registered bonds in a book-entry system maintained by The Depository Trust Company, a New York corporation, (“DTC”). DTC will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in 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.

AUTHORIZATIONS AND PURPOSES

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, a bond order authorizing the issuance of up to \$85,000,000 General Obligation Parks and Recreation Bonds of the City adopted by the City Council of the City on June 17, 2024 and approved by voters on November 5, 2024 at a referendum duly called and held, and a bond order authorizing the issuance of up to \$115,000,000 General Obligation Streets and Sidewalks Bonds of the City adopted by the City Council of the City on June 17, 2024 and approved by voters on November 5, 2024 at a referendum duly called and held, and the Bond Resolution adopted by the City Council on March 17, 2025 (the “*Bond Resolution*”).

The Bonds are being issued for the purpose of providing funds to pay the cost for (1) acquiring, constructing, renovating, expanding and improving parks and recreation facilities, including, without limitation, related offsite public infrastructure development and the acquisition of any necessary furnishing and equipment, land, rights-of-way and easements in land required therefor for current and future parks and recreation uses, and (2) acquiring, constructing, reconstructing, widening, extending, paving, resurfacing, grading and improving streets and sidewalks, including, without limitation, related studies, plans and design, improving and relocating utilities, constructing and improving intersections, curbs, gutters, drains, bridges, overpasses, crossings, safety measures and streetscape, acquiring and installing lighting, traffic controls, signals and signs, and acquiring land, rights-of-way and easements in land required therefor.

SECURITY

The Bonds are general obligations of the City secured by a pledge of the faith and credit and taxing power of the City. The City is authorized and required by law to levy on all property taxable by the City such ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon.

REDEMPTION PROVISIONS

The Bonds maturing on or prior to June 1, 2035, will not be subject to redemption prior to their respective maturities. The Bonds maturing on June 1, 2036 and thereafter will be subject to redemption, at the option of the City, 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, 2035, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

If less than all the Bonds are called for redemption, the City shall select the maturity or maturities of the Bonds to be redeemed in such manner as the City 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 City 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 City 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 City 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 City. The City will also mail or transmit by facsimile or electronic submission a copy of the notice of redemption within the time set forth above (1) to the Commission and (2) to the Municipal Securities Rulemaking Board (the "*MSRB*") through the Electronic Municipal Market Access ("*EMMA*") system or other electronic format as prescribed by the MSRB, but any failure or defect in respect thereto will not affect the validity of the redemption.

In the case of an optional redemption of the Bonds, the redemption notice may state that (1) it is conditioned upon the deposit of money on the redemption date at the time and in an amount equal to the amount necessary to effect the redemption and such notice will be of no effect unless such money is so deposited, and (2) the City retains the right to rescind the redemption notice on or prior to the scheduled redemption date, and such notice and optional redemption shall be of no effect if such money is not so deposited or if the notice is rescinded as described below.

Any scheduled redemption of Bonds or portions thereof may be rescinded in whole or in part at any time prior to the redemption date if the City delivers written notice of such rescission to the affected owners of the Bonds. Any Bonds where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the City shall give immediate notice to the affected owners of the Bonds that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

On the date fixed for redemption, notice having been given as hereinabove described, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Bond Registrar in trust for the registered owners of the Bonds or portions thereof to be redeemed, interest on the Bonds or portions thereof called for redemption shall cease to accrue, and the registered owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to such redemption date. If a portion of a Bond shall have been selected for redemption, a new Bond or Bonds of the same maturity, of any authorized denomination or denominations and bearing interest at the same rate shall be delivered for the unredeemed portion of the principal amount of such Bond.

CYBERSECURITY

The City, 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 involving, 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 City may be the target of cybersecurity incidents that could result in adverse consequences to the City and its Systems Technology, requiring a response action to mitigate the consequences.

During March 2020, the City’s Technology Solutions (“TS”) staff identified a ransomware attack against the City’s network that resulted in the encryption of much of its network infrastructure and associated business systems. The cyberattack shut down most of the City’s functions and temporarily cut off public access to services. TS immediately implemented its incident response plan (“IRP”) and assembled its critical partners to begin the recovery of the network infrastructure and all business systems.

As part of the recovery efforts and continuing today, the City has implemented several measures to become more cyber resilient. Those measures are summarized as follows:

- Implemented and are requiring all end-users to participate in security awareness training.
- Strengthened the configuration of the City’s network’s password policy.
- Improved the configuration of email monitoring to prevent suspicious emails from entering the network.
- Implemented a robust, industry leading, endpoint detection and response solution that can identify a threat and quarantine it from spreading.
- Implemented a technology specifically to identify malware in the technology environment.
- Implemented multi-factor authentication for critical accounts and assets.
- Implemented a 24/7/365 Security Operations Center to immediately identify and respond to unusual behavior.
- Implemented a next-generation firewall to provide robust security at the City’s Internet edge.
- Initiated routine performance audits of various components within the technology environment.
- Implemented periodic monitoring of the dark web to identify any information related to the City.
- Contracted with a virtual Chief Information Security Officer to provide strategic guidance to the City’s technology leadership team.

While the City’s cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the City’s finances and/or operations. The cost of remedying any such damage or protecting against future attacks could be substantial. In addition, cybersecurity breaches could expose the City to material litigation and other legal risks that could cause the City to incur material costs related to such legal claims or proceedings.

CONTINUING DISCLOSURE

In the Bond Resolution, the City has undertaken, in accordance with the Rule and for the benefit of the Registered Owners and beneficial owners of the Bonds, to provide to the MSRB:

- (1) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2025, the audited financial statements of the City for the 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 City for such Fiscal Year to be replaced subsequently by audited financial statements of the City 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, 2025, (a) the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included within the tables under the captions **“THE CITY-DEBT INFORMATION”** and **“-TAX INFORMATION”** (excluding information on overlapping and underlying units) in this Official Statement and (b) the combined budget of the City for the current Fiscal Year, 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 debt service reserves reflecting financial difficulties;
 - (d) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) substitution of 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 to rights of the beneficial owners of the Bonds, if material;
 - (h) call of any of the Bonds, other than mandatory sinking fund redemptions, 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 City;
 - (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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) appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (o) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, 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 City, any of which reflect financial difficulties; and
- (4) in a timely manner, notice of a failure by the City to provide the 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 City'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 the Rule.

The Bond Resolution provides that if the City fails to comply with the undertaking described above, any beneficial owner of the Bonds may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking is not an event of default and will not result in any acceleration of payment of the Bonds. All actions must be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Bonds.

All documents provided to the MSRB as described above are to be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The City may discharge its undertaking described above by providing such information in a manner the SEC subsequently authorizes in lieu of the manner described above.

The City may modify from time to time, consistent with the Rule, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, 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 City;
- (2) the information to be provided, as modified, would have complied with the requirements of the Rule as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule as well as any changes in circumstances;

- (3) any such modification does not materially impair the interest of the registered owners or the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote of the registered owners of a majority in principal amount of the Bonds.

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 undertaking described above terminates on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest on the Bonds.

In July of 2021, the City discovered that it had previously omitted an item of operating data required by certain of its prior continuing disclosure undertakings for its utility system revenue bonds. The calculation of the debt service coverage ratio under the 120 Rate Covenant was not included. The City posted a failure to file notice and supplemented its annual filings for the prior five fiscal years on July 15, 2021. On October 1, 2020, the City prepaid in full the Taxable Limited Obligation Bonds, Series 2010B (the “2010B LOBs”). According to the terms of the related escrow agreement, the City had instructed the trustee for the 2010B LOBs to send the notice of prepayment to holders no later than August 1, 2020. The City’s continuing disclosure undertaking related to the 2010B Bonds required the City to file a material event notice in a “timely manner” for any call of the 2010B Bonds for prepayment other than mandatory sinking fund payments. Such notice was posted to EMMA on September 30, 2020. For each of the previous five years, the City has otherwise complied, in all material respects, with its existing continuing disclosure undertakings made pursuant to the Rule.

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 (“*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**.

RATINGS

Moody’s Investors Service, S&P Global Ratings and Fitch Ratings have given the Bonds ratings of Aaa, AAA and AAA, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of each such rating 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 the issuance of the Bonds, Bond Counsel will render an opinion that, under existing law (1) assuming compliance by the City with certain provisions of the Internal Revenue Code of 1986, as amended (the “*Code*”), (a) interest on the Bonds is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax, 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.

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 City 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 City 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 City as to certain facts material to the opinion and the requirements of the Code.

The City 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 City with such covenants, and Bond Counsel has not been retained to monitor compliance by the City 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 City to comply with any requirements described above, the City 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 includible 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 City 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 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 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 is further of the opinion that, under existing law, the interest on the Bonds is exempt from State of North Carolina income taxation.

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 City, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ORIGINAL ISSUE DISCOUNT

As indicated on the inside cover page, the Bonds maturing on June 1, 20__ to June 1, 20__, inclusive (collectively the "*OID Bonds*"), are being sold at initial offering prices which are less than the principal amount payable at maturity.¹ Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers) 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 imposed on corporations and individuals.

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.

¹Information provided by underwriters of the Bonds.

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 income 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, 20__ to June 1, 20__, inclusive (collectively the “*Premium Bonds*”), are being sold at initial offering prices which are in excess of the principal amount payable at maturity.¹ The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) 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.

¹Information provided by underwriters of the Bonds.

FINANCIAL ADVISOR

First Tryon Advisors LLC, Charlotte, North Carolina, has served as financial advisor (the “*Financial Advisor*”) to the City with respect to the sale of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent on the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices thereto.

UNDERWRITING

The underwriters for the Bonds are _____.¹

The underwriters of the Bonds have 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 underwriters would anticipate total underwriters' discount of \$ _____.¹ The public offering prices or yields of the Bonds may be changed from time to time by the underwriters.

¹Information provided by underwriters of the Bonds.

MISCELLANEOUS

Any statements in this 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.

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the City Council of the City.

LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

By
Jennifer Wimmer
Deputy Secretary of the Commission

CITY OF DURHAM, NORTH CAROLINA

By
Leonardo Williams
Mayor

By
W. Bowman Ferguson
City Manager

By
Tim Flora
Chief Financial Officer

APPENDIX A

THE CITY

GENERAL

The City of Durham (the “City”) is the fourth largest city in the State of North Carolina (the “State”) and serves as the county seat of Durham County (the “County”). It is located in the north central part of the State in an area known as “The Triangle” anchored by Duke University (Durham), North Carolina State University (Raleigh), and The University of North Carolina at Chapel Hill, and the cities of Raleigh and Durham and the towns of Cary and Chapel Hill.

Basic research, pharmaceutical research, medical care and education lead the non-manufacturing sectors of the economy. The City has received national recognition for its livability and attractiveness as a destination for business and talent. In the 2024 issue of Business Facilities rankings of states, North Carolina ranked second for “Best Business Climate” in the nation while the Raleigh-Durham area ranked in the top 10 nationwide for “Tech Talent Leader (Labor Pool <100K).” In its 2024 rankings, WalletHub ranked the City as the sixth best-run City in the United States and the City was ranked as one of the 50 best places to live in the U.S. by a study from Money.com.

The City has also established itself as a hub for digital innovation in the region. A 2023 metropolitan analysis by NC TECH ranked the City sixth among 110 metro areas for technological advancement. At the 2024 GovX Summit, the City was selected as one of six finalists for the Government Experience Award, based on its work in digital services, cybersecurity, artificial intelligence, accessibility initiatives, and broadband infrastructure. In the 2024 Digital Cities Award program for cities with populations between 250,000 and 499,999, the City placed fifth, with the evaluation examining service delivery systems, cybersecurity measures, departmental collaboration, and technology implementation.

DEMOGRAPHIC CHARACTERISTICS

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

1990	2000	2010	2020
136,612	187,035	228,330	283,662

The population of the City is estimated to be as follows:

2021	2022	2023	2024
284,444	291,928	296,186	306,494

Source: City/County Planning Department estimates.

Per capita income data for the County, the State and the United States are presented in the following table:

<u>YEAR</u>	<u>COUNTY</u>	<u>STATE</u>	<u>U.S.</u>
2019	\$51,991	\$48,374	\$55,567
2020	54,578	51,758	59,123
2021	58,161	57,008	64,460
2022	61,013	58,953	66,244
2023	64,059	61,839	69,810

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

ECONOMIC PROFILE

General. The City's diverse and expanding economy is rooted in health care, biotechnology, electronics, medical research, education and manufacturing. Spin-off biotech companies from Duke University, located in the City, and The University of North Carolina at Chapel Hill and North Carolina State University nearby, add to the economic base. The education and skill level of the labor force is a major factor in attracting employers to the City. Approximately 54% of the County's residents possess at least a bachelor's degree, compared with 37% in the State.

Employment. The North Carolina Department of Commerce – Division of Employment Security has estimated the percentage of unemployment in the City (not seasonally adjusted) to be as follows (latest data available):

<u>YEAR</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>
2020	3.3%	3.1%	4.0%*	10.7%*	10.1%*	9.3%	8.8%	6.7%	6.0%	5.1%	5.2%	5.2%
2021	5.5	5.3	4.8	4.4	4.4	4.8	4.4	4.2	3.6	3.6	3.4	2.9
2022	3.5	3.3	3.1	2.9	3.1	3.5	3.4	3.6	2.9	3.2	3.1	2.9
2023	3.2	3.3	3.0	2.6	3.1	3.2	3.3	3.4	2.9	3.1	3.1	2.9
2024	3.2	3.3	3.2	2.8	3.1	3.5	3.6	3.5	2.9	2.9	3.1	2.9
2025	3.3	3.1	-	-	-	-	-	-	-	-	-	-

* Beginning in March through May 2020, the unemployment rate reflects layoffs due to the COVID-19 pandemic.

The City's unemployment rate averaged 3.2% for calendar year 2024, as compared to 3.7% for the State and 4.0% for the United States.

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The table below lists, by corporate name, product or service and approximate number of employees the major employers in and within approximately one mile of the City, which make up approximately 56% of total City employment in the aggregate.

TEN LARGEST EMPLOYERS AS OF JUNE 30, 2024

EMPLOYER	TYPE	APPROXIMATE NUMBER OF EMPLOYEES
Duke University and Medical Center	Education/Health Care	44,500
International Business Machines	Computer Hardware and Software	9,350
Blue Cross Blue Shield of North Carolina	Insurance	8,245
Durham Public Schools	Education	4,697
Cisco	Telecom	4,250
Pfizer	Pharmaceuticals	4,000
IQVIA	Pharmaceutical Development	3,900
Fidelity Investments	Financial Services	3,600
Veteran's Administration Medical Center	Health Care	3,505
GlaxoSmithKline, Inc.	Pharmaceuticals	3,100
		89,147

Taxable Sales. Taxable retail sales in the County for the fiscal years ended June 30, 2020 through 2024 and for a portion of the fiscal year ending June 30, 2025 are shown in the following table (latest data available):

PERIOD ENDED JUNE 30	TOTAL TAXABLE SALES	CHANGE OVER PREVIOUS YEAR
2020	\$7,811,731,033	0.5%
2021	8,612,784,253	10.3 ¹
2022	10,073,809,347	17.0 ¹
2023	10,661,429,553	5.8
2024	10,766,356,401	1.0
2025 (8 months ²)	7,121,642,029	-

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 8-month period ended February 28, 2025. Taxable sales for the 8-month period ended February 29, 2024 were \$7,277,199,622, resulting in an approximately 2.1% decrease from the FY24 8-month period to the FY25 8-month period. The decrease in taxable sales is due, at least in part, to a general slowdown, year over year, of gross sales across the State, along with increases in sales tax refunds.

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

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Net sales tax distributed to the City over the fiscal years ended June 30, 2020 through 2024 and for a portion of the fiscal year ending June 30, 2025 are shown in the following table (latest data available):

FISCAL YEAR ENDED JUNE 30	SALES TAX RECEIVED	CHANGE OVER PREVIOUS PERIOD
2020	\$ 68,345,518	-
2021	79,387,378	16.2%
2022	91,966,848	15.8
2023	97,565,184	6.1
2024	101,924,306	4.4
2025 (7 months ¹)	56,369,561	-

¹ For the 7-month period ended January 31, 2025. The City received \$56,834,018 in sales tax revenue for the 7-month period ended January 31, 2024, resulting in an approximately 0.8% decrease from the FY24 7-month period to the FY25 7-month period.

Source: City Budget Department.

Construction Activity. New construction activity in the City is indicated by the following table showing the value of new construction and the number of building permits as indicated by City building permit records:

FISCAL YEAR ENDED JUNE 30	COMMERCIAL		RESIDENTIAL		TOTAL VALUE
	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE	
2020	89	\$147,690,870	2,129	\$675,617,205	\$823,308,075
2021	88	237,955,830	1,912	600,609,926	838,565,756
2022	89	322,131,261	2,073	750,192,082	1,072,323,343
2023	241	126,150,364	1,981	825,162,673	951,313,037
2024	78	415,394,024	1,693	1,076,781,118	1,492,175,142

Source: City-County Inspections Department.

A large portion of residential permits issued during fiscal year 2023 were for apartment buildings. The value for apartment buildings in fiscal year 2023 was \$718,786,676 compared to \$209,388,682 in fiscal year 2022. Additionally, the large increase in value of new residential and commercial construction between fiscal year 2022 and fiscal year 2023 is due in part to a higher number of large projects (totaling approximately \$631 million) and a sharp increase in construction material costs in fiscal year 2023.

HEALTH CARE

Known as the “City of Medicine,” the health care industry plays a major role in the City’s economy. Duke University Health System employs roughly 20,000 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 University Hospital is the flagship of the broader Duke University Health System, which also includes Duke Regional Hospital in the City, Duke Raleigh Hospital in Raleigh, and more than 200 ambulatory care clinics. In its 2024-2025 rankings, *U.S. News and World Report* ranked Duke University Hospital as the top hospital in the State for the 13th year in a row, and ranked the hospital nationally in 11 adult specialties and 9 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 a 388-bed acute care facility in the Duke University Health System that serves the health care needs of the City and the surrounding communities. The hospital offers a comprehensive range of medical, surgical, and diagnostic services, including orthopedics, weight-loss surgery, women's services, and heart and vascular services, and also offers care at the Duke Rehabilitation Institute and Davis Ambulatory Surgical Center.

Durham Veteran Affairs (VA) Medical Center is also located in the City. It is a 151 operating 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.

BIOTECHNOLOGY AND MEDICAL RESEARCH

The City surrounds the Research Triangle Park (“RTP”), which is the nation’s largest research park. Although RTP sits outside the City limits, it is a significant contributor to the City’s economy. Over 375 companies and approximately 60,000 employees are located in RTP, which covers 7,000 acres with 22,500,000 square feet of developed space. Major companies located in the Park include BASF Corporation, IBM Corporation, Biogen Idec, Cisco Systems, Credit Suisse, Lenovo, and Fidelity Investments. The Park’s presence has generated growth in the City for homes and commercial and industrial sites.

Treyburn Corporate Park is a 5,300 acre master planned business park that was designed to attract corporate headquarters, research and development as well as manufacturing operations. BioMerieux, a French medical diagnostics testing equipment company that manufactures nearly one half of the world’s blood culture reagents, has its North American headquarters in Treyburn.

After a national site search, Merck & Co. (“Merck”), a global pharmaceutical manufacturing company, selected Treyburn for its 262-acre vaccine manufacturing campus known as the Hilleman Center. After several expansions and a total investment of close to \$1.6 billion, the Hilleman Center is one the newest, largest and most innovative vaccine manufacturing facilities in the world. Its over 900,000 square feet of space houses the production of several Merck pediatric, adolescent and adult products, including the measles, mumps and rubella vaccine. In 2023, Merck expanded its facility by 225,000 square feet to manufacture the active ingredients for the Gardasil shot, which helps prevent cervical cancer.

IQVIA, the world’s largest provider of biopharmaceutical development services and a Fortune 500 company, is headquartered in the City. Its worldwide network of more than 87,000 employees conducts business in approximately 100 countries.

United Therapeutics, a multibillion-dollar biotechnology company, announced plans to build a \$500 million manufacturing facility in RTP to expand production of a drug-device combination product approved by the FDA in 2022. The new facility is under construction and expected to be operational by 2026.

EDUCATIONAL INSTITUTIONS

The City is home to three institutions of higher education, including Duke University, a private university offering advanced degrees; North Carolina Central University, a constituent institution of The University of North Carolina System; and Durham Technical Community College, a part of the State system of community colleges and technical institutes.

Duke University (“*Duke*”) was founded in 1924 when James B. Duke designated the City’s Trinity College as one of the principal beneficiaries of the Duke Endowment. Its campus spans over 8,600 acres on three campuses in the City known as the East campus, the 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 the university’s academic programs and classes take place on the 720-acre West campus, which is about 1.5 miles from the East campus. Central campus consists of nearly 200 acres and provides housing for over 1,000 upper-class students. The university enrolls approximately 16,500 undergraduate, graduate and professional students. Duke’s Office for Research & Innovation’s 2023-2024 annual report noted that Duke surpassed \$1.4 billion in research expenditures, with over \$863 million provided by federal funds. In its 2024-2025 rankings, *U.S. News & World Report* selected Duke sixth among national universities.

North Carolina Central University (“*NCCU*”), founded in 1910 as a private institution, became the first State-supported liberal arts college in the nation for African Americans. 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 8,500 undergraduate, graduate and professional students and employs approximately 1,500 persons. In its 2024-2025 rankings, *U.S. News & World Report* selected NCCU 15th among historically black colleges and universities in the nation.

Durham Technical Community College (“*DTCC*”) offers more than 90 degrees, diplomas and certificates and serves more than 18,000 students in curriculum, continuing and corporate education at its seven campuses in Durham and Orange counties. As a community-based institution, DTCC provides educational opportunities for area residents and uses state and local resources for students’ learning activities. 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 their life sciences program and the construction of a new 35,000-square-foot Life Sciences Training Center. The donation, the largest in the college’s history, will expand DTCC’s existing Biotechnology Biomanufacturing program by expanding its degree curricula and providing for onsite training for biotechnology career transition programs. The center is currently under construction, with completion anticipated by 2026.

The North Carolina School of Science and Mathematics (“*NCSSM*”), a constituent institution of The University of North Carolina, is a residential high school that has consistently ranked as the North Carolina’s top high school for five consecutive years and achieved the #1 national ranking in 2025, according to Niche. Founded in 1980 on the historic Watts Hospital complex, NCSSM recruits talented students from across North Carolina who demonstrate exceptional aptitude and interest in science and mathematics. The school typically houses around 680 residential students on its campus, while also serving additional students through its online program and distance education offerings.

Though not located within the City, the University of North Carolina at Chapel Hill (“*UNC*”) is located approximately 12 miles from the central business district of the City, and North Carolina State University is located in Raleigh approximately 23 miles from the central business district of the City. These neighboring universities and those within the City provide the community with employment opportunities as well as numerous cultural events and collegiate sports activities. UNC received over \$1.2 billion in research funding awards during the 2024 fiscal year, marking the fifth consecutive year in which research awards have surpassed \$1 billion.

In 2023, Duke and UNC were awarded \$50 million, to be received over five years, from the U.S. Food and Drug Administration (“*FDA*”) to establish the Research Triangle Center of Excellence in Regulatory Science and Innovation (“*Triangle CERSI*”), one of only five centers of its kind in the nation. Triangle CERSI aims to work with FDA scientists to advance regulatory science by conducting cutting-edge research in areas such as statistical methodology, machine learning, artificial intelligence, imaging,

pediatric pharmacology, and safety assessments. Faculty at Duke and UNC will serve as the principal investigators of the center in collaboration with regulators, academia, and industry stakeholders.

MANUFACTURING

Historically the base of the City's economy was the sale and processing of tobacco and the manufacturing of tobacco products. In the past 30 years, the tobacco industry has been phased out but manufacturing continues to be significant to the local economy with a number of manufacturers headquartered in the City including Wolfspeed, Inc., AISIN North Carolina Corporation (formerly AW North Carolina, Inc.), and Burt's Bees.

Wolfspeed Inc. (formerly Cree, Inc.) was formed in 1987 by researchers from North Carolina State University. The company manufactures LED fixtures, bulbs and 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.

AISIN North Carolina Corporation ("*AISIN*"), a Toyota automotive component assembler, employs approximately 1,700 people in the City. In June 2023, AISIN announced an investment of over \$200 million to establish two new production lines in its facility for the production of two-motor hybrid transmission systems. The production lines became operational in late 2024.

Burt's Bees, a subsidiary of The Clorox Company, makes products for personal care, health, beauty and personal hygiene. It manufactures almost 200 products in the City that are distributed in nearly 30,000 retail outlets in the United States, the United Kingdom, Ireland, Canada, Hong Kong and Taiwan.

In June 2024, Kempower, Inc., a Finnish manufacturer of electric vehicle charging stations, opened its 154,000 state-of-the-art production facility in the City, its first US based manufacturing and distribution facility. The company invested approximately \$41 million and the move will create approximately 300 new jobs and contribute over \$700 million to the local economy over the next five years.

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.

The American Tobacco Campus in Durham is planning a significant expansion, known as the Market District @ American Tobacco. This development aims to add approximately 782,000 square feet of mixed-use space over 11 acres adjacent to the existing campus. The first phase includes two T3 (Timber, Transit, and Technology) office buildings totaling 353,000 square feet, a 19-story residential tower with 343 units, and 104,000 square feet of retail space, featuring a prepared foods grocer and various shops and restaurants. The design also incorporates an activated central plaza and pedestrian alleyways for community events. While sitework has begun on the expansion, a timeline for the project's completion is still unknown.

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. The DPAC, built in 2008, features a 2,700-seat multi-use performance theater that has garnered numerous awards and recognitions. In its record-breaking 2023-2024 season, DPAC hosted 626,071 guests across 260 performances, including hit Broadway shows, concerts, comedy shows, and other events. The venue's national prominence is reflected in its 2024 rankings: #2 theater in the nation by *VenuesNow* magazine, #3 based on ticket revenue by *Pollstar*, and #4 based on attendance by *Billboard*. The Durham Bulls Athletic Park is a 10,000-seat baseball stadium built in the 1990s. Home to the Durham Bulls, a Class AAA affiliate of the Tampa Bay Rays, the park generates over \$48 million in revenue and supports over 48,000 jobs in the City, both directly and indirectly.

Just west of the Durham Bulls Athletic Park lies Durham's Innovation District (the “*Innovation District*”), a 27-acre hub that emerged from a collaborative partnership between 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 on Morris Street 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. These additions have established the Innovation District as a significant part of Durham's business and research landscape.

Over eight new hotels have opened in or near the downtown area since 2015, including the Aloft Hotel adjacent to the DPAC. The Durham is a 53-room mid-century boutique hotel located in the former Home Savings Bank building. The 124-room 21c Museum Hotel resulted from the renovation of two buildings and includes a contemporary art museum. A 145-room Residence Inn by Marriott, opened near Duke University’s East campus. In July 2017, the Unscripted Durham opened. The 74-room, mid-century modern boutique hotel resulted from an approximately \$24 million renovation of the old Jack Tar Motor Lodge. A 104-room SpringHill Suites By Marriott Durham City View and a 142-room AC Hotel by Marriott Durham opened in 2021.

The Novus is a 27-story skyscraper currently under construction in the City’s Five Points district. Plans for the building call for 54 luxury condominiums, 188 rental units and ground-floor retail. Amenities will include putting greens and golf simulators, spaces to work remotely, a pickleball court, an outdoor movie theater and a dog park, plus pools, hot tubs and steam rooms. Vertical construction was completed in January 2024, and construction activities are ongoing with full project completion expected by early 2025.

The City and County share ownership of the Durham Convention Center in the downtown area of the City north of the American Tobacco Campus. The convention center includes more than 40,000 square feet of meeting space among 13 rooms and a 14,080 square-foot grand ballroom.

GOVERNMENT STRUCTURE

The City was incorporated in 1869 and has a council-manager form of government. The City Council, the governing body of the City, is comprised of the Mayor and six council members. The Mayor and three council members are elected at large. Three council members must fulfill ward residency requirements. The terms for City Council seats are staggered and elections are held every two years. Council members serve four-year terms, and the Mayor serves two-year terms. All municipal elections are

non-partisan. The City Council appoints the members of various boards and commissions, the City Manager, the City Attorney, the City Clerk and the Collector of Revenue.

The Mayor acts as the presiding officer of the City Council, voting on matters and appointing committees of the Council. As official head of city government, the Mayor also represents the City on ceremonial occasions. Leonardo Williams, the current Mayor, was elected for a two-year term in November 2023, having served on the City Council since 2021. Prior to his political career, he was a school administrator and a small business owner.

The City Manager is the chief administrative officer of the City and is responsible for the efficient management of City operations. The City Council appoints the City Manager, who ensures that ordinances and policies set by Council are carried out. The City Manager is also responsible for preparing the annual budget and for supervising City departments and personnel (except the City Attorney's and City Clerk's offices). W. Bowman Ferguson has worked for the City since 2013, serving in roles including Deputy City Manager, where he led departments such as Police, Fire, Emergency Communications, and Community Safety. He was appointed as City Manager in December 2024, effective January 1, 2025, following the retirement of the previous City Manager.

EMPLOYEES

The City employs approximately 2,600 full-time regular employees and a varying number of temporary, seasonal and part-time employees. No City employees are represented by a union or collective bargaining group. The City participates in the North Carolina Local Governmental Employees' Retirement System and two other pension plans. For information concerning the City's participation in the North Carolina Local Government Employees Retirement System and the two other pension plans, see Note IV G. to the City's Audited Financial Statements in **Appendix D** to the Official Statement. For information regarding other post-retirement employee benefits (OPEB) provided to retirees of the City, see "**OTHER POST RETIREMENT BENEFITS**" below and Note IV E. to the City's Audited Financial Statements in **Appendix D** to the Official Statement.

PUBLIC SCHOOL SYSTEM

The County has a consolidated school system which is governed by a school board consisting of seven members who are elected to four-year terms. The City has no financial responsibility for any part of the school system. The budget for the school system is submitted to the Board of Commissioners for the County for approval, with the revenue coming from the federal, State and County governments.

TRANSPORTATION

There are currently over 415 linear miles of State-system streets within the corporate limits of the City. The City has an agreement with NCDOT whereby the City will maintain these streets and is reimbursed for all costs by the State. Expansion and betterment of the State-system streets and of federal highways within the corporate limits of the City are largely the responsibility of the State. The City's contribution to such projects is a portion of right-of-way acquisition costs and the occasional paving of State-system streets.

Major expansions, maintenance and betterment of the local street system are solely the responsibility of the City. Such projects are financed with long-term bonds and current revenues. There are over 822 linear miles of local streets maintained by the City.

The City is served by Interstate highways 40 and 85, U.S. highways 15, 70 and 501, and North Carolina highways 54, 55, 98 and 751. The City is also served by the Durham Freeway, which connects the City to the RTP to the south and connects with Interstate Highway 85 to the west.

Raleigh-Durham International Airport (the “*Airport*” or “*RDU*”) provides airport service to central North Carolina. The Airport is served by 19 airlines and their regional partners, offering service to 70 destinations with more than 400 daily flights. RDU experienced record-breaking passenger traffic in 2024, serving approximately 15.5 million travelers, which surpassed the previous record of 14.5 million passengers set in 2023. The Airport is governed by the eight-member Raleigh-Durham Airport Authority (the “*Authority*”) with two members each appointed by the City of Raleigh, Wake County, the City, and the County. The City has no financial responsibility for any RDU indebtedness or operational expenses.

GoDurham operates 19 bus routes that link residential areas with downtown Durham, Duke University, North Carolina Central University, hospitals, shopping centers, and other major employment centers. All buses are compliant with the Americans with Disabilities Act (ADA). Complementary ADA paratransit service is provided within the City limits through a special van service, called ACCESS. GoTriangle is the regional public transportation agency that provides bus, vanpool and ride-matching services in the Raleigh-Durham-Chapel Hill area and is engaged in the planning and implementation of major regional transit investments.

PUBLIC SERVICE ENTERPRISES

The City operates a water and sewer utility system (the “*System*”). The service area of the System includes all of the City’s incorporated area and significant portions of the County and the RTP, and the System serves approximately 113,554 connections. The System also has contractual agreements in effect with the Orange Water and Sewer Authority, the Towns of Cary, Morrisville and Hillsborough, Chatham County, the Orange-Alamance Water System and the City of Raleigh to enable the System to transfer treated drinking water as needed.

Wastewater collected by the City’s sanitary sewer facilities is treated at two wastewater treatment plants, the North Durham Water Reclamation Facility and the South Durham Water Reclamation Facility. Both plants have an aggregate permitted hydraulic capacity of 40 MGD. Some areas in the southeastern part of the City receive service from the Durham County Wastewater Treatment Plant, which has a capacity of 12 MGD.

The City also provides solid waste collection and disposal services. On July 1, 2013, Waste Industries, LLC (now GFL Environmental) began operating the City’s transfer station. The refuse is hauled by a contractor from the City’s transfer station to a regional landfill facility located in Roseboro, North Carolina. Electric service is provided by Duke Energy, and natural gas service is provided by Enbridge Gas North Carolina.

DIVERSITY, EQUITY, AND INCLUSION

The Racial Equity Commission (the “*Commission*”) was formed in 2018. It is comprised of 17 members nominated by the County Board of Commissioners, City Council, and Durham Public Schools. Each member serves a three-year term. The Commission reviews and advocates for policies and legislation intended to eliminate systemic inequities and racism in the City and County. In addition, the Commission advises the City and County on initiative implementation strategies, upholds government accountability and engages the broader community to relay its interests and priorities to local leaders. The Commission holds meetings on a monthly basis, and is required to submit an annual written report detailing the status and accomplishments of various Board initiatives for the year, and objectives for the upcoming year.

The City also established an Equity & Inclusion Department that examines City policies, practices, budget allocations, and programs to prevent institutional racism and systemic inequities in City government. The Department is responsible for the development and implementation of the City of Durham Racial Equity Action Plan and equitable decision-making tools and processes; conducting equity, inclusion, and belonging training for City staff; ongoing monitoring, assessment, and reporting on City equity efforts and initiatives; and supporting the work of the Commission and the Mayor's Committee for Persons with Disabilities.

ENVIRONMENTAL SUSTAINABILITY

The City has demonstrated a steadfast commitment to promoting environmental sustainability at both the City and County level. Comprised of dedicated volunteers from diverse backgrounds and expertise, the City's Environmental Affairs Board ("*EAB*") has been active since 1991 and plays a vital role in advancing sustainability and promoting a green future for the City. The EAB acts as an advisory board to the City government, providing guidance to various departments regarding best practices to achieve sustainable growth. EAB conducts studies on environmental impacts, advises on disaster response and mitigation, and engages with community partners and stakeholders.

In 2021, the City adopted a Carbon Neutrality and Renewable Energy Action Plan, targeting the following objectives:

- 1) Reduce Greenhouse Gas Emissions (MTCO₂e) from City operations by 50% by 2030, and 100% by 2040;
- 2) Transition fleet vehicles to zero emissions by 2040;
- 3) Reduce energy consumption in City buildings by at least 30% by 2040; and
- 4) Increase use of renewable energy in City operations to 80% by 2030, and 100% by 2050.

Further, the City and County have partnered with Solarize the Triangle, a community-based group-purchasing program working towards making 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.

OTHER SERVICES

The City also provides police and fire protection, parks and recreation facilities and programs, cemeteries, planning and community development.

The Police Department has over 500 full time employees, and the Fire Department has over 400 employees. The Police Department looks for innovative ways to approach its mission. Additionally, the City's budget includes funding for a Community Safety Department which aims to reimagine public safety by identifying, implementing, and evaluating alternative public safety programs.

In June 2022, the City launched its Holistic Empathetic Assistance Response Team (HEART) program that provides an alternative unarmed response to 911 crisis calls across the Community Safety Department's three programs – Crisis Call Diversion, Community Response Teams and Care Navigation. Each three-person HEART team consists of a social worker, an emergency medical technician and a peer responder. The City's 2024-25 budget includes money that continues to expand the program's services by creating an Office of Survivor Care, which will serve as a space to meet and support the families of homicide victims and gunshot survivors.

The City's Parks and Recreation Department operates a variety of recreational spaces in the community and hosts frequent events targeted towards furthering community involvement.

DEBT INFORMATION

Legal Debt Margin. In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the City had the statutory capacity to incur additional net debt in the approximate amount of \$2,955,185,175 as of June 30, 2024. As of June 30, 2024, the City had \$41,180,000 in authorized but unissued General Obligation Bonds. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see **Appendix E** to the Official Statement.

Long-Term Obligations.

GENERAL OBLIGATION DEBT RATIOS

AT JUNE 30	TOTAL GO DEBT ¹	ASSESSED VALUATION	TOTAL GO DEBT TO ASSESSED VALUATION	POPULATION	TOTAL GO DEBT PER CAPITA	TOTAL ASSESSED VALUATION PER CAPITA
2020	\$111,655,000	\$36,114,221,462	0.31	283,662	\$394	\$127,085
2021	72,105,000	37,277,455,917	0.19	284,444 ³	253	127,044
2022	54,790,000	38,696,696,075	0.14	289,378 ³	189	128,472
2023	44,300,000	40,250,580,661	0.11	292,587 ³	151	131,325
2024	88,005,000	41,858,618,192	0.21	296,186 ³	297	141,325
After Bonds Now Offered are Issued ⁴	\$173,055,000	\$66,871,911,218 ⁵	0.26 ⁵	296,186 ^{3,6}	\$584	\$225,777 ⁵

¹ These amounts exclude bonds that have been refunded.

² Estimate of the North Carolina State Management and Budget – State Demographer.

³ Estimate of City/County Planning Department.

⁴ Preliminary; subject to change.

⁵ Estimate.

⁶ 2024 population figure used.

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The following tables include debt service related to general obligation indebtedness and limited obligation bonds as of June 30, 2024.

GENERAL OBLIGATION INDEBTEDNESS OUTSTANDING AS OF JUNE 30, 2024

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BONDS NOW OFFERED¹
	PRINCIPAL	INTEREST	
2025	\$ 11,184,997	\$ 3,974,408	-
2026	8,462,667	3,514,003	\$ 4,760,000
2027	4,580,584	3,151,857	4,760,000
2028	4,592,393	2,868,633	4,760,000
2029	4,603,139	2,584,720	4,760,000
2030	4,611,012	2,300,566	4,760,000
2031	4,626,758	2,080,382	4,760,000
2032	4,642,504	1,858,065	4,760,000
2033	4,658,250	1,634,961	4,760,000
2034	2,690,000	1,459,325	4,760,000
2035	2,690,000	1,331,550	4,760,000
2036	2,690,000	1,202,430	4,760,000
2037	2,690,000	1,071,965	4,760,000
2038	2,690,000	940,155	4,760,000
2039	2,690,000	807,000	4,765,000
2040	2,690,000	672,500	4,760,000
2041	2,690,000	540,690	4,760,000
2042	2,690,000	407,535	4,760,000
2043	2,690,000	273,035	4,760,000
2044	2,690,000	137,190	4,760,000
2045	-	-	4,760,000
TOTAL	\$ 81,552,303	\$ 32,810,970	\$ 95,205,000

¹ Principal only. Preliminary; subject to change.

FISCAL YEAR	BUSINESS-TYPE ACTIVITIES		BONDS NOW OFFERED¹
	PRINCIPAL	INTEREST	
2025	\$ 1,665,003	\$ 270,823	-
2026	1,147,333	207,937	-
2027	509,417	169,283	-
2028	512,607	143,732	-
2029	516,861	117,995	-
2030	518,988	92,099	-
2031	523,242	66,043	-
2032	527,496	39,775	-
2033	531,750	13,294	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-
TOTAL	\$ 6,452,697	\$ 1,120,981	-

¹ Principal only.

LIMITED OBLIGATION BONDS OUTSTANDING AS OF JUNE 30, 2024

FISCAL YEAR	GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2025	\$ 20,069,242	\$ 9,808,474	\$8,100,758	\$1,453,238
2026	16,792,482	9,047,552	6,580,518	1,272,273
2027	16,844,663	8,346,496	6,707,337	1,114,138
2028	13,598,768	7,660,237	5,546,232	971,912
2029	13,177,613	6,995,437	4,807,387	848,690
2030	13,217,379	6,335,562	4,902,621	722,752
2031	13,258,167	5,673,674	5,006,833	590,029
2032	10,734,100	5,073,867	4,455,900	466,520
2033	10,739,100	4,537,037	4,560,900	353,082
2034	10,739,100	4,000,082	4,220,900	232,114
2035	10,234,100	3,515,693	1,725,900	128,652
2036	10,234,100	3,043,929	1,750,900	94,191
2037	10,234,100	2,572,165	1,780,900	58,808
2038	10,234,100	2,100,401	1,815,900	21,149
2039	6,240,000	1,653,600	-	-
2040	6,240,000	1,341,600	-	-
2041	6,240,000	1,029,600	-	-
2042	6,240,000	717,600	-	-
2043	6,240,000	421,200	-	-
2044	6,240,000	140,400	-	-
TOTAL	\$ 217,547,014	\$ 84,014,606	\$ 61,962,986	\$ 8,327,548

The City has other obligations payable from the City's Water and Sewer Utility Fund. See Note III G. to the City's Audited Financial Statements in **Appendix D** to the Official Statement.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

PURPOSE	DATE APPROVED	BONDS		BALANCE¹
		AUTHORIZED AND UNISSUED	BONDS NOW OFFERED¹	
Affordable Housing	11/05/2019	\$ 41,180,000	-	\$ 41,180,000
Parks and Recreation	11/04/2024	85,000,000	\$ 8,950,000	76,050,000
Streets and Sidewalks	11/04/2024	115,000,000	86,255,000	28,745,000
TOTALS		\$ 241,180,000	\$ 95,205,000	\$ 145,975,000

¹ Preliminary; subject to change.

GENERAL OBLIGATION DEBT INFORMATION FOR OVERLAPPING UNITS AS OF JUNE 30, 2024

UNIT	2024 POPULATION	ASSESSED VALUATION	TAX RATE PER \$100	BONDS	TOTAL GO DEBT	GO DEBT PER CAPITA
				AUTHORIZED AND UNISSUED		
Durham County	336,892 ¹	\$51,324,214,755	\$0.7522	\$550,240,000	\$222,055,000	\$659

¹ Estimate from the Durham City/County Planning Department.

Debt Outlook. The City’s Capital Improvement Plan (“CIP”) for fiscal years 2025-2030 includes \$1,852,970,315 in funding for new projects and the continuation of existing projects in progress to be funded through impact fees, enterprise funds, grants, the capital project fund, pay-go funding, and debt financings. The majority of these projects are enterprise fund projects.

The City currently expects to enter into an installment financing agreement with a financial institution to be determined in an approximate amount between \$15 million and \$20 million in Summer of 2025 to finance the acquisition of various vehicles and equipment for general governmental purposes. In Fall 2025, the City plans to issue utility system revenue bonds in an approximate amount of \$200 million to finance capital improvements to its water and wastewater utility system and refund certain bond anticipation note issued in 2023, as well as execute and deliver limited obligation bonds in an approximate amount between \$50 million and \$75 million to finance general capital needs per the CIP.

TAX INFORMATION

The City is empowered by statute to levy an annual ad valorem tax on the appraised value of all taxable real and tangible personal property within its corporate limits. The County is the only other unit levying such taxes within the corporate limits of the City. In addition, the Special Airport District of Durham and Wake Counties is empowered to levy such taxes within the City, although it has not yet done so.

GENERAL INFORMATION

	2021	2022	2023	2024	2025 ³
Assessed Valuation					
Assessment Ratio	100%	100%	100%	100%	100%
Real Property ¹	\$32,181,016,647	\$33,202,374,967	\$34,329,002,183	\$35,679,084,046	\$36,770,024,147
Personal Property	4,673,123,678	5,044,081,100	5,465,731,288	5,836,248,363	5,836,027,418
Public Service Companies ²	423,315,592	450,240,008	455,847,190	343,285,783	340,828,589
Total Assessed Valuation	\$37,277,455,917	\$38,696,696,075	\$40,250,580,661	\$41,858,618,192	42,946,880,154
Rate per \$100	.5317	.5517	.5577	.5577	.5962
Levy	\$ 199,843,134	\$ 214,207,864	\$ 225,915,056	\$ 233,445,514	\$ 256,769,053

¹ Percentage of appraised value has been established by statute. The most recent property revaluation was effective as of January 1, 2025 for the tax levy associated with the fiscal year ending June 30, 2026. While property revaluations have historically been conducted every eight years, the County will now conduct property revaluations every four years going forward.

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

³ Estimated.

TAX COLLECTIONS

FISCAL YEAR ENDED JUNE 30	CURRENT YEAR’S LEVY COLLECTED	PERCENTAGE OF CURRENT YEAR’S LEVY COLLECTED
2020	\$191,330,912	99.28%
2021	198,754,051	99.46
2022	213,802,651	99.81
2023	224,791,028	99.50
2024	232,775,320	99.71

TEN LARGEST TAXPAYERS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

<u>COMPANY</u>	<u>TYPE</u>	<u>TAXABLE ASSESSED VALUATION</u>	<u>PERCENTAGE OF TOTAL ASSESSED VALUATION¹</u>
Wolfspeed Inc.(f/k/a Cree Inc.)	Semiconductor Products Manufacturing	\$ 666,432,596	1.59%
Southpoint Mall LLC	Retail	185,830,435	0.44
EMC Corporation	Data Storage	183,241,630	0.44
Duke Energy Carolinas LLC	Electric and Gas	168,738,047	0.40
American Campus LLC	Student Housing Community	124,795,288	0.30
HSRE-HOCK Plaza LLC	Real Estate	122,881,557	0.29
Corium LLC	BioMedical	121,785,369	0.29
CLPF Research Center LLC	Real Estate	117,289,571	0.28
Durham ID P1 Owner 1, 2, 3 LLC	Real Estate	109,853,289	0.26
WJM Holdings I LLC	Real Estate	100,037,549	0.24
Total		<u>\$1,900,885,331</u>	<u>4.54%</u>

Source: Durham County Tax Assessor.

BUDGET

Budget Process. The General Statutes of North Carolina require the City to adopt an annual balanced budget. The General Statutes also provide for balanced project ordinances for the life of projects, including both capital and grant activities, which are expected to extend beyond the end of the fiscal year. The City Council adopts the annual budget ordinance prior to July 1 of each year and adopts project ordinances as necessary. The Council has the authority to amend such ordinances.

2024-25 Budget Outlook. On June 27, 2024, City Council adopted the City budget for the fiscal year ending June 30, 2025, which is 9.5% above fiscal year 2024. The budget introduces a property tax rate of 59.62 cents per \$100 of assessed value, up by 3.85 cents from last year, primarily to fund market-aligned salary adjustments for City employees. Compensation enhancements include market-based raises ranging from 7.6% to 22.5% for various employee categories, alongside pay-for-performance increases and an elevated minimum livable wage of \$19.58 per hour for City employees. The FY25 budget also allocates funds to community initiatives such as the Guaranteed Income Program, the Immigrant Legal Defense Fund, and the Durham Expunction and Restoration Program. Additionally, it ensures that GoDurham buses remain fare-free through June 30, 2025, and invests in safety measures under the Vision Zero Durham program, a program designed to reduce traffic deaths. Capital improvement projects were appropriated \$232.1 million for new and ongoing projects, targeting areas like lead soil remediation in parks, traffic safety enhancements, and water and sewer infrastructure.

As of December 31, 2024, overall General Fund revenues met or are on track to exceed budget by fiscal year end based on the City's conservative budgeting and forecasting assumptions. While total revenues total only 51.8% of budget as of December 31, 2024, they remain in line with expectations for this time of year due to the timing of when property and sales tax revenues are typically received. The City is not aware of any weaknesses in revenues or anticipated expenditures that threaten the financial position of the City for the fiscal year ending June 30, 2025. The City adopted a General Fund budget for the fiscal year ending June 30, 2025 of \$306 million, an increase of \$24.4 million from the fiscal year ended June 30, 2024. For the fiscal year ending June 30, 2025, the City's General Fund property tax rate increased to \$0.3540 per \$100 of assessed value. In addition, the City has no indication of material unplanned or unbudgeted cash outlays for the remainder of this fiscal year which would adversely affect the budgeted fund balance appropriation of \$8.4 million. Due to conservative fund balance budgeting, the City has added

to fund balance in four of the past five years and does not anticipate using fund balance for the current fiscal year ending June 30, 2025.

OTHER POST-RETIREMENT BENEFITS

The City provides other post-retirement employee benefits (OPEB) to retirees of the City who elect to continue group health insurance until age 65. The City provides a subsidy of 50% to 100% of the premium for retiree and eligible dependent health insurance. For disabled retirees, the City pays 100% of the premium for individual coverage for the first 12 months after retirement, and supplements dependent coverage at retiree group rates. The disabled retiree has the option after the 12-month period to continue group health insurance until age 65 under the then current group coverage. See Note IV E. to the City's Audited Financial Statements in **Appendix D** to the Official Statement for OPEB information relating to the City.

The City's annual Other Postemployment Benefits (OPEB) cost (expense) is calculated based on the required annual contribution (ARC), an amount determined in accordance with GASB 45, "Accounting and Financial Reporting by Employers for Post-Employment Plans Other Than Pension Plans." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The City has chosen to fund OPEB benefits on a pay as you go basis. Postemployment benefits are paid from the Employee Insurance Fund, an Internal Service Fund. The contribution requirements of the City's funds are based on the cost of providing health insurance.

Under a resolution adopted as of July 1, 2008, City Council approved the implementation of a Retirement Health Savings (RHS) plan. The RHS plan moves new employees (those hired after June 30, 2008) to a defined contribution type plan. Participants make tax-free contributions of a portion of their salary to an individual account held in trust. The City makes a flat rate contribution each pay period for participating employees. The employee's contribution is portable and the employer's contribution vests after separation with 20 years of service. The specific contribution level of the City is \$35 per pay period and the required employee contribution equals 2% of earnings per pay period up to \$1,000 per plan year. The vesting schedule is: after 10 years of service complete, 50% vested; after 15 years, 75% vested; and, after 20 years, 100%.

The City also provides a Medicare supplement reimbursement benefit for retirees who elect to have supplemental insurance when turning age 65. To be eligible, employees must have at least 10 calendar years of full-time service, must be receiving a monthly benefit from the North Carolina Local Governmental Employees Retirees System, must remain on the City's medical insurance until turning 65 and must be at least 65 years old. Spouses and other dependents are not eligible for this benefit. For former employees unable to purchase Medicare supplement insurance, the City will reimburse the Medicare Part B premium withheld from the former employee's social security check.

CONTINGENT LIABILITIES

The City Attorney is unaware of any pending litigation against the City or other contingent liabilities with respect to which there is a reasonable expectation of a loss which could have a substantial adverse impact on the City's financial position.

With respect those matters actually pending as lawsuits and claims, the City intends to defend each matter vigorously. In the opinion of the City's attorney and management, the disposition of these matters is not expected to have a material adverse effect on the City's financial position.

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 City, lifted from the Annual Comprehensive Financial Report for the City of Durham for the fiscal year ended June 30, 2024. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the City'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 City 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

(In Thousands)

As management of the City of Durham (the "City"), our discussion and analysis of the City's financial performance provides an overview of the City's financial activities. The intent of this discussion and analysis is to look at the City's financial performance as a whole; please read it in conjunction with the transmittal letter and the basic financial statements to enhance your understanding of the City's financial performance.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,122,678. Of this amount, \$178,960 may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, the City of Durham's governmental funds reported combined ending fund balances of \$423,786, an increase of \$722,906.
- The General fund unassigned fund balance was approximately \$62.6 million at the close of the fiscal year. The City has adopted a financial policy to maintain a minimum unassigned fund balance of 16.7% of estimated expenditures in the general fund. The unassigned fund balance at June 30, 2024 exceeded the target of \$43.8 million by \$18.8 million.
- The City's total debt increased by \$329,809 (52.2%) during the current fiscal year. This was expected due to four new issuances during FY 2024 that totaled \$444,180 (of which \$86,193 refunded previously issued debt).
- The City has maintained its AAA General Obligation (G.O.) bond rating from all three bond rating agencies for the 24th consecutive year.
- For the fiscal year 2023 ACFR, the City received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 39th consecutive year, the Outstanding Achievement in Popular Financial reporting for the 20th consecutive year, and the Distinguished Budget Presentation Award for the 35th consecutive year.

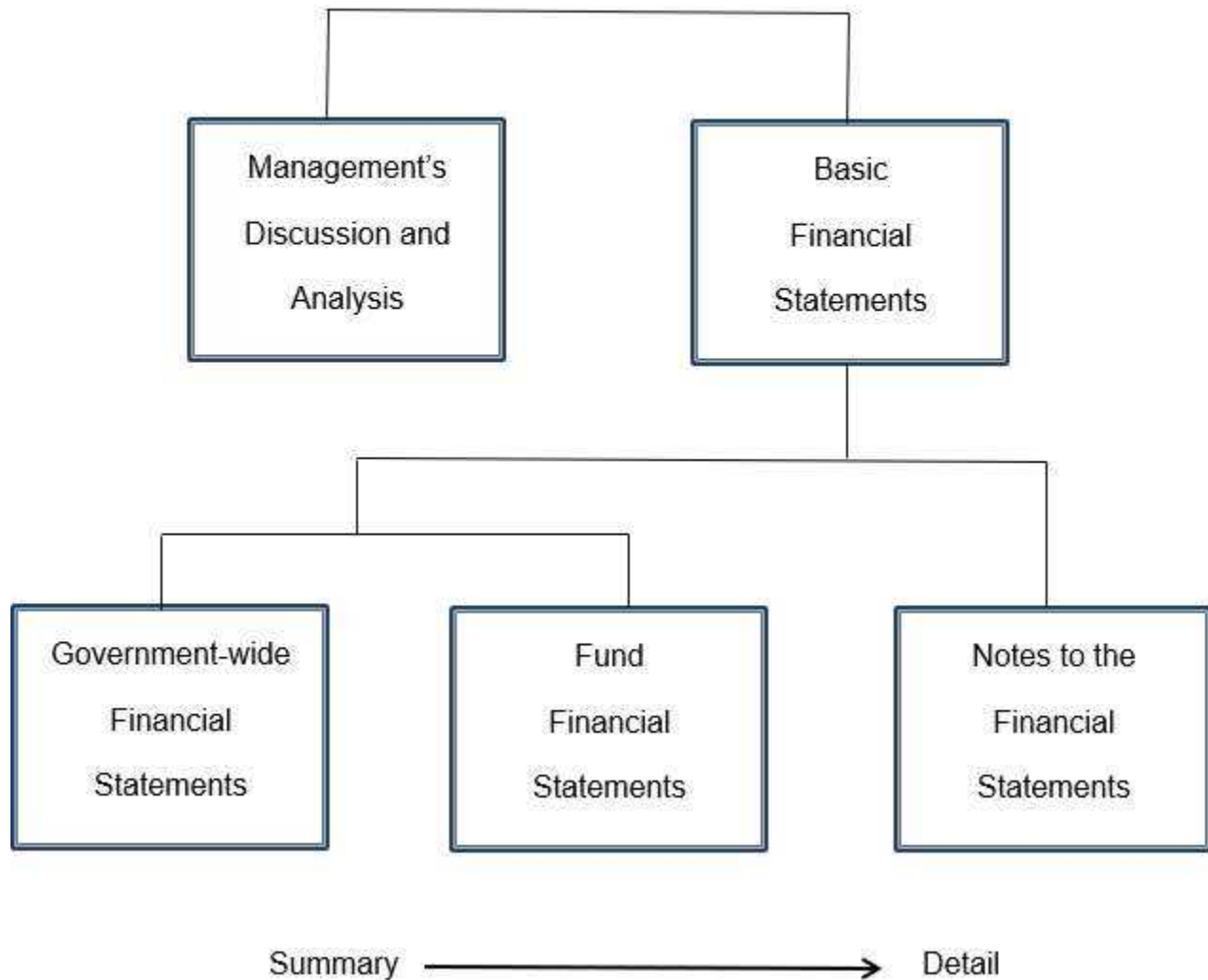
Overview of the Financial Statements

The City of Durham's discussion and analysis is intended to serve as an introduction to the City of Durham's basic financial statements. The City of Durham's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. The discussion and analysis is also designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year's challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the transmittal letter and the City's financial statements.

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Required Components of Annual Financial Report

Figure 1

**Basic Financial Statements**

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

The next statements (Exhibits A-3 through A-9) are fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statement, and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

Both government-wide financial statements distinguish functions of the City of Durham that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Durham include general government, public safety, streets and highways, development, general services, parks and recreation and a blended component unit, the New Durham Corporation. The business-type activities of the City of Durham include water and sewer, parking facilities, transit, solid waste management, Durham Performing Arts Center, Durham Bulls Athletic Park, and stormwater management.

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

Fund Financial Statements

The fund financial statements are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Durham, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Durham can be divided into two categories: governmental funds and proprietary funds.

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

The City of Durham adopts an annual budget for its General and Debt Service Funds, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the residents of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted; 2) the final budget as amended; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The basic governmental fund financial statements can be found on pages 22 - 31.

Proprietary Funds - The City of Durham has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. These services include water and sewer, parking facilities, transit, solid waste management, Durham Performing Arts Center, ball park, and stormwater management. They are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Internal Service Funds are used as an accounting device to accumulate and allocate costs internally among other funds. The City uses two internal service funds, one to account for risk management and claims settlement activities and a second to account for health and dental insurance. The health fund also includes payments for Other Post-Employment Benefits. Because the Internal Service Funds are predominantly governmental rather than business-type activities, both funds have been included within the governmental activities in the government-wide financial statements. The proprietary funds financial statements can be found on pages 32 - 45.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 49 - 91.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Durham's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 93 - 98.

Interdependence with Other Entities

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

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Government Wide Financial Statement Analysis

The following reflects the net position compared to the prior year:

Statement of Net Position (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Capital assets, net	\$ 1,073,708	\$ 917,159	\$ 1,681,991	\$ 1,420,016	\$ 2,755,699	\$ 2,337,175
Other assets	445,489	395,250	312,581	197,888	758,070	593,138
Total assets	1,519,197	1,312,409	1,994,572	1,617,904	3,513,769	2,930,313
Deferred outflow of resources	80,166	88,515	24,257	27,211	104,423	115,726
Long-term liabilities	558,768	414,395	681,788	440,034	1,240,556	854,429
Other liabilities	150,000	198,739	67,301	55,155	217,301	253,894
Total Liabilities	708,768	613,134	749,089	495,189	1,457,857	1,108,323
Deferred inflows of resources	26,169	22,323	11,487	10,764	37,656	33,087
Net position						
Net investment in capital assets	726,620	671,236	999,962	1,006,957	1,726,582	1,678,193
Restricted	190,526	185,339	26,610	25,665	217,136	211,004
Unrestricted	(52,722)	(91,108)	231,681	106,540	178,959	15,432
Total net position	\$ 864,424	\$ 765,467	\$ 1,258,253	\$ 1,139,162	\$ 2,122,677	\$ 1,904,629

For more detailed information, see the *Statement of Net Position* on pages 18-19.

Net position may serve over time as one useful indicator of a government's financial condition. At June 30, 2024, the total net position of the City was \$2,122,677. At June 30, 2023, the amount was \$1,904,629. Net position is reported in three categories: Net Investment in capital assets of \$1,726,582; restricted net position of \$217,136, and unrestricted net position \$178,959. At June 30, 2023, these amounts were \$1,678,193, \$211,004 and \$15,432, respectively.

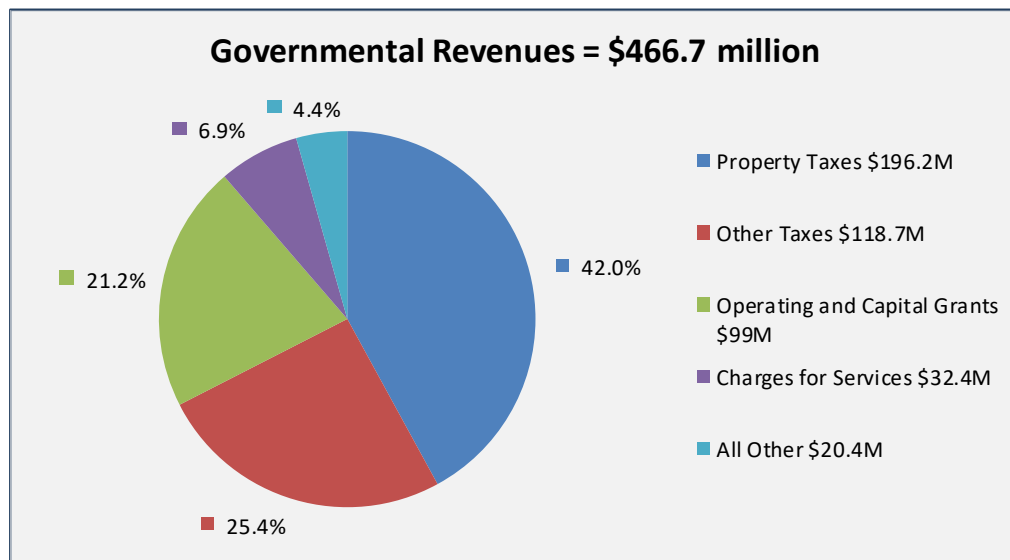
The net investment in capital assets is reported net of the outstanding related debt and is defined as the City's investment in City owned capital assets (e.g. land, land rights, buildings, automotive equipment, office and other equipment, and sewer lines), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Restricted net position of \$217,136 represents resources that are subject to external restrictions on how they may be used.

The following is a schedule of changes in net position for the current fiscal year with comparisons to the prior year:

Changes in Net Position <i>(in thousands)</i>						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	\$ 32,412	\$ 33,566	\$ 201,575	\$ 186,844	\$ 233,987	\$ 220,410
Operating grants and contributions	24,119	23,997	34,668	34,931	58,787	58,928
Capital grants and contributions	74,918	10,399	73,297	6,620	148,215	17,019
General revenues						
Property taxes	196,245	190,181	38,936	37,724	235,181	227,905
Other taxes	118,723	113,052	1,620	1,661	120,343	114,713
Other	20,372	9,380	13,465	5,826	33,837	15,206
Total revenues	466,789	380,575	363,561	273,606	830,350	654,181
Expenses						
General government	55,803	46,204	-	-	55,803	46,204
Public safety	153,451	144,152	-	-	153,451	144,152
Development	56,736	62,697	-	-	56,736	62,697
General services	31,079	25,894	-	-	31,079	25,894
Parks and recreation	24,287	21,929	-	-	24,287	21,929
Streets and highways	38,330	35,106	-	-	38,330	35,106
Interest on long-term debt	8,146	5,449	-	-	8,146	5,449
Water and sewer	-	-	128,337	115,070	128,337	115,070
Parking facilities	-	-	6,340	6,215	6,340	6,215
Transit	-	-	53,461	39,753	53,461	39,753
Solid waste management	-	-	34,592	33,305	34,592	33,305
Performing arts	-	-	3,167	3,079	3,167	3,079
Ball park	-	-	1,801	1,606	1,801	1,606
Storm water management	-	-	16,772	16,705	16,772	16,705
Total expenses	367,832	341,431	244,470	215,733	612,302	557,164
Increase in net position before transfers	98,957	39,144	119,091	57,873	218,048	97,017
Transfers	-	569	-	(569)	-	-
Increase in net position	98,957	39,713	119,091	57,304	218,048	97,017
Net position, July 1	765,467	725,754	1,139,162	1,081,858	1,904,629	1,807,612
Net position, June 30	\$ 864,424	\$ 765,467	\$ 1,258,253	\$ 1,139,162	\$ 2,122,677	\$ 1,904,629

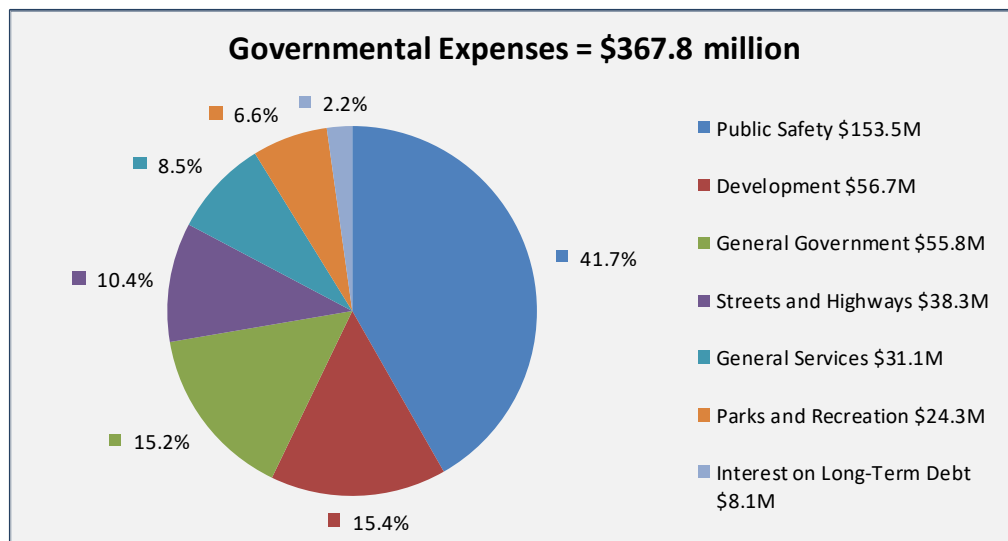
Governmental Activities

Governmental activities increased the City's net position by \$98,857, which accounted for approximately 45.4% of the total growth of net position. Total property tax revenues (\$196,245) credited to governmental activities was 3.2% more than property taxes collected (\$190,181) in the prior fiscal year. Property tax revenues of \$196.2M was 42.0% of governmental revenues. This is an 8.0% decrease from the prior year. Charges for services revenues decreased 3.4%. This decrease follows an increase of approximately 8.6% in 2023 and an increase of 0.5% in 2022. The decrease was primarily due to a decrease in fees related to development. In addition, capital contributions increased by approximately \$64.5M due mainly to an increase in the donation of streets and sidewalks by developers.



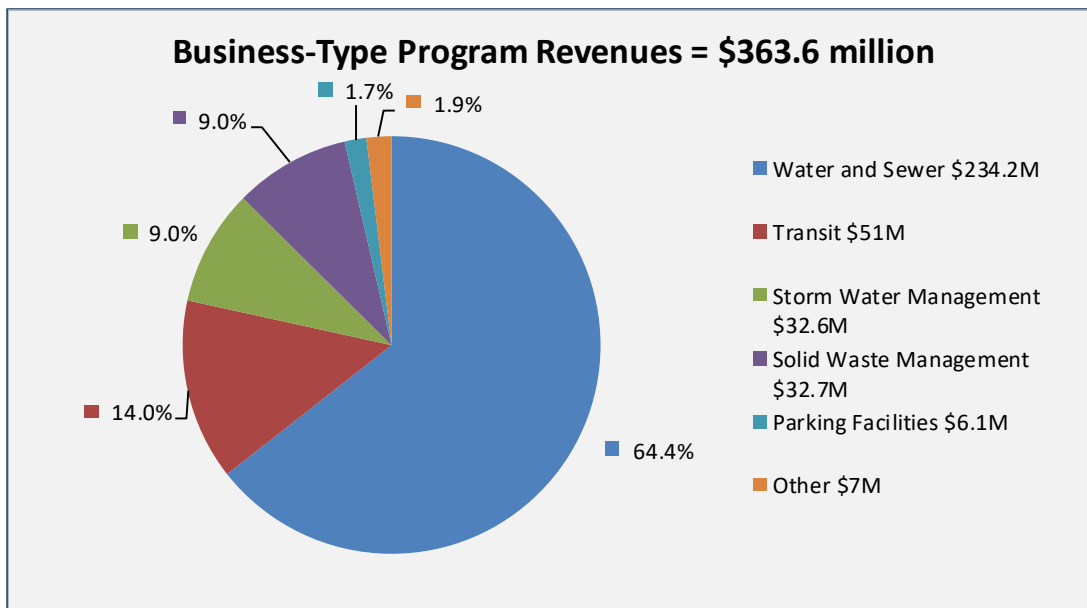
* All Other includes investment, rental and miscellaneous earnings.

There was an increase in governmental expenses from \$341,431 to \$367,832, a 7.7% increase. Public Safety increased from \$144,152 to \$153,451, a 6.5% increase. The increase was primarily due to salary increases and improved staffing levels. Public Safety accounted for 41.7% of all expenses in governmental activities, down 0.5% from the previous year when it was 42.2%. The General Government function had an increase of approximately 20.8% or \$9,599. The increase was primarily due to salary increases, improved staffing levels, and inflation.

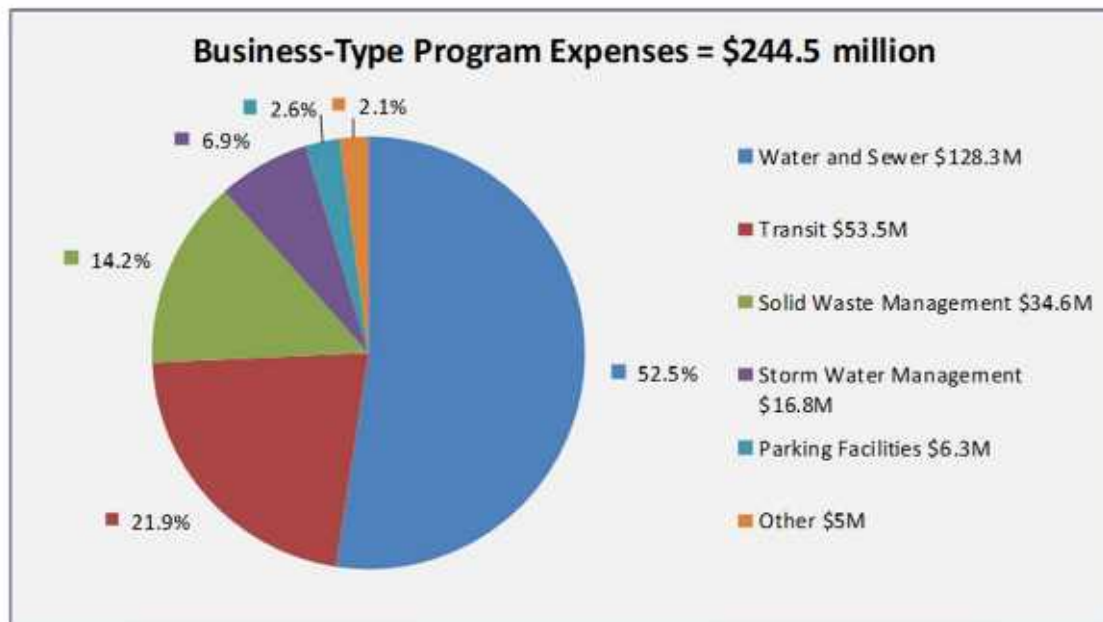


Business-type Activities

Business-type activities increased the City of Durham's net position by \$119.1 million, compared to \$57.3 million in the prior year. The increase is primarily due to operating and non-operating revenue greater than expenses, a large increase in donated infrastructure in the Water and Sewer Fund, and an increase in investment earnings, which is included in the "Other" revenue category in the Changes in Net Position chart above.



* Other includes Durham Performing Arts Center and Durham Bulls Athletic Park



* Other includes Durham Performing Arts Center and Durham Bulls Athletic Park

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City of Durham. There was a decrease in fund balance in the General Fund of \$4.8M primarily due to one-time bonuses of \$500 to \$5,000 that were paid to all employees in November 2023 that were not part of the original FY 2024 budget. The Debt Service fund was budgeted to increase \$6.8 million and ended up increasing \$8.5M. Most of the additional increase over what was budgeted is due to investment income coming in \$1.3M better than what was budgeted. Fund balance in the Capital Projects Fund increased by \$115.2 million, mainly due to \$109.5 million in FY 2024 debt issuances and an increase in investment income of \$7.0 million due to improved interest rate earnings and a higher average investment balance.

The City has adopted a policy to maintain the General Fund unassigned fund balance in an amount no less than the greater of 16.7% of the current year's originally adopted adjusted budgeted expenditures or the amount required by the Local Government Commission of the North Carolina Department of State Treasurer. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$62,619, while total fund balance is \$128,429. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.9% of total adjusted General Fund expenditures using the calculation formula derived from the policy, while total fund balance represents 49.0% of that same amount. The remainder of fund balance is not available for new spending because it is already categorized in the following classifications by GASB 54:

- Non-spendable; includes inventories.
- Restricted; restricted by state statute and grant expenditures, for public safety, community development, economic development, and parks and recreation.
- Assigned; constrained due to debt covenants that will be used to make future debt payments.
- Committed; for capital projects.

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

Proprietary Funds

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

- Water and Sewer Utility \$182,290
- Parking Facilities (\$4,677)
- Transit \$16,945
- Solid Waste Disposal (\$11,160)
- Durham Performing Arts Center \$11,330
- Ball Park \$2,352
- Stormwater Management \$35,801

The Water and Sewer Utility Fund unrestricted net position increased approximately \$127.2M, which was primarily due to borrowing funds to replenish fund balance used to pay for prior year capital expenditures covered by a reimbursement resolution. The Transit Fund unrestricted net position amount decreased approximately \$7.1M. This was primarily due to an increase in operating expenses related to fixed-route bus services. The Storm Water Fund had an increase of \$9.6M which was due to charges for services increasing \$3.6M while operating expenses decreased \$0.3M, resulting in an increase to operating income of \$3.9M. There was additionally an increase in investment income of \$1.1M.

Budgetary Highlights

During the fiscal year, the City revised the budget on five occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; 3) increases in appropriations that become necessary to maintain services and 4) amounts that are carried over from the prior year and designated for the subsequent year's expenditures.

General Fund

The following functions in the General Fund had significant variances between final budget and actual expenditures. Community Building had \$6,354 less in expenditures than what was budgeted, a 25.4% variance. This was primarily due to savings in economic development where incentives that were not paid are being carried into the next fiscal year. Public Safety had \$5,723 less in expenditures than was budgeted, a 4.0% variance, which was primarily due to vacant positions. Public Services had \$6,655 less in expenditures than was budgeted, a 9.1% variance, which was primarily due to maintenance projects being delayed and carried over into the next fiscal year. This occurred in the public works, facility management, and parks and recreation functions. Additional detailed information on the General Fund budget to actual can be found in the accompanying financial statements on pages 148 - 151.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2024 totals \$2,504,282, an increase of \$219,915 (9.6%) from June 30, 2023.

Major capital asset transactions during the year include the following:

Governmental-type activities:

- Increase in land \$69,728 (78.8%)

Business-type activities:

- Decrease in construction in progress for capital assets \$64,558 (11.9%)
- Increase in buildings and infrastructure \$207,723 (26.2%)

Capital Assets, Net (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 158,248	\$ 88,520	\$ 48,808	\$ 48,753	\$ 207,056	\$ 137,273
Building, infrastructure equipment and other depreciable assets	733,843	729,985	1,000,094	792,371	1,733,937	1,522,356
Construction in progress	78,332	73,832	477,192	541,750	555,524	615,582
Right to use lease assets	6,060	7,485	-	-	6,060	7,485
IT subscriptions	292	687	762	240	1,054	927
Leasehold improvements	650	743	-	-	650	743
Total	\$ 977,425	\$ 901,252	\$ 1,526,856	\$ 1,383,114	\$ 2,504,281	\$ 2,284,366

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

Debt Administration

As of year-end, the City had \$961,883 in debt (e.g., bonds, notes) outstanding compared to \$632,074 in the prior fiscal year, a 52.2% increase.

Outstanding Debt (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 84,998	\$ 39,924	\$ 7,180	\$ 9,082	\$ 92,178	\$ 49,006
Revenue bonds	-	-	560,782	304,000	560,782	304,000
Limited obligation bonds	221,639	174,819	57,907	63,206	279,546	238,025
Installment financing	12,463	18,325	5,367	8,191	17,830	26,516
Section 108 loan	3,531	5,150	-	-	3,531	5,150
IT subscription liabilities	251	606	664	223	915	829
Lease liabilities	7,101	8,548	-	-	7,101	8,548
Total	\$ 329,983	\$ 247,372	\$ 631,900	\$ 384,702	\$ 961,883	\$ 632,074

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

As mentioned in the financial highlights section of this document, the City maintained for the 24th consecutive year its AAA G.O. bond rating from Moody's Investor Service, Standard and Poor's Corporation and Fitch Ratings. This bond rating is a clear indication of the sound financial condition of the City. The City of Durham maintains the highest financial rating from all three major rating agencies. This achievement is a primary factor in keeping interest costs low on the City's debt.

The City is subject to State Statutes of North Carolina that limit the net bonded debt the City may have outstanding at up to eight percent of the appraised value of property subject to taxation. At June 30, 2024 such statutory limit for the City was \$3,348,689 providing a debt margin of \$2,955,185. The City has \$41.18 million in authorized but unissued General Obligation Bonds at June 30, 2024. Additional information regarding the City's long-term debt can be found in the notes to the financial statements.

Budget Highlights for the Fiscal Year Ending June 30, 2025

City employees have continued to provide residents with the highest level of service possible. They play a vital role, making sure we continue to provide the services Durham residents depend upon, as we look for new and innovative ways to tackle the challenges our City faces today and in the future. The FY 2025 budget supports other important efforts, including providing affordable housing for lower income residents, supporting Durham's youth, and creating equitable opportunities for shared prosperity for Durham businesses and residents. This budget includes market-based adjustments to the General Step Plan, Open Range Plan, and Police and Fire Plans based on a recently conducted Classification and Compensation Study and pay for performance increases averaging 5%.

Governmental Activities

General Fund

- The tax rate for the General Fund will increase 31.55 cents to \$35.40 cents per \$100 of assessed valuation, a 12.2% increase.
- The General Fund budget increased by \$24.8M from \$281.5M to \$306.3M, an increase of 8.8%. Budgeted personnel expenditures are projected to increase by \$27.8M (13.1%) due to the market-based adjustments and pay for performance increases.
- Property tax revenues are projected to grow \$21M (16%) from the FY 2024 budget.
- Sales tax is projected to increase \$5M (5%), hotel/motel occupancy tax is projected to

increase \$1.1M (51%), and charges for services are expected to increase \$1.6M (15.5%).

- The FY 2025 budget appropriates \$8.5M from fund balance, which is a 38.8% decrease from FY 2024. The City is projected to have a 20.4% general fund reserve at the end of FY 2025. This reserve is crucial to safeguard against economic uncertainty or emergency conditions.
- There is an increase to the City's employer contribution to the North Carolina Local Government Employees' Retirement System (LGERS). For general and fire employees, the rate increases 0.75%, from 12.85% to 13.6%. For sworn law enforcement employees the increase is 1%, going from 14.04% to 15.04%.

Debt Service Fund

- General Property Taxes represent the portion of the City's tax rate that is dedicated to the Debt Service Fund for debt and capital spending. For FY 2025, the rate is 11.50 cents per \$100 of assessed valuation, the same as FY 2024.

Capital Projects

- The FY 2025-30 Capital Improvement Program (CIP) budget was presented to the City Council in a companion document to the FY 2025 annual budget. The capital improvement budget includes \$232.1 million for new projects and will continue to complete existing projects.
- Funding is provided through Water and Sewer revenues and revenue bonds, general obligation and limited obligation bonds, installment financings, impact fees, stormwater fees, and pay-as-you-go funding.

COVID-19

- The City has received a \$52M allocation as part of the American Rescue Plan Act of 2021. The funding must be obligated no later than December 31, 2024 and spent no later than December 31, 2026.

Business-type Activities

Water and Sewer

- A \$144.4M budget to support water and sewer operations as well as the capital projects related to replacing and upgrading the City's water infrastructure.
- A moderate rate increase of 6.1% for the average customer effective July 1, 2024.
- Operating expenditures are \$30.6M, an increase of 3.6% over the previous fiscal year, personnel costs are \$44.3M, a 10.0% increase, and debt service expenditures are \$24M, a 61.7% increase. A \$32.6M transfer to CIP and fleet replacement is planned for FY 2025.

Solid Waste Fund

- General Property Taxes represent the portion of the City's tax rate that is dedicated to the Solid Waste Fund and for FY 2024 the rate will remain the same at 5.59 cents per \$100 of assessed valuation.
- The budget for FY 2025 increased 10.9% from \$33.8M to \$37.4M. The operating expenditures are budgeted to increase 13.2% and personnel expenditures are budgeted to increase 12.3%.

Stormwater Management Fund

- The proposed rate increase for a typical residential customer will be \$1.55 per month.
- The overall budget will increase in FY 2025 by 15.2% from \$29.1M to \$33.5M. The operating expense budget will increase \$0.3M (6.1%), personnel services will increase \$1M (9.9%), and the transfer to the Stormwater capital fund for stormwater projects and to the Fleet Fund for vehicle replacements will increase \$3M (22%).

Transit Fund

- General Property Taxes represent the portion of the City's tax rate that is dedicated to the Transit Fund and for FY 2025 the rate remains the same as FY 2024 at 3.75 cents per \$100

of assessed valuation.

- The budget for FY 2025 is \$41.1M, a 1.5% increase from FY 2024.

Parking Facilities Fund

- The fund has an increase of \$0.6M in the overall budget from \$8.0M to \$8.6M, an increase of 8.3%.
- The Parking Fund has a multi-year financial plan and some of the significant assumptions include bi-annual increases for monthly garage and surface lot parking rates. No rate increases are planned for the FY 2025 budget.

Financial Contact

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

Financial Information

Financial Statements

The financial statements of the City have been audited by certified public accountants for the fiscal years ended June 30, 2024, 2023 and 2022. Copies of these financial statements containing the reports of the independent certified public accountants are available by contacting the office of Tim Flora, Director of Finance, at City of Durham, 101 City Hall Plaza, Annex, Durham, North Carolina 27701 or on the City's website at: <https://www.durhamnc.gov/456/Finance>.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. This marks the 39th consecutive year that the City has received this award. 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 City believes that the annual financial report for the year ended June 30, 2024, will continue to meet the requirements under the Certificate of Achievement Program.

The City financial statements present the government-wide financial statements, which are shown on pages D-2 through D-5 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. 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 City's ability to manage and estimate its resources. See page D-14 for the presentation of the City's budgetary statements.

The following financial statements are the basic financial statements of the City and the notes thereto, lifted from the Annual Comprehensive Financial Report of the City for the fiscal year ended June 30, 2024.

CITY OF DURHAM, NORTH CAROLINA
Statement of Net Position
June 30, 2024

Exhibit A-1

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Current assets			
Cash and cash equivalents/investments	\$ 387,967,935	\$ 239,304,145	\$ 627,272,080
Taxes receivable, net	1,114,640	-	1,114,640
Accounts receivable, net	2,625,804	32,695,032	35,320,836
Assessments receivable, net	149,324	4,040	153,364
Lease receivable	47,445	624,877	672,322
Notes receivable	4,272,594	-	4,272,594
Due from governmental agencies	48,619,964	35,076,270	83,696,234
Inventories	691,309	4,876,955	5,568,264
Total current assets	<u>445,489,015</u>	<u>312,581,319</u>	<u>758,070,334</u>
Non-current assets			
Investment in joint venture	5,223,645	-	5,223,645
Accounts receivable	-	293,572	293,572
Lease receivable	273,309	5,011,906	5,285,215
Restricted cash and cash equivalents/investments	89,585,004	151,030,333	240,615,337
Internal balances	1,201,321	(1,201,321)	-
Capital assets			
Land and other nondepreciable assets	236,579,040	525,999,436	762,578,476
Buildings, equipment and depreciable assets net of accumulated depreciation	733,842,721	1,000,094,634	1,733,937,355
Right to use assets, net of amortization	6,353,002	762,526	7,115,528
Leasehold improvements, net of amortization	650,300	-	650,300
Total noncurrent assets	<u>1,073,708,342</u>	<u>1,681,991,086</u>	<u>2,755,699,428</u>
Total assets	<u>1,519,197,357</u>	<u>1,994,572,405</u>	<u>3,513,769,762</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals - LEOSA	8,518,970	-	8,518,970
Pension deferrals - LGERS	62,219,734	17,770,677	79,990,411
OPEB deferrals	9,094,841	2,904,262	11,999,103
Bond refunding	331,997	3,582,320	3,914,317
Total deferred outflows of resources	<u>80,165,542</u>	<u>24,257,259</u>	<u>104,422,801</u>

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

CITY OF DURHAM, NORTH CAROLINA
Statement of Net Position
June 30, 2024

Exhibit A-1

	Governmental Activities	Business-type Activities	Total Primary Government
LIABILITIES			
Current liabilities			
Accounts payable	\$ 26,435,572	\$ 34,173,155	\$ 60,608,727
Accrued payroll	397,585	71,319	468,904
Employee taxes and related withholdings	5,854,930	-	5,854,930
Accrued interest	3,365,870	4,529,908	7,895,778
Deposits and payments held in escrow	6,785,074	7,636,065	14,421,139
Unearned revenues	50,275,967	27,951	50,303,918
General obligation	11,184,997	1,665,004	12,850,001
Revenue bonds	-	6,620,000	6,620,000
Limited obligation bonds	14,135,732	5,239,267	19,374,999
Bank loan	5,933,509	2,861,491	8,795,000
Section 108 loan payable	415,000	-	415,000
Accrued compensated absences	6,199,497	1,841,432	8,040,929
Landfill post closure costs	-	385,379	385,379
Lease liabilities	1,507,980	-	1,507,980
IT Subscription liabilities	121,746	225,468	347,214
OPEB liability	6,338,728	2,024,151	8,362,879
Pension liability - LEOSSA	2,739,938	-	2,739,938
Pending claims	8,308,706	-	8,308,706
Total current liabilities	150,000,831	67,300,590	217,301,421
Non-current liabilities			
General obligation	73,812,889	5,514,638	79,327,527
Revenue bonds	-	554,163,197	554,163,197
Limited obligation bonds	207,503,031	52,668,075	260,171,106
Bank loan	6,529,817	2,505,183	9,035,000
Section 108 loan payable	3,116,000	-	3,116,000
Accrued compensated absences	9,029,206	1,907,946	10,937,152
Landfill post closure costs	-	963,448	963,448
Lease liabilities	5,593,283	-	5,593,283
IT Subscription liabilities	129,021	438,267	567,288
OPEB liability	108,167,750	34,541,299	142,709,049
Pension liability - LEOSSA	32,659,278	-	32,659,278
Pension liability - LGERS	104,508,801	29,086,083	133,594,884
Pending claims	7,719,404	-	7,719,404
Total long-term liabilities	558,768,480	681,788,136	1,240,556,616
Total liabilities	708,769,311	749,088,726	1,457,858,037
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	106,383	-	106,383
Leases	324,329	5,414,915	5,739,244
Pension deferrals - LEOSSA	3,804,011	-	3,804,011
Pension deferrals - LGERS	3,794,004	1,063,145	4,857,149
OPEB deferrals	14,964,506	4,778,627	19,743,133
Bond refunding	3,175,929	230,794	3,406,723
Total deferred inflows of resources	26,169,162	11,487,481	37,656,643
NET POSITION			
Net investment in capital assets	726,620,087	999,962,193	1,726,582,280
Restricted			
Stabilization by State Statute	126,628,727	-	126,628,727
Grantors	63,897,134	-	63,897,134
Stormwater Surety	-	26,610,101	26,610,101
Unrestricted	(52,721,522)	231,681,163	178,959,641
Total net position	\$ 864,424,426	\$ 1,258,253,457	\$ 2,122,677,883

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-2

Statement of Activities

For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 55,802,836	\$ 8,096,165	\$ 6,071,258	\$ -
Public safety	153,451,060	3,036,096	5,045,745	-
Development	56,736,418	10,642,110	12,795,914	-
General services	31,079,242	1,180,421	57,544	-
Parks and recreation	24,286,889	3,150,407	57,583	450,601
Streets and highways	38,329,528	6,306,693	91,300	74,467,553
Interest on long-term debt	8,146,081	-	-	-
Total governmental activities	<u>367,832,054</u>	<u>32,411,892</u>	<u>24,119,344</u>	<u>74,918,154</u>
Business-type activities				
Water and sewer	128,336,937	149,196,387	2,787,400	73,296,899
Parking facilities	6,339,841	5,795,767	-	-
Transit	53,460,697	3,131,742	31,301,436	-
Solid waste management	34,592,247	8,649,028	-	-
Performing arts	3,166,757	4,221,410	-	-
Ball park	1,801,732	458,239	-	-
Stormwater management	16,772,467	30,122,404	579,345	-
Total business-type activities	<u>244,470,678</u>	<u>201,574,977</u>	<u>34,668,181</u>	<u>73,296,899</u>
Total primary government	<u>\$ 612,302,732</u>	<u>\$ 233,986,869</u>	<u>\$ 58,787,525</u>	<u>\$ 148,215,053</u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-2

Statement of Activities

For the Year Ended June 30, 2024

Functions/Programs	Net Revenue (Expense) and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities			
General government	\$ (41,635,413)	\$ -	\$ (41,635,413)
Public safety	(145,369,219)	-	(145,369,219)
Development	(33,298,394)	-	(33,298,394)
General services	(29,841,277)	-	(29,841,277)
Parks and recreation	(20,628,298)	-	(20,628,298)
Streets and highways	42,536,018	-	42,536,018
Interest on long-term debt	(8,146,081)	-	(8,146,081)
Total governmental activities	(236,382,664)	-	(236,382,664)
Business-type activities			
Water and sewer	-	96,943,749	96,943,749
Parking facilities	-	(544,074)	(544,074)
Transit	-	(19,027,519)	(19,027,519)
Solid waste management	-	(25,943,219)	(25,943,219)
Performing arts	-	1,054,653	1,054,653
Ballpark	-	(1,343,493)	(1,343,493)
Storm water management	-	13,929,282	13,929,282
Total business-type activities	-	65,069,379	65,069,379
Total primary government	(236,382,664)	65,069,379	(171,313,285)
General revenues			
Taxes			
Property taxes, levied for general purposes	196,245,057	38,936,059	235,181,116
Sales taxes	101,924,306	-	101,924,306
Other taxes	2,411,297	285,711	2,697,008
Utility franchise taxes	2,660,313	-	2,660,313
Gasoline tax (Powell Bill)	8,431,545	-	8,431,545
Hotel/motel occupancy taxes	3,295,995	1,334,778	4,630,773
Unrestricted investment and rental income	20,596,800	12,227,045	32,823,845
Miscellaneous	673,990	339,249	1,013,239
Transfers	(898,849)	898,849	-
Total general revenues and transfers	335,340,454	54,021,691	389,362,145
Change in net position	98,957,790	119,091,070	218,048,860
Net position - beginning	765,466,636	1,139,162,387	1,904,629,023
Net position - ending	\$ 864,424,426	\$ 1,258,253,457	\$ 2,122,677,883

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

CITY OF DURHAM, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit A-3

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ 108,012,187	\$ 39,427,452	\$ 111,749,202
Restricted cash	-	8,150	89,576,854
Receivables, net			
Accounts receivable	2,096,666	-	20,811
Assessments receivable	149,324	-	-
Taxes receivable	1,107,902	-	-
Notes receivable	-	-	1,405,148
Lease receivable	320,754	-	-
Total receivables	<u>3,674,646</u>	<u>-</u>	<u>1,425,959</u>
Due from government agencies	38,909,269	823,470	1,997,323
Due from other funds	-	-	-
Inventories	<u>691,309</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 151,287,411</u>	<u>\$ 40,259,072</u>	<u>\$ 204,749,338</u>

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

CITY OF DURHAM, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit A-3

	Grants	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 52,466,381	\$ 51,638,541	\$ 363,293,763
Restricted cash	-	-	89,585,004
Receivables, net			
Accounts receivable	-	60,129	2,177,606
Assessments receivable	-	-	149,324
Taxes receivable	-	6,738	1,114,640
Notes receivable	-	2,867,448	4,272,596
Lease receivable	-	-	320,754
Total receivables	-	2,934,315	8,034,920
Due from government agencies	108,802	6,778,313	48,617,177
Due from other funds	-	3,524,211	3,524,211
Inventories	-	-	691,309
Total assets	\$ 52,575,183	\$ 64,875,380	\$ 513,746,384

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-3

Balance Sheet
Governmental Funds
June 30, 2024

	General	Debt Service	Capital Projects
LIABILITIES			
Accounts payable and accrued liabilities	\$ 10,742,199	\$ 17,489	\$ 9,006,369
Accrued payroll	393,250	-	-
Due to other funds	-	-	-
Employee taxes and related withholdings	5,854,930	-	-
Deposits and payments held in escrow	3,598,639	-	3,119,994
Unearned revenue	581,327	-	-
Total liabilities	<u>21,170,345</u>	<u>17,489</u>	<u>12,126,363</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	106,113	-	-
Leases	324,329	-	-
Unavailable revenues	1,257,227	-	-
Total deferred inflows of resources	<u>1,687,669</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Inventories	691,309	-	-
Restricted			
Stabilization by State Statute	53,140,871	-	73,487,856
Community development	-	-	1,405,148
Economic development	-	-	-
Emergency communications	-	-	-
Public Safety	-	-	-
Committed			
Community Development	2,470,106	-	-
Parks and recreation	1,045,884	-	-
Capital projects	-	-	117,729,971
Assigned			
Other purposes	8,462,654	40,241,583	-
Unassigned	62,618,573	-	-
Total fund balances	<u>128,429,397</u>	<u>40,241,583</u>	<u>192,622,975</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 151,287,411</u>	<u>\$ 40,259,072</u>	<u>\$ 204,749,338</u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-3

Balance Sheet
Governmental Funds
June 30, 2024

	Grants	Non-major Governmental Funds	Total Governmental Funds
LIABILITIES			
Accounts payable and accrued liabilities	\$ 468,537	\$ 1,201,051	\$ 21,435,645
Accrued payroll	-	4,335	397,585
Due to other funds	-	3,524,211	3,524,211
Employee taxes and related withholdings	-	-	5,854,930
Deposits and payments held in escrow	-	58,794	6,777,427
Unearned revenue	49,041,477	653,164	50,275,968
Total liabilities	49,510,014	5,441,555	88,265,766
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	-	270	106,383
Leases	-	-	324,329
Unavailable revenues	-	6,738	1,263,965
Total deferred inflows of resources		7,008	1,694,677
FUND BALANCES			
Nonspendable			
Inventories	-	-	691,309
Restricted			
Stabilization by State Statute	-	-	126,628,727
Community development	3,065,169	54,129,886	58,600,203
Economic development	-	666,589	666,589
Emergency communications	-	2,621,129	2,621,129
Public Safety	-	2,009,213	2,009,213
Committed			
Community Development	-	-	2,470,106
Parks and recreation	-	-	1,045,884
Capital projects	-	-	117,729,971
Assigned			
Other purposes	-	-	48,704,237
Unassigned	-	-	62,618,573
Total fund balances	3,065,169	59,426,817	423,785,941
Total liabilities, deferred inflows of resources and fund balances	\$ 52,575,183	\$ 64,875,380	\$ 513,746,384

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

CITY OF DURHAM, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit A-3

Total fund balances for governmental funds	\$ 423,785,941
Amounts reported for governmental activities in the statement of Net Position (Exhibit A-1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	977,425,063
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	1,263,965
Deferred outflows of resources related to pensions are not reported in the funds	70,738,704
Deferred outflows of resources related to OPEB are not reported in the funds	9,094,841
Internal service funds are used by management to charge the costs of certain activities such as insurance and fleet, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position	5,228,300
Investment in joint ventures	5,223,645
Total OPEB liability	(114,506,478)
Net pension liability	(139,908,017)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(347,993,147)
Deferred inflows of resources related to pensions are not reported in the funds	(7,598,015)
Deferred inflows of resources related to OPEB are not reported in the funds	(14,964,506)
Other long-term liabilities (accrued interest) are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(3,365,870)</u>
Net position of governmental activities	<u><u>\$ 864,424,426</u></u>

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

CITY OF DURHAM, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2024

Exhibit A-4

	General	Debt Service	Capital Projects
REVENUES			
Taxes	\$ 238,105,759	\$ 47,960,464	\$ -
Licenses and permits	523,412	-	-
Intergovernmental revenues	21,320,703	-	5,212,415
Charges for services	11,558,498	-	4,959,700
Investment and rental income	292,743	1,735,545	12,187,178
Assessments	43,693	-	-
Other	374,561	-	22,223
Total revenues	<u>272,219,369</u>	<u>49,696,009</u>	<u>22,381,516</u>
EXPENDITURES			
Current			
General government	30,652,733	541,041	1,256,875
Public safety	137,922,530	-	2,428,400
Development	21,715,780	-	10,919,183
General services	23,765,390	-	8,329,286
Parks and recreation	19,597,729	-	3,845,248
Streets and highways	23,155,438	-	21,619,714
Debt service			
Principal	1,730,723	22,267,230	-
Interest and other charges	133,771	11,024,036	-
Total expenditures	<u>258,674,094</u>	<u>33,832,307</u>	<u>48,398,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,545,275</u>	<u>15,863,702</u>	<u>(26,017,190)</u>
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	105,065,245
Refunding bonds issued	-	78,705,026	-
Premiums on bonds	-	448,458	241,069
Premiums on refunding bonds	-	8,456,380	-
Payment to refunded bond escrow agent	-	(86,192,857)	-
Bond anticipation notes	-	-	4,406,630
Transfers in	160,000	1,454,316	31,515,314
Transfers out	(19,163,604)	(10,203,535)	-
Sale of property	662,894	-	-
Total other financing sources	<u>(18,340,710)</u>	<u>(7,332,212)</u>	<u>141,228,258</u>
Net change in fund balances	(4,795,435)	8,531,490	115,211,068
Fund balances - beginning	<u>133,224,832</u>	<u>31,710,093</u>	<u>77,411,907</u>
Fund balances - ending	<u>\$ 128,429,397</u>	<u>\$ 40,241,583</u>	<u>\$ 192,622,975</u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-4

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2024

	Grants	Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ -	\$ 16,140,415	\$ 302,206,638
Licenses and permits	-	-	523,412
Intergovernmental revenues	5,379,554	7,845,156	39,757,828
Charges for services	-	7,849,921	24,368,119
Investment and rental income	2,556,654	2,688,616	19,460,736
Assessments	-	-	43,693
Other	-	296,287	693,071
Total revenues	<u>7,936,208</u>	<u>34,820,395</u>	<u>387,053,497</u>
EXPENDITURES			
Current			
General government	5,411,625	106,108	37,968,382
Public safety	-	1,733,454	142,084,384
Development	203,543	21,650,429	54,488,935
General services	51,438	-	32,146,114
Parks and recreation	-	19,359	23,462,336
Streets and highways	6,834	1,389,545	46,171,531
Debt service			
Principal	-	1,618,998	25,616,951
Interest and other charges	-	184,785	11,342,592
Total expenditures	<u>5,673,440</u>	<u>26,702,678</u>	<u>373,281,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,262,768</u>	<u>8,117,717</u>	<u>13,772,272</u>
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	105,065,245
Refunding bonds issued	-	-	78,705,026
Premiums on bonds	-	-	689,527
Premiums on refunding bonds	-	-	8,456,380
Payment to refunded bond escrow agent	-	-	(86,192,857)
Bond anticipation notes	-	-	4,406,630
Transfers in	34,631	446,451	33,610,712
Transfers out	-	(5,142,422)	(34,509,561)
Sale of property	-	-	662,894
Total other financing sources	<u>34,631</u>	<u>(4,695,971)</u>	<u>110,893,996</u>
Net change in fund balances	2,297,399	3,421,746	124,666,268
Fund balances - beginning	<u>767,770</u>	<u>56,005,071</u>	<u>299,119,673</u>
Fund balances - ending	<u>\$ 3,065,169</u>	<u>\$ 59,426,817</u>	<u>\$ 423,785,941</u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-5

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

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

Net change in fund balances - total governmental funds		\$ 124,666,268
Capital outlay expenditures, which were capitalized	\$ 39,675,952	
Depreciation expense for governmental assets	(32,302,674)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to increase (decrease) net assets.	<u>(285,568)</u>	7,087,710
Right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	-	
Amortization expense for intangible assets	<u>(1,839,982)</u>	(1,839,982)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		(12,450,118)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.		
Amount of donated assets	70,996,496	
Change in street/side walk assessments, housing loans and changes in deferred property taxes	460,216	
Change in joint venture	<u>(115,550)</u>	71,341,162
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long- term debt and related items.		
New long-term debt issued	(188,176,900)	
Principal payments on long-term debt	111,809,810	
The effect of premiums, discounts, and similar items.	<u>(7,357,186)</u>	(83,724,276)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	1,703,426	
OPEB plan expense	<u>(3,455,518)</u>	(1,752,092)
Consolidated adjustment for the Internal Service fund and the Governmental Funds		
Net revenue of internal service Fund	(6,277,446)	
Portion of revenue allocated to business-type activities	<u>1,906,564</u>	<u>(4,370,882)</u>
Total changes in net position of governmental activities		<u>\$ 98,957,790</u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-6

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

For the Year Ended June 30, 2024

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 131,683,315	\$ 131,683,315	\$ 132,194,594	\$ 511,279
Other local taxes	102,536,913	102,536,913	105,911,165	3,374,252
Intergovernmental revenues				
State-shared revenues				
Unrestricted intergovernmental	5,251,132	5,251,132	4,380,746	(870,386)
Restricted intergovernmental	7,250,000	7,250,000	8,431,545	1,181,545
Other intergovernmental	8,674,371	8,674,371	8,508,412	(165,959)
Licenses and permits	372,500	372,500	523,412	150,912
Interest and rental income	72,186	72,186	292,743	220,557
Charges for services	10,323,556	10,405,556	11,558,498	1,152,942
Other revenues	551,400	626,850	418,254	(208,596)
Total revenues	<u>266,715,373</u>	<u>266,872,823</u>	<u>272,219,369</u>	<u>5,346,546</u>
EXPENDITURES				
Current				
Governance	10,775,645	11,525,935	11,236,311	289,624
Community building	19,756,787	24,985,734	18,632,120	6,353,614
Public safety	141,520,648	143,645,803	137,922,530	5,723,273
Public services	61,943,223	73,176,653	66,518,557	6,658,096
Administrative and support services	27,038,001	27,660,380	24,875,736	2,784,644
Non-assigned	1,275,805	4,154,888	(2,375,654)	6,530,542
Debt service				
Principal	-	1,730,723	1,730,723	-
Interest and other charges	-	133,771	133,771	-
Total expenditures	<u>262,310,109</u>	<u>287,013,887</u>	<u>258,674,094</u>	<u>28,339,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,405,264</u>	<u>(20,141,064)</u>	<u>13,545,275</u>	<u>33,686,339</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	160,000	160,000	160,000	-
Transfers out	(19,152,134)	(19,187,142)	(19,163,604)	23,538
Sale of property and miscellaneous	750,000	750,000	662,894	(87,106)
Transfer from reserves	-	15,810,835	-	(15,810,835)
Appropriated fund balance	13,836,870	22,607,371	-	(22,607,371)
Total other financing sources (uses)	<u>(4,405,264)</u>	<u>20,141,064</u>	<u>(18,340,710)</u>	<u>(38,481,774)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(4,795,435)</u>	<u>\$ (4,795,435)</u>
Fund balance - beginning			<u>133,224,832</u>	
Fund balance - ending			<u>\$ 128,429,397</u>	

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

CITY OF DURHAM, NORTH CAROLINA
Statement of Net Position
Proprietary Funds
June 30, 2024

Exhibit A-7

	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund	Solid Waste Disposal Fund	Durham Performing Arts Center Fund
ASSETS					
Current assets					
Cash and cash equivalents/investments	\$ 189,610,952	\$ -	\$ -	\$ 512,176	\$ 7,249,194
Accounts receivable, net	21,791,622	-	-	756,678	3,818,491
Assessments receivable, net	4,040	-	-	-	-
Lease receivable	319,952	216,422	-	-	-
Due from governmental agencies	2,514,354	24,267	31,741,492	485,876	222,568
Inventories	4,876,955	-	-	-	-
Due from other funds	5,501,390	-	-	-	-
Total current assets	<u>224,619,265</u>	<u>240,689</u>	<u>31,741,492</u>	<u>1,754,730</u>	<u>11,290,253</u>
Non-current assets					
Capital assets					
Land	32,849,348	2,530,990	939,429	9,287,917	-
Construction in progress	435,461,366	-	1,155,722	149,832	6,777,191
Total non-depreciable assets	<u>468,310,714</u>	<u>2,530,990</u>	<u>2,095,151</u>	<u>9,437,749</u>	<u>6,777,191</u>
Buildings, equipment and depreciable assets	1,491,499,488	52,704,691	65,698,091	42,020,825	51,027,804
Accumulated depreciation	<u>(624,852,839)</u>	<u>(21,330,539)</u>	<u>(37,425,096)</u>	<u>(26,333,655)</u>	<u>(21,138,498)</u>
Total depreciable assets, net	<u>866,646,649</u>	<u>31,374,152</u>	<u>28,272,995</u>	<u>15,687,170</u>	<u>29,889,306</u>
Right to use assets	702,481	-	-	290,928	-
Accumulated amortization	<u>(70,248)</u>	<u>-</u>	<u>-</u>	<u>(160,635)</u>	<u>-</u>
Total right-to-use assets, net	<u>632,233</u>	<u>-</u>	<u>-</u>	<u>130,293</u>	<u>-</u>
Accounts receivable	-	-	-	-	280,000
Lease receivable	1,245,804	1,387,590	-	-	-
Restricted cash and cash equivalents / investments	<u>121,561,433</u>	<u>-</u>	<u>-</u>	<u>2,858,231</u>	<u>569</u>
Total noncurrent assets	<u>1,458,396,833</u>	<u>35,292,732</u>	<u>30,368,146</u>	<u>28,113,443</u>	<u>36,947,066</u>
Total assets	<u>1,683,016,098</u>	<u>35,533,421</u>	<u>62,109,638</u>	<u>29,868,173</u>	<u>48,237,319</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals - LGERS	11,088,628	617,227	-	3,177,955	-
OPEB deferrals	1,762,908	132,470	-	570,677	-
Bond refunding	35,480	1,402,591	-	11,769	1,733,145
Total deferred outflows of resources	<u>12,887,016</u>	<u>2,152,288</u>	<u>-</u>	<u>3,760,401</u>	<u>1,733,145</u>

continued on next page

CITY OF DURHAM, NORTH CAROLINA
Statement of Net Position
Proprietary Funds
June 30, 2024

Exhibit A-7

	Ball Park Fund	Stormwater Management Fund	Total	Internal Service Funds
ASSETS				
Current assets				
Cash and cash equivalents/investments	\$ 2,872,739	\$ 39,059,084	\$ 239,304,145	\$ 24,674,172
Accounts receivable, net	27,143	6,301,098	32,695,032	448,198
Assessments receivable, net	-	-	4,040	-
Lease receivable	88,503	-	624,877	-
Due from governmental agencies	2,139	85,574	35,076,270	2,787
Inventories	-	-	4,876,955	-
Due from other funds	-	-	5,501,390	-
Total current assets	2,990,524	45,445,756	318,082,709	25,125,157
Non-current assets				
Capital assets				
Land	1,450,428	1,749,751	48,807,863	-
Construction in progress	8,866,194	24,781,268	477,191,573	-
Total non-depreciable assets	10,316,622	26,531,019	525,999,436	-
Buildings, equipment and depreciable assets	40,157,647	18,087,052	1,761,195,598	-
Accumulated depreciation	(22,530,713)	(7,489,624)	(761,100,964)	-
Total depreciable assets, net	17,626,934	10,597,428	1,000,094,634	-
Right to use assets	-	-	993,409	142,425
Accumulated amortization	-	-	(230,883)	(127,589)
Total right-to-use assets, net	-	-	762,526	14,836
Accounts receivable	13,572	-	293,572	-
Lease receivable	2,378,512	-	5,011,906	-
Restricted cash and cash equivalents / investments	-	26,610,101	151,030,334	-
Total noncurrent assets	30,335,640	63,738,548	1,683,192,408	14,836
Total assets	33,326,164	109,184,304	2,001,275,117	25,139,993
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals - LGERS	-	2,886,867	17,770,677	-
OPEB deferrals	-	438,207	2,904,262	-
Bond refunding	399,335	-	3,582,320	-
Total deferred outflows of resources	399,335	3,325,074	24,257,259	-

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

CITY OF DURHAM, NORTH CAROLINA
Statement of Net Position
Proprietary Funds
June 30, 2024

Exhibit A-7

	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund	Solid Waste Disposal Fund	Durham Performing Arts Center Fund
LIABILITIES					
Current liabilities					
Accounts payable	\$ 15,261,943	\$ 30,183	\$ 12,043,812	\$ 1,114,703	\$ 4,424,438
Accrued payroll	32,360	769	-	32,051	-
Accrued interest	4,211,341	139,922	8,958	48,598	48,913
Deposits and payments held in escrow	6,455,997	-	-	(500)	-
Unearned revenue	-	-	27,951	-	-
Due to other funds	-	2,611,896	2,889,494	-	-
Bank loan	-	-	-	2,861,491	-
General obligation bonds	1,009,598	157,471	-	244,227	-
Revenue bonds	6,620,000	-	-	-	-
Limited obligation bonds	236,264	2,526,132	97,760	128,534	1,635,000
Accrued compensated absences	1,087,593	69,325	32,327	310,193	-
Landfill post closure costs	-	-	-	385,379	-
IT Subscription liabilities	128,359	-	-	97,109	-
OPEB liability	1,228,674	92,326	-	397,739	-
Pending claims	-	-	-	-	-
Total current liabilities	<u>36,272,129</u>	<u>5,628,024</u>	<u>15,100,302</u>	<u>5,619,524</u>	<u>6,108,351</u>
Non-current liabilities					
Bank loan	-	-	-	2,505,183	-
General obligation bonds	3,055,521	358,844	-	462,879	-
Revenue bonds	554,163,197	-	-	-	-
Limited obligation bonds	1,763,270	25,014,112	729,598	1,828,279	16,730,000
Accrued compensated absences	1,180,410	73,762	37,566	395,538	-
Landfill post closure costs	-	-	-	963,448	-
IT Subscription liabilities	438,267	-	-	-	-
OPEB liability	20,966,814	1,575,508	-	6,787,242	-
Pension liability - LGERS	18,297,601	732,558	-	5,308,652	-
Pending claims	-	-	-	-	-
Total noncurrent liabilities	<u>599,865,080</u>	<u>27,754,784</u>	<u>767,164</u>	<u>18,251,221</u>	<u>16,730,000</u>
Total liabilities	<u>636,137,209</u>	<u>33,382,808</u>	<u>15,867,466</u>	<u>23,870,745</u>	<u>22,838,351</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals - LGERS	666,371	37,661	-	188,813	-
OPEB deferrals	2,900,661	217,964	-	938,983	-
Bond refunding	207,648	-	976	22,170	-
Leases	1,589,227	1,472,913	-	-	-
	<u>5,363,907</u>	<u>1,728,538</u>	<u>976</u>	<u>1,149,966</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	872,111,506	7,251,174	29,295,359	19,767,716	15,802,438
Restricted for Stormwater surety	-	-	-	-	-
Unrestricted	182,290,492	(4,676,811)	16,945,837	(11,159,853)	11,329,675
Total net position	<u>\$1,054,401,998</u>	<u>\$ 2,574,363</u>	<u>\$ 46,241,196</u>	<u>\$ 8,607,863</u>	<u>\$ 27,132,113</u>

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

CITY OF DURHAM, NORTH CAROLINA
Statement of Net Position
Proprietary Funds
June 30, 2024

Exhibit A-7

	Ball Park Fund	Stormwater Management Fund	Total	Internal Service Funds
LIABILITIES				
Current liabilities				
Accounts payable	\$ 605,218	\$ 692,853	\$ 34,173,150	\$ 5,007,577
Accrued payroll	-	6,139	71,319	-
Accrued interest	72,176	-	4,529,908	-
Deposits and payments held in escrow	-	1,180,568	7,636,065	-
Unearned revenue	-	-	27,951	-
Due to other funds	-	-	5,501,390	-
Bank loan	-	-	2,861,491	-
General obligation bonds	253,708	-	1,665,004	-
Revenue bonds	-	-	6,620,000	-
Limited obligation bonds	615,577	-	5,239,267	-
Accrued compensated absences	-	341,994	1,841,432	28,768
Landfill post closure costs	-	-	385,379	-
IT Subscription liabilities	-	-	225,468	-
OPEB liability	-	305,412	2,024,151	-
Pending claims	-	-	-	8,308,706
Total current liabilities	<u>1,546,679</u>	<u>2,526,966</u>	<u>72,801,975</u>	<u>13,345,051</u>
Non-current liabilities				
Bank loan	-	-	2,505,183	-
General obligation bonds	1,637,394	-	5,514,638	-
Revenue bonds	-	-	554,163,197	-
Limited obligation bonds	6,602,816	-	52,668,075	-
Accrued compensated absences	-	220,670	1,907,946	33,725
Landfill post closure costs	-	-	963,448	-
IT Subscription liabilities	-	-	438,267	-
OPEB liability	-	5,211,735	34,541,299	-
Pension liability - LGERS	-	4,747,272	29,086,083	-
Pending claims	-	-	-	7,719,404
Total noncurrent liabilities	<u>8,240,210</u>	<u>10,179,677</u>	<u>681,788,136</u>	<u>7,753,129</u>
Total liabilities	<u>9,786,889</u>	<u>12,706,643</u>	<u>754,590,111</u>	<u>21,098,180</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals - LGERS	-	170,300	1,063,145	-
OPEB deferrals	-	721,019	4,778,627	-
Bond refunding	-	-	230,794	-
Leases	<u>2,352,775</u>	-	<u>5,414,915</u>	-
	<u>2,352,775</u>	<u>891,319</u>	<u>11,487,481</u>	-
NET POSITION				
Net investment in capital assets	19,233,396	36,500,604	999,962,193	-
Restricted for Stormwater surety	-	26,610,101	26,610,101	-
Unrestricted	<u>2,352,439</u>	<u>35,800,711</u>	<u>232,882,490</u>	<u>4,041,813</u>
Total net position	<u>\$ 21,585,835</u>	<u>\$ 98,911,416</u>	<u>1,259,454,784</u>	<u>\$ 4,041,813</u>

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

Prior years since July 1, 2001	705,238
Current year	(1,906,565)
Net position of business-type activities	<u>\$ 1,258,253,457</u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-8

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2024

	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund
OPERATING REVENUES			
Charges for services	\$ 138,794,185	\$ 5,795,767	\$ 232,797
Other	10,402,315	-	-
	<u>149,196,500</u>	<u>5,795,767</u>	<u>232,797</u>
OPERATING EXPENSES			
Personnel services	41,096,710	2,404,901	1,010,290
Materials, services and supplies	32,876,040	1,371,467	4,679,242
General and administrative	9,166,883	1,056,072	1,697,840
Claims, fees and other	-	-	-
Transit services	-	-	42,108,570
Depreciation and amortization	31,886,145	992,503	3,945,465
Total operating expenses	<u>115,025,778</u>	<u>5,824,943</u>	<u>53,441,407</u>
Operating income (loss)	<u>34,170,722</u>	<u>(29,176)</u>	<u>(53,208,610)</u>
NON-OPERATING REVENUES (EXPENSES)			
Taxes	-	-	15,630,271
Intergovernmental revenue	2,407,400	-	14,068,906
Grants revenue	380,000	-	17,232,530
Investment income	8,513,337	32,724	922,493
Interest on assessments	53	-	-
Rent, non-operating property	451,426	230,926	-
Gain (loss) on disposals of property and equipment	(892,651)	-	2,687
Other revenue (expense)	-	-	2,938,211
Interest and fiscal charges	(12,461,214)	(589,953)	(19,290)
Total non-operating revenues (expenses)	<u>(1,601,649)</u>	<u>(326,303)</u>	<u>50,775,808</u>
Income/(loss) before capital contributions and transfers	<u>32,569,073</u>	<u>(355,479)</u>	<u>(2,432,802)</u>
Capital Contributions	73,296,899	-	-
Transfers from other funds	-	714,489	-
Transfers to other funds	-	-	(278,926)
Total capital contributions and transfers	<u>73,296,899</u>	<u>714,489</u>	<u>(278,926)</u>
Change in net position	<u>105,865,972</u>	<u>359,010</u>	<u>(2,711,728)</u>
Total net position, beginning	<u>948,536,026</u>	<u>2,215,353</u>	<u>48,952,924</u>
Total net position, ending	<u>\$ 1,054,401,998</u>	<u>\$ 2,574,363</u>	<u>\$ 46,241,196</u>

continued on next page

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-8

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2024

	Solid Waste Disposal Fund	Durham Performing Arts Center Fund	Ball Park Fund
OPERATING REVENUES			
Charges for services	\$ 8,648,788	\$ 4,221,410	\$ 458,239
Other	-	-	-
	<u>8,648,788</u>	<u>4,221,410</u>	<u>458,239</u>
OPERATING EXPENSES			
Personnel services	11,661,446	-	-
Materials, services and supplies	16,054,390	617,848	266,130
General and administrative	2,752,990	-	-
Claims, fees and other	-	-	-
Transit services	-	-	-
Depreciation and amortization	3,171,384	1,740,367	1,315,173
Total operating expenses	<u>33,640,210</u>	<u>2,358,215</u>	<u>1,581,303</u>
Operating income (loss)	<u>(24,991,422)</u>	<u>1,863,195</u>	<u>(1,123,064)</u>
NON-OPERATING REVENUES (EXPENSES)			
Taxes	23,591,499	1,334,778	-
Intergovernmental revenue	-	-	-
Grants revenue	-	-	-
Investment income	234,362	458,166	172,803
Interest on assessments	-	-	-
Rent, non-operating property	-	-	-
Gain (loss) on disposals of property and equipment	199,603	(1,356)	-
Other revenue (expense)	1,026	300,000	-
Interest and fiscal charges	(136,439)	(808,542)	(220,430)
Total non-operating revenues (expenses)	<u>23,890,051</u>	<u>1,283,046</u>	<u>(47,627)</u>
Income/(loss) before capital contributions and transfers	<u>(1,101,371)</u>	<u>3,146,241</u>	<u>(1,170,691)</u>
Capital Contributions	-	-	-
Transfers from other funds	323,642	-	2,573,843
Transfers to other funds	-	(864,088)	(629,158)
Total capital contributions and transfers	<u>323,642</u>	<u>(864,088)</u>	<u>1,944,685</u>
Change in net position	<u>(777,729)</u>	<u>2,282,153</u>	<u>773,994</u>
Total net position, beginning	<u>9,385,592</u>	<u>24,849,960</u>	<u>20,811,841</u>
Total net position, ending	<u><u>\$ 8,607,863</u></u>	<u><u>\$ 27,132,113</u></u>	<u><u>\$ 21,585,835</u></u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-8

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2024

	Stormwater Management Fund	Totals	Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 30,122,404	\$ 188,273,590	\$ 58,428,111
Other	-	10,402,315	-
	<u>30,122,404</u>	<u>198,675,905</u>	<u>58,428,111</u>
OPERATING EXPENSES			
Personnel services	10,027,527	66,200,874	1,471,909
Materials, services and supplies	3,613,847	59,478,964	8,405
General and administrative	1,971,743	16,645,528	-
Claims, fees and other	-	-	64,526,047
Transit services	-	42,108,570	-
Depreciation and amortization	843,269	43,894,306	71,212
Total operating expenses	<u>16,456,386</u>	<u>228,328,242</u>	<u>66,077,573</u>
Operating income (loss)	<u>13,666,018</u>	<u>(29,652,337)</u>	<u>(7,649,462)</u>
NON-OPERATING REVENUES (EXPENSES)			
Taxes	-	40,556,548	-
Intergovernmental revenue	-	16,476,306	-
Grants revenue	579,345	18,191,875	-
Investment income	1,848,387	12,182,272	1,300,122
Interest on assessments	-	53	-
Rent, non-operating property	-	682,352	-
Gain (loss) on disposals of property and equipment	53,166	(638,551)	-
Other revenue (expense)	-	3,239,237	73,260
Interest and fiscal charges	-	(14,235,868)	(1,366)
Total non-operating revenues (expenses)	<u>2,480,898</u>	<u>76,454,224</u>	<u>1,372,016</u>
Income/(loss) before capital contributions and transfers	<u>16,146,916</u>	<u>46,801,887</u>	<u>(6,277,446)</u>
Capital Contributions	-	73,296,899	-
Transfers from other funds	109,047	3,721,021	-
Transfers to other funds	<u>(1,050,000)</u>	<u>(2,822,172)</u>	<u>-</u>
Total capital contributions and transfers	<u>(940,953)</u>	<u>74,195,748</u>	<u>-</u>
Change in net position	15,205,963	120,997,635	(6,277,446)
Total net position, beginning	<u>83,705,453</u>	<u>1,138,457,149</u>	<u>10,319,259</u>
Total net position, ending	<u>\$ 98,911,416</u>	<u>1,259,454,784</u>	<u>\$ 4,041,813</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			
Change in net position		120,997,635	
Current year		(1,906,565)	
Change in net position business-type activities		<u>\$ 119,091,070</u>	

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

CITY OF DURHAM, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

Exhibit A-9

	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 136,170,151	\$ 5,795,767	\$ 3,632,797
Cash paid to or on behalf of employees	(39,300,133)	(2,294,405)	(975,999)
Cash paid for goods and services	(45,579,251)	(2,478,137)	(42,179,477)
Payments for claims and related professional fees	-	-	-
Reimbursements from other governments	527,596	15,890	(5,496,847)
Other receipts	10,853,628	230,926	2,938,211
Net cash provided (used) by operating activities	<u>62,671,991</u>	<u>1,270,041</u>	<u>(42,081,315)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	-	(278,926)
Transfers from other funds	-	714,489	-
Taxes received	-	-	15,630,271
Intergovernmental revenues	2,407,400	-	14,068,906
Grant funds received	380,000	-	17,232,530
Advance from other funds	-	753,177	2,889,494
Advance to other funds	(3,642,671)	-	-
Net cash provided (used) by noncapital financing activities	<u>(855,271)</u>	<u>1,467,666</u>	<u>49,542,275</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Revenue bond anticipation note issued	181,000,000	-	-
Revenue bonds issued	79,635,000	-	-
Premium on bonds	3,072,308	-	-
IT Subscriptions	(702,481)	-	-
Debt issuance costs	(839,780)	-	-
Principal paid on bond, lease and equipment contracts	(7,722,823)	(2,194,220)	(97,083)
Interest paid on bond, lease and equipment contracts	(12,094,812)	(576,793)	(38,456)
Acquisition and construction of capital assets	(89,324,606)	-	(8,482,588)
Interest on assessments	53	-	-
Proceeds from sale of capital assets	144,419	-	2,688
Net cash provided (used) in capital and related financing activities	<u>153,167,278</u>	<u>(2,771,013)</u>	<u>(8,615,439)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	8,513,337	32,725	922,493
Net cash provided (used) by investing activities	<u>8,513,337</u>	<u>32,725</u>	<u>922,493</u>
Net increase (decrease) in cash and cash equivalents	223,497,335	(581)	(231,986)
Cash and cash equivalents/investments, beginning of year	87,675,050	581	231,986
Cash and cash equivalents/investments, end of year	<u>\$ 311,172,385</u>	<u>\$ -</u>	<u>\$ -</u>

continued on next page

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-9

Statement of Cash Flows (continued)

Proprietary Funds

For the Year Ended June 30, 2024

	Solid Waste Disposal Fund	Durham Performing Arts Center Fund	Ball Park Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 8,615,081	\$ 8,200,476	\$ 1,086,076
Cash paid to or on behalf of employees	(11,180,478)	-	-
Cash paid for goods and services	(18,917,383)	(832,917)	(301,684)
Payments for claims and related professional fees	-	-	-
Reimbursements from other governments	-	-	70,086
Other receipts	1,026	300,000	-
Net cash provided (used) by operating activities	(21,481,754)	7,667,559	854,478
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	(864,088)	(404,316)
Transfers from other funds	323,642	-	2,349,001
Taxes received	23,591,499	1,334,778	-
Intergovernmental revenues	-	-	-
Grant funds received	-	-	-
Advance from other funds	-	-	-
Advance to other funds	-	-	-
Net cash provided (used) by noncapital financing activities	23,915,141	470,690	1,944,685
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Revenue bond anticipation note issued	-	-	-
Revenue bonds issued	-	-	-
Premium on bonds	-	-	-
IT Subscriptions	-	-	-
Debt issuance costs	-	-	-
Principal paid on bond, lease and equipment contracts	(3,326,949)	(1,600,000)	(1,284,056)
Interest paid on bond, lease and equipment contracts	(216,678)	(638,664)	(225,699)
Acquisition and construction of capital assets	(2,288,461)	(7,052,747)	(1,073,274)
Interest on assessments	-	-	-
Proceeds from sale of capital assets	199,609	-	-
Net cash provided (used) in capital and related financing activities	(5,632,479)	(9,291,411)	(2,583,029)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	234,362	458,166	172,801
Net cash provided (used) by investing activities	234,362	458,166	172,801
Net increase (decrease) in cash and cash equivalents	(2,964,730)	(694,996)	388,935
Cash and cash equivalents/investments, beginning of year	6,335,137	7,944,759	2,483,804
Cash and cash equivalents/investments, end of year	\$ 3,370,407	\$ 7,249,763	\$ 2,872,739

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

CITY OF DURHAM, NORTH CAROLINA

Statement of Cash Flows (continued)

Proprietary Funds

For the Year Ended June 30, 2024

Exhibit A-9

	Stormwater Management Fund	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 27,349,867	\$ 190,850,215	\$ 58,429,571
Cash paid to or on behalf of employees	(9,620,674)	(63,371,689)	(1,458,650)
Cash paid for goods and services	(6,273,701)	(116,562,550)	(80,517)
Payments for claims and related professional fees	-	-	(58,161,409)
Reimbursements from other governments	2,606	(4,880,669)	-
Other receipts	-	14,323,791	73,260
Net cash provided (used) by operating activities	11,458,098	20,359,098	(1,197,745)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(1,050,000)	(2,597,330)	-
Transfers from other funds	109,047	3,496,179	-
Taxes received	-	40,556,548	-
Intergovernmental revenues	-	16,476,306	-
Grant funds received	579,345	18,191,875	-
Advance from other funds	-	3,642,671	-
Advance to other funds	-	(3,642,671)	-
Net cash provided (used) by noncapital financing activities	(361,608)	76,123,578	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Revenue bond anticipation note issued	-	181,000,000	-
Revenue bonds issued	-	79,635,000	-
Premium on bonds	-	3,072,308	-
IT Subscriptions	-	(702,481)	-
Debt issuance costs	-	(839,780)	-
Principal paid on bond, lease and equipment contracts	-	(16,225,131)	-
Interest paid on bond, lease and equipment contracts	-	(13,791,102)	(1,366)
Acquisition and construction of capital assets	(6,162,867)	(114,384,543)	-
Interest on assessments	-	53	-
Proceeds from sale of capital assets	53,172	399,888	-
Net cash provided (used) in capital and related financing activities	(6,109,695)	118,164,212	(1,366)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	1,848,387	12,182,271	1,300,122
Net cash provided (used) by investing activities	1,848,387	12,182,271	1,300,122
Net increase (decrease) in cash and cash equivalents	6,835,182	226,829,159	101,011
Cash and cash equivalents/investments, beginning of year	58,834,003	163,505,320	24,573,161
Cash and cash equivalents/investments, end of year	\$ 65,669,185	\$ 390,334,479	\$ 24,674,172

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-9

Statement of Cash Flows (continued)

Proprietary Funds

For the Year Ended June 30, 2024

	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 34,170,722	\$ (29,176)	\$ (53,208,610)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	31,886,145	992,503	3,945,465
Other revenues	451,426	230,926	2,938,211
Changes in assets, deferred outflows, liabilities and deferred inflows:			
(Increase) decrease in receivables	(2,887,682)	-	3,400,000
(Increase) decrease in lease receivables	333,737	(5,293)	119,277
(Increase) decrease in rent receivable	-	-	-
(Increase) decrease in due from governmental agencies	527,596	15,890	(5,524,798)
(Increase) decrease in Inventories	(676,874)	-	-
(Increase) decrease in deferred outflows - pensions	132,204	7,521	-
(Increase) decrease in deferred outflows - OPEB	1,460,208	98,286	-
Increase (decrease) in accounts payable	(2,397,420)	(26,481)	6,286,922
Increase (decrease) in accrued payroll	1,623	(2,882)	-
Increase (decrease) in accrued compensated absences	(36,000)	9,209	34,291
Increase (decrease) in customer deposits	263,535	-	-
Increase (decrease) in IT subscription liabilities	566,626	-	-
Increase (decrease) in unearned revenue	-	-	27,951
Increase (decrease) in pending claims	-	-	-
Increase (decrease) in deferred inflows - pensions	459,451	26,140	-
Increase (decrease) in deferred inflows - OPEB	400,336	38,956	-
(Increase) decrease in deferred inflows - leases	(345,723)	(28,845)	(100,024)
Increase (decrease) in net pension liability	1,239,299	70,508	-
Increase (decrease) in OPEB liability	(2,877,218)	(127,221)	-
Net cash provided (used) by operating activities	<u>62,671,991</u>	<u>1,270,041</u>	<u>(42,081,315)</u>
Noncash capital activity			
Contributions of capital assets from government and donated infrastructure	<u>\$ 73,296,899</u>	<u>\$ -</u>	<u>\$ -</u>
Net noncash capital activity	<u>73,296,899</u>	<u>-</u>	<u>-</u>
Increase (decrease) in capital assets from donated infrastructure, contributions from government, internal transfer of capital assets	<u>\$ 73,296,899</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-9

Statement of Cash Flows (continued)

Proprietary Funds

For the Year Ended June 30, 2024

	Solid Waste Disposal Fund	Durham Performing Arts Center Fund	Ball Park Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (24,991,422)	\$ 1,863,195	\$ (1,123,064)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	3,171,384	1,740,367	1,315,173
Other revenues	1,026	300,000	-
Changes in assets, deferred outflows, liabilities and deferred inflows:			
(Increase) decrease in receivables	(31,787)	(630)	(4,524)
(Increase) decrease in lease receivables	-	-	85,101
(Increase) decrease in rent receivable	-	140,000	27,143
(Increase) decrease in due from governmental agencies	(258,657)	(215,069)	70,086
(Increase) decrease in Inventories	-	-	-
(Increase) decrease in deferred outflows - pensions	37,269	-	-
(Increase) decrease in deferred outflows - OPEB	388,213	-	-
Increase (decrease) in accounts payable	(160,431)	3,839,696	605,218
Increase (decrease) in accrued payroll	4,963	-	-
Increase (decrease) in accrued compensated absences	(40,153)	-	-
Increase (decrease) in customer deposits	(1,920)	-	-
Increase (decrease) in IT subscription liabilities	-	-	-
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in pending claims	-	-	-
Increase (decrease) in deferred inflows - pensions	129,522	-	-
Increase (decrease) in deferred inflows - OPEB	195,126	-	-
(Increase) decrease in deferred inflows - leases	-	-	(120,655)
Increase (decrease) in net pension liability	349,367	-	-
Increase (decrease) in OPEB liability	(274,254)	-	-
Net cash provided (used) by operating activities	<u>(21,481,754)</u>	<u>7,667,559</u>	<u>854,478</u>
Noncash capital activity			
Contributions of capital assets from government and donated infrastructure	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net noncash capital activity	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in capital assets from donated infrastructure, contributions from government, internal transfer of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-9

Statement of Cash Flows (continued)

Proprietary Funds

For the Year Ended June 30, 2024

	Stormwater Management Fund	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 13,666,018	\$ (29,652,337)	\$ (7,649,462)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	843,269	43,894,306	71,212
Other revenues	-	3,921,589	73,260
Changes in assets, deferred outflows, liabilities and deferred inflows:			
(Increase) decrease in receivables	(3,118,861)	(2,643,484)	1,460
(Increase) decrease in lease receivables	-	532,822	-
(Increase) decrease in rent receivable	-	167,143	-
(Increase) decrease in due from governmental agencies	2,606	(5,382,346)	-
(Increase) decrease in Inventories	-	(676,874)	-
(Increase) decrease in deferred outflows - pensions	33,506	210,500	-
(Increase) decrease in deferred outflows - OPEB	405,409	2,352,116	-
Increase (decrease) in accounts payable	(114,735)	8,032,769	4,479,638
Increase (decrease) in accrued payroll	3,085	6,789	-
Increase (decrease) in accrued compensated absences	(60,282)	(92,935)	13,259
Increase (decrease) in customer deposits	346,324	607,939	-
Increase (decrease) in IT subscription liabilities	-	566,626	(72,112)
Increase (decrease) in unearned revenue	-	27,951	-
Increase (decrease) in pending claims	-	-	1,885,000
Increase (decrease) in deferred inflows - pensions	116,446	731,559	-
Increase (decrease) in deferred inflows - OPEB	66,586	701,004	-
(Increase) decrease in deferred inflows - leases	-	(595,247)	-
Increase (decrease) in net pension liability	314,094	1,973,268	-
Increase (decrease) in OPEB liability	(1,045,367)	(4,324,060)	-
Net cash provided (used) by operating activities	<u>11,458,098</u>	<u>20,359,098</u>	<u>(1,197,745)</u>
Noncash capital activity			
Contributions of capital assets from government and donated infrastructure	\$ -	\$ 73,296,899	\$ -
Net noncash capital activity	<u>-</u>	<u>73,296,899</u>	<u>-</u>
Increase (decrease) in capital assets from donated infrastructure, contributions from government, internal transfer of capital assets	<u>\$ -</u>	<u>\$ 73,296,899</u>	<u>\$ -</u>

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

Notes to the Financial Statements

Note I - Summary of Significant Accounting Policies

The financial statements of the City of Durham (the "City") have been prepared in accordance with generally accepted accounting principles ("GAAP") as applicable to state and local governmental units in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing accounting and financial reporting principles for states and local governments. The following is a summary of the City's more significant accounting and financial reporting policies.

A. Reporting Entity

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

Blended Component Unit

The New Durham Corporation ("NDC"), 101 City Hall Plaza, Annex, Durham, North Carolina 27701, is a nonprofit corporation duly incorporated in the state, and validly existing and in good standing under the North Carolina Nonprofit Corporation Act, Chapter 55A of the General Statutes of North Carolina and is governed by a three-member board of directors appointed by the City. Although legally separate from the City, the NDC is reported as if it were a part of the City because its sole purpose is to carry out its municipal and governmental functions through the financing of City revitalization projects and purchases of capital equipment. Normally, a financing contract is established between the City and the NDC. In accordance with GAAP, eliminations are done in the fund financial statements resulting in the inclusion of all NDC activities in the funds in which the activity takes place. Accordingly, there are no financial activities to report for the NDC itself in these financial statements.

B. Basis of Presentation

Government-Wide Statements

The government-wide financial statements, the statement of net position and the statement of activities, report information on all the activities of the primary government and its blended component unit. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

As a general rule, the effect of interfund activity, including the activity of the internal service funds, has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between funds that essentially represent a customer-type relationship. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. While the activity is eliminated, the residual balances of internal service funds are not. These amounts are included in the governmental activities column of the government-wide financial statements.

The residual balances for interfund activity between funds for various purposes are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct

expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to that particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Fund Financial Statements

The fund financial statements provide information about the City's funds. There are separate statements for each fund category; governmental and proprietary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The General Fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures-expenses, assets and deferred outflows of resources, or liabilities and deferred inflows of resources (excluding extraordinary items) are at least ten percent of the corresponding total for the related fund type (all governmental or all enterprise funds) and at least five percent of the aggregate total amount for all governmental and enterprise funds for the same item. The Debt Service Fund, Capital Projects Fund, and the Grants Fund meet the requirements for reporting as a major fund. All remaining governmental funds are aggregated and reported as non-major funds. The City has elected to report all enterprise funds as major funds.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The City's Proprietary fund operating revenues are comprised of charges for services that result from exchange transactions associated with the principal activity of the fund. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating revenues include subsidies that result from non-exchange transactions or ancillary activities and investment earnings.

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

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

The government-wide financial statements and proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and

all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The accrual basis of accounting is followed. Revenues are recognized in these funds when earned, and expenses are recognized when they are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions (provided that they are restricted to meeting an operational requirement of a particular function or identifiable activity) and 3) capital grants and contributions, including special assessments (provided that they are restricted to meeting the capital requirements of a particular function or identifiable activity). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenues because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Property taxes on motor vehicles are due when vehicles are registered and uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources. Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax and the beer and wine tax collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered shared revenue for the City because the tax is levied by Durham County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end as eligibility requirements have not been met, are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The City reports the following major governmental funds:

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

Debt Service Fund - The Debt Service Fund accounts for the payment of principal and interest for general obligation bonds, limited obligation bonds and installment financing arrangements of the general government that provided resources for capital spending.

Capital Projects Fund - The Capital Projects Fund was established to track the City of Durham's downtown revitalization programs, construction, maintenance or expansion of City municipal buildings, improvements associated with cultural and recreational endeavors, and improvements to the City's roadways and mass transit systems.

Grants Fund – This fund was established to account for grant revenues and expenses related to ARPA, COVID-19 relief funds, and other similar grants.

The City reports the following major enterprise funds:

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

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

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

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

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

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

Stormwater Management Fund - This fund is established to account for revenues and expenses related to stormwater management including developing, monitoring, and performing inspection protocols and prioritization of repairs for drainage and flooding problems.

The City reports the following Internal Service Funds:

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

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

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Balance/Net Position

Deposits and Investments

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

The Local Government Budget and Fiscal Control Act of North Carolina governs all investments permitted by local governments. General Statutes authorize the City to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances, commingled investment pools, and the North Carolina Capital Management Trust (NCCMT). The NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which approximates fair value, and is the NCCMT's share price.

Investments are reported at fair value as determined by quoted market prices. Interest earned is distributed to the various funds based on each fund's proportionate equity in pooled cash and investments.

Cash and Cash Equivalents

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

Restricted Assets

Certain cash and investments are classified as restricted assets on the balance sheets and statements of net position when the restrictions change the normal nature or understanding of the assets availability. Typically, these assets are maintained in separate bank or brokerage accounts. The unexpended proceeds from limited obligation bonds in the Enterprise and Governmental Funds are classified as restricted assets because their use is restricted for the purposes for which such bonds were originally issued. Certain cash and investments in the Stormwater Management Enterprise Fund are also restricted because their use is limited to specific identified purposes of the fund, Stormwater Surety.

Allowances for Doubtful Accounts

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

Lease Receivables

The City's lease receivables are measured at the present value of lease payments expected to be received during the lease terms. Under the lease agreements, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the 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 receivables. The deferred inflow of resources is recognized on a straight-line basis over the term of the lease.

Inventories and Prepaid Items

Inventories held in the various Funds consist primarily of expendable materials and supplies held for consumption. Inventories are stated using the weighted-average method (which approximates FIFO). Inventory items are recorded as expenditures/expenses when consumed rather than when purchased. Certain disbursements to vendors represent payments in advance for services that are recorded as prepaid items (assets) in both government-wide and fund financial statements and are recorded as expenditures/expenses as the items are used. The City does not currently report any prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition value at the date of donation. All other purchased or constructed capital assets are reported at historical cost with the exception of right to use assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Major expenditures for capital assets and related repairs, which increase useful lives, are capitalized. Capital outlay for the construction of streets, parks, water and sewer lines and other types of infrastructure expenditures are capitalized as land improvements. Maintenance, repairs and minor renewals are expensed as incurred. New public domain and general infrastructure assets are being capitalized and depreciated.

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside

the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

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

Assets	Years
Computer equipment	3 – 5 years
Furniture, machinery and equipment	5 – 12 years
Buildings	25 – 40 years
Public domain infrastructure and systems	10 – 80 years
Enterprise infrastructure and systems	50 – 80 years

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports an Information Technology (IT) Subscription.

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 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. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term are reported as a prepayment (asset). Such prepayments are reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives are reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount is included in the initial measurement of the subscription asset. The right to use subscription assets are amortized on a straight-line basis over the subscription term.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net assets that applies to future periods. The City has several items that meet this criterion. They include deferred charges on debt refunding, deferrals for contributions made to the Local Governmental Employees' Retirement System (LGERS) pension plan, deferrals for the Law Enforcement Officers (LEO) pension plan benefit payments and administrative expenses incurred subsequent to the actuarial measurement date, and deferrals for the Healthcare Benefits and Supplemental Medicare provided through the other postemployment benefits (OPEB) plan.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net assets that applies to future periods. The City has several items that meet the criterion for this category: prepaid property taxes, unavailable revenues (reported only on the Balance Sheet of the Governmental Funds Financial Statements), bond refunding, leases, deferrals for changes in the City's proportion of the net pension liability and differences between the City's employer contributions and the City's proportionate share of all employer contributions related to the Local Governmental Employees' Retirement System (LGERS) pension plan.

Long Term Obligation

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

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as separate 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.

Compensated Absences

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

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

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

Net Position/Fund Balances

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

Fund Balances

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

Non-spendable fund balance: this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

- Non-spendable for Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of inventories.

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

- Restricted for Stabilization by State statute - This represents the amount of fund balance which cannot be appropriated by the governing board. North Carolina General Statutes (G.S. 159-8(a)) limit the amount that each local government may appropriate to the sum of cash and cash equivalents/investments, less the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the preceding Fiscal Year. Encumbrances represent commitments outstanding at June 30, 2024 related to purchase orders and unperformed contracts.
- Restricted for Public Safety - portion of fund balance that is restricted by revenue source for public safety expenditures.
- Restricted for Community Development - portion of fund balance restricted for community development and grant expenditures.
- Restricted for Economic Development - portion of fund balance restricted for economic development and grant expenditures.
- Restricted for Emergency Communications - portion of fund balance that is restricted by revenue source for emergency communications expenditures.

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

- Committed for Community Development – portion of fund balance committed for economic development.
- Committed for Parks and Recreation – portion of fund balance committed for parks and recreation
- Committed for Capital Projects – portion of fund balance from impact fees that will be transferred to other funds and expended for specific capital projects.

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

- Assigned for Other Purposes (debt covenants) – portion of fund balance that will be used to make future debt payments.

Unassigned fund balance: Portion of fund balance that has not been restricted, committed or assigned to specific purposes within the General Fund. The General fund is the only governmental fund that can report a positive amount of unassigned fund balance. However, for governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the restricted, committed, or assigned resources available for those purposes the deficit would be reported in the unassigned category.

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

The City has adopted a policy to maintain the General Fund Unassigned Fund Balance in an amount no less than the greater of 16.7% of the current year's originally adopted Adjusted Budgeted Expenditures, or the amount required by the Local Government Commission of the North Carolina Department of State Treasurer. The unassigned fund balance for fiscal year 2024 was 23.9%.

Pensions and Other Post-Employment Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS), additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS.

The City also administers a single-employer defined benefit pension plan that provides retirement benefits to the City's sworn law enforcement. This Law Enforcement Special Separation Allowance (LEOSSA) Plan is consolidated with the General Fund for reporting in compliance with GASB Statement No. 73 as it is not a defined trust. The full accrual impacts of the pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are captured on the government-wide statements.

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

All investments for pensions and OPEB as described above are reported at fair value.

E. Revenues, Expenditures and Expenses

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

Inter-Fund Transactions

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

Property Taxes

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

The property tax calendar is as follows:

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

- Taxes are considered delinquent after January 5 of the following year.

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

Note II – Stewardship, Compliance and Accountability

Budgetary Data

The General Statutes of North Carolina require that the City adopt an annual balanced budget. The General Statutes also provide for balanced project ordinances for the life of projects, including both capital and grant activities, which are expected to extend beyond the end of the fiscal year. Amounts for projects are closed out at the end of the project. The City Council officially adopts the annual budget ordinance prior to July 1 of each year and adopts project ordinances as necessary. The Council has the authority to amend such ordinances. The annual budget ordinance is prepared using the modified accrual basis of accounting. The General Fund, Emergency Telephone System Fund, Inspections Fund, Debt Service Fund, Dedicated Housing Fund, Water and Sewer Utility Fund, Transit Fund, Solid Waste Disposal Fund, Stormwater Management Fund, Ball Park Fund, Parking Facilities Fund, Durham Performing Arts Center Fund officially have legally adopted balanced annual budgets.

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

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

During the fiscal year, there were five amendments for budgeting additional operating funds totaling \$145,736,768 approved by the City Council as follows:

General Fund	\$ 24,738,786
Inspections Fund	143,817
Emergency Telephone System Fund	137,119
Debt Service Fund	88,016,799
Dedicated Housing Fund	15,344,914
Water and Sewer Fund	6,541,181
Transit Fund	6,362,970
Solid Waste Disposal Fund	3,223,954
Storm Water Management Fund	662,210
Parking Facilities Fund	565,019
	<u>\$ 145,736,769</u>

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in all governmental funds. Encumbrances outstanding at year-end are included in the calculation of Restricted by State Statute and therefore reported as restrictions of fund balance. Funds to cover outstanding encumbrances are re-

appropriated through the budgetary process for the subsequent year. Encumbrances at year end do not represent and do not constitute GAAP expenditures or liabilities but represent budgetary accounting controls.

Note III – Detailed Notes on All Funds

A. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At year-end, the City's deposits had a carrying amount of \$22,630,234 and a bank balance of \$31,325,168. Of the bank balance, \$568,839 is covered by federal depository insurance and the remaining balance of \$30,756,329 is collateralized using the Pooling Method. The City had a balance of \$180,010,026 in Certificate of Deposits. Of the balance, \$1,000,000 is covered by federal depository insurance. The remaining balance of \$179,010,026 is collateralized using the Pooling Method. At June 30, 2024, the City's petty cash and change funds totaled \$144,100.

B. Investments

At June 30, 2024, the City's investment balances were as follows:

Investment Type	Valuation Measurement Method	Fair Value	Maturities Less Than 1 year	Maturities More Than 1 year
US Government Securities	Fair value Level 1	\$ 126,058,660	\$ 31,664,003	\$ 94,394,657
US Government Agencies	Fair value Level 1	49,941,860	9,928,646	40,013,214
Money Market (NCCMT)	Amortized Cost	445,393,228	445,393,228	-
Total at fair value		\$ 621,393,748	\$ 486,985,877	\$ 134,407,871
NC Investment Pool	NAV	43,709,310		
Total investments		\$ 665,103,058		

All investments, except the position in the North Carolina Investment Pool (NCIP), 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.

NCIP is a comingled local government investment pool established to invest idle funds in various short-term investments in accordance with North Carolina General Statute §159-30 and is administered by a statutorily compliant trust for the benefit of the local governments and governed by a board of trustees comprised of

representatives of those Units of Local Government. The NCIP investment objective is to earn a high rate of return while preserving principal, providing liquidity, and seeking a stable net asset value (NAV) of \$1 per share. The NCIP is rated AAAm by Standards & Poors Global Ratings and AAAmmf by Fitch Ratings.

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

Credit Risk: The City has no formal policy regarding credit risk but has internal management procedures that limit the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's and AAA-mf by Moody's Investor Service as of June 30, 2024. The Bond Trustee Accounts are in highly rated money market instruments; the City's other investments are triple A rated.

Custodial Credit Risk: For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City requires collateralization for: Certificates of Deposit and repurchase (and reverse repurchase) agreements. In both cases the collateral must cover at least 105% of market value of principal and accrued interest. The City has no formal policy on custodial credit risk, but management procedures are that the City will utilize an independent third party with whom the City has a custodial agreement. Safekeeping receipts must be supplied to the City evidencing ownership.

Concentration of Credit Risk: The City places a limit on the amount of commercial paper that the City may invest in any one issuer to 20% of the City's total investments; this does not apply to bond proceeds. No more than 25% of the City's total investments may be in commercial paper. At June 30, 2024, none of the City's investments were in commercial paper. North Carolina General Statute 159-30 authorizes the City to invest its funds in Treasury; obligations of agencies of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; bonds and notes of any North Carolina local government or public authority; certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Cash Management Trust, an SEC registered mutual fund.

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C. Accounts Receivables – Allowances

Receivables on June 30, 2024 for the City's individual major funds and non-major funds in total, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Projects	Non-Major Governmental	Water and Sewer Utility	Parking Facilities
Receivables:					
Taxes	\$ 1,613,704	\$ -	\$ 10,021	\$ -	\$ -
Accounts	3,352,051	20,811	60,129	27,207,222	-
Special assessments	258,090	-	-	227,373	-
Leases	320,754	-	-	1,565,756	1,604,012
Notes	-	1,540,712	2,984,314	-	-
Gross receivables	5,544,599	1,561,523	3,054,464	29,000,351	1,604,012
Less: allowance for uncollectibles	(1,869,953)	(135,564)	(120,149)	(5,638,933)	-
Net total receivables	\$ 3,674,646	\$ 1,425,959	\$ 2,934,315	\$ 23,361,418	\$ 1,604,012

	Solid Waste Disposal	Durham Performing Arts Center	Ball Park	Storm Water Management	Internal Service
Receivables:					
Accounts	\$ 817,930	\$ 3,818,491	\$ -	\$ 7,795,280	\$ 508,689
Rent receivable	-	280,000	40,715	-	-
Leases	-	-	2,467,015	-	-
Gross receivables	817,930	4,098,491	2,507,730	7,795,280	508,689
Less: allowance for uncollectibles	(61,252)	-	-	(1,494,182)	(60,491)
Net total receivables	\$ 756,678	\$ 4,098,491	\$ 2,507,730	\$ 6,301,098	\$ 448,198

Notes receivable represent loans made by the City for housing, redevelopment, or improvements to blighted areas of the City. These notes receivable have varying interest rates and payment terms, with stated interest rates ranging from 0 to 3% and scheduled repayment dates through 2046. Some notes are payable in equal installments while others have balloon payments. The City's policy is to expense loans in the fund financial statements when there is a stipulation that if a certain condition is met the loans are forgiven and treated as grants to the individuals. Nonperformance related to the stipulations results in the recognition of a receivable and a corresponding deferred inflow of resources because the amounts are not available. Amounts received are recognized as revenues at that time.

D. Lease Receivables

On December 1, 2023, the City entered into an 84-month lease as lessor. The agreement is with Beyond Da Corners, LLC for retail space within the Morgan-Riggsbee Parking Garage. An initial lease receivable was recorded in the amount of \$174,815. As of June 30, 2024, the value of the lease receivable is \$175,515. The tenant was not required to make payments for the first six months of the lease. Monthly payments in the amount of \$2,413 began June 1, 2024 and will increase by 3% each December 1st. The minimum lease payments were discounted using an estimated incremental borrowing rate of 3.449%.

The lease with the Durham Bulls Baseball Club requires a variable payment each year of 3% of calendar year gross revenues, as defined in the lease, that exceeds the annual breakpoint. The annual breakpoint increases or decreases by the change in the consumer price index (CPI) subject to a cap of a 3% change each year. For the 2023 calendar year the annual breakpoint was \$12,431,868. During the year ended June 30, 2024, \$311,445 was

received for this variable payment. The lease also calls for variable payments related to special events and third-party events (1.25% of revenues as defined by the lease). During the year ended June 30, 2024, the City received \$21,872 for special events and third-party events.

During the year \$45,231 was received in principal payments on governmental leases where the City is the lessor and \$5,581 was recognized as interest income relating to those leases. For business-type leases, \$601,264 was received in principal payments on leases and \$117,085 was recognized as interest income relating to those contracts. Further, these deferred inflows of resources resulted in the recognition of \$717,301 in lease revenue for the year.

Following is a summary of leases outstanding as of June 30, 2024, where the City is the lessor:

	Commencement Date	Lease Term	Payment Frequency	Payment Increases	Estimated Incremental Borrowing Rate	Lease Receivable at June 30, 2024
Governmental Activities						
Land lease	2/1/2021	10 yrs	Annually	3% annually	1.525	\$ 320,754
Total governmental activities lease receivables						<u>\$ 320,754</u>
Business-type Activities						
Cell tower leases and licenses	10/5/2019 - 12/4/2021	10 yrs	Annually	3% annually	.308 - 1.501	\$ 651,738
Cell water tank leases and licenses	6/28/2015 - 8/1/2020	10 yrs	Annually	3% annually	.308 - 1.448	484,104
Durham Bulls Athletic Park	1/1/2014	30 yrs	Monthly from April - September	Based on annual change in CPI (capped at 3%)	2.282	2,467,015
Land leases	9/1/2015 - 5/1/2023	10 - 20 yrs	Annually	3% annually	.98 - 2.23	429,914
Retail Space	7/1/2020 - 12/1/2023	7 - 10 yrs	Monthly	2.5% - 10%	1.448 - 3.449	1,604,012
Total business-type activities lease receivables						<u>\$ 5,636,783</u>

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E. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balances	Additions	Disposals/ Adjustments/ Transfers	Ending Balances
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 80,889,619	\$ 70,050,376	\$ (734,224)	\$ 150,205,771
Land Rights	7,630,645	411,113	-	8,041,758
Construction in progress	73,832,058	11,399,439	(6,899,986)	78,331,511
Total capital assets not being depreciated	162,352,322	81,860,928	(7,634,210)	236,579,040
Capital assets being depreciated				
Buildings	241,002,107	-	1,403,459	242,405,566
Infrastructure	826,999,593	20,847,806	7,105,764	854,953,163
Furniture and equipment	103,023,280	6,783,553	(3,701,714)	106,105,119
Total capital assets being depreciated	1,171,024,980	27,631,359	4,807,509	1,203,463,848
Less accumulated depreciation for				
Buildings	(105,225,507)	(6,950,645)	4,114	(112,172,038)
Infrastructure	(260,889,345)	(18,335,248)	29,680	(279,194,913)
Furniture and equipment	(74,924,892)	(7,016,781)	3,687,497	(78,254,176)
Total accumulated depreciation	(441,039,744)	(32,302,674)	3,721,291	(469,621,127)
Total capital assets being depreciated, net	729,985,236	(4,671,315)	8,528,800	733,842,721
Capital assets being amortized				
Right to use lease assets	10,053,278	-	-	10,053,278
IT subscriptions	1,063,963	-	(95,978)	967,985
Leasehold improvements	929,000	-	-	929,000
Total capital assets being amortized	12,046,241	-	(95,978)	11,950,263
Less accumulated amortization for				
Right to use lease assets	(2,568,843)	(1,423,636)	-	(3,992,479)
IT subscriptions	(377,102)	(394,658)	95,978	(675,782)
Leasehold improvements	(185,800)	(92,900)	-	(278,700)
Total accumulated amortization	(3,131,745)	(1,911,194)	95,978	(4,946,961)
Total capital assets being amortized, net	8,914,496	(1,911,194)	-	7,003,302
Governmental activities capital assets, net	\$ 901,252,054	\$ 75,278,419	\$ 894,590	\$ 977,425,063

* Depreciation expense and amortization expense was charged to functions as follows:

Governmental Activities	Depreciation	Amortization
General Government	65,564	\$ 380,696
Public Safety	5,028,845	1,046,934
Development	331,966	469,603
General Services	6,297,488	-
Parks and Recreation	4,956,326	-
Streets and Highways	15,622,485	13,961
	\$ 32,302,674	\$ 1,911,194

	Beginning Balances	Additions	Disposals/ Adjustments/ Transfers	Ending Balances
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 46,141,788	\$ 44,994	\$ -	\$ 46,186,782
Land Rights	2,611,401	9,679	-	2,621,080
Construction in progress	541,749,144	94,075,627	(158,633,197)	477,191,574
Total capital assets not being depreciated	590,502,333	94,130,300	(158,633,197)	525,999,436
Capital assets being depreciated				
Buildings	342,001,408	582,747	78,491,610	421,075,765
Infrastructure	1,050,125,610	78,816,294	78,899,996	1,207,841,900
Furniture and equipment	115,851,196	14,419,934	(1,582,569)	128,688,561
Other improvements	3,589,365	-	-	3,589,365
Total capital assets being depreciated	1,511,567,579	93,818,975	155,809,037	1,761,195,591
Less accumulated depreciation for				
Buildings	(217,229,184)	(8,482,824)	-	(225,712,008)
Infrastructure	(433,661,479)	(23,939,260)	187,644	(457,413,095)
Furniture and equipment	(67,020,350)	(11,107,345)	1,621,745	(76,505,950)
Other improvements	(1,285,256)	(184,648)	-	(1,469,904)
Total accumulated depreciation	(719,196,269)	(43,714,077)	1,809,389	(761,100,957)
Total capital assets being depreciated, net	792,371,310	50,104,898	157,618,426	1,000,094,634
Capital assets being amortized				
IT subscriptions	349,728	702,481	(58,800)	993,409
Total capital assets being amortized	349,728	702,481	(58,800)	993,409
Less accumulated amortization for				
IT subscriptions	(109,718)	(179,965)	58,800	(230,883)
Total accumulated amortization	(109,718)	(179,965)	58,800	(230,883)
Total capital assets being amortized, net	240,010	522,516	-	762,526
Business-type activities capital assets, net	\$ 1,383,113,653	\$ 144,757,714	\$ (1,014,771)	\$ 1,526,856,596

* Depreciation expense and amortization expense was charged to functions as follows:

Business-type Activities	Depreciation	Amortization
Water/Sewer distribution systems	\$ 31,815,633	\$ 70,248
Parking facilities	992,503	-
Storm water	843,269	-
Performing Arts	1,740,367	-
Ballpark operations	1,315,173	-
Solid waste disposal	3,061,667	109,717
Transit	3,945,465	-
	\$ 43,714,077	\$ 179,965

F. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

The composition of interfund balances on June 30, 2024, is as follows:

Receivable Fund	Payable Fund	Amount
Water and Sewer Utility	Parking Facilities & Transit Fund	\$ 5,501,390
Non-Major Governmental Fund	Non-Major Governmental Fund	3,524,211
		<u>\$ 9,025,601</u>

Due to Other Funds balances are overnight loans at fiscal year end from the receivable fund to the payable fund to cover cash deficits in the payable fund. The amounts are reversed on the first day of the next fiscal year. The fund with the cash deficit then has a deficit balance in pooled cash and investments. Cash deficits generally arise because certain expenditures are made by the borrowing fund before the related revenue source can be recognized as revenues. The deficit balance in pooled cash and investments is then eliminated when the fund can recognize the revenues that are intended to cover the expenditures.

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Transfers to Other Funds

The following is a schedule of interfund transfers for the year ended June 30, 2024:

Transfers In	Transfers Out				
	General Fund	Debt Service Fund	Non-Major Governmental Funds	Transit Fund	DPAC Fund
General Fund	\$ -	\$ -	\$ -	\$ 160,000	\$ -
Debt Service Fund	-	-	-	-	-
Capital Projects Fund	18,492,401	7,738,071	5,060,000	-	-
Grants Fund	24,752	-	-	9,879	-
Non-Major Governmental Funds	446,451	-	-	-	-
Parking Facilities Fund	-	714,489	-	-	-
Solid Waste Fund	-	241,220	82,422	-	-
Ball Park Fund	200,000	1,509,755	-	-	864,088
Storm Water Management Fund	-	-	-	109,047	-
Total Transfers Out	<u>\$ 19,163,604</u>	<u>\$ 10,203,535</u>	<u>\$ 5,142,422</u>	<u>\$ 278,926</u>	<u>\$ 864,088</u>

Transfers In	Transfers Out		
	Ball Park Fund	Storm Water Management Fund	Total Transfers In
General Fund	\$ -	\$ -	\$ 160,000
Debt Service Fund	404,316	1,050,000	1,454,316
Capital Projects Fund	224,842	-	31,515,314
Grants Fund	-	-	34,631
Non-Major Governmental Funds	-	-	446,451
Parking Facilities Fund	-	-	714,489
Solid Waste Fund	-	-	323,642
Ball Park Fund	-	-	2,573,843
Storm Water Management Fund	-	-	109,047
Total Transfers Out	<u>\$ 629,158</u>	<u>\$ 1,050,000</u>	<u>\$ 37,331,733</u>

During each fiscal year, the General Fund will typically provide support to other funds in the form of interfund transfers. Such transfers normally relate to capital projects and grants (including amounts to meet matching requirements) or are to provide subsidies. For fiscal year 2024 the General Fund made transfers to the Capital Projects Fund in support of street maintenance and technology projects. The Ball Park Fund again received a subsidy. The main purpose of the General Fund transfers to the Non-Major Governmental Funds was to provide support for grants mainly relating to police and transportation planning activities.

Funds other than the General Fund make transfers to provide resources to another fund because the recipient fund has an activity that benefits the transferring fund. In other cases, while a fund collects certain revenues, those resources are sometimes directed for use to activities of another fund. Supported activities usually relate to capital projects or grants (including amounts to meet matching requirements). During fiscal year 2024 the Capital Projects Fund received transfers from the Debt Service Fund and Non-Major Governmental Funds to support capital improvements and fleet acquisitions and replacements. The transfer to the Solid Waste Fund was from the Business Improvement District to provide support for enhanced solid waste services provided to downtown businesses. The Transit Fund transferred resources to support bus shelter cleaning services provided by the Stormwater Management Fund.

The Debt Service Fund provides support to other funds for debt service payments. During fiscal year 2024 the Ball Park Fund and Parking Facilities Fund received a transfer to cover certain of their debt service payments. Transfers were also made from the Ball Park Fund and the Stormwater Management Fund to the Debt Service Fund to reimburse the fund for debt payments and to return unused funds from a completed project.

G. Long-Term Obligations

Leases

The City has entered into lease agreements to lease real estate for office spaces, police substations and other police facilities, and a communications tower site. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception.

Following is a summary of leases outstanding as of June 30, 2024 where the City is the lessee:

	Commencement Date	Lease Term	Payment Frequency	Payment Increases	Estimated Incremental Borrowing Rate	Lease Payable at June 30, 2024
Governmental Activities						
Police substations	9/1/2018 - 3/1/2023	5 - 10 yrs	Monthly	2% - 4% annually	.435 - 2.582	\$ 3,785,375
Police Department Property and Evidence Unit	7/1/2021	10 yrs	Monthly	2% - 3%	1.525	1,071,944
Police Department impound lot	7/1/2021	10 yrs	Monthly	1%	1.335	386,854
Communications tower	1/1/2023	10yrs	Monthly	4%	0.02673	142,222
Office spaces	1/25/2014 - 5/1/2018	8 - 13 yrs	Monthly	3%	.98 - 1.138	1,028,518
Space upfit - Police Department property and evidence	7/1/2021	10 yrs	Monthly	Fixed payment over the term	0.04061	686,350
Total lease liabilities - Governmental activities						<u>\$ 7,101,263</u>

The future lease obligations as of June 30, 2024 are as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total
2025	\$ 1,507,980	\$ 101,763	\$ 1,609,743
2026	1,508,626	80,430	1,589,056
2027	1,180,281	60,546	1,240,827
2028	1,081,774	42,812	1,124,586
2029	811,411	28,148	839,559
2030-2033	1,011,191	21,442	1,032,633
Total	<u>\$ 7,101,263</u>	<u>\$ 335,141</u>	<u>\$ 7,436,404</u>

IT Subscription Liabilities

Following is a summary of IT Subscription liabilities outstanding as of June 30, 2024:

IT Subscriptions Liabilities	Commencement Date	Lease Term	Payment Frequency	Payment Increases	Estimated Incremental Borrowing Rate	IT Subscriptions Liabilities at June 30, 2024
				4% - 6.8%, however most are fixed over the agreement term		
Software subscriptions	2/15/2021 - 1/1/2024	2 - 5 yrs	Annually		2.038 - 3.155%	\$ 914,502
Total IT Subscription liabilities						<u>\$ 914,502</u>
IT Subscriptions are recorded as follows:						
Governmental Activities						\$ 250,767
Business-type Activities						663,735
Total						<u>\$ 914,502</u>

The future IT subscription payments as of June 30, 2024, were as follows:

Governmental Activities				Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total	Fiscal Year	Principal Payments	Interest Payments	Total
2025	\$ 121,746	\$ 5,799	\$ 127,545	2025	\$ 225,468	\$ 14,981	\$ 240,449
2026	63,746	3,095	66,841	2026	136,940	10,001	146,941
2027	65,275	1,566	66,841	2027	145,942	6,876	152,818
2028	-	-	-	2028	155,385	3,546	158,931
Total	<u>\$ 250,767</u>	<u>\$ 10,460</u>	<u>\$ 261,227</u>	Total	<u>\$ 663,735</u>	<u>\$ 35,404</u>	<u>\$ 699,139</u>

During the year ended June 30, 2024, the City entered into a new business-type subscription for an after-hours call servicing system to handle requests related to water and sewer issues. The term of the agreement is five years. The subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.282% was used to discount the subscription payments. The initial liability for the subscription was \$702,481. The liability balance remaining at June 30, 2024, was \$566,626.

General Obligation Bonds

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

General obligation bonds outstanding on June 30, 2024 are:

	Issue Date	Due Serially To	Interest Rate	Original Issue	Balance June 30, 2024
Bond Issuances					
Refunding Series 2015	3/4/15	2025	2.00 - 5.00	\$ 50,775,000	\$ 10,705,000
Refunding Series 2022	6/22/22	2033	1.80 - 2.75	26,840,000	23,395,000
Taxable Housing Bonds Series 2024	5/29/24	2044	4.60 - 7.00	53,820,000	53,820,000
Total bond issuances				<u>131,435,000</u>	<u>87,920,000</u>
Direct Placements					
Refunding Series 2017B	6/21/17	2025	1.90	18,110,000	85,000
Total direct placements				<u>18,110,000</u>	<u>85,000</u>
Total general obligation bonds				<u>\$ 149,545,000</u>	<u>\$ 88,005,000</u>

The bonds are recorded as follows:

Governmental activities	\$ 81,507,447
Governmental activities - direct placements	44,856
Business-type activities	6,412,553
Business-type activities - direct placements	40,144
Total general obligation bonds	<u>\$ 88,005,000</u>

In the event of a default, the Trustee may, or if required by a majority of the owners of the bonds outstanding, declare the bonds immediately due and payable, whereupon they will, without further action, become due and payable.

The City is subject to the Local Government Bond Act of North Carolina that limits the net bonded debt the City may have outstanding to eight percent of the assessed value of property subject to taxation. On June 30, 2024, such statutory limit for the City was \$3,348,689,455 providing a debt margin of \$2,955,185,175.

The following schedule presents the future debt principal and interest requirements for all general obligation bonds outstanding as of June 30, 2024:

Fiscal Year	Governmental Activities			
	Bond Issuances		Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 11,140,141	\$ 3,973,556	\$ 44,856	\$ 852
2026	8,462,667	3,514,003	-	-
2027	4,580,583	3,151,857	-	-
2028	4,592,393	2,868,633	-	-
2029	4,603,139	2,584,720	-	-
2030-2034	21,228,524	9,333,299		
2035-2039	13,450,000	5,353,100		
2040-2044	13,450,000	2,030,950		
Total	<u>\$ 81,507,447</u>	<u>\$ 32,810,118</u>	<u>\$ 44,856</u>	<u>\$ 852</u>

Fiscal Year	Business-Type Activities			
	Bond Issuances		Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 1,624,860	\$ 270,060	\$ 40,144	\$ 763
2026	1,147,332	207,937	-	-
2027	509,417	169,283	-	-
2028	512,607	143,732	-	-
2029	516,861	117,995	-	-
2030-2033	2,101,476	211,211	-	-
Total	<u>\$ 6,412,553</u>	<u>\$ 1,120,218</u>	<u>\$ 40,144</u>	<u>\$ 763</u>

General Obligation Housing Bond Issue

On May 29, 2024, the City issued \$53,820,000 of Taxable General Obligation Housing Bonds, Series 2024. The Bonds were 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 were issued pursuant to a bond order adopted by the City Council of the City (the "City Council") on July 17, 2019, and approved by voters on November 5, 2019 at a referendum duly called and held. Terms of the Bonds were established in a resolution duly adopted by the City Council on April 15, 2024. The purpose of the Bonds is to pay the capital costs of housing projects for the benefit of persons of low income, or moderate income, or low and moderate income, including construction of related infrastructure improvements and the acquisition of land and rights-of-way.

The Bonds are general obligations of the City secured by a pledge of the faith and credit and taxing power of the City. The City is authorized and required by law to levy on all property taxable by the City such ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds principal and interest.

Status of Bond Authorizations

The City has \$41.18 million in authorized but unissued General Obligation housing bonds at June 30, 2024.

Limited Obligation Bonds

The City issues limited obligation bonds to provide for the acquisition and construction of major equipment and capital facilities. The City has contracts payable to New Durham Corporation with terms that require annual interest and principal payments. The original installment financing contract with New Durham Corporation is dated December 15, 2017. The original contract has had four amendments. The most recent of which is dated October

1, 2023. Sometimes the City will also provide collateral to secure outstanding limited obligation bonds under the original contract as amended. This was the case for the 2017A Parking projects and the 2017B Crossover refunding bonds (the 2017B Bonds). The collateral for the outstanding 2017 Bonds was the real property on which City Hall and City Hall Annex are located and the real property on which the Parking Deck is located, including the improvements thereon. The City extended the deed of trust to include Police Headquarters (as defined in the first amendment) through a notice of Extension of Deed of Trust to Additional Property dated as of May 1, 2018 (Notice of Extension). After the Notice of Extension, the City released the lien on City Hall and City Hall Annex through a Deed of Partial Release dated May 8, 2018. The revised collateral under the Deed of Trust also secures the Limited Obligation Refunding Bonds, Series 2020A and the Taxable Limited Obligation Refunding Bonds, Series 2020B issued December 10, 2020. In connection with the issuance of the Limited Obligation Bond, Series 2022 (LOB Series 2022) City Council determined that it was in the best interest of the City to execute and deliver a Second Notice of Extension of Deed of Trust (the "*Second Notice of Extension*"), extending the lien of the Deed of Trust to some or all of the sites of the City's Public Works Operation Center, Fire Station # 18, and Fire Station #19, and the real estate improvements thereon and appurtenances thereto. See below for further discussion about the LOB Series 2023 issued this year.

If an event of default occurs under the contract, the trustee may attempt to dispose of the collateral and apply the proceeds received as a result of any such disposition to the payment of the amounts due to the owners of the 2023 Bonds, the 2020 Bonds, the 2018 Bonds, the 2017B Bonds and any additional bonds outstanding under the indenture. No representation is made as to the value of the City's interest in the collateral. No assurance can be given that any such proceeds will be sufficient to pay the principal and interest with respect to the 2023 Bonds. In addition, no deficiency judgment can be obtained against the City if the proceeds from any such disposition (together with other funds that may be held by the trustee under the indenture) are insufficient to pay the 2023 Bonds in full. Neither the contract nor the 2023 Bonds constitute a pledge of the City's faith and credit within the meaning of any constitutional debt limitation.

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Limited Obligation Bonds (LOBs) outstanding at June 30, 2024 are as follows:

	Issue Date	Due Serially To	Interest Rate	Original Issue	Balance June 30, 2024
Bond Issuances					
LOBS 2015 - DPAC	3/3/15	2034	0.40 - 3.67	\$ 30,205,000	\$ 18,365,000
Crossover refunding 2017 B	12/21/17	2030	5.00	29,730,000	21,265,000
Public improvements and Refunding					
Series 2018	5/1/18	2038	2.50 - 5.00	82,400,000	57,680,000
Refunding bonds Series 2020A	12/10/20	2028	3.00 - 5.00	4,285,000	2,440,000
Taxable refunding bonds Series 2020B	12/10/20	2038	1.00 - 2.00	33,970,000	31,530,000
Limited Obligation Bonds Series 2023	10/17/23	2043	4.50 - 5.00	129,725,000	129,725,000
Total bond issuances				310,315,000	261,005,000
Direct Placements					
Multi-purpose - 2012 B	5/17/12	2025	4.00 - 5.70	15,555,000	675,000
Total limited obligation bonds				<u>\$ 325,870,000</u>	<u>\$ 261,680,000</u>

The bonds are recorded as follows:

Governmental activities	\$ 204,428,949
Governmental activities - direct placements	654,737
Business-type activities	56,576,051
Business-type activities - direct placements	20,263
Total limited obligation bonds	<u>\$ 261,680,000</u>

Future requirements to pay principal and interest on the limited obligation bonds outstanding at June 30, 2024 are as follows:

Fiscal Year	Governmental Activities			
	Bond Issuances		Direct Placements	
	Principal	Interest	Principal	Interest
2025	13,480,995	9,678,578	654,737	15,812
2026	13,541,667	9,005,374	-	-
2027	13,565,661	8,332,396	-	-
2028	13,598,768	7,660,237	-	-
2029	13,177,613	6,995,437	-	-
2030-2034	58,687,844	25,620,222	-	-
2035-2039	47,176,401	12,885,788	-	-
2040-2044	31,200,000	10,711,695	-	-
Total	<u>\$ 204,428,949</u>	<u>\$ 90,889,727</u>	<u>\$ 654,737</u>	<u>\$ 15,812</u>

Fiscal Year	Business-Type Activities			
	Bond Issuances		Direct Placements	
	Principal	Interest	Principal	Interest
2025	5,219,004	1,399,466	20,263	489
2026	5,333,334	1,256,091	-	-
2027	5,449,339	1,108,729	-	-
2028	5,546,232	971,912	-	-
2029	4,807,387	848,690	-	-
2030-2034	23,147,154	2,364,497	-	-
2035-2039	7,073,601	302,800	-	-
2040-2044	-	-	-	-
Total	<u>\$ 56,576,051</u>	<u>\$ 8,252,185</u>	<u>\$ 20,263</u>	<u>\$ 489</u>

Limited Obligation Bond Issue

On October 17, 2023 the City issued \$129,725,000 of Limited Obligation Bonds, Series 2023 (2023 LOB). The purpose of the bond is to (a) provide long-term financing for projects not financed by the Limited Obligation Bonds, Series 2022 (2022 LOBs), (b) refinance the 2022 LOBs, and (c) refinance a portion of the Limited Obligation Bonds, Series 2013A (2013A LOB).

The portion of the 2013A LOB that were current refunded totaled \$5,220,000. Upon delivery, a portion of the 2023 LOB, equal to that amount were used to redeem \$5,220,000 of the 2013A LOB. Accordingly, the bonds were removed from the statement of net position. The refunded portion of the 2013A LOB was redeemed at its outstanding face amount. However, because the refunded bonds had been issued at a premium, the reacquisition price was less than the carrying amount of the old debt by \$534,584. This amount will be reported as a deferred inflow of resources and will be recognized over the remaining life of the refunded debt, which had a shorter remaining life than the refunding debt. This current refunding reduced debt service payments by \$111,072 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$91,538.

The 2022 LOB was structured like a commercial loan in that the City could draw funds as they were needed for projects, up to the total of \$132,000,000. At the time of issuance of the 2023 LOBs, the City had drawn \$80,972,857 on the 2022 LOB. Upon delivery, a portion of the 2023 LOBs, equal to that amount, were used to current refund the 2022 LOB. Accordingly, the liability for the 2022 LOB was removed from the statement of net position. Because the reacquisition price was equal to the carrying value of the 2022 LOB there is no deferred inflow or outflow of resources to report. The 2022 LOB only required the City to make monthly interest payments. Therefore, a schedule of the difference in the debt service payments on the old and new debt cannot be prepared. Without this information, it is not possible to calculate an economic gain or loss on the refunding.

Bank Loans

The City has obtained certain equipment through direct borrowing bank loan agreements with Banc of America Public Capital Corp executed in February 2020 and Pinnacle Bank executed in November 2021.

The outstanding principal amounts of the loans on June 30, 2024 are as follows:

	Issue Date	Due Serially To	Interest Rate	Issue	Balance June 30, 2024
Installment Purchase 2020	2/11/2020	2/1/2025	1.626	\$ 21,000,000	\$ 4,335,000
Installment Purchase 2021	11/18/2021	11/1/2026	0.86	22,300,000	13,495,000
Total Bank Loans				<u>\$ 43,300,000</u>	<u>\$ 17,830,000</u>

Installment financing is recorded as follows:

Governmental Activities - Direct Borrowing	\$ 12,463,326
Business-type Activities - Direct Borrowing	5,366,674
Total	<u>\$ 17,830,000</u>

Future requirements to pay principal and interest on the financings on June 30, 2024 are as follows:

Fiscal Year	Direct Borrowing			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	5,933,509	114,084	2,861,491	53,282
2026	3,250,815	42,178	1,247,185	16,182
2027	3,279,002	14,100	1,257,998	5,409
Total	<u>\$ 12,463,326</u>	<u>\$ 170,362</u>	<u>\$ 5,366,674</u>	<u>\$ 74,873</u>

Section 108 Loan

The loan guarantee provision of the Community Development Block Grant (CDBG) program provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Local governments borrowing funds guaranteed by Section 108 loans must pledge their current and future CDBG allocations as security for the loan.

The outstanding principal amount of the loan on June 30, 2024 is as follows:

	Issue Date	Due Serially To	Interest Rate	Issue	Balance June 30, 2024
Section 108 Loan	05/20/15	2034	2.8 - 3.65	<u>\$ 8,800,000</u>	<u>\$ 3,531,000</u>

Future requirements to pay principal and interest on the Section 108 loan at June 30, 2024 are as follows:

Fiscal Year	Governmental Activities - Direct Borrowing		
	Principal	Interest	Total
2025	415,000	129,797	544,797
2026	425,000	95,912	520,912
2027	440,000	82,824	522,824
2028	450,000	68,916	518,916
2029	465,000	54,272	519,272
2030-2034	1,336,000	97,445	1,433,445
Total	<u>\$ 3,531,000</u>	<u>\$ 529,166</u>	<u>\$ 4,060,166</u>

Revenue Bonds

The City has issued revenue bonds to fund certain capital improvements in the Water and Sewer Utility Fund. These obligations are not backed by the full faith and credit of the City, but only by net revenues, as defined, of the Water and Sewer Utility Fund. The City is required to make deposits with the trustee to cover annual debt service requirements. The City periodically issues new revenue bonds to refund the debt previously issued for capital improvements when it is economically advantageous to do so. Such revenue bonds relate to business-type activities and are specifically for the Water and Sewer Utility Enterprise Fund. Accordingly, the revenue bonds are reported directly in the Water and Sewer Utility Enterprise Fund.

Revenue bonds outstanding at June 30, 2024 are:

	Issue Date	Due Serially To	Interest Rate	Original Issue	Balance June 30, 2024
Refunding Series 2016	8/10/16	2041	1.50 - 5.00	\$ 46,715,000	\$ 40,645,000
Refunding Series 2021	8/12/21	2044*	1.375 - 5.00	241,795,000	232,585,000
Utility System Revenue Bonds Series 2024	6/4/24	2045**	4.00 - 5.00	<u>79,635,000</u>	<u>79,635,000</u>
Total revenue bonds				<u>\$ 368,145,000</u>	<u>\$ 352,865,000</u>

* In addition to the serial payments there are Term Bond payments of \$30,215,000 due on August 1, 2046 and \$55,125,000 due on August 1, 2051.

** In addition to the serial payments there are Term Bond payments of \$18,360,000 due on August 1, 2049 and \$17,580,000 due on August 1, 2053.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay a total of \$368,145,000 in Utility System Revenue Refunding Bonds issued in 2016, 2021, and 2024 (see above detail) with a current total outstanding balance of \$352,865,000. Proceeds from the bonds provided financing for various line extensions and upgrades to the City's water and sewer plants. The bonds are payable solely from water and sewer customer net revenues and are payable through 2053. Annual debt service requirements for FY24 were 12.5% of utility operating revenues and are expected to remain in this range. The total interest and principal remaining to be paid on the bonds is \$520,242,235. Principal and interest paid for the current year and total customer operating revenues were \$18,670,838 and \$149,196,500, respectively. In the event of a default, the Trustee may, or if required by a majority of the owners of the bonds outstanding, declare the bonds immediately due and payable, whereupon they will, without further action, become due and payable.

Future requirements to pay principal and interest on the revenue bonds at June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 6,620,000	\$ 10,480,004	\$ 17,100,004
2026	8,220,000	11,354,212	19,574,212
2027	8,595,000	10,977,862	19,572,862
2028	9,025,000	10,546,862	19,571,862
2029	9,455,000	10,113,119	19,568,119
2030-2034	54,125,000	43,725,750	97,850,750
2035-2039	66,135,000	31,709,775	97,844,775
2040-2044	66,160,000	22,207,850	88,367,850
2045-2049	69,165,000	12,885,182	82,050,182
2050-2054	55,365,000	3,376,619	58,741,619
Total	<u>\$ 352,865,000</u>	<u>\$ 167,377,235</u>	<u>\$ 520,242,235</u>

Revenue Bond Issue

On June 4, 2024 the City issued \$79,635,000 of Utility System Revenue Bonds, Series 2024 (2024 Bonds). The purpose of the bonds is to finance the capital costs of, including reimbursement of prior expenditures related to, extensions, additions, and capital improvements to, or the acquisition, renewal, or replacement of capital assets of, or purchasing and installing new equipment for, the Utility System. The 2024 Bonds are special obligations of the City and are secured by and payable from the pledged net revenues of the Utility System and certain other amounts. The 2024 Bonds are not payable from the City's general fund and do not constitute a claim on any of the City's property or any other resources, except for the Net Revenues and other funds pledged to their payment. Further, neither the credit nor the taxing power of the City is pledged for payment of the 2024 Bonds.

Revenue Bond Anticipation Note Issue

The City entered into a Utility System Revenue Bond Anticipation Note, Series 2023 (BAN) with JPMorgan Chase Bank on December 12, 2023, for (1) modernizing provisions to reflect current market standards for utility revenue bonds, (2) conforming covenants and other provisions to reflect current operations of the Utility System and (3) providing operational and financial flexibility for the future performance of the Utility System. The 2023 BAN relates to business-type activities and is specifically for the Water and Sewer Utility Enterprise Fund. The City received the full amount authorized of \$181,000,000 at closing. The note was issued in anticipation of the issuance of a long-term Series of Bonds (Take-Out Bonds) to be issued by the City pursuant to a Bond Order. The 2023 BAN will be payable from and secured by a pledge of the Net Revenues of the Utility System of the City. Further, the 2023 BAN is secured by a pledge, charge, and lien on the proceeds of the Take-Out Bonds, if and when, issued under the Bond Order. The City expects to pay the 2023 BAN on or before June 12, 2026 which is the Initial Term Maturity Date.

Future requirements to pay principal and interest on the BAN at June 30, 2024, are as follows:

Fiscal Year	Direct Borrowing		
	Principal	Interest	Total
2025	\$ -	\$ 7,710,600	\$ 7,710,600
2026	181,000,000	7,710,600	188,710,600
Total	<u>\$ 181,000,000</u>	<u>\$ 15,421,200</u>	<u>\$ 196,421,200</u>

The City adopted an Amended and Restated Bond Order on June 3, 2019 which amended and restated the Amended and Restated Bond Order adopted on May 16, 2011. Certain financial covenants are contained in the trust agreement, controlled by the trustee. Management believes the City was in compliance with all such covenants during the fiscal year.

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Following is compliance with the rate covenant for the fiscal year ended June 30, 2024:

Rate Covenant Compliance

Operating revenues	
Charges for services	\$ 138,794,185
Other operating revenues	10,402,315
Total operating revenues	<u>149,196,500</u>
Current expenses	
Personnel services	\$ 41,096,710
Materials, services and supplies	32,876,040
General and administrative	9,166,883
Current expenses (before depreciation)	<u>83,139,633</u>
Operating income before depreciation	\$ 66,056,867
Depreciation	31,886,145
Operating income	<u>34,170,722</u>
Non-operating revenues	
Investment and rental income	\$ 8,964,816
Other revenue	1,894,749
Interest and fiscal charges	(12,461,214)
Non-operating (expenses)	<u>(1,601,649)</u>
Income before contributions and transfers	\$ 32,569,073
Capital contributions	73,296,899
Change in net position	<u>105,865,972</u>
Adjustments to determine net revenues per Bond Order	
Plus: Depreciation	\$ 31,886,145
Plus: Interest and fiscal charges	12,461,214
Plus: Indirect costs	9,166,883
Plus: Loss on capital assets disposition	892,638
Less: Capital contributions	(73,296,899)
Less: Construction fund investment income	(4,551,166)
(A) Net revenues	<u>\$ 82,424,787</u>
Revenue bonds and bond anticipation notes (calculated using 30-year smoothing for balloon indebtedness as required by bond order) debt service	28,559,471
GO, subordinated, and other indebtedness debt service	1,668,274
(B) Total debt service	<u>\$ 30,227,745</u>
100 Rate Covenant - (A/B) (must be greater than or equal to 1)	2.73
Surplus (unrestricted net assets)	
20% of the surplus	36,458,098
(C) Net revenues plus 20% of surplus	<u>\$ 118,882,885</u>
120% of revenue bonds and bond anticipation notes debt service calculated above	34,271,365
100% of GO, subordinated, and other indebtedness debt service	1,668,274
(D) Total debt service (for use in 120 rate covenant calculation)	<u>\$ 35,939,639</u>
120 rate covenant - (C/D) (must be greater than or equal to 1)	3.31

Changes in Long-Term Obligations

The following is a summary of changes during the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Reductions/ Adjustments	Balance June 30, 2024	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation	\$ 36,083,780	\$ 53,820,000	\$ (8,396,333)	\$ 81,507,447	\$ 11,140,141
General obligation - direct placements	100,267	-	(55,411)	44,856	44,856
Unamortized premiums - GO	3,739,875	689,527	(983,819)	3,445,583	-
Limited obligation	87,194,042	129,725,000	(12,490,093)	204,428,949	13,480,995
Limited obligation - direct placements	77,679,531	4,631,900	(81,656,694)	654,737	654,737
Unamortized premiums - LO	9,944,963	8,456,380	(1,846,266)	16,555,077	-
Installment financings through direct borrowing:					
Bank loan	18,324,886	-	(5,861,560)	12,463,326	5,933,509
Section 108 loan payable	5,150,000	-	(1,619,000)	3,531,000	415,000
Other long-term obligations:					
Lease liabilities	8,548,428	-	(1,447,165)	7,101,263	1,507,980
IT subscription liabilities	606,438	-	(355,671)	250,767	121,746
Accrued compensated absences	16,918,870	4,610,757	(6,300,924)	15,228,703	6,199,497
Total OPEB liability	120,391,241	7,292,431	(13,177,194)	114,506,478	6,338,728
Total pension liability - LEOSSA	33,109,627	4,841,071	(2,551,482)	35,399,216	2,739,938
Net pension liability - LGERS	97,407,605	25,597,725	(18,496,529)	104,508,801	-
Pending claims	14,143,109	61,965,989	(60,080,988)	16,028,110	8,308,706
Total governmental activities	<u>\$ 529,342,662</u>	<u>\$ 301,630,780</u>	<u>\$ (215,319,129)</u>	<u>\$ 615,654,313</u>	<u>\$ 56,885,833</u>
Business-type activities					
Bonds payable:					
General obligation	\$ 8,026,220	\$ -	\$ (1,613,667)	\$ 6,412,553	\$ 1,624,860
General obligation - direct placements	89,733	-	(49,589)	40,144	40,144
Unamortized premiums - GO	965,782	-	(238,837)	726,945	-
Limited obligation	61,685,958	-	(5,109,907)	56,576,051	5,219,004
Limited obligation - direct placements	41,426	-	(21,163)	20,263	20,263
Unamortized premiums - LO	1,478,633	-	(167,605)	1,311,028	-
Revenue	279,575,000	79,635,000	(6,345,000)	352,865,000	6,620,000
Revenue bond anticipation note - direct borrowing	-	181,000,000	-	181,000,000	-
Unamortized premiums - Revenue Bonds	24,425,160	3,749,684	(1,256,647)	26,918,197	-
Installment financings through direct borrowing:					
Bank loan	8,191,114	-	(2,824,440)	5,366,674	2,861,491
Other long-term obligations:					
IT subscription liabilities	222,619	702,481	(261,365)	663,735	225,468
Landfill post closure costs	1,754,433	-	(405,606)	1,348,827	385,379
Accrued compensated absences	3,842,312	1,694,780	(1,787,714)	3,749,378	1,841,432
Total OPEB liability	40,889,509	2,328,698	(6,652,757)	36,565,450	2,024,151
Net pension liability - LGERS	27,112,815	7,113,049	(5,139,781)	29,086,083	-
Total business-type activities	<u>\$ 458,300,714</u>	<u>\$ 276,223,692</u>	<u>\$ (31,874,078)</u>	<u>\$ 702,650,328</u>	<u>\$ 20,862,192</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

H. Fund Balance

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

	General Fund	Debt Service Fund	Capital Projects Fund	Grants Fund	Non-Major Governmental Funds
Total Fund Balance	\$ 128,429,397	\$ 40,241,583	\$ 192,622,975	\$ 3,065,169	\$ 59,426,817
Less:					
Inventories	691,309	-	-	-	-
Notes receivable	-	-	-	-	-
Stabilization by State Statute	53,140,871	-	73,487,856	-	-
Other functions	-	-	-	-	-
Debt service	-	40,241,583	-	-	-
Grantors, community development, emergency communications transportation, recreation and public safety	2,470,106	-	1,405,148	3,065,169	58,760,228
Capital projects, streets, economic development, parks and recreation and buildings	1,045,884	-	117,729,971	-	666,589
Subsequent year's appropriation	8,462,654	-	-	-	-
Remaining Fund Balance	<u>\$ 62,618,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

I. Encumbrances

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain open at year-end. The encumbrances at year-end totaled \$10,556,956 for the General Fund, \$73,487,856 for the Capital Projects Fund, \$10,691,900 in the Grants Fund, and \$8,437,150 in the Non-Major Governmental Funds. These encumbrances are restricted and included in stabilization by state statute where appropriate.

Note IV – Other

A. Pending Claims

Risk Management

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

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

The pending claims liability of the Risk Management Internal Service Fund of \$12,342,639 reported in the statement of net position along with the Health Fund claims in the next section below at June 30, 2024 is based on the requirements of Governmental Accounting Standards Board Statement Number 10, which require that a liability for claims be reported if information prior to the issuance of the basic financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The current portion of those pending claims at June 30, 2024 is \$4,623,235. Changes in the claims liability are as follows:

	Beginning of Year	Claims, Fees and Changes in Estimates	Payments	End of Year
2022	\$ 9,526,362	\$ 3,094,050	\$ (4,934,219)	\$ 7,686,193
2023	7,686,193	7,859,622	(4,915,229)	10,630,586
2024	10,630,586	14,846,244	(13,134,191)	12,342,639

Health Insurance

The City is self-insured for health insurance coverage for City employees and retirees. The City also has a self-insured dental plan for current employees only and retirees are not included in the plan. Prior to fiscal year 2013 the dental pending claims was recorded in the General Fund. On September 1, 2011, the City organized the Employees Insurance Fund as an Internal Service Fund. Contributions to the fund are made by the City for current employees and retirees and also from current employees and retirees for their required portions. The City has a private company administer the benefits pursuant to administrative services agreements and maintains excess insurance coverage with private carriers for health and dental claims. The outstanding liability is for health and dental pending claims both reported and incurred but not reported and is recorded in the Government-wide financial statements.

The current portion of those pending claims at June 30, 2024 is \$3,685,471. Changes in the liability follow:

	Beginning of Year	Claims, Fees and Changes in Estimates	Payments	End of Year
2022	\$ 3,714,783	\$ 45,727,395	\$ (45,804,232)	\$ 3,637,946
2023	3,637,946	44,481,708	(44,607,131)	3,512,523
2024	3,512,523	47,119,745	(46,946,797)	3,685,471

B. Jointly Governed Organizations

Research Triangle Regional Public Transportation Authority

The City, in conjunction with other area local governments, is a member of the Research Triangle Regional Public Transportation Authority, also known as GoTriangle. There are ten voting members, of which the City and Durham County appoint one member each and jointly appoint a third member. The Transportation Authority possesses final decision-making ability and is solely responsible for the management, budget, and fiscal operations of the Transportation Authority.

Central Pines Regional Council

The City of Durham along with twenty-five other municipalities and seven counties, established the Central Pines Regional Council (formerly known as the Triangle J Council of Governments). The participating governments established the Central Pines Regional Council to coordinate various funding received from federal and state agencies. Each participating member appoints one official to the governing board of the Central Pines Regional Council. The City paid membership fees of \$99,415 to the Council during the fiscal year ending June 30, 2024.

C. Joint Ventures

Convention Center

The Durham Convention Center Authority (the "Authority") is a joint venture with equity interest established by the City and County of Durham and is assigned such powers as necessary, reasonable, and practicable for the operation and maintenance of the Convention Center facility. The Authority consists of seven members who are appointed to three-year terms. Three members are appointed by the City and three members by the County, with the seventh member selected by the six members appointed by the City and County. The members elect from its membership a Chairman and Vice Chairman. Oak View Group has a contract with the Authority and manages the operation of the Convention Center for the City and the County. The City and the County share all operating costs and all operating revenues equally. The total investment in joint venture for the City recorded in the statement of net position for governmental activities for the Convention Center at June 30, 2024 is \$5,164,520. Financial statements for the Convention Center are located at the City of Durham, 101 City Hall Plaza, Durham, North Carolina 27701.

Discover Durham

The Durham Convention and Visitors Bureau (the "Bureau") is a joint venture with equity interest established by the City and the County of Durham with the City having a 42.5% equity interest and the County having a 57.5% equity interest. It was established in the fiscal year 1989 to promote and solicit business, conventions, meetings, and tourism. The governing body of the Bureau is an eleven-member Board of Directors with five members appointed by the City, five members appointed by the County and the eleventh member selected by the ten members appointed by the City and County. The Durham City Council and the Durham County Board of Commissioners must approve the budget and all amendments. Funding is derived from an occupancy tax levied upon the rental of rooms, lodging or similar accommodations in the City and County of Durham. Monthly, the County is required to distribute to the Bureau a percentage of the tax collected. At June 30, 2024, the City recorded an equity interest in the Bureau of \$59,125 which is included in the investment in joint venture in the statement of net position. Complete financial statements may be obtained at the administrative offices of the Bureau at 212 West Main Street, Suite 101, Durham, North Carolina 27701.

Raleigh Durham Airport Authority

The Raleigh Durham Airport Authority is a joint venture without equity interest; it is governed by an eight-member board, of which two members are appointed by the City, Wake and Durham Counties and the City of Raleigh. The City is not able to impose its will on appointed members. Each government contributes \$12,500 annually for administration of the Authority. The Authority possesses final decision-making ability and is solely responsible for the management, budget, and fiscal operations of the Authority. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2024. Complete financial statements of the Authority may be obtained from the Authority's administrative offices at Raleigh Durham International Airport, North Carolina 27623.

D. Related Organization

Durham Housing Authority

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

E. Post-Retirement Benefits

Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan Description: For employees of the City hired prior to July 1, 2008 the City has elected to provide post-retirement healthcare benefits for retirees who elect to continue group health insurance until age 65. This is a single-employer OPEB plan. To be eligible for the benefits such retirees must participate in the North Carolina State Retirement system, be under the age of 65, and been a member of the City's group health plan for 90 days prior to their retirement date. If an employee leaves City employment and returns after a period of more than 60 days, they are not eligible for this benefit. For eligible retirees, the City provides a subsidy that ranges from 50% to 100%, based on coverage, of the premium charged by the provider for retirees and eligible dependent health insurance. The subsidy is on the city's contribution to the premium, the retiree is required to pay their portion of the premium and that is the same as current employees pay. The City determines the subsidy of the retiree's healthcare cost based on the years of service with the City using the following percentages: 10 years 50%, 15 years 75% and 20 years 100%. This benefit will end when the retiree reaches age 65. At that time the retiree will receive the supplemental Medicare benefit provided they meet the eligibility requirements. During the year ended June 30, 2023, 446 employees hired prior to July 1, 2008 received this benefit. At June 30, 2024 there were 588 active employees on the City's payroll that were hired prior to July 1, 2008.

Under a City resolution adopted as of July 1, 2008 employees hired after June 30, 2008 by the City requires mandatory participation in a Retirement Health Savings Plan (RHS). The plan provides a vehicle for employees to save pretax dollars for future tax-free withdrawals to pay qualified medical expenses. Both the City and the employee are required to contribute to the plan, the City's cost is \$35 per biweekly pay period and the employees cost is 2% of wages with a \$1,000 maximum contribution per fiscal year. The amount of the City contributions that an employee will receive at retirement is based on years of service with the City. The percentages are the same as for employees hired prior to July 1, 2008; 10 years 50%, 15 years 75% and 20 years 100%. This single employer defined contribution plan is administered by MissionSquare Retirement.

Supplemental Medicare

The City has elected to provide a Medicare supplement reimbursement benefit for retirees who elect to have supplemental insurance when turning age 65. To be eligible for this benefit the retiree must be retired from the City, must have been employed at least 10 calendar years of regular full-time service with the City, must be receiving a monthly benefit from the North Carolina Local Governmental Employees Retirees System, must remain on the City's medical insurance until turning 65 and must be at least 65 years of age. Spouses and other dependents are not eligible for this benefit. Former employees meeting the qualifications will receive reimbursement of a specified dollar amount based on their age as follows: age 65, \$93, age 66-69, \$97, age 70-74, \$104 and age 75 and over, \$109 per month. Former employees meeting the eligibility requirements are reimbursed for their purchase of Medicare supplemental insurance, Medicare Advantage or Medicare Part B. For the year ended June 30, 2024 there were 513 former employees that received benefits totaling \$609,418. For the year ended June 30, 2023 the numbers were 512 and \$609,606, respectively. The Supplemental Medicare covers all employees that meet the eligibility requirements stated above.

The City has no assets accumulated in a trust that meets the criteria of GAAP for either the healthcare or supplemental Medicare benefits.

Employees covered by the healthcare and supplemental Medicare benefit terms at the measurement date are:

Retirees presently receiving benefits	914
Active employees eligible for benefits	588
Total	<u>1,502</u>

Total OPEB Liability: The City's total OPEB liability of \$151,071,928 was determined through an actuarial valuation report prepared as of June 30, 2024 using a measurement date of June 30, 2024, which is being used for this year's reporting.

Summary of significant accounting policies: The City has chosen to fund OPEB benefits on a pay as you go basis. Postemployment benefits are contributed to the Employee Insurance Fund from the individual Funds where the retired employees worked. Insurance claims and the Medicare Supplement payments are paid from the Employee Insurance Fund, an Internal Service Fund. The contribution requirements of the City's funds are based on the estimated cost of providing health insurance and Medicare Supplement reimbursement. The Employee Insurance Fund financial statements are prepared using the accrual basis of accounting. Plan member and City contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Actuarial Assumptions: The entry age actuarial cost method was used for the June 30, 2024 actuarial valuation. Further, the total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.21%
Initial health care trend rate	6.00% to 7.00%
Ultimate health care trend rate	4.50%

The discount rate used to measure the Total OPEB Liability is the S&P Municipal Bond 20-year High-Grade Rate Index at June 30, 2024.

Mortality rates in the full actuarial valuation were set using the PubG.H-2010 Mortality Table – General for Non-Law Enforcement and PubS.H-2010 Mortality Table – Safety for Law Enforcement.

Changes in the Total OPEB Liability	
Total OPEB liability as of June 30, 2023	\$ 161,280,750
Service cost	\$ 2,293,076
Interest on the total OPEB liability	6,485,594
Difference between expected & actual experience	(11,340,789)
Changes of assumptions and other inputs	842,460
Benefit payments	(8,489,163)
Net changes	(10,208,822)
Total OPEB liability as of June 30, 2024	\$ 151,071,928

Changes of assumptions and other inputs include a change in the discount rate from 4.13% for the 2023 fiscal year to 4.21% for the 2024 fiscal year.

Sensitivity of the City's total OPEB liability to changes in the discount rate: The following presents the City's total OPEB liability calculated using the discount rate of 4.21%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.21%) or 1 percentage point higher (5.21%) than the current rate:

	1% Decrease (3.21%)	Discount Rate (4.21%)	1% Increase (5.21%)
Total OPEB liability	\$ 163,246,104	\$ 151,071,928	\$ 140,197,763

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0% to 6.0% decreasing to 3.5%) or 1-percentage-point higher (7.0% to 8.0% decreasing to 5.5%) than the current healthcare cost trend rates:

	1% Decrease (5.0% to 6.0% decreasing to 3.5%)	Health Care Trend Rate (6.0% to 7.0% decreasing to 4.5%)	1% Increase (7.0% to 8.0% decreasing to 5.5%)
Total OPEB liability	\$ 140,739,578	\$ 151,071,928	\$ 162,617,789

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2024, the City recognized OPEB expense of \$10,673,742. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,525,870	\$ 8,882,571
Changes of assumptions	6,473,233	10,860,562
	<u>\$ 11,999,103</u>	<u>\$ 19,743,133</u>

Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2025	\$ (1,169,803)
2026	(2,874,920)
2027	(2,303,406)
2028	(1,395,901)
Total	<u>\$ (7,744,030)</u>

Death Benefits

For disabled retirees, the City pays for one year of life insurance premium in the City's group life insurance plan, the coverage is equal to their annual salary at the time of retirement rounded to the nearest thousand dollars. The City paid \$267 in premiums for this coverage for the year ended June 30, 2024. The amounts are paid from the Employee Insurance Fund.

F. Other Employment Benefits

Death Benefit Plan

The City provides death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (LERS), a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The benefit is paid to beneficiaries of employees who die while still in active service after one year as a contributing member or die within 180 days of their last day of service, provided the contributions have not been withdrawn. The benefit is a lump-sum payment equal to the employee's highest salary for 12 consecutive months during the 24 months prior to the employee's death. The lump-sum payment will be at least \$25,000 but no more than \$50,000. All death benefit payments are made from the Death Benefit Plan. The City 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. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2024, the City made required

contributions of \$48,145 to the State for death benefits for employees engaged in law enforcement at a rate that represented 0.14% of covered payroll.

Life Insurance

The City provides paid life insurance to all full-time and part-time benefit eligible City of Durham employees. The life insurance benefit amount is equal to the employee's annual salary on 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 and Domestic partner 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 City 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.

G. Employee Retirement

The North Carolina Retirement Systems

Plan description: The City of Durham is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided: LGERS provides retirement, disability, 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. General employee 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. General employee plan members are eligible to retire with reduced 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). Survivor benefits are available to eligible beneficiaries of general employee plan 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 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the General Assembly.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with reduced retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with reduced retirement benefits. 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 an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly

Survivor's Alternate Benefit for life in lieu of a return of the member's contributions that is generally available to beneficiaries of deceased members.

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically and affirmed annually by the LGERS Board of Trustees. The Board establishes a funding policy from which accrued liability rates and normal contribution rates are developed by the consulting actuary for general employees and firefighters as well as for law enforcement officers. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. The City of Durham's contractually required contribution rate for the year ended June 30, 2024, was 14.04% of compensation (14.10% base rate plus 0.14% for death benefit less 0.20% for court cost offset) for law enforcement officers and 12.85% for general employees and firefighters. These were different than the actuarially determined contributions. The employer contribution rate for law enforcement officers was higher than the actuarially determined contribution of 13.44%. The employer contribution rate for general employees and firefighters was higher than the actuarially determined contribution of 11.66%. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. Contributions to the pension plan from the City of Durham were \$23,636,310 for the year ended June 30, 2024.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2024, the City reported a liability of \$133,594,884 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City'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. For the measurement period used for the year ended June 30, 2024, the City's proportion was 2.017%, which is a decrease of .019% from its proportion measured for the year ended June 30, 2023.

For the year ended June 30, 2024, the City recognized pension expense of \$37,043,019. At June 30, 2024 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,886,426	\$ 320,478
Changes of assumptions	5,677,012	-
Net difference between projected and actual earnings on pension plan investments	35,755,839	-
Changes in proportion and differences between City contributions and proportionate share of contributions	34,824	4,536,671
City contributions subsequent to the measurement date	23,636,310	-
Total	<u>\$ 79,990,411</u>	<u>\$ 4,857,149</u>

The \$23,636,310 reported as deferred outflows of resources (listed above) resulted from City contributions made subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2025	\$ 18,797,188
2026	8,590,568
2027	22,597,251
2028	1,511,945
	<u>\$ 51,496,952</u>

Actuarial Methods and Assumptions - The total pension liability was determined by an actuarial valuation performed as of December 31, 2022. The total pension liability was calculated using update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2023. The updated procedures incorporated the actuarial assumptions used in the valuation. The entry age normal actuarial cost method was utilized. The following actuarial assumptions were applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.25%, including inflation (2.50%) and productivity factor (0.75%)
Investment rate of return	6.5% including inflation assumption, net of pension plan investment expense

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

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

The actuarial assumptions used in the December 31, 2022, valuations were based on the results of an actuarial experience review for the period January 1, 2015, through December 31, 2019. This actuarial experience review is reflected in the schedule of pension amounts as deferred outflows of resources in the column titled "changes of assumptions". Certain changes of assumptions subsequent to the experience review are also reflected as deferred outflows on the schedule of pension amounts.

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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33%	0.9%
Global Equity	38%	6.5%
Real Estate	8%	5.9%
Alternatives	8%	8.2%
Opportunistic Fixed Income	7%	5.0%
Inflation Sensitive	6%	2.7%
Total	100%	

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study that was completed in early 2022 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%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount rate - The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assumed that contributions from plan members will be made at the current statutory contribution rate and that contributions from the City will be made at the contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 231,447,887	\$ 133,594,884	\$ 53,033,124

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.

Supplemental Retirement Income Plan for Law Enforcement Officers and Non-Law Enforcement Employees

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

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 12E of G.S. Chapter 143 requires the City to contribute an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. The City also contributes 5.0% of its full-time non-law enforcement employees' salaries to the plan. Employees may also make voluntary contributions to the plan. Contributions for the year ending June 30, 2024 were \$1,719,465 for law enforcement officers and \$7,319,108 for non-law enforcement employees. Voluntary contributions from all employees were \$4,288,087 for the tax deferred portion of the 401(k) plan and \$2,117,449 for the Roth 401(k) portion of the plan.

Deferred Compensation

All permanent City employees and elected officials may participate in a deferred compensation program designated as an Internal Revenue Code Section 457 plan. Voluntary contributions from all employees were \$2,043,676 for the year ended June 30, 2024.

The City contributes to the deferred compensation plan for firefighters who do not have social security taxes deducted from their wages. The amount contributed is a match to the employee's contribution; the employee must contribute the required percentage to receive a City match. For the year ending June 30, 2024 the required percentage was 5%. The amount contributed by the City was \$1,359,496, which is for wages amounting to \$27,189,926. The City also contributes an amount to the City Manager in accordance with their contract. The amount contributed for fiscal year 2024 was \$25,624.

Law Enforcement Officers' Special Separation Allowance

Plan Description: The City of Durham administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers 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 .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. For reporting purposes, the Separation Allowance is presented in the General Fund.

The Separation Allowance covers all full-time law enforcement officers of the City. On December 31, 2022, the System's membership consisted of:

Members presently receiving benefits	118
Active plan members	415
Total	533

Summary of significant accounting policies

Basis of accounting: the City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund which is maintained on the modified accrual basis of accounting. 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 in GASB Statement 73.

Actuarial Assumptions: The entry age actuarial cost method was used in the December 31, 2022 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.00 percent
Cost of living adjustments	N/A

The discount rate used to measure the Total Pension Liability was the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date of December 31, 2023.

Mortality rates were based on Pub-2010 amount-weighted tables and projected from 2010 using generational improvement with Scale MP-2019.

Contributions: The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations in the General Fund operating budget. There were no contributions made by employees and the City's obligation to contribute to the plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed as part of the City's budget for the pension expenses. The City paid \$2,551,482 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: On June 30, 2024, the City reported a total pension liability of \$35,399,216. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the City recognized pension expense of \$4,573,301.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,698,917	\$ -
Changes in assumptions	3,504,356	3,804,011
City benefit payments and plan administrative expense made subsequent to measurement date	1,315,697	-
Total	<u>\$ 8,518,970</u>	<u>\$ 3,804,011</u>

The \$1,315,697 reported as deferred outflows of resources related to pensions resulting from City benefit payments expenses made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. The Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2025	\$ 1,925,232
2026	1,308,622
2027	(127,642)
2028	148,056
2029	144,994
	<u>\$ 3,399,262</u>

Sensitivity of the City's total pension liability to changes in the discount rate: The following presents the City's total pension liability calculated using the discount rate of 4.00 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.00%) or 1 percentage point higher (5.00%) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	\$ 38,076,749	\$ 35,399,216	\$ 32,944,733

Schedule of changes in total pension liability:

Total pension liability as of December 31, 2022		\$ 33,109,627
Service cost	\$ 985,432	
Interest on the total pension liability	1,372,040	
Difference between expected and actual experience	1,745,556	
Changes of assumptions and other inputs	738,043	
Benefit payments	(2,551,482)	
Net changes		<u>2,289,589</u>
Total pension liability as of December 31, 2023		<u>\$ 35,399,216</u>

The plan currently uses mortality tables that vary by age, 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, 2022 valuation were based on the results of an experience study completed by the Actuary for the North Carolina Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

The aggregate pension expense reported by the City for the year ended June 30, 2024 was:

LGERS	\$ 37,043,019
Separation Allowance	4,573,301
	<u>\$ 41,616,320</u>

H. Landfill Closure and Post Closure Care Costs

The City owns a landfill site located in the northeast portion of the City. State and federal laws and regulations required the City to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each June 30. The \$1,348,827 reported as landfill closure and post-closure care liability on June 30, 2024 is based on the use of 100% of the estimated capacity of the landfill.

The City closed the landfill December 31, 1997. The City will adjust the estimated amount to perform all closure and post-closure care as the amount changes. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. On June 30, 2024, the City had expended \$11,636,252 in closure costs for the Club Boulevard facility. The City has met the requirements of a local government financial test that is an option under state and federal laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements.

Changes in the liability are as follows:

	Beginning of Year	Changes in Estimates	Payments	End of Year
2023	2,204,985	(156,571)	(293,981)	1,754,433
2024	1,754,433	(100,214)	(305,392)	1,348,827

I. Federal and State Assisted Programs

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

J. New Pronouncements

The GASB has issued Statement 101, "Compensated Absences." 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. The requirements for this statement are effective for financial statement reporting periods beginning after December 15, 2023.

The GASB has issued Statement 102, "Certain Risk Disclosures". The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements for this statement are effective for financial statement reporting periods beginning after June 15, 2024.

The GASB has issued Statement 103, "Financial Reporting Model Improvements." The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements for this statement are effective for financial reporting periods beginning after June 15, 2025.

The GASB has issued Statement 104, "Disclosure of Certain Capital Assets." The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter

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

K. Contingencies

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

L. Subsequent Events

The City has evaluated events through October 31, 2024, in connection with preparation of these financial statements, which is the date the financial statements were ready to be issued.

The following financial statements have been compiled from the audited financial statements of the City for the fiscal years ended June 30, 2024, 2023, and 2022.

City of Durham, North Carolina
General Fund
Balance Sheet
As of June 30, 2024, 2023, and 2022

	2024	2023	2022
Assets			
Cash and cash equivalents	\$ 108,012,187	\$ 117,330,457	\$ 112,237,272
Receivables, net:			
Accounts receivable	2,096,666	2,447,281	1,575,183
Assessments receivable	149,324	168,861	181,978
Taxes receivable	1,107,902	1,396,554	903,669
Lease receivable	320,754	365,985	455,846
Due from other governments	38,909,269	32,863,384	33,854,106
Inventories	691,309	679,575	629,591
Total assets	<u>\$ 151,287,411</u>	<u>\$ 155,252,097</u>	<u>\$ 149,837,645</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	\$ 10,742,199	\$ 9,403,186	\$ 11,653,329
Accrued payroll	393,250	301,799	4,414,641
Employee taxes and related withholdings	5,854,930	6,495,278	4,889,400
Deposits and payments held in escrow	3,598,639	4,111,895	4,295,806
Unearned revenue	581,327	498,432	407,103
Total liabilities	<u>21,170,345</u>	<u>20,810,590</u>	<u>25,660,279</u>
Deferred Inflows of Resources			
Prepaid taxes	106,113	49,907	112,685
Leases	324,329	371,593	458,388
Unavailable revenues	1,257,227	795,175	315,407
Total deferred inflows of resources	<u>1,687,669</u>	<u>1,216,675</u>	<u>886,480</u>
Fund balances			
Nonspendable:			
Inventories	691,309	679,575	629,591
Restricted:			
Stabilization by State Statute	53,140,871	53,423,598	47,170,686
Committed:			
Community development	2,470,106	2,195,470	1,865,569
Parks and recreation	1,045,884	768,872	349,532
Assigned:			
Other purposes	8,462,654	-	-
Unassigned	62,618,573	76,157,317	73,275,508
Total fund balances	<u>128,429,397</u>	<u>133,224,832</u>	<u>123,290,886</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 151,287,411</u>	<u>\$ 155,252,097</u>	<u>\$ 149,837,645</u>

The accompanying notes are an integral part of these financial statements.

City of Durham, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2024, 2023 and 2022

	2024	2023	2022
Revenues			
Property taxes	\$ 238,105,759	\$ 229,113,814	\$ 216,606,281
Licenses and permits	523,412	427,790	498,654
Intergovernmental revenues	21,320,703	20,208,240	19,048,942
Charges for services	11,558,498	10,428,036	10,759,137
Investment and rental income	292,743	154,965	195,515
Intragovernmental services	-	658,104	688,585
Assessments	43,693	13,117	17,315
Miscellaneous	374,561	475,394	374,080
Total revenues	<u>272,219,369</u>	<u>261,479,460</u>	<u>248,188,509</u>
Expenditures			
General government	30,652,733	28,900,889	26,492,833
Public safety	137,922,530	129,877,599	121,026,214
Development	21,715,780	21,043,628	19,952,321
General services	23,765,390	20,722,223	18,283,620
Parks and recreation	19,597,729	17,311,850	16,283,146
Streets and highways	23,155,438	18,893,441	16,394,635
Debt service:			
Principal	1,730,723	1,710,104	1,368,531
Interest and other charges	133,771	125,017	120,988
Total expenditures	<u>258,674,094</u>	<u>238,584,751</u>	<u>219,922,288</u>
Revenues over expenditures	<u>13,545,275</u>	<u>22,894,709</u>	<u>28,266,221</u>
Other financing sources (uses)			
Sale of property	662,894	428,025	625,267
Lease liabilities issued	-	912,548	1,917,709
IT subscription liabilities issued	-	453,650	-
Transfers from other funds:			
Enterprise funds	160,000	160,000	-
Transfers to other funds:			
Special revenue funds	(471,203)	(4,639,985)	(530,032)
Capital projects funds	(18,492,401)	(10,075,001)	(11,395,000)
Enterprise funds	(200,000)	(200,000)	(200,000)
Total other financing uses	<u>(18,340,710)</u>	<u>(12,960,763)</u>	<u>(9,582,056)</u>
Net change in fund balances	<u>(4,795,435)</u>	<u>9,933,946</u>	<u>18,684,165</u>
Fund balance, beginning of year	<u>133,224,832</u>	<u>123,290,886</u>	<u>104,606,721</u>
Fund balance, end of year	<u><u>\$ 128,429,397</u></u>	<u><u>\$ 133,224,832</u></u>	<u><u>\$ 123,290,886</u></u>

The accompanying notes are an integral part of these financial statements.

City of Durham, North Carolina
Debt Service Fund
Balance Sheet
As of June 30, 2024, 2023, and 2022

	2024	2023	2022
Assets			
Cash and cash equivalents	\$ 39,427,452	\$ 31,412,782	\$ 19,709,764
Restricted cash and cash equivalents	8,150	15,632	23,345,053
Due from other governments	823,470	289,868	497,773
Total assets	<u>\$ 40,259,072</u>	<u>\$ 31,718,282</u>	<u>\$ 43,552,590</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	\$ 17,489	\$ 8,189	\$ 55,387
Total liabilities	<u>17,489</u>	<u>8,189</u>	<u>55,387</u>
Fund balances			
Assigned:			
Other purposes	40,241,583	31,710,093	43,497,203
Total fund balances	<u>40,241,583</u>	<u>31,710,093</u>	<u>43,497,203</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 40,259,072</u>	<u>\$ 31,718,282</u>	<u>\$ 43,552,590</u>

The accompanying notes are an integral part of these financial statements.

City of Durham, North Carolina
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2024, 2023 and 2022

	2024	2023	2022
Revenues			
Property taxes	\$ 47,960,464	\$ 46,467,691	\$ 44,691,658
Intergovernmental	-	-	199,569
Investment and rental income	1,735,545	885,794	(382,072)
Total revenues	<u>49,696,009</u>	<u>47,353,485</u>	<u>44,509,155</u>
Expenditures			
General government	541,041	526,510	509,203
Debt service:			
Principal	22,267,230	23,786,919	22,981,696
Interest and other charges	11,024,036	7,744,920	7,497,711
Total expenditures	<u>33,832,307</u>	<u>32,058,349</u>	<u>30,988,610</u>
Revenues over expenditures	<u>15,863,702</u>	<u>15,295,136</u>	<u>13,520,545</u>
Other Financing Sources (Uses)			
Issuance of debt	78,705,026	-	21,167,899
Premiums on issuance of debt	8,904,838	-	2,484,229
Payment to refunded bond escrow agent	(86,192,857)	(23,330,722)	-
Bond anticipation notes	-	-	113,731
Transfers from other funds:			
Enterprise funds	1,454,316	1,993,487	-
Transfers to other funds:			
Capital projects funds	(7,738,071)	(4,056,561)	-
Enterprise funds	(2,465,464)	(1,688,449)	(12,994,692)
Total other financing sources (uses)	<u>(7,332,212)</u>	<u>(27,082,245)</u>	<u>10,771,167</u>
Net change in fund balance	<u>8,531,490</u>	<u>(11,787,109)</u>	<u>24,291,712</u>
Fund balance, beginning of year	<u>31,710,093</u>	<u>43,497,202</u>	<u>19,205,491</u>
Fund balance, end of year	<u><u>\$ 40,241,583</u></u>	<u><u>\$ 31,710,093</u></u>	<u><u>\$ 43,497,203</u></u>

The accompanying notes are an integral part of these financial statements.

The following budget statements have been compiled from the budget ordinance and related amendments of the City for the fiscal year ending June 30, 2025.

City of Durham, North Carolina
Compiled Budget - General and Debt Service Funds
For the Fiscal Year Ending June 30, 2025
As of January 31, 2025

	General Fund	Debt Service Fund
Estimated Revenues		
Property taxes	\$ 261,514,703	\$ 49,141,968
Licenses and permits	519,250	-
Intergovernmental revenues	22,247,230	-
Charges for services	11,924,221	-
Investment and rental income	123,965	1,826,431
Intragovernmental services	-	-
Assessments	15,000	-
Miscellaneous	550,000	-
Total estimated revenues	296,894,369	50,968,399
 Appropriations		
General government	54,635,737	565,251
Public safety	148,254,902	-
Development	28,951,815	-
General services	25,429,045	-
Parks and recreation	22,577,517	-
Streets and highways	23,441,512	-
Debt service:		
Principal	-	31,254,239
Interest and other fees	-	13,663,397
Total appropriations	303,290,528	45,482,887
 Estimated revenues over (under) appropriations	(6,396,159)	5,485,512
 Other financing sources (uses)		
Sale of Property	750,000	-
Transfers from other funds:		
Enterprise funds	160,000	1,050,000
Transfers to other funds:		
Capital projects funds	(15,725,000)	(10,232,917)
Enterprise funds	(100,000)	(1,750,141)
Special revenue funds	(524,418)	-
Appropriated fund balance	21,835,577	5,447,546
Total other financing sources (uses)	6,396,159	(5,485,512)
 Estimated revenues and other financing sources over appropriations and other financing uses	\$ -	\$ -

Compiled by the staff of the Finance Department of the City of Durham.

**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

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Letterhead of Parker Poe Adams & Bernstein LLP]

May __, 2025

City of Durham, North Carolina
Durham, North Carolina

\$ _____
City of Durham, North Carolina
General Obligation Bonds,
Series 2025

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of \$ _____ aggregate principal amount of City of Durham, North Carolina (the “City”) General Obligation Bonds, Series 2025 (the “2025 Bonds”). The 2025 Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times, and will be subject to redemption, all as provided in the Bond Resolution adopted by the City Council of the City (the “City Council”) on March 17, 2025 (the “Bond Resolution”).

In connection with the issuance of the 2025 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 \$115,000,000 General Obligation Streets and Sidewalks Bonds of the City adopted by the City Council on June 17, 2024 and approved by the voters on November 5, 2024 at a referendum duly called and held, and (b) the bond order authorizing the issuance of up to \$85,000,000 General Obligation Parks and Recreation Bonds of the City adopted by the City Council on June 17, 2024 and approved by the voters on November 5, 2024 at a referendum duly called and held;

(b) The Bond Resolution;

(c) A specimen of the 2025 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 2025 Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina, including The Local Government Bond Act, Section 159-43 *et seq.*, of the General Statutes of North Carolina, as amended.

2. The 2025 Bonds are legal, valid and binding general obligations of the City.

3. The City has pledged its faith and credit for the payment of the principal of and the interest on the 2025 Bonds. The City is authorized to levy on all property taxable by the City such *ad valorem* taxes necessary to pay the principal of and interest on the 2025 Bonds without limitation as to rate or amount.

4. Interest on the 2025 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 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 City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2025 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the 2025 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2025 Bonds. We express no opinion regarding other federal tax consequences related to the ownership of or the receipt, accrual or amount of interest with respect to the 2025 Bonds.

5. Interest on the 2025 Bonds is exempt from State of North Carolina income taxation.

Our services as bond counsel in connection with the issuance of the 2025 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 2025 Bonds and the tax-exempt 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 2025 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 City or the ability of the City to make the payments required on the 2025 Bonds that may have been relied on by anyone in making the decision to purchase the 2025 Bonds.

The rights of the owners of the 2025 Bonds and the enforceability of the 2025 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, opinions 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 accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing on such public records, certifications, documents, opinions and proceedings.

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 are based on information furnished by DTC.

DTC will act as a 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 each series 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.

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 City 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 detailed information from the City, 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 City 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 City'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 a securities depository with respect to the Bonds at any time by giving reasonable notice to the City. 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 City may decide to discontinue the 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 City takes no responsibility for the accuracy thereof.

The City 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 CITY 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.