New Issue / Book-Entry-Only

Ratings: Moody's: Aa1
S&P: AA+
(See "RATINGS" herein)

$28,890,000
Limited Obligation Bonds
Series 2024

Evidencing Proportionate Undivided Interests in the Rights to Receive Certain Revenues Pursuant to an Installment Financing Contract Between Wilmington Future, Inc. and the

CITY OF WILMINGTON, NORTH CAROLINA

Dated: Date of Delivery **Due: June 1, as shown on the inside cover**

This Official Statement has been prepared by the City of Wilmington, North Carolina (the "*City*") to provide information in connection with the execution and delivery of the Limited Obligation Bonds, Series 2024 (the "*2024 Bonds*"). Selected information is presented on this cover page for the convenience of the user. Prospective purchasers of the 2024 Bonds should read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined have the meanings given such terms in this Official Statement.

Purposes: The proceeds of the 2024 Bonds will be used, together with other available funds, to (1) finance capital costs of (a) street, sidewalk, accessibility, streetscape, and Riverwalk improvements, (b) the acquisition of two blocks of riverfront property and the repair of a bulkhead wall on that property located along the future Water Street Park riverfront edge, and (c) a portion of the construction and equipping of a sports complex (collectively, the "*2024 Project*"), (2) refinance the City's installment payment obligations related to the Corporation's Limited Obligation Bonds, Series 2014A, maturing on and after June 1, 2025, and (3) pay the costs related to the execution, sale and delivery of the 2024 Bonds. See "**PLAN OF FINANCING**" herein.

Security: The 2024 Bonds will be executed and delivered pursuant to the Supplemented 2012 Indenture as further supplemented by the Sixth Supplement. The proceeds of the 2024 Bonds will be advanced by the Corporation to the City pursuant to the Amended 2012 Contract, as further amended by the Sixth Amendment. The 2024 Bonds evidence proportionate undivided interests in the rights to receive certain Revenues, including the Installment Payments to be made by the City under the Contract. The City's obligations under the Contract are secured by the Deed of Trust, and all money and securities held by the Trustee in certain funds and accounts under the Indenture. The 2024 Bonds are payable on a parity with the Parity Bonds and any Additional Bonds hereafter executed and delivered under the Indenture.

THE PRINCIPAL AND INTEREST WITH RESPECT TO THE 2024 BONDS ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE CITY PURSUANT TO THE CONTRACT, AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS UNDER THE INDENTURE AND, TO THE EXTENT PROVIDED IN THE INDENTURE, THE PROCEEDS DERIVED FROM THE EXERCISE OF CERTAIN RIGHTS AND REMEDIES GRANTED UNDER THE CONTRACT, INCLUDING FORECLOSURE AND SALE OF THE PREMISES PURSUANT TO THE DEED OF TRUST. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE CITY IN ANY ACTION FOR BREACH OF ANY CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE TO THE OWNERS OF THE 2024 BONDS.

See "**SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS**" herein.

Interest Payment Dates: June 1 and December 1 of each year, commencing December 1, 2024.

Denominations/ Registration: $5,000 or integral multiples thereof. Book-entry-only through DTC (see Appendix E hereto).

Prepayment: The 2024 Bonds are subject to optional prepayment prior to their maturities as described herein.

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*"), as described herein, the portion of the Installment Payments designated and paid as interest with respect to the 2024 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, the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds 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 for tax years beginning after December 31, 2022, and (2) the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is exempt from State of North Carolina income taxation. See "**TAX TREATMENT**" herein.

Delivery Date: On or about May 15, 2024.

Financial Advisor: Waters and Company, LLC, Birmingham, Alabama.

Counsel: Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, Bond Counsel; Meredith T. Everhart, Esq., Wilmington, North Carolina, City Attorney; J. Alan Campbell Law, Hillsborough, North Carolina, counsel to the Corporation; and Pope Flynn, LLC, Charlotte, North Carolina, counsel to the Underwriter.

RAYMOND JAMES®

Date of Official Statement: April 24, 2024

MATURITY SCHEDULE

$28,890,000 Limited Obligation Bonds, Series 2024

Due June 1	Principal Amount	Interest Rate	Yield	Price	CUSIP[1]
2025	$2,260,000	5.000%	3.360%	101.667	971697KZ9
2026	2,215,000	5.000	3.210	103.513	971697LA3
2027	2,215,000	5.000	3.030	105.686	971697LB1
2028	2,210,000	5.000	2.920	107.879	971697LC9
2029	2,210,000	5.000	2.880	109.886	971697LD7
2030	2,210,000	5.000	2.850	111.859	971697LE5
2031	2,210,000	5.000	2.860	113.564	971697LF2
2032	2,200,000	5.000	2.880	115.124	971697LG0
2033	930,000	5.000	2.900	116.600	971697LH8
2034	930,000	5.000	2.910	118.088	971697LJ4
2035	930,000	5.000	3.020*	117.043	971697LK1
2036	930,000	5.000	3.100*	116.290	971697LL9
2037	930,000	5.000	3.240*	114.985	971697LM7
2038	930,000	5.000	3.290*	114.524	971697LN5
2039	930,000	5.000	3.370*	113.790	971697LP0
2040	930,000	5.000	3.480*	112.790	971697LQ8
2041	930,000	5.000	3.590*	111.800	971697LR6
2042	930,000	5.000	3.650*	111.265	971697LS4
2043	930,000	5.000	3.710*	110.733	971697LT2
2044	930,000	5.000	3.730*	110.556	971697LU9

* Yield to call date of June 1, 2034 at par.

[1] CUSIP numbers have been assigned by an independent company not affiliated with the City, the Corporation or the Underwriter and are included solely for the convenience of the holders of the 2024 Bonds. None of the City, the Corporation or the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2024 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2024 Bonds.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the 2024 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the 2024 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 2024 Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

The information contained herein has been obtained from the City, the Corporation and other sources believed to be reliable. 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.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2024 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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$28,890,000
Limited Obligation Bonds
Series 2024

Evidencing Proportionate Undivided Interests
in the Rights to Receive Certain Revenues Pursuant to
an Installment Financing Contract
Between Wilmington Future, Inc. and the

CITY OF WILMINGTON, NORTH CAROLINA

INTRODUCTION

The purpose of this Official Statement, which includes the appendices, is to provide certain information in connection with the execution, sale and delivery of $28,890,000 Limited Obligation Bonds, Series 2024 (the "*2024 Bonds*"). The 2024 Bonds will be executed and delivered pursuant to an Indenture of Trust, dated as of June 15, 2012 (the "*2012 Indenture*"), between Wilmington Future, Inc. (the "*Corporation*") and U.S. Bank Trust Company, National Association, Charlotte, North Carolina, as successor trustee (the "*Trustee*") to U.S. Bank National Association, as supplemented and amended by Supplemental Indenture, Number 1, dated as of June 1, 2015 (the "*First Supplement*"), as supplemented and amended by Supplemental Indenture, Number 2, dated as of May 1, 2020 (the "*Second Supplement*"), as supplemented and amended by Supplemental Indenture, Number 3, dated as of May 1, 2021 (the "*Third Supplement*"), as supplemented and amended by Supplemental Indenture, Number 4, dated as of May 1, 2023 (the "*Fourth Supplement*"), and as supplemented and amended by Supplemental Indenture, Number 5, dated as of July 1, 2023 (the "*Fifth Supplement*" and collectively with the 2012 Indenture, the First Supplement, the Second Supplement, the Third Supplement, and the Fourth Supplement, the "*Supplemented 2012 Indenture*"), and as further supplemented and amended by Supplemental Indenture, Number 6, dated as of May 1, 2024 (the "*Sixth Supplement*," and collectively with the 2012 Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, and the Fifth Supplement, the "*Indenture*"), each between the Corporation and Trustee.

The Corporation has executed and delivered under the Indenture, (i) the $30,695,000 Refunding Limited Obligation Bonds, Series 2012 (the "*2012 Bonds*"), none of which is currently outstanding, (ii) $16,130,000 Limited Obligation Bonds, Series 2015A (the "*2015A Bonds*"), of which $11,940,000 is currently outstanding, (iii) $4,610,000 Taxable Limited Obligation Bonds, Series 2015B (the "*2015B Bonds*"), none of which is currently outstanding, (iv) $9,470,000 Limited Obligation Bonds, Series 2020B (the "*2020B Bonds*"), of which $8,055,000 is currently outstanding, (v) $6,430,000 Limited Obligation Bonds, Series 2021A (the "*2021A Bonds*"), all of which is currently outstanding, (vi) $12,760,000 Taxable Limited Obligation Bonds, Series 2021B (the "*2021B Bonds*"), of which $9,615,000 is currently outstanding, (vii) $23,980,000 Limited Obligation Bonds, Series 2023A (the "*2023A Bonds*"), all of which is currently outstanding, (viii) $23,800,000 Variable Rate Taxable Limited Obligation Bond, Series 2023B (the "*2023B Bond*"), all of which is currently outstanding, (ix) $10,200,000 Taxable Limited Obligation Bonds, Series 2023C (the "*2023C Bonds*"), all of which is currently outstanding, and (x) $30,090,000 Limited Obligation Bonds, Series 2023D (the "*2023D Bonds*"), all of which is currently outstanding.

The proceeds of the 2024 Bonds will be used, together with other available funds, to (1) finance capital costs of (a) street, sidewalk, accessibility, streetscape, and Riverwalk improvements, (b) the acquisition of two blocks of riverfront property and the repair of a bulkhead wall on that property located along the future Water Street Park riverfront edge, and (c) a portion of the construction and equipping of a sports complex (collectively, the "*2024 Project*"), (2) refinance the City's installment payment obligations related to the Corporation's Limited Obligation Bonds, Series 2014A, maturing on and after June 1, 2025, and (3) pay the costs related to the execution, sale and delivery of the 2024 Bonds. See "**PLAN OF FINANCING**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

The 2015A Bonds, the 2020B Bonds, the 2021A Bonds, the 2021B Bonds, the 2023A Bonds, the 2023B Bond, the 2023C Bonds, and the 2023D Bonds (collectively, the "*Parity Bonds*") and the 2024 Bonds (collectively with the Parity Bonds and any Additional Bonds, the "*Bonds*") evidence proportionate undivided interests in the rights to receive certain Revenues (as defined in the Indenture), which include the installment payments (the "*Installment Payments*") to be made by the City of Wilmington, North Carolina (the "*City*") pursuant to an Installment Financing Contract, dated as of June 15, 2012 (the "*2012 Contract*"), as amended by Amendment Number One to the Installment Financing Contract, dated as of June 1, 2015 (the "*First Amendment*"), as further amended by Amendment Number Two to the Installment Financing Contract, dated as of May 1, 2020 (the "*Second Amendment*"), as further amended by Amendment Number Three to the Installment Financing Contract, dated as of May 1, 2021 (the "*Third Amendment*"), as further amended by Amendment Number Four to the Installment Financing Contract, dated as of May 1, 2023 (the "*Fourth Amendment*"), as further amended by Amendment Number Five to the Installment Financing Contract, dated as of July 1, 2023 (the "*Fifth Amendment*" and collectively with the 2012 Contract, the First Amendment, the Second Amendment, the Third Amendment, and the Fourth Amendment, the "*Amended 2012 Contract*"), and as further amended by Amendment Number Six to the Installment Financing Contract, dated as of May 1, 2024 (the "*Sixth Amendment*" and collectively with the 2012 Contract, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment, the "*Contract*"), each between the City and the Corporation. The City is required under the Contract to make Installment Payments in an amount sufficient to pay the principal and interest with respect to the Parity Bonds and the 2024 Bonds and any Additional Bonds hereafter executed and delivered pursuant to the Indenture, subject to its right of nonappropriation as described herein.

Authorization. The City has previously entered into the Amended 2012 Contract and will enter into the Sixth Amendment pursuant to the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended. The Contract has been approved by the Local Government Commission of North Carolina (the "*LGC*"). See "**THE LOCAL GOVERNMENT COMMISSION**" herein.

Security for 2024 Bonds. To secure the performance by the City of its obligations under the Contract, including the payment of the Installment Payments thereunder, the City (i) has heretofore executed and delivered to a deed of trust trustee, for the benefit of the Corporation or its assignee, a Deed of Trust, Security Agreement and Fixture Filing dated June 26, 2012 (the "*2012 Deed of Trust*"), granting a first lien of record on the sites of the Operations Center, Fire Station No. 8, Fire Station No. 9, the Masonboro Fire Station, the Seagate Fire Station, and the Command Center, as more particularly described in Exhibit A to the 2012 Deed of Trust, together with all improvements and fixtures located and to be located thereon, subject only to certain permitted encumbrances as described in the Contract and the 2012 Deed of Trust, as extended by a Notice of Extension of Deed of Trust to Additional Property, dated as of June 1, 2015 (the "*First Extension*"), extending the lien created by the 2012 Deed of Trust to include the sites of the Cinema Drive and Shipyard Fire Stations, as more particularly described in Exhibit A to the First Extension, together with all improvements and fixtures located and to be located thereon, subject only to certain permitted encumbrances as described in the Contract and the 2012 Deed of Trust (as so extended), and as further extended by a Second Notice of Extension of Deed of Trust to Additional

Property, dated as of May 1, 2020 (the "*Second Extension*"), extending the lien created by the 2012 Deed of Trust (as previously extended) to include the sites of the Public Safety Training Facility and Firing Range, as more particularly described in Exhibit A to the Second Extension, and as further extended by a Third Notice of Extension of Deed of Trust to Additional Property, dated as of May 1, 2023 (the "*Third Extension*"), extending the lien created by the 2012 Deed of Trust (as previously extended) to include the site of the Riverlights Fire Station, as more particularly described in Exhibit A to the Third Extension, as further extended by a Fourth Notice of Extension of Deed of Trust to Additional Property, dated as of July 14, 2023 (the "*Fourth Extension*"), extending the lien created by the 2012 Deed of Trust (as previously extended) to include the site of the Northern Downtown Campus, as more particularly described in Exhibit A to the Fourth Extension, as further modified by a Deed of Partial Release, dated as of April 2, 2024 (the "*Partial Release*" and together with the Fourth Extension, the Third Extension, the Second Extension, the First Extension and the 2012 Deed of Trust, the "*Deed of Trust*"), releasing the site of the Command Center from the lien created by the 2012 Deed of Trust, subject only to certain permitted encumbrances as described in the Contract and the Deed of Trust (the sites of the Operations Center, Fire Station No. 8, Fire Station No. 9, the Masonboro Fire Station, the Seagate Fire Station, the Cinema Drive Fire Station, the Shipyard Fire Stations, the Public Safety Training Facility and the Firing Range, the Riverlights Fire Station, and the Northern Downtown Campus, together with all improvements and fixtures located and to be located thereon being hereinafter referred to as the "*Premises*"). See "**SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS—Deed of Trust**" herein. The Deed of Trust authorizes future obligations under the Contract to be evidenced by Additional Bonds executed and delivered under the Indenture to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured thereby at any one time does not exceed $500,000,000 and such future obligations are incurred not later than thirty years from the date of the 2012 Deed of Trust. The 2024 Bonds will be secured by the Deed of Trust on a parity with the Parity Bonds and any Additional Bonds hereafter executed and delivered pursuant to the Indenture.

Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the Owners of the Parity Bonds and the 2024 Bonds and any other Additional Bonds executed and delivered thereunder, (a) all rights, title and interest of the Corporation in the Contract (except for certain reserved rights), including its right to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in and to the Deed of Trust and the Premises, and (c) all money and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund created thereunder). See "**SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS**" herein.

Details of the 2024 Bonds. The 2024 Bonds will be dated as of their date of delivery, and will mature, subject to the prepayment provisions described herein, on June 1 in the years and amounts set forth on the inside cover page hereof. Interest with respect to the 2024 Bonds will be payable on each June 1 and December 1, beginning December 1, 2024, at the rates set forth on the inside cover page hereof. Individual purchases of the 2024 Bonds will be made in denominations of $5,000 or whole multiples thereof.

Book-Entry Only Form. The 2024 Bonds will initially be delivered as fully registered certificates in book-entry-only form without physical delivery of certificates to the Beneficial Owners (as defined in Appendix E hereto) of the 2024 Bonds. The Trustee will make payments of principal and interest with respect to the 2024 Bonds to The Depository Trust Company, New York, New York ("*DTC*"), which will in turn remit such payments to its participants for subsequent distribution to the Beneficial Owners of the 2024 Bonds. See Appendix E hereto for a more complete description of DTC and the book-entry-only system for the 2024 Bonds.

Tax Status. See "**TAX TREATMENT**" herein.

Continuing Disclosure. Pursuant to the Sixth Amendment, the City will undertake to provide continuing disclosure of certain annual financial information and operating data and certain material events. See "**CONTINUING DISCLOSURE**" herein.

Professionals. Raymond James & Associates, Inc., Richmond, Virginia (the "*Underwriter*"), is serving as underwriter of the 2024 Bonds. Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina is serving as Bond Counsel. Pope Flynn, LLC, Charlotte, North Carolina, is serving as counsel to the Underwriter. Meredith T. Everhart, Esq., Wilmington, North Carolina, is the City Attorney. J. Alan Campbell Law, Hillsborough, North Carolina, is serving as counsel to the Corporation. Waters and Company, LLC, Birmingham, Alabama, is serving as financial advisor to the City.

Definitions; Document Summaries. See Appendix C hereto for a summary of certain provisions of the Contract, the Indenture and the Deed of Trust and for the definition of certain capitalized terms used herein. Unless otherwise indicated, capitalized terms used herein and not otherwise defined have the meanings given such terms in the Contract and the Indenture.

Additional Information; Copies of Documents. During the initial offering period, the Underwriter will provide to potential investors copies in reasonable quantity of the Contract, the Indenture and the Deed of Trust and will answer questions relating to this Official Statement (or will direct inquiries to the appropriate persons). After the initial offering period, copies in reasonable quantity of the applicable documents can be obtained at the designated corporate trust office of the Trustee.

THE 2024 BONDS

General

The 2024 Bonds will be dated as of their date of delivery, and will mature, subject to prior prepayment as described below, on June 1 in the years and amounts set forth on the inside cover page hereof. Interest with respect to the 2024 Bonds will be payable on each June 1 and December, beginning December 1, 2024, at the rates set forth on the inside cover page hereof.

The 2024 Bonds will be delivered as fully registered certificates in book-entry-only form without physical delivery of certificates to the Beneficial Owners of the 2024 Bonds and will be subject to the provisions of the book-entry only system described below. Individual purchases of the 2024 Bonds will be made only in denominations of $5,000 or whole multiples thereof. The Trustee will make payments of principal and interest with respect to the 2024 Bonds to DTC, which will in turn remit such payments to its participants for subsequent distribution to the Beneficial Owners of the 2024 Bonds. See Appendix E hereto for a further description of DTC and the book-entry only system for the 2024 Bonds.

Prepayment Provisions

Optional Prepayment.

2024 Bonds. The 2024 Bonds maturing on or before June 1, 2034 are not subject to optional prepayment prior to maturity. The 2024 Bonds maturing on or after June 1, 2035 are subject to optional prepayment in whole or in part on any date on or after June 1, 2034, at the option of the City, at the prepayment price equal to 100% of the principal amount of such 2024 Bonds to be prepaid, together with accrued interest to the date fixed for prepayment, all in the manner provided in the Indenture.

General Prepayment Provisions. In the case of any partial prepayment of 2024 Bonds, the City will select the maturity or maturities of the 2024 Bonds to be prepaid and DTC will select the 2024 Bonds within the same maturity pursuant to its rules and procedures or, if the book-entry system with DTC or any other securities depository has been discontinued, the Trustee will select the 2024 Bonds to be prepaid by lot in such manner as the Trustee in its sole discretion may deem appropriate. For this purpose, each authorized denomination of principal amount represented by any 2024 Bond will be considered a separate 2024 Bond for purposes of selecting the 2024 Bonds to be prepaid.

Notice of prepayment identifying the 2024 Bonds or portions thereof to be prepaid shall be given by the Trustee in writing not less than 30 days nor more than 60 days before the date fixed for prepayment by first-class mail, postage prepaid (registered or certified mail or otherwise in accordance with DTC's then-existing rules and procedures in the case of notice to DTC) (a) to DTC or its nominee or to the then-existing securities depositories, or (b) if DTC or its nominee or another securities depository is no longer the Owner of the 2024 Bonds to be prepaid, to the then-registered Owners of the 2024 Bonds at their addresses appearing on the registration books maintained by the Trustee, (c) to the LGC, and (d) to the Municipal Securities Rulemaking Board (the "*MSRB*") in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, (i) if notice is properly given, the failure to receive an appropriate notice shall not affect the validity of the proceedings for such prepayment, (ii) the failure to give any such notice or any defect therein shall not affect the validity of the proceedings for prepayment of the 2024 Bonds or portions thereof with respect to which notice was correctly given and (iii) the failure to give any such notice to the LGC or the MSRB or any defect therein shall not affect the validity of any proceedings for prepayment of the 2024 Bonds.

In the case of an optional prepayment of the 2024 Bonds, the prepayment notice may state (1) that it is conditioned upon the deposit of money with the Trustee on the prepayment date at the time and in an amount equal to the amount necessary to effect the prepayment and such notice will be of no effect unless such money is so deposited, and (2) that the City retains the right to rescind the prepayment notice on or prior to the scheduled prepayment date, and such notice and optional prepayment shall be of no effect if such money is not so deposited or if the notice is rescinded as described in the Fifth Supplement.

On or before the date fixed for prepayment, funds will be deposited with the Trustee to pay the 2024 Bonds or portions thereof called for prepayment, together with accrued interest to the prepayment date and any required prepayment premium. Upon the giving of notice and the deposit of such funds for prepayment pursuant to the Indenture (which may be less than the full principal amount of the Outstanding 2024 Bonds and accrued interest thereon to the prepayment date), interest with respect to the 2024 Bonds or portions thereof so called for prepayment will no longer accrue after the date fixed for prepayment.

The 2024 Bonds or portions thereof called for prepayment will be due and payable on the prepayment date at the prepayment price, together with accrued interest thereon to the prepayment date. If the required notice of prepayment has been given and money sufficient to pay the prepayment price, together with accrued interest thereon to the prepayment date, have been deposited with the Trustee, the 2024 Bonds or portions thereof so called for prepayment will cease to be entitled to any benefit or security under the Indenture, and the Owners of such 2024 Bonds will have no rights in respect of such 2024 Bonds or portions thereof so called for prepayment except to receive payment of the prepayment price and accrued interest to the prepayment date from such funds held by the Trustee.

Any scheduled prepayment of 2024 Bonds or portions thereof may be rescinded in whole or in part at any time prior to the prepayment date if the City delivers written notice to the Trustee instructing the Trustee to rescind the prepayment notice. The Trustee shall give prompt notice of such rescission to the affected Owners of the 2024 Bonds. Any 2024 Bonds where prepayment has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, the failure of the Corporation or City to make funds available in part or in whole on or before the prepayment date shall not constitute an Event of Default, and the Trustee shall give immediate notice to the affected Owners of the 2024 Bonds that the prepayment did not occur and that the 2024 Bonds called for prepayment and not so paid remain Outstanding.

Upon surrender and cancellation of any 2024 Bonds called for prepayment in part only, a new 2024 Bonds of the same series, maturity and interest rate and of authorized denominations, in an aggregate principal amount equal to the unprepaid portion thereof, will be executed on behalf of the Corporation and authenticated and delivered by the Trustee.

If an Event of Default has occurred and is continuing under the Indenture, there will be no prepayment of less than all of the Bonds Outstanding.

SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS

The 2024 Bonds, together with all other outstanding Bonds under the Indenture, including the Parity Bonds and any Additional Bonds hereafter executed and delivered pursuant to the Indenture, evidence proportionate undivided interests in the rights to receive certain Revenues pursuant to the Contract. Revenues are defined to include (a) all Net Proceeds not applied to the replacement of the Premises; (b) all Installment Payments made under the Contract; and (c) all investment income on all funds and accounts created under the Indenture (other than the Rebate Fund created thereunder). Notwithstanding the foregoing, the Owner of each 2024 Bond is not entitled to receive more than the amount of principal, premium, if any, and interest with respect to such 2024 Bond.

Installment Payments and Additional Payments

Under the Contract, the City is required to make the Installment Payments directly to the Trustee in amounts sufficient to provide for the payment of the principal (whether at maturity, by prepayment or otherwise), premium, if any, and interest on, or with respect to, as applicable, the Bonds, as the same become due and payable.

The City is also obligated under the Contract to pay as Additional Payments to such persons as are entitled thereto, the reasonable and customary expenses and fees of the Trustee and the Corporation, any expenses of the Corporation in defending an action or proceeding in connection with the Contract or Indenture and any taxes or any other expenses, including, but not limited to, licenses, permits, state and local income, sales and use or ownership taxes or property taxes which the City or the Corporation is expressly required to pay as a result of the Contract (together with interest that may accrue thereon in the event that the City fails to pay the same).

Budget and Appropriation

Pursuant to the Contract, the City shall (a) cause its budget officer (as statutorily defined) to include the Installment Payments and the reasonably estimated Additional Payments coming due in each Fiscal Year under the Contract in the corresponding annual budget request, (b) require that the deletion of such funds from the City's final budget or any amended budget be made only pursuant to an express resolution of the City Council of the City (the "*City Council*") which explains the reason for such action and (c) deliver notice to the Trustee, S&P, Moody's, Fitch and the LGC within five days after the adoption by the City Council of the resolution described in clause (b) above. Nothing contained in this paragraph, however, obligates the City to appropriate moneys contained in the proposed budget for the payment of the Installment Payments or the reasonably estimated Additional Payments coming due under the Contract.

In connection with the Installment Payments and the Additional Payments, the appropriation of funds therefor is within the sole discretion of the City Council.

Deed of Trust

The obligations of the City under the Contract are secured by the Deed of Trust, granting a first lien of record on the Premises to the deed of trust trustee named therein for the benefit of the Corporation or its assignee, subject only to certain permitted encumbrances as set forth in the Contract and the Deed of Trust. The Deed of Trust authorizes future obligations evidenced by Additional Bonds executed and delivered under the Indenture to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured thereby at any one time does not exceed $500,000,000 and such future obligations are incurred not later than 30 years from the date of the 2012 Deed of Trust.

The Premises consist of the sites of the Operations Center, Fire Station No. 8, Fire Station No. 9, the Masonboro Fire Station, the Seagate Fire Station, the Cinema Drive and Shipyard Fire Stations, the Public Safety Training Facility and Firing Range, the Riverlights Fire Station, and the Northern Downtown Campus, together with all improvements and fixtures located and to be located thereon, subject only to certain permitted encumbrances as described in the Contract and the Deed of Trust. On its statement of values for insurance purposes, the City provides the following values for the respective sites currently constituting the Premises, and the improvements and fixtures located thereon (such values reflect the insured value for Fiscal Year 2024 (as of July 1, 2023), except for the Riverlights Fire Station, which is still under construction and therefore is valued based on the estimated total project cost):

Operations Center	$ 21,185,185
Fire Station 8	1,469,603
Fire Station 9	1,469,603
Masonboro Fire Station	3,378,217
Seagate Fire Station	3,407,133
Cinema Drive Fire Station	4,185,087
Shipyard Fire Station	3,977,520
Public Safety Training Facility and Firing Range	11,690,470
Riverlights Fire Station	8,300,000
Northern Downtown Campus	107,841,200
Total	$166,904,018

The City's police Command Center, located on South College Road in the City, was previously included among the sites constituting the Premises, but was released from the lien created by the Deed of Trust on April 2, 2024 in accordance with the Partial Release and the terms and conditions with respect to the release of a portion of the Premises set forth in the Deed of Trust (as more fully described under "—*Release of Premises*" below). The 2012 Deed of Trust, the First Extension, the Second Extension, the Third Extension, the Fourth Extension and the Partial Release have been recorded in the office of the Register of Deeds of New Hanover County, North Carolina (the "*County*"). Certain of the liens created by the Deed of Trust are currently insured by a title insurance policy issued by Old Republic National Title Insurance Company (the "*Original 2012 Title Insurance Policy*") with respect to the Operations Center, Fire Station No. 8, Fire Station No. 9, the Masonboro Fire Station, and the Seagate Fire Station. The lien on the Cinema Drive and Shipyard Fire Stations is insured by the Original 2012 Title Insurance Policy pursuant to an endorsement thereto. The lien on the Public Safety Training Facility and Firing Range is insured by a separate title insurance policy issued by Old Republic National Title Insurance Company and obtained in connection with the execution and delivery of the 2020B Bonds and the execution of the Second Extension of 2012 Deed of Trust. The lien on the Riverlights Fire Station is insured by a separate title insurance policy issued by Chicago Title Insurance Company and obtained in connection with the execution and delivery of the 2023A Bonds and the execution of the Third Extension. The lien on the Northern Downtown Campus is insured by a separate title insurance policy issued by Chicago Title Insurance Company and obtained in connection with the execution and delivery of the 2023B Bond, the 2023C Bonds and the 2023D Bonds and the execution of the Fourth Extension.

Release of the Premises. Upon the terms and conditions set forth in the Deed of Trust and so long as there is no event of default under the Deed of Trust, the Trustee may consent to the release of the Premises, or any part thereof secured thereby from the lien created by the Deed of Trust when and if the following requirements have been fulfilled:

(a) in connection with any release of the Premises or any part thereof, there is filed with the Trustee a certified copy of the resolution of the City Council stating the purpose for which the City desires such release, giving an adequate legal description of the part of the Premises to be released, requesting such release and providing for payment by the City of all expenses in connection with such release;

(b) in connection with the release of any part of the Premises constituting less than the entire Premises, either (i) the tax, insured or appraised value of the Premises remaining after the proposed release is not less than 50% of the aggregate principal components of the Installment Payments then Outstanding under the Indenture, or (ii) the City (A) provides for the substitution of other real property therefor and the tax, insured or appraised value of the Premises remaining after the proposed substitution is not less than the value of the Premises (as determined above) immediately before the proposed substitution, (B) delivers to the Trustee and the Corporation an opinion of bond counsel to the effect that the substitution (1) is permitted by law and under the Deed of Trust and (2) will not adversely affect the tax treatment of the Bonds, and (C) records a modification to the Deed of Trust reflecting such substitution of the Premises;

(c) in connection with the release of any part of the Premises constituting less than the entire Premises, such release shall not prohibit the City's ingress, egress and regress to and from the remainder of the Premises not being released, or materially interfere with the use of the remainder of the Premises not being released; and

(d) in connection with the release of the entire Premises, there is paid to the Trustee an amount sufficient to provide for the payment in full of all of the appropriate Bonds then Outstanding under the Indenture.

Grant and Release of Easements. At any time so long as there is no event of default under the Deed of Trust, with the consent of the Trustee, the City may at any time or times grant easements, licenses, rights of way and other rights and privileges in the nature of easements with respect to any part of the Premises and the City may release existing interests, easements, licenses, rights of way and other rights or privileges with or without consideration. The Corporation agrees that it will execute and deliver and will cause, request or direct the Trustee to execute and deliver any instrument reasonably necessary or appropriate to grant or release any such interest, easement, license, right of way or other right or privilege but only upon receipt of (a) a copy of the instrument of grant or release, (b) a written request of the City requesting such instrument and (c) a certificate executed by the City that the grant or release is not detrimental to the proper conduct of the operations of the City at the Premises and will not impair the effective use, nor decrease the value, of the Premises.

Release of Fixtures. At any time so long as there is no event of default under the Deed of Trust, with the consent of the Trustee, the City may at any time or times release Fixtures (as defined in the Deed of Trust) to be added to the Premises from the security interest created by the Deed of Trust with or without consideration. The Corporation agrees that it shall execute and deliver and will cause, request or direct the Trustee to execute and deliver any instrument reasonably necessary or appropriate to release any such Fixture but only upon receipt of (a) a copy of the instrument of release, (b) a written request of the City requesting such instrument and (c) a certificate executed by the City that the release is not detrimental to the proper conduct of the operations of the City at the Premises and will not materially impair the effective use, nor materially decrease the value, of the Premises.

Indenture

Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the Owners of the Parity Bonds, the 2024 Bonds and any Additional Bonds executed and delivered under the Indenture (a) all rights, title and interest of the Corporation in the Contract (except for certain indemnification rights, notice rights and the right to Additional Payments payable to the Corporation), including its rights to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Premises and (c) all moneys and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund created thereunder).

Enforceability

NEITHER THE CONTRACT NOR THE 2024 BONDS CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE CITY IN ANY ACTION FOR BREACH OF ANY CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE THE OWNERS OF THE 2024 BONDS PURSUANT TO THE CONTRACT.

THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE 2024 BONDS UPON A DEFAULT BY THE CITY UNDER THE CONTRACT ARE LIMITED TO THOSE SPECIFIED IN THE CONTRACT AND THE INDENTURE, INCLUDING EXERCISING THE RIGHTS OF THE BENEFICIARY UNDER THE DEED OF TRUST AND THE RIGHTS OF THE TRUSTEE IN THE FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE.

The 2024 Bonds will not constitute a debt or general obligation of the Corporation and will not give the Owners of the 2024 Bonds any recourse to the assets of the Corporation, but will be payable solely from amounts payable by the City under the Contract, from amounts realized from the foreclosure and sale of the Premises pursuant to the Deed of Trust and from amounts held in certain funds and accounts under the Indenture for such purpose.

The Indenture, the Contract and the Deed of Trust are subject to bankruptcy, insolvency, fraudulent conveyance and other related laws affecting the enforcement of creditors' rights generally and, to the extent that certain remedies under such instruments require, or may require, enforcement by a court, to such principles of equity as the court having jurisdiction may impose.

See "**THE CONTRACT – *Remedies on Default***" in Appendix C hereto for a more complete description of the rights and powers of the Trustee upon the occurrence of an event of default under the Contract.

Additional Bonds

Under the conditions described in the Indenture and so long as no Event of Default has occurred and is continuing under the Indenture, the Corporation may execute and deliver Additional Bonds under the Indenture without the consent of the Owners of the Parity Bonds, the 2024 Bonds or any other Additional Bonds then Outstanding under the Indenture to provide funds to pay (a) the cost of acquiring, constructing, renovating and equipping other facilities or acquiring facilities, equipment and other capital assets for utilization by the City for public purposes; (b) the cost of refunding of all or any portion of the Bonds then Outstanding or any other installment financing obligations of the City; (c) costs of funding a reserve fund for any series of the Bonds for which one may be required; and (d) the Costs of Issuance relating to the execution, delivery and sale of the Additional Bonds.

Upon their execution and delivery, the 2024 Bonds will be payable on a parity with the Parity Bonds and any other Additional Bonds hereafter executed and delivered pursuant to the Indenture. The Installment Payments made under the Contract will be deposited as received by the Trustee in the Bond Fund held by the Trustee under the Indenture. Money in the Bond Fund will be withdrawn and used to pay the principal and interest with respect to the Parity Bonds, the 2024 Bonds or any other Additional Bonds then Outstanding under the Indenture as the same become due and payable. If on any date the moneys on deposit in the Bond Fund are insufficient to pay all of the principal and interest with respect to the Bonds which are due and payable on such date, such money will be used to pay such principal and interest with respect to such Bonds entitled to receive principal or interest on such date in the manner provided in the Indenture. See "**THE INDENTURE –** ***Application of Money***" in Appendix C hereto.

THE CORPORATION

The Corporation was incorporated as a nonprofit corporation under the nonprofit corporation laws of the State of North Carolina on September 24, 1997. The Corporation's purpose, as stated in its Articles of Incorporation, includes promoting the general welfare of the citizens of the City by assisting the City in carrying out its municipal and governmental functions through the acquisition, construction and operation, sale or lease of real estate and improvements, facilities and equipment for the use and benefit of the general public.

The Corporation's Articles of Incorporation require a Board of Directors consisting of not less than three, nor more than seven persons. Directors serve for one year terms and are elected, appointed or designated by the Board of Directors. The current Board of Directors and officers of the Corporation are as follows:

Clayton Roberts	Director/President
Laura Mortell	Director/Vice President
Michelle Barber	Director/Secretary/Treasurer

The Corporation's officers and directors serve without compensation. The Corporation has no employees or assets.

The Corporation's role in the financing described in this Official Statement will be limited. The Corporation's officers, directors and counsel will have the opportunity to review this Official Statement and the principal financing documents and to assist in their preparation.

The Corporation has previously executed and delivered the 2012 Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the 2012

Contract, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment. The Corporation will deliver this Official Statement and will execute and deliver the Sixth Amendment and the Sixth Supplement. Counsel to the Corporation will deliver certain legal opinions in connection with the transaction. The Corporation and the City expect, however, that the Corporation will have no continuing responsibilities or involvement with respect to the Premises or any of the capital projects previously financed or refinanced with the proceeds of the 2012 Bonds, the Parity Bonds or the 2024 Bonds or with respect to monitoring compliance with the terms of the Contract, the Deed of Trust or the Indenture.

PLAN OF FINANCING

The 2024 Project

A portion of the proceeds of the 2024 Bonds will be used, together with other available funds, to defray the costs of financing the acquisition of the 2024 Project, as described below.

Street, Sidewalk, Streetscape, Bridge, Bulkhead and Riverwalk Improvements.

Street Rehabilitation.

Annual Needs. Annual needs for 2024 consisting of asphalt street reconstruction of 6.32 lane miles, and 2” milling and resurfacing, as well as resurfacing of 11.67 lane miles of City streets.

Downtown/Northside/Old Wilmington. Pavement repair, milling of existing asphalt pavement, adjustment of existing utility castings, resurfacing, installation of thermoplastic markings and other items as needed per location.

Dry Pond/The Bottom/Lake Forest. Pavement repair, milling of existing asphalt pavement, adjustment of existing utility castings, resurfacing, installation of thermoplastic markings and other items as needed per location.

Collector Streets. Resurfacing of streets, including Forest Hills Drive (from Market Street to Wayne Drive), Colonial Drive (from Market Street to Wrightsville Avenue), McRae Street (from Chestnut Street to Red Cross Street), South 10th Street (from Market Street to Ann Street), South 10th Street (from Wooster Street to Marstellar Street), Lake Branch Drive (from Greenfield Street to East Lake Shore Drive), and Robin Hood Road (from East Lake Shore Drive to South 17th Street).

College Acres Drive. Resurfacing College Acres Drive from Racine Drive to Oriole Street.

Brookwood Avenue. Concrete removal/milling and resurfacing of Brookwood Avenue with asphalt.

Concrete Street Rehabilitation. Repairs and maintenance to existing streets consisting of removal of existing concrete street panels, 24” curb and gutter removal and replacement, header curb removal and replacement, wire mesh reinforcement, slip dowels, ABC base, traffic control, joint/crack sealing, sawing of uneven concrete and seeding/mulching.

Sidewalk Installation. Sidewalk installation for Greenville Loop Road, providing connectivity between Shinnwood Road and Old Military Road, including approximately 1,200 feet of concrete sidewalk.

Sidewalk Repair/Resurfacing. Major upgrades to 5th Avenue, including street resurfacing, sidewalk repairs, storm drain improvements, landscaping, and full replacement of water and sewer utilities. The work will include, but will not be limited to excavation, grading, stone base course, asphalt paving, drainage, concrete sidewalks, curb ramps, erosion control, grassing, and other incidentals.

Bridge Rehabilitation. Rehabilitation of existing Front Street Bridge, including demolition and replacement of existing bridge deck, evaluation of the pile system and steel blasting and epoxy coating.

Bulkhead Repair. Repair of 500 linear feet of bulkhead along the future Water Street Park riverfront edge, including corrosion removal, penetration repairs, weak area reinforcement, recoating of the steel surfaces and repair of land erosion.

Riverwalk North Marina Rehabilitation. Raising the concrete Riverwalk adjacent to the Port City Marina to bring the structure back to level.

Sports Complex.

Sports Complex. Additional work on property acquisition, site preparation and development of a new sports complex with multi-purpose fields and support structures.

Refunding of Refunded Bonds

A portion of the proceeds of the 2024 Bonds will be used to refinance the City's installment payment obligations related to the Corporation's Limited Obligation Bonds, Series 2014A (the "*2014A Bonds*"), maturing on and after June 1, 2025 (such portion of the 2014A Bonds, the "*Refunded Bonds*"). The 2014A Bond maturing on June 1, 2024 is not included in the Refunded Bonds but will remain outstanding as of the date of delivery of the 2024 Bonds until payment of such 2014A Bond on its maturity date.

The Refunded Bonds were executed and delivered under an Indenture of Trust dated as of June 1, 2005 (the "*Refunded Bonds Indenture*"), between the Corporation and Wachovia Bank, National Association, the successor to which is the Trustee, as supplemented. The Refunded Bonds are subject to optional prepayment on or after June 1, 2024, without premium, under the Refunded Bonds Indenture, and as a result the proceeds of the 2024 Bonds to be used to refund the Refunded Bonds will be deposited, together with other available funds, into the Prepayment Fund established under the Refunded Bonds Indenture and used to refund the Refunded Bonds on or about June 17, 2024 pursuant to a notice of prepayment to be given on or about the date of delivery of the 2024 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The City estimates the sources and uses of funds for the plan of financing described herein to be as follows:

	2024 Bonds
Sources:	
Par Amount of 2024 Bonds	$28,890,000
Original Issue Premium	3,095,330
City Contribution	240,725
Total	$32,226,055
Uses:	
2024 Project Costs	$20,529,998
Prepayment of Refunded Bonds	11,272,367
Costs of Issuance[1]	423,690
Total	$32,226,055

[1] Includes legal fees, Underwriter's discount, rating agency fees, fees and expenses of the Trustee, fees and expenses of the financial advisor to the City and miscellaneous fees and expenses.

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ANNUAL INSTALLMENT PAYMENT REQUIREMENTS

The following table sets forth for each Fiscal Year ending June 30, the amount of principal and interest required to be paid under the Contract with respect to the Parity Bonds and the 2024 Bonds.

Fiscal Year Ending June 30	Principal and Interest with respect to the Parity Bonds[1,2]	2024 Bonds		Total[3]
		Principal	Interest	
2024	$9,554,954	-	-	$ 9,554,954
2025	13,836,848	$ 2,260,000	$ 1,508,700	17,605,548
2026	13,410,698	2,215,000	1,331,500	16,957,198
2027	12,902,545	2,215,000	1,220,750	16,338,295
2028	12,418,273	2,210,000	1,110,000	15,738,273
2029	10,901,439	2,210,000	999,500	14,110,939
2030	10,539,474	2,210,000	889,000	13,638,474
2031	9,779,874	2,210,000	778,500	12,768,374
2032	9,475,608	2,200,000	668,000	12,343,608
2033	9,175,512	930,000	558,000	10,663,512
2034	8,877,729	930,000	511,500	10,319,229
2035	8,199,775	930,000	465,000	9,594,775
2036	6,973,550	930,000	418,500	8,322,050
2037	6,727,950	930,000	372,000	8,029,950
2038	6,487,550	930,000	325,500	7,743,050
2039	6,247,150	930,000	279,000	7,456,150
2040	6,001,750	930,000	232,500	7,164,250
2041	5,291,600	930,000	186,000	6,407,600
2042	4,700,250	930,000	139,500	5,769,750
2043	4,485,125	930,000	93,000	5,508,125
2044	3,080,125	930,000	46,500	4,056,625
Total[2]	$179,067,777	$28,890,000	$12,132,950	$220,090,729

[1] Includes principal and interest.
[2] Interest on the 2023B Bond is calculated at an assumed interest rate of 6.0%.
[3] Totals may not foot due to rounding.

AVAILABLE SOURCES FOR PAYMENT OF INSTALLMENT PAYMENTS

General

The City may make its Installment Payments under the Contract from any source of funds legally available to it in each Fiscal Year and appropriated therefor.

General Fund Revenues

The City's general fund revenues (excluding fund balance appropriations and internal transfers) for the Fiscal Year ended June 30, 2023 were $136,990,214. The adopted budget for the City's general fund revenues for the Fiscal Year ending June 30, 2024 was $138,883,946. For the Fiscal Year ending June 30, 2024, the City imposed an ad valorem tax of $0.3950 per $100 assessed value. The adopted budget dedicates $0.0825 of such $0.3950 to support the City's capital improvements program ("*CIP*"), which funds 80% debt service and 20% pay-as-you-go for certain tax-supported projects in the CIP. For the Fiscal Year ending June 30, 2024, $0.01 per $100 of assessed value is expected to generate approximately $2,250,579 (including motor vehicles). The General Statutes of North Carolina permit cities to impose ad valorem taxes of up to $1.50 per $100 assessed value for certain purposes without the requirement of voter approval. See Appendix B hereto for a detailed description of the sources and uses of the City's general fund revenues for the Fiscal Year ended June 30, 2023.

CERTAIN RISKS OF 2024 BOND OWNERS

Limited Obligation of the City; Value of Collateral

If the Installment Payments to be made by the City are insufficient to pay the principal and interest with respect to the 2024 Bonds, the Parity Bonds, or any Additional Bonds under the Indenture, as the same become due or, if any other event of default occurs under the Contract, the Trustee may accelerate the 2024 Bonds and all unpaid principal amounts due by the City under the Contract, foreclose on the Premises pursuant to the Deed of Trust and attempt to dispose of all or part of such property. See "**THE CONTRACT – *Remedies on Default***" in Appendix C hereto.

SECTION 160A-20 OF THE GENERAL STATUTES OF NORTH CAROLINA PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE CITY IN ANY ACTION FOR ANY BREACH OF THE CONTRACT, AND THAT THE TAXING POWER OF THE CITY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEY DUE UNDER THE CONTRACT. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE 2024 BONDS UPON A DEFAULT BY THE CITY UNDER THE CONTRACT ARE LIMITED TO THOSE OF A SECURED PARTY UNDER THE LAWS OF THE STATE, INCLUDING FORECLOSING ON THE PREMISES. THERE CAN BE NO ASSURANCE THAT THE MONEY AVAILABLE IN THE FUNDS AND ACCOUNTS HELD BY THE TRUSTEE AND THE PROCEEDS OF ANY SUCH FORECLOSURE WILL BE SUFFICIENT TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST WITH RESPECT TO THE 2024 BONDS.

The appropriation of money to make the Installment Payments under the Contract is within the sole discretion of the City. If the City fails to appropriate such money, the only sources of payment for the 2024 Bonds will be the money, if any, available in the respective funds and accounts held by the Trustee under the Indenture and the proceeds of any attempted foreclosure. The amount of such proceeds may be adversely affected by (a) the costs and expenses in enforcing the lien on and security interest in the Premises, (b) the condition of the Premises, and (c) the occurrence of any damage, destruction, loss or theft of the Premises which is not repaired or replaced and for which there are not received or appropriated money from insurance policies or any risk management program.

Uninsured or Underinsured Casualty

If all or any part of the Premises is partially or totally damaged or destroyed by any casualty or is wholly or partially taken pursuant to eminent domain proceedings, the City is required under the Contract to apply any Net Proceeds from insurance or condemnation to repair, restore or rebuild the Premises. If the Net Proceeds are insufficient to fully repair or replace the Premises, the City is not obligated to provide other available funds for such purposes. In such event, the value of the Premises may be reduced by the condition thereof. The Contract requires the City to maintain certain insurance with respect to the Premises, but such insurance may not cover all perils to which the Premises are subject or provide sufficient Net Proceeds to fully repair or replace the Premises. See "**THE CONTRACT – *Damage, Destruction or Condemnation; Use of Net Proceeds***" in Appendix C hereto.

Bankruptcy

Chapter 9 of the Title 11 of the United States Code (as amended, the "*Bankruptcy Code*") provides a process for a political subdivision of a state to voluntarily adjust its debts. An involuntary bankruptcy case may not be commenced against a political subdivision under Chapter 9. Section 109(c) of the Bankruptcy Code sets forth certain conditions that must be met for an entity to be a debtor under Chapter 9, including that the entity is specifically authorized to be a debtor under Chapter 9 by state law (or by a governmental officer or organization empowered by state law to authorize the entity to be a debtor under Chapter 9). Section 23-48 of the North Carolina General Statutes (the "*NC Authorizing Statute*") authorizes any county or city in the State to file a Chapter 9 bankruptcy case, but only with the approval of the LGC. While the 2024 Bonds are outstanding, the provisions of the Bankruptcy Code and applicable North Carolina law, including the North Carolina Authorizing Statute, may be amended, supplemented or repealed; therefore, it is not possible to predict whether and under what conditions the City may be authorized to become a debtor in a bankruptcy case and how any such bankruptcy case might affect holders of the 2024 Bonds in the future.

If the City were to initiate bankruptcy proceedings under Chapter 9 with the consent of the LGC, the bankruptcy proceedings could have material and adverse effects on holders of the 2024 Bonds, including (1) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (2) the incurrence of additional debt, including the claims of those supplying good and services to the City after the initiation of bankruptcy proceedings and the expenses of administering the bankruptcy case, which may have a priority of payment superior to that of the bondholders; and (3) the possibility of the adoption of a plan for the adjustment of the City's debt without the consent of all of the Owners of the 2024 Bonds, which plan may restructure, delay, compromise or reduce the amount of the claim of the Owners of the 2024 Bonds. In addition, the Bankruptcy Code might invalidate any provision of the documents that makes the bankruptcy or insolvency of the City an event of default.

The effect of the Bankruptcy Code on the rights and remedies of the Owners of the 2024 Bonds cannot be predicted with certainty and may be affected significantly by judicial interpretation, general principles of equity and considerations of public policy.

Regardless of any specific adverse determinations in a bankruptcy case of the City, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the 2024 Bonds.

Environmental Risks

Except as set forth below, there are currently no known environmental risks associated with the Premises.

Northern Downtown Campus. In connection with its acquisition of the Northern Downtown Campus, the City engaged a consultant to perform a Phase I Environmental Site Assessment (the "*Phase I*") with respect to the two parcels of land constituting the Northern Downtown Campus and two related development tracts (collectively, the "*2023BCD Project*"). As only the site of the Northern Downtown Campus (which constitutes the site of the Office Tower and the site of the Parking Deck) is pledged as collateral under the Deed of Trust, only the portion of the Phase I that addressed the Northern Downtown Campus is described herein.

The site of the Office Tower is subject to an existing Brownfields Agreement ("*BFA*") put in place in 2005 between the current owner of the site and the North Carolina Department of Natural Resources. The City assumed all rights and responsibilities under the BFA in connection with its acquisition of the 2023BCD Project. Among other things, the Brownfields Agreement places certain restrictions on the use of the Office Tower site; specifically those restrictions include (1) prohibitions on the use of surface water or underground water at the site, removal or use of groundwater from the site, exposure of soils at or under the site or disturbance of soils, landscaping and contours at the site without prior approval and/or sampling and analysis by DENR; (2) prohibitions on mining on the site; (3) restrictions on below grade construction on the site; (4) limitations on what may be stored on the site; (5) prohibitions against use of the site as a playground, daycare, or school without the prior approval of DENR; (6) prohibitions on use of the site for kennels or private animal pens or for agricultural, grazing, or timber purposes; and (7) prohibitions on use of the site as a park or for sports of any kind. Since 2005, the Office Tower site has been used for permitted commercial purposes, including office space and retail establishments. The City's use of the site as an office complex is also a permitted purpose under the BFA.

Although the Phase I indicated that prior environmental site assessments were performed on the site of the Parking Deck, no significant impacts to groundwater or soil were identified with respect to that site and no further investigation or action was recommended at the time of such assessments.

Public Safety Training Facility and Firing Range. The Public Safety Training Facility and Firing Range (the "*Public Safety Training Facility*") was financed in part with proceeds of the 2020B Bonds and constitutes a portion of the Premises. Prior to construction of the Public Safety Training Facility, high levels of lead were identified, and the Public Safety Training Facility was constructed to mitigate such environmental concerns that could potentially pose health risks to trainees and instructors. This was accomplished by using concrete construction that makes the building maintainable and safe. During the use of the Public Safety Training Facility and the firing range, which is part of the Public Safety Training Facility, the lead issue continues to be mitigated through deep cleaning performed weekly (or more often when necessary) utilizing HEPA vacuums and attachments.

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.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards.

While the City's cybersecurity and operational safeguards are periodically tested, the City cannot give any assurances that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the City's finances or operations. The costs of remedying any such damage or obtaining insurance related thereto or protecting against future attacks could be substantial and insurance may not be adequate to cover such losses or other consequential City costs and expenses. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

Climate Change

The City is located on the North Carolina coast and is therefore susceptible to the effects of extreme weather events and natural disasters, including floods, droughts and hurricanes and has experienced multiple severe weather events within the past several years. These effects may be amplified by a prolonged global temperature increase over the next several decades (commonly referred to as "climate change"). No assurances can be given that a future extreme weather event driven by climate change will not adversely affect the City.

THE CITY

Information about the City is contained in Appendix A to this Official Statement.

The City's basic financial statements have been audited by independent certified public accountants for each Fiscal Year through June 30, 2023. The City's basic financial statements and the notes thereto, drawn from the City's annual comprehensive financial report for the Fiscal Year ended June 30, 2023, are included as Appendix B to this Official Statement. The City has not requested nor obtained the consent of its auditor to the inclusion these financial statements in this Official Statement.

CONTINUING DISCLOSURE

In the Sixth Amendment, the City will undertake, for the benefit of the Beneficial Owners of 2024 Bonds to provide:

(a) by not later than seven months from the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2024, the audited financial statements of the City for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the City 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;

(b) by not later than seven months from the end of each Fiscal Year of the City, beginning with the Fiscal Year ending June 30, 2024, the financial and statistical data as of a date not earlier than the end of such Fiscal Year for the type of information included in the tables under heading "THE CITY – Debt Information" and "– Tax Information" (including subheadings thereunder) in Appendix A to this Official Statement (excluding, in each case, any information on overlapping or underlying units), to the extent such items are not included in the audited financial statements referred to in paragraph (a) above;

(c) in a timely manner not in excess of 10 Business Days after the occurrence of the event, notice of any of the follow events with respect to the 2024 Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on any debt service reserves reflecting financial difficulties;

(4) unscheduled draws on any credit enhancements reflecting financial difficulties;

(5) substitution of any credit or liquidity providers, or their failure to perform;

(6) 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 2024 Bonds or other material events affecting the tax status of the 2024 Bonds;

(7) modification of the rights of the Beneficial Owners of the 2024 Bonds, if material;

(8) call of any of the 2024 Bonds for prepayment other than mandatory sinking fund prepayments, if material, and tender offers;

(9) defeasance of any of the 2024 Bonds;

(10) release, substitution or sale of the property securing repayment of the 2024 Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the City;

(13) 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 any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) 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 security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties;

(d) in a timely manner, notice of a failure of the City to provide required annual financial information described in (a) or (b) above on or before the date specified.

"*Financial obligation*" as used herein is defined in the Rule, as may be amended, as a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (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 City may meet the continuing disclosure filing requirements described above either (1) by providing the required information to the MSRB in an electronic format as prescribed by the MSRB, or (2) providing such information in a manner the U.S. Securities and Exchange Commission subsequently requires.

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

The Sixth Amendment will also provide that if the City fails to comply with the undertaking described above, the Trustee or any Beneficial Owner of the 2024 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 will not be an event of default under the Contract and will not result in any acceleration of payment of the principal component of the Installment Payments under the Contract (or the related 2024 Bonds). All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Beneficial Owners of the 2024 Bonds.

Pursuant to the Sixth Amendment, the City will reserve the right to modify from time to time the information to be provided or the format of the presentation of such information to the extent necessary or appropriate in the judgment of the City, provided that:

(a) 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;

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended ("*Rule 15c2-12*") as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the Beneficial Owners, as determined by the Trustee or nationally recognized bond counsel or by the approving vote of the registered owners of a majority in principal amount of the 2024 Bonds pursuant to the terms of the Indenture.

Any annual financial information containing modified operating data or financial information is required to 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 with respect to the 2024 Bonds described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal and interest with respect to the 2024 Bonds.

Within the past five years, the City has not knowingly failed to comply in any material respects with the terms of any prior undertaking under Rule 15c2-12.

THE LOCAL GOVERNMENT COMMISSION

The Contract has been approved by the LGC. The LGC 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 the 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 LGC's Secretary, who heads the LGC's administrative staff.

A major function of the LGC is the approval, sale and delivery of substantially all North Carolina local government general obligation and revenue bonds and notes and the approval of contracts entered into under Section 160A-20 of the North Carolina General Statutes. 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 LGC 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.

LEGAL MATTERS

Certain legal matters related to the authorization, execution, sale and delivery of the 2024 Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, Bond Counsel. Certain legal matters will be passed upon for the City by Meredith T. Everhart, Esq., Wilmington, North Carolina, City Attorney, for the Corporation by J. Alan Campbell Law, Hillsborough, North Carolina, counsel to the Corporation, and for the Underwriter by Pope Flynn, LLC, Charlotte, North Carolina, counsel to the Underwriter.

Parker Poe Adams & Bernstein LLP serves as Bond Counsel for the City and, from time to time, each of Bond Counsel and Pope Flynn, LLC, counsel to the Underwriter, has represented the Underwriter as counsel in other financing transactions. Neither the City nor the Underwriter has conditioned the future employment of either of these firms in connection with any proposed financing issues for the City or for the Underwriter on the successful execution and delivery of the 2024 Bonds.

TAX TREATMENT

General. On the date of execution and delivery of the 2024 Bonds, Parker Poe Adams & Bernstein LLP, as 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*"), the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is (a) excludable from gross income for federal individual income tax purposes, and (b) not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds 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 for tax years beginning after December 31, 2022, and (2) the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is exempt from State of North Carolina income taxation. Bond Counsel observes that, for tax years beginning after December 31, 2022, the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the portion of the Installment Payments designated and paid as interest with respect to the 2024 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 2024 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 2024 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 execution and delivery of the 2024 Bonds to maintain the excludability of the portion of the Installment Payments designated and paid as interest with respect to the 2024 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 execution and delivery of the 2024 Bonds in order that the portion of the Installment Payments designated and paid as interest with respect to the 2024 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 execution and delivery of the 2024 Bonds. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2024 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 the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds.

If the portion of the Installment Payments designated and paid as interest with respect to the 2024 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 2024 Bonds or to pay any additional interest or penalty.

The Internal Revenue Service (the "*IRS*") 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 IRS will commence an audit of the 2024 Bonds. Prospective purchasers of the 2024 Bonds are advised that, if the IRS does audit the 2024 Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the City as the taxpayer, and the owners of the 2024 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 2024 Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the 2024 Bonds should be aware that ownership of the 2024 Bonds and the accrual or receipt of the portion of the Installment Payments designated and paid as interest with respect to the 2024 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 2024 Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers of the 2024 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 2024 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 portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds to be subject directly or indirectly to federal, State of North Carolina, or local income taxation, adversely affect the market price or marketability of the 2024 Bonds or otherwise prevent the owners of the 2024 Bonds from realizing the full current benefit of the status of the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the IRS 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 Premium. As indicated on the inside cover page, all of the 2024 Bonds are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the 2024 Bonds is sold and (b) the principal amount payable at maturity of such 2024 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 2024 Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such 2024 Bond is reduced from the owner's cost basis of such 2024 Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such 2024 Bond (whether upon its sale, redemption or payment at maturity). Owners of 2024 Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such 2024 Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a 2024 Bond.

LITIGATION

No litigation is now pending in any court seeking to restrain or enjoin the authorization, execution or delivery of the 2024 Bonds or contesting the authority of proceedings for the authorization, execution or delivery of the 2024 Bonds or the validity thereof, or the creation, organization, corporate existence or powers of the Corporation or the City, or the title of any of the present officers thereof to their respective titles or the authority or proceedings for the execution and delivery of the Contract, the Deed of Trust or the Indenture by the Corporation or the City or the validity or enforceability thereof.

FINANCIAL ADVISOR

Waters and Company, LLC, Birmingham, Alabama, is acting as financial advisor to the City in connection with the execution and delivery of the 2024 Bonds.

RATINGS

Moody's Investors Service ("*Moody's*") and S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("*S&P*") have assigned the 2024 Bonds the respective ratings set forth on the front cover page hereof. The ratings reflect only the view of such rating agencies. An explanation of the significance of such ratings may be obtained from such rating agencies. Certain information and materials not included in this Official Statement were furnished to such rating agencies. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2024 Bonds.

UNDERWRITING

Raymond James & Associates, Inc., Richmond, Virginia (the "*Underwriter*"), has agreed under the terms of a Contract of Purchase (the "*Contract of Purchase*") to purchase all of the 2024 Bonds, if any of the 2024 Bonds are to be purchased, at a purchase price of $31,805,591.59 (equal to the par amount of the 2024 Bonds plus an original issue premium of $3,095,330.05 and less an Underwriter's discount of $179,738.46). The Underwriter's obligation to purchase the 2024 Bonds is subject to certain terms and conditions set forth in the Contract of Purchase.

The Underwriter is committed to take and pay for all of the 2024 Bonds if any are taken. The Underwriter may offer and sell the 2024 Bonds to certain dealers (including dealers depositing the 2024 Bonds into investment trusts) and others at prices different from the initial public offering prices stated on the cover page hereof. The public offering prices may be changed from time to time by the Underwriter.

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. This Official Statement and its distribution and use by the Underwriter has been duly authorized and approved by the Corporation and the City.

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APPENDIX A

DESCRIPTION OF THE CITY

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THE CITY

General Description

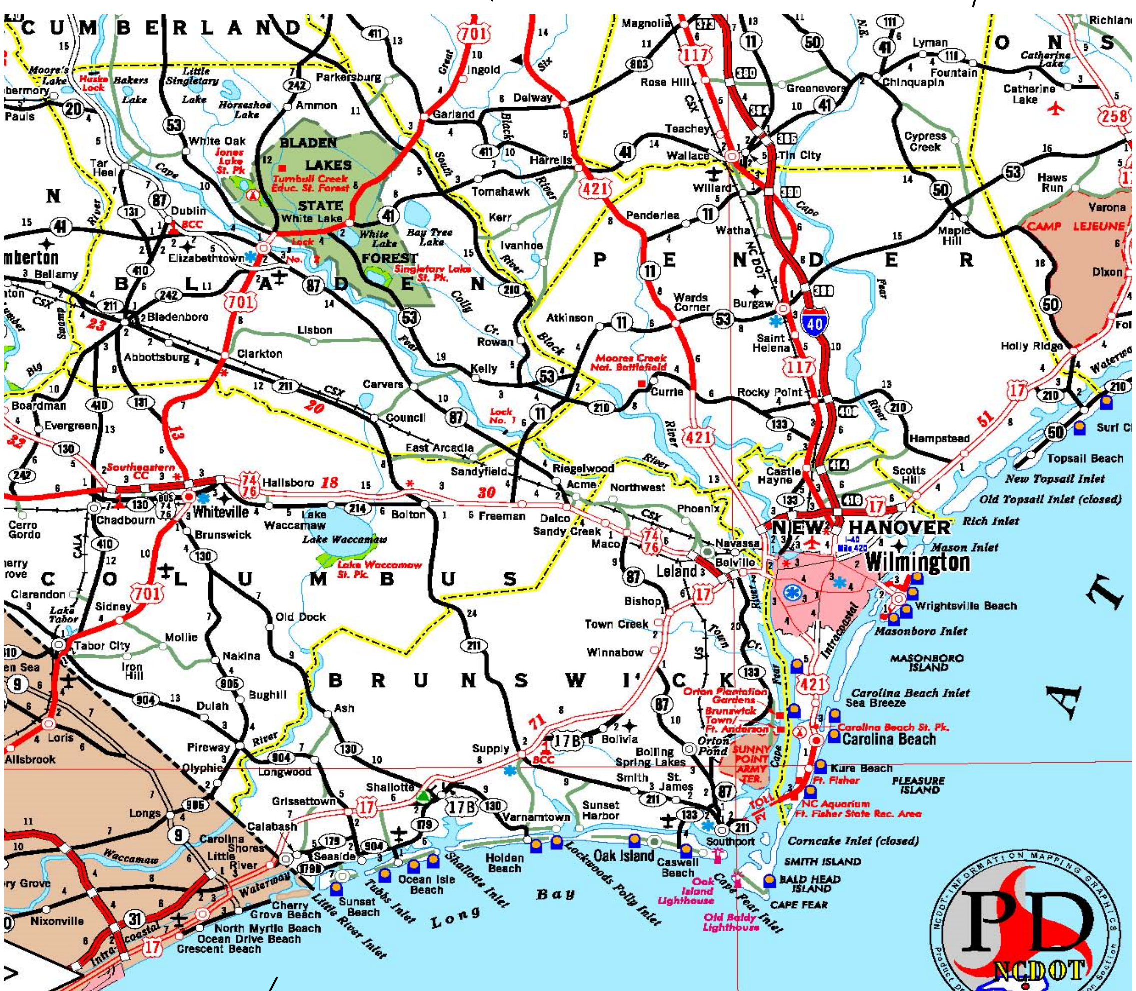
The City of Wilmington, North Carolina (the "*City*" or "*Wilmington*"), incorporated in 1739, is located approximately at the midpoint of the eastern seaboard of the United States, in the southeastern coastal section of the State of North Carolina (the "*State*"). The City is an active business, service and industrial center for the surrounding five-county area with a population of approximately 531,500. Numerous State and Federal agencies have regional offices in the area and the City serves as the financial, medical, legal, communications and transportation center for the southeastern part of the State.

In 2023, Forbes Advisor ranked the City 2nd on its list of the best cities to live in in North Carolina and the Milken Institute/Greenstreet Real Estate Partners Best Performing Cities Index ranked the Wilmington MSA 7th in the U.S., up 14 spots from its 2022 ranking. With a land area of approximately 52.9 square miles, the City is approximately 30 miles from the Atlantic Ocean via the Cape Fear River; is the County seat of New Hanover County (the "*County*"); and is home to the State's largest port.

New York, New York 500 Miles

Washington, D.C. 355 Miles

50 MILE RADIUS



410 Miles Atlanta, GA

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	2023
55,530	75,838	106,476	115,451	121,309[1]

Source: United States Department of Commerce, Bureau of the Census, except for 2023.
[1] Estimate of North Carolina Office of State Budget and Management.

According to the North Carolina State Demographer, as of 2023, the City is the eighth largest city in the State.

Per capita income figures for the County, the Wilmington Metropolitan Statistical Area ("*Wilmington MSA*") and the State are presented in the following table:

Year	County	Wilmington MSA[1]	State
2018	$47,448	$45,736	$46,040
2019	50,229	48,577	48,366
2020	54,128	52,233	51,781
2021	59,914	57,695	56,705
2022	60,943	58,526	58,109

Source: United States Department of Commerce, Bureau of Economic Analysis.
[1] Wilmington MSA includes data collected from the City, the County and Pender County.

Commerce and Industry

The City's economy is diverse and driven by its coastal location and its role as the economic, cultural and services hub for southeastern North Carolina. The coast is a draw for the City's significant tourism industry but also the home of the State's largest deep-water port which drives a sizable related freight and rail distribution network. The City's local industry includes a range of operations spanning pharmaceutical research and development, the manufacture of synthetic fibers, fiber optics, and nuclear fuel and jet engine components and a growing film industry. In addition, the City has a significant healthcare and higher education presence.

Tourism. Tourism is the area's largest economic component in terms of employment and revenues. Nearby beaches, the historic river front area, the USS North Carolina Battleship Memorial, and the Live Oak Bank Pavilion are some of the many attractions that bring folks to visit the City. The New Hanover County Tourism Development Authority ("*TDA*") was established to expand the tourism industry and to maintain the health of the local economy. Funded in large part by a room occupancy tax, the TDA serves as an umbrella organization representing all the services available to a visitor within the area. The North Carolina Division of Travel and Tourism has estimated that in 2022, travel and tourism generated $1.06 billion in the County, an increase of 13.9% from 2021. An estimated 6,676 jobs in the region were supported by tourism, generating $276 million in payroll in 2022. State tax revenue generated in the County totaled $35.9 million through state sales and excise taxes, and taxes on personal and corporate income. About $38.9 million in local taxes were generated from sales and property tax revenue from travel-generated and travel-supported businesses. Travel-generated state and local tax revenues saved each County resident an estimated $317.76. The County ranked 7th in visitor spending among North Carolina's 100 counties in 2022.

Port of Wilmington. The Port of Wilmington (the "*Port*") is one of two deep water harbors in the State and is located along the eastern bank of the Cape Fear River. Recent and ongoing improvements to regional and national highway networks make surface transportation supporting the Port superior to neighboring ports. North Carolina's ports in Wilmington and Morehead City, plus inland terminals in Charlotte and in Greensboro, link the state's consumers, businesses and industry to world markets, and serve as magnets to attract new business and industry. The Port is designated as a Foreign Trade Zone 214 and as of 2022 ranked as the top port in North America for container terminal efficiency according to the then current container port performance index. The Port has had an aggressive capital improvement plan over the past few years to position itself for future growth and to accommodate today's larger container vessels. The Port's current container terminal master plan provides for an increase in the Port's annual throughput capacity to more than 1 million TEU's. Past projects include adding three neo-Panamax cranes, increasing the channel depth to 42 feet, and completing phase two of its turning basin expansions. In 2021, the Port added additional refrigerated container plugs, increasing its capacity from 235 to 775, a $16 million investment. It has continued to add refrigerated containers through 2023, adding an additional 704, bringing the total to nearly 1,500 refrigerated containers.

Rail Realignment. The City is currently undertaking a Rail Realignment Project designed to replace and improve the existing freight rail route between Navassa (Davis) Yard and the Port by creating a new, shorter route that no longer runs through some of Wilmington's busiest streets and most densely populated areas. Once a new freight route is in operation, the City will work to repurpose the existing route for public use. The project will improve freight rail operations, public mobility, public safety, economic development, and quality of life in the region. Two main factors drive the need for the Rail Realignment Project – regional population growth and regional growth of freight by rail. As both population and freight by rail continue to grow, the more difficult it becomes to meet the needs of both the general public and the commercial and industrial sectors with the current transportation infrastructure. By creating a new, shorter bypass route, Rail Realignment seeks to provide a long-term solution to these challenges. Rail Realignment is in its early stages, with study efforts pursuant to the National Environmental Policy Act ("*NEPA*") near completion.

Research and Development. The City has long been a clinical research hub with companies such as Pharmaceutical Product Development, Inc. ("*PPD*"), Alcami, and Quality Chemical Laboratories ("*QCL*"). In December of 2021, Thermo Fisher Scientific concluded its acquisition of PPD for $17.4 billion. With more than 65 locations around the world, Thermo Fisher Scientific provides an end-to-end drug development offering that includes API, biologics, viral vector services, cGMP plasmids, early and late phase development, clinical trial services, logistics services, and commercial manufacturing. PPD, originally founded in the City, is a leading global contract research organization providing discovery, development, and post-approval services as well as compound partnering programs for pharmaceutical, biotechnology, medical device, academic and government organizations. PPD remains a brand of Thermo Fisher Scientific, providing contract research services, and remains a major employer in Wilmington. Following the sale of the Skyline Center (formerly known as the Thermo Fisher or PPD building) to the City in 2023, Thermo Fisher entered into a three year lease (with a renewal option) for two floors of the building, evidencing the company's commitment to Wilmington as a hub for PPD operations. In furtherance of that commitment, Thermo Fisher has also worked to provide a remote work option for employees located in the City.

Alcami, a fully integrated end-to-end contract development and manufacturing organization that opened its doors in the City in 1983, has been through multiple mergers and acquisitions, most recently partnering in 2022 with Civica Inc. (Civica Rx), a nonprofit pharmaceutical company focused on ensuring quality generic medicines are accessible and affordable to everyone. In January 2024, Alcami opened its new 65,000 square-foot pharma storage and services operations facility in North Carolina close to the Research Triangle Park biotech and pharma hub. QCL, started in 1998 by a retired UNCW professor, provides services to support small and large molecule drug products, drug substances, in-process materials and raw materials in all phases of research, development and commercialization. The company has five facilities in the City and expanded its main building, nearly doubling its footprint in 2023. Multiple other contract research organizations are located in the City including: IQVIA, INC Research, Modoc Research, Chiltern, Novella Clinical, Wilmington Pharmaceuticals and Phargate Animal Health.

Manufacturing. General Electric's ("*GE*") global headquarters for nuclear fuel (GE Hitachi Nuclear Energy or "*GEH*") is located in the County, outside of the City. GEH is a global nuclear alliance created by GE and Hitachi to serve the global nuclear industry by offering the highest level of quality services related to nuclear power plant construction and maintenance. GEH specializes in uranium enrichment technology and is one of the world's leading providers of advanced reactors and nuclear services. In October 2018, GE's Power division split into two divisions: GE Gas Power and GE Power Portfolio. The GE Power Portfolio is made up of GE's steam, grid solutions and power conversion businesses as well as GEH. GE Gas Power combined the company's gas product and services groups. In February of 2021, GEH announced the formation of GEH SMR Technologies Canada Ltd. to support the deployment of the BWRX-300 Small Modular Reactor in Canada. This has created 30 new positions in the City as well as 80 new jobs in Canada. In July 2021, GEH entered into a long-term contract extension with the Leibstadt Nuclear Power Plant, the most powerful nuclear plant in Switzerland, to provide a full portfolio of outage and inspection services through 2030.

Global Nuclear Fuel Americas ("*GNF*") operates a plant in the County, outside of the City, where it manufactures light-water nuclear reactor fuel. GNF is powered by three corporate giants: GE Energy, Toshiba and Hitachi. In October of 2022, plans were announced for a new nuclear energy facility near the City that would bring an additional 500 jobs to the area. The new hires are expected to support advanced nuclear growth and deployment of the BWRX-300 Small Modular Reactors.

GE Aviation, a global leader in jet engine and aircraft system production, is located in the County, outside of the City. The facility uses precision manufacturing to make rotating components that go into the core of nearly all of GE Aviation's jet engines, including the CFM LEAP and the GE9X. Corning opened the world's first optical fiber manufacturing facility in the City in 1979. Today, it is the world's largest optical fiber manufacturing plant. with over one million square feet of manufacturing space and total onsite acreage of approximately 66 acres.

Film Industry. The City is a top filming destination for production companies due in large part to the EUE/Screen Gems Studios complex in the City, which was originally built in 1996 and was purchased by Cinespace Studios in September 2023. The new company now operates one of the largest sound stages in the City. It has been home to numerous productions, including Iron Man 3, The Summer I Turned Pretty and George & Tammy. Dark Horse Studios, which has operated in the City since 2020, has announced plans to expand its operations in the City by constructing the first purpose-built studio to be built in North Carolina in more than 40 years. Combined with its existing facilities, the expansion will bring Dark Horse Studios to over 80,000 square feet of sound stages. Upon completion, Dark Horse expects the location to attract local and out of state productions seeking stage space. The State's 25% rebate on qualifying expenses and purchases/rentals made by productions while in-state combined with the availability of experienced crew and great infrastructure are likely to continue to drive expansion in the City's already robust film industry.

Medical Facilities. Novant Health New Hanover Regional Medical Center ("*Novant NHRMC*") is a teaching hospital and regional referral center and the tertiary care center for a seven-county area. The sale of Novant NHRMC by the County to Novant Health for approximately $2 billion closed on February 1, 2021. $1.25 billion of the sale proceeds were allocated to a community endowment to benefit the County and its residents. Novant NHRMC is one of 9 trauma centers in North Carolina certified at Level II or above. Novant NHRMC is home to the region's first Level III, Neonatal Intensive Care Unit, and has a *da Vinci*® Surgical System, which is a state-of-the-art robotic platform for surgeons. Novant NHRMC serves as the primary teaching site for four graduate medical education programs in internal medicine, obstetrics and gynecology, general surgery and family medicine. The residency programs are affiliated with the University of North Carolina at Chapel Hill School of Medicine and administered by the South East Area Health Education Center. Novant NHRMC has been recognized numerous times for its quality care.

Higher Education. The University of North Carolina at Wilmington ("*UNCW*"), located within the City, is a comprehensive level I university in the 16-campus University of North Carolina System and the only public university in southeastern North Carolina. It is accredited by the Southern Association of Colleges and Schools and offers 56 majors, 36 master's degrees, and four Doctoral programs. UNCW ranked 109th among Top Public National Universities and 16th in Best Online Bachelor's Program Nationally in 2023, according to *U.S. News & World Report*. UNCW had a fall 2022 enrollment of 17,843 full-time-equivalent undergraduate and graduate students. UNCW's Marine Biology Program ("*MARBIONC*"), an offering of the university's Center for Marine Science, is a research-based economic development program based at UNCW that discovers, develops and markets new products and technologies derived from the sea. The UNCW Center for Innovation and Entrepreneurship ("*CIE*") works to identify and nurture high-growth, high-impact companies and to accelerate the entrepreneurial ecosystem in the southeastern area of the State.

Cape Fear Community College ("*CFCC*") is accredited by the Southern Association of Colleges and Schools Commission on Colleges, with over 22,000 students enrolling in classes annually. CFCC students can train for a new career in one of the college's many technical programs or earn a two-year college transfer degree. CFCC offers an array of continuing education classes for lifelong learning and workforce development, as well as free courses in adult education, basic skills, and GED test preparation. Construction trades, power line technician, and Yamaha marine service technician are among CFCC's new workforce development programs. And to entrepreneurs and small businesses, CFCC's Small Business Center serves as a resource for free seminars and free business counseling services.

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Major Employers

The following table lists the major manufacturing and major non-manufacturing establishments, service companies and institutions in the County.

Company or Institution	Product or Service	Approximate Number of Employees
Major Manufacturing		
General Electric Company***	Components and Fuel for Nuclear Production of Electricity and Jet Engine Components	1,888
Corning, Inc*	Optical Wave Guides	1,000
Major Non-Manufacturing		
Novant Health*	Health Care	8,581
New Hanover County Board of Education**	Public Education	3,702
The University of North Carolina at Wilmington*	Higher Education	2,236
New Hanover County**	County Government	1,982
Thermo Fisher Scientific (PPD)*	Pharmaceuticals Testing	1,800
City of Wilmington*	Municipal Government	1,116
Cape Fear Community College*	Higher Education	1,083
Wilmington Health*	Health Care	1,000

Source: Greater Wilmington Business Journal, New Hanover County, New Hanover County of Board of Education, General Electric, Cape Fear Community College, and Thermo Fisher Scientific (PPD).
*Located within the City.
**Located partially within the City.
***Located within the County.

Large industries located in adjacent counties, which are major employers of the City's residents include International Paper Company (approximately 450 employees located in Lumberton, North Carolina) and Duke Energy Progress – Brunswick Nuclear Plant (approximately 1,350 employees located in Southport, North Carolina).

Taxable Sales

The following table reflects the total taxable sales for the County.

Fiscal Year Ended/Ending June 30	Total Taxable Sales	Increase (Decrease) Percent Over Previous Year
2019	$5,078,560,059	11.69%
2020	5,027,552,920	(1.01)
2021	5,746,625,707	12.51
2022	6,680,019,869	13.97
2023	7,179,532,403	6.96
2024 (5 months)[1]	3,189,083,636	--

Source: North Carolina Department of Revenue, Sales and Use Tax Division.
[1] For the five-month period ended November 2023. The comparable figure for the five-month period ended November 2022 was $3,099,729,699.

Employment

The North Carolina Department of Commerce has estimated the percentage of unemployment in the City to be as follows:

	2019	2020	2021	2022	2023	2024
January	4.5%	3.6%	5.8%	3.6%	3.6%	3.5%
February	4.0	3.5	5.6	3.5	3.4	3.4
March	3.9	4.4*	5.1	3.2	3.5	
April	3.4	17.1	4.9	3.2	3.1	
May	3.8	13.6	5.0	3.5	3.3	
June	4.1	10.3	5.3	3.9	3.5	
July	4.0	9.4	4.9	3.7	3.6	
August	3.9	6.8	4.5	4.0	3.6	
September	3.2	6.4	3.8	3.2	3.2	
October	3.5	5.4	3.9	3.5	3.3	
November	3.3	5.2	3.6	3.5	3.3	
December	3.1	5.3	3.0	3.1	3.2	

Source: North Carolina Department of Commerce: Labor and Economic Analysis Division.
Note: Most recent data available.
* Onset of the COVID-19 pandemic.

Construction Activity

Construction activity in the City is indicated by the following table setting forth the number and value of building permits issued in the City:

Fiscal Year Ending	Number of Building Permits	Residential Value (in thousands)	Nonresidential Value (in thousands)	Total Value (in thousands)
2019	1,217	$345,041	$294,107	$639,148
2020	1,278	274,540	214,129	488,669
2021	1,328	340,268	227,522	567,790
2022	1,923	361,669	293,806	655,475
2023	1,512	283,799	176,749	460,548
2024[1]	848	164,463	85,292	249,755

Source: New Hanover County Building Inspections Division.
[1] Through December 31, 2023. As of December 31, 2022, the number of building permits was 748, and the residential, non-residential, and total values (in thousands) were $134,610, $92,110, and $226,720, respectively.

Commercial and Residential Development

A number of notable commercial and/or residential developments are underway in the City and in various stages of completion, with others currently under construction or recently released for construction, including the following:

Crossroads at Independence is a large-scale retail project located at the corner of Carolina Beach Road and Independence Boulevard. The project includes a 78,000 square-foot grocery store and 16,000 square feet of retail space. This development was recently completed.

The Pointe at Barclay is a multi-phase commercial development located at the corner of Independence Boulevard and South 17th Street. Six buildings have been constructed to date and three additional commercial buildings have been released for construction. A four-story hotel with 104 rooms is currently under construction. Plans for a four-story apartment building with 299 residential units with a structured parking deck are currently in review. A 2,232 square-foot office building and art museum at the intersection of Gallery Park Drive and Blockbuster Road was recently approved for construction.

Live Oak Bank is located within the Tiburon Office Park near the intersection of Independence and Shipyard boulevards. The campus includes a two-story, 89,000 square foot facility, two four-story 64,000 square-foot buildings, one one-story 25,000 square-foot building, and a 3.5-story parking garage accommodating approximately 560 cars. Plans for a four-story, 66,500 square-foot office building have recently been released for construction.

Cape Fear Solar Systems is a multi-phased development project that includes a five-story, 75-foot tall office building and a 14,994 square-foot warehouse where solar system kits will be stored and placed on trailers for delivery. Additional phases will include a net-zero exhibition home, solar powered car charging stations, and multi-family residential buildings. The project is currently under construction.

The Avenue is a large-scale mixed-use development located on the northern end of Military Cutoff Road at Station Road. The project includes 525 apartments, a 241-room hotel, 131,700 square feet of office space, 115,000 square feet of retail space, and 16,000 square feet of restaurant space. The project has recently been released for construction.

Mayfaire Town Center, located on 400 acres along Military Cutoff Road, is a large-scale mixed-use project that includes a wide range of shopping and entertainment destinations. Mayfaire includes many residential units, including apartments, condos, and single-family homes. Mayfaire also includes a large office space component and is home to nCino Bank. Overall, the town center includes nearly 600,000 square-feet of retail space, 500,000 square-feet of office space, 510 multi-family units, 106 single-family lots, and two hotels. Phase III, consisting of approximately 68,000 square feet of retail, has recently opened. Shops included in this phase are an H&M retail store and Palmetto Moon. Plans have been approved for a new 139-room hotel (Element by Marriot) on a former restaurant site. This project is currently under construction.

Autumn Hall began construction in 2007 on a mixed-use development on more than 200 acres with a wide range of residential and commercial development, including retail space, office space, and a 135-room hotel. The development also provides for 72 acres of common/open space. To date, 220 single-family home sites have been approved and approximately 131,000 square feet of office and commercial use, along with a 40,000 square foot medical office facility currently leased by New Hanover Regional Medical Center have been constructed. Other completed projects include a 286-unit multifamily development, 51 condominium units, and a continuing care retirement community with 122 multi-family units and a 100-bed assisted living facility. The next phase of development was released for construction in 2019 and includes 19,000 square feet of office space, 26,000 square feet of retail and restaurant space, and 106 residential units. Roadway improvements for Eastwood Road, which were required for the future build-out of the project, are now complete. A new bank building located at the entrance to Autumn Hall and two two-story commercial buildings within the development containing 34,000 square feet of office and commercial space are currently under construction. In addition, a 34,000 square-foot medical office has recently been released for construction.

RiverLights is a large-scale, multi-phase residential and mixed-use development located on River Road in south Wilmington. Fifteen single-family subdivisions with a total of 1,961 lots have been approved by the City's Subdivision Review Board and Design Adjustment Committee. Five of these residential subdivisions are developer-identified *age-qualified developments* targeting residents 55 years of age and older. Phase I of Marina Village at RiverLights is a mixed-use community with 112-boat slips, 10 townhomes, and 9,800 square feet of restaurant space, approximately 16,000 square feet of office space, 4,000 square feet of retail space, and a 7,700 square foot art gallery. A 250-unit, two-building apartment development (Middleburg Apartments), located in the MX-zoned portion of RiverLights, was recently completed. In late 2020, City Council approved a rezoning of a 120-acre tract within Riverlights (MX3) for a new mixed use development to include a mix of residential, office, and commercial uses. A 279-unit residential cottage project (Cottages at Riverlights) and a 286-unit apartment project (Argento) are currently under construction. Refuel is a 6,507 square-foot convenience food store with fuel pumps located at 505 Arnold Street, which has recently been released for construction.

Barclay West North is a large-scale 570-unit residential project located on the northwestern corner of Independence Boulevard and South 17th Street. The project includes a residential apartment community (Mosby) and a mixed housing residential community (The Hamlet) that includes single dwellings, duplexes, and townhomes. The project has recently been released for construction.

Haven at Galleria (formerly The Residences at Galleria) is a mixed-use development on Wrightsville Avenue east of Military Cutoff Road. The project includes two phases in two structures. Phase 1 of the project includes 256 residential units and 1,500 square feet of restaurant space. Phase 2 includes over 400 residential units and 4,000 square feet of commercial space. The preliminary subdivision plan has recently been approved. The project has recently been released for construction.

Novant Health Family Medical Clinic-North , a 7,500 square foot medical office building, Spark Academy, a one-story, 14,035 square foot early childhood development center, and Fairfield Mixed-Use Buildings 3 & 4, a commercial development which includes two 2-story buildings, each with 10,000 square feet of office and 10,000 square feet of commercial space, are all currently under construction.

Midcastle, a mixed-use development which includes four 3-story buildings with 98 residential units and 4,294 square feet of commercial space, Project Grace, a 94,173 square-foot mixed-use project, the current phase of which includes plans for the construction of the New Hanover County library and museum, 5500 Wrightsville Avenue, a 32-unit townhome project, and The Townhomes at Allens Lane, a 16-unit townhome development within seven structures, have all recently been released for construction.

The following additional developments in the City have been released for construction or are currently under construction:

Name of Development	Type of Development	Number of Units
Center Point[1]	Mixed Use – Apartments, Hotel, Retail & Office Space	370
Airlie at Wrightsville Sound	Single Family	49
Ansley Park	Apartments	276
East & Mason	Mixed Use – Townhomes, Single Family	168
Switchyard	Multi Family	192
Flats at Hanover Center	Mixed Use –Apartments, Retail	262
Azalea Landing	Apartments	426
Wilmington Three Phase A	Apartments	286
Cottages at Bradley Creek	Single Family	56
Franklin Forest Phase 2	Multi Family	14
Woodlands at Echo Farms	Apartments	206
Woodlands at Echo Farms	Townhomes, Single Family	208
Pacific Place	Single Family	39
Vivo Apartments	Apartments	234
Starway Village	Affordable Housing Units	278
The Range on Oleander[2]	Mixed Use – Office, Retail, Apartments	346
Cargo West	Commercial – Food Service, Retail	N/A
Tru by Hilton	Hotel	101
720 Castle	Mixed Use – Residential, Commercial	10

[1] Center Point is a mixed-use development which includes, in addition to the 370 apartment units, 102,300 square feet of office space and 121,000 square feet of retail and restaurant space.

[2] The Range on Oleander is a mixed-use development which includes, in addition to 346 apartments, 14,000 square feet of retail space.

Annexation. The City is empowered to levy a property tax on both real and personal properties located within its boundaries and the County is the only other unit that levies taxes within the City's corporate limits. The City is also empowered by State statute to extend its corporate limits by annexation, upon receipt of a valid petition signed by the owners of the real property located within the area. The City has exercised its annexation powers in the past but no major annexation has taken place in the last five years.

Government and Major Services

Government Structure. The City is governed by the Council-Manager form of government. The seven-member nonpartisan City Council is elected at-large, with the six Council members serving four-year staggered terms and the Mayor serving a two-year term. The Mayor and Council Members serve as the City's policy-making body, adopting an annual balanced budget, establishing legislative direction for the City, and appointing various officials, including a professional City Manager to serve as chief executive officer to direct the daily activities of the City's departments. The City Council makes extensive use of appointed boards and commissions in the development of policy decisions.

Education. The City and County have a consolidated public school system. New Hanover County Schools is governed by a seven-member Board of Education. The Board is elected for four-year staggered terms. The City has no direct financial responsibility for any part of the school system. The State provides operational funds for a basic education program for each school system in the State. Funds are also provided by the State for capital construction through the Public Schools Building Capital Fund. In addition to the State funds, the County contributes funds from its General Fund. Designated portions of two local option one-half cent sales taxes must be used for school capital outlay expenditures or the retirement of bonded indebtedness incurred for these purposes.

The following table illustrates the number of schools in the system and their average daily membership ("*ADM*")[1] for the past four years and the current year:

	Elementary Grades (K-5)		Intermediate Grades (6-8)		Secondary Grades (9-12)	
School Year[2]	Number of Schools	ADM[1]	Number of Schools	ADM[1]	Number of Schools	ADM[1]
2018-19	26	11,752	7	5,865	9	7,895
2019-20	26	11,846	7	5,676	9	8,095
2020-21	26	10,760	7	5,495	9	8,057
2021-22	26	10,882	7	5,441	9	8,279
2022-23	26	11,016	7	5,401	9	8,650
2023-24[3]	26	10,958	7	5,239	9	8,703

Sources: North Carolina Department of Public Instruction

[1] ADM or average daily membership, determined by actual records at the schools, is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The ADM computations are used as a basis for teacher allotments.

[2] The above table includes alternative schools.

[3] 2023-24 ADM based on the Month 2 Membership Report FY2024, updated December 13, 2023.

New Hanover County Schools has projected an average daily membership of 24,900 during the 2023-2024 school year for kindergarten through twelfth grade. In 2022-2023 New Hanover County Schools served 25,067 students from kindergarten through twelfth grade. Additionally, pre-K services were provided for 883 students at both public and private sites. Services were provided to these students in two pre-K centers, 26 elementary schools, one elementary alternative day treatment center, seven middle schools, four high schools, one alternative high school and two early college high schools.

Transportation

The Road System. The City is served by Interstate 40, U.S. Highways 17, 117, 74, 76, 421 and by North Carolina Highways 132 and 133. These highways connect the area to the major cities in North Carolina, South Carolina and Virginia. There are projects in different stages of early development today that will shape the transportation future of the region. These projects – which include the Cape Fear Memorial Bridge Replacement, South Front Street Widening and the Extension of Independence Boulevard – all intersect with the future of freight rail in the region and the planned Rail Realignment Project described above under "Commerce and Industry – Rail Realignment". Infrastructure projects with the scope and magnitude of Rail Realignment, as well as those previously mentioned, take considerable time to implement. As such, the City has begun work on Rail Realignment to address the regional multi-modal needs of tomorrow.

Mass Transit. Local bus service is provided by the Cape Fear Public Transportation Authority (the "*Transportation Authority*"), which operates as Wave Transit. The Transportation Authority is reported as a component unit of the City and is governed by a nine-member board (or a member's designee). The members of the board are designated to be the County Manager, the City Manager, a County Deputy Attorney, the City Attorney, the County Finance Director, the City Budget Director, the Executive Director of the Wilmington Urban Area Metropolitan Planning Organization and two members, one appointed by the County and one by the City. A private management firm oversees the daily operations of the Transportation Authority, managing a system of ten routes, the UNCW Shuttle service, as well as the historic downtown trolley. The Transportation Authority provides transportation services to over a million passengers annually. In January 2020, the Transportation Authority opened a new downtown transfer station, providing customers a safer, more convenient, and accessible experience when utilizing public transportation. The City's operating subsidy to the Transportation Authority's system is $1,725,004 for fiscal year ending June 30, 2024. The City's operating subsidy for operations is approximately 15% of the current year's transit budget. There are also approximately 55 trucking companies serving the greater Wilmington area.

Wilmington International Airport. The Wilmington International Airport ("*ILM*" or the "*Airport*"), a component unit of the County, is operated by the New Hanover County Airport Authority. The Airport is the 4th largest in the State. In 2023, ILM served 1,317,897 passengers, a 21% increase over the 1,086,245 served in 2022. In 2023, due to the increased number of seats allocated to ILM from the airlines, ILM was the fastest growing airport in the State and the fourth fastest growing airport in the U.S. ILM had 23% seat capacity growth in 2023, far surpassing the North Carolina average of 14% and national average of 10%. Two commercial airlines, American Airlines and Delta provide regular jet and commuter service, offering direct (non-stop) service to four major cities: Atlanta, Charlotte, New York and Philadelphia and one-stop connections to hundreds of destinations both domestic and international. ILM'S newest airline, Avelo, now offers direct flights to two Florida destination sites, Tampa and West Palm Beach, and also, to Delaware, an alternative to flying into Philadelphia. The Airport is a U.S. Customs and Border Protection General Aviation International Clearance Facility.

A $69 million Airport expansion and renovation project began in 2018 and was completed in phases and included adding a new outbound bag room and screening equipment, expanding the airline ticket lobby, ticket counters and ticket office, adding new gate space, new gate seating, new restrooms, and new concession space. In addition, the expansion and renovation project updated the baggage carousel area, rental car area, and remodeled the prior gate area. The Federal Aviation Administration has awarded ILM a $16.4 million grant. Once completed, the ILM terminal will grow by 75% to 162,800 square feet, adding 4 new gates, expanded concessions and restaurant space, and an enhanced baggage claim area. This expansion will give ILM the capacity to meet the travel needs of our fast-growing region while providing a refreshed look, modern convenience, and more space for customers in the post-pandemic world. In addition, $165 million in Airport capital improvements began in 2023, including terminal curb front improvements, phased parking improvements, the realignment of Airport Boulevard, and continued terminal expansion to be completed by the fall of 2026. ILM is expected to have 2,700 parking spaces at the end of the project with room for more and designated lanes for arrivals and departures. There will also be a complete renovation of one the Airport's runways at a cost of $15 million.

Public Service Enterprises

Water and Sewer. In May 2007, the City Council of the City and the Board of Commissioners of the County each adopted resolutions creating a water and sewer authority called the Cape Fear Public Utility Authority (the "*Authority*") to consolidate the City's and County's water and sewer systems, along with the New Hanover County Water and Sewer District (the "*District*"). Transfer of water and sewer assets and liabilities, as well as employees, of the City, the County, and the District to the Authority was completed on July 1, 2008. The water and sewer system assets and liabilities of the City, County, and District were leased, transferred, or assigned to the Authority, to the extent permitted under existing financing documentation law.

The Authority provides water and sewer services for the City and areas in the County not served by Carolina Beach, Kure Beach and Wrightsville Beach. The Authority's water system is composed of a surface water system and two groundwater systems. The Authority's water system has 1,153 miles of distribution lines and 74,133 customer accounts. The Authority's wastewater collection system consists of approximately 927 miles of gravity lines, 23,067 manholes, approximately 158 pump stations and 160 miles of pressurized sewage force main. The Authority currently has 74,453 wastewater accounts and provides wholesale wastewater treatment services to the Town of Wrightsville Beach and wastewater services to a portion of Pender County.

Recycling and Trash Services. The City's Recycling & Trash Services Division oversees the collection and disposal of the City's refuse, yard waste, bulky items, electronics, and bi-weekly collection and disposal of commingled recycling to over 30,000 City customers. User fees fund all of the services. The refuse section provides weekly trash collection to City residents on public streets. The division also oversees the delivery, repair, and pick-up of thousands of trash and recycling carts annually. The yard debris section collects customers' prepared vegetative debris weekly and functions as a lead responder in weather-related emergency debris removal. The downtown section is responsible for "Blue Bag" trash and commercial cardboard and glass recycling in the central business district. The downtown section operates 18 hours per day, seven days a week. The administrative section handles a large-volume call center assisting customers, including requests to schedule bulky and electronic service appointments and process new account activation work orders. The Recycling & Trash Services Division also provides downtown litter removal and trash collection from over 200 public trash and recycling receptacles on the Riverwalk and the historic downtown area, as wells as sidewalk pressure washing daily in the Central Business District. The Recycling & Trash Services Division is responsible for supporting cleanup activities following the City's sponsored events and festivals.

Storm Water Management. The City's Storm Water and Streets Management Division of the Public Services Department maintains and improves the public drainage system, under city streets, for the protection of the community and the environment. These activities are funded by user fees. The Storm Water Maintenance section is responsible for capital drainage improvements projects (CIP) and the Operations section is responsible for the operation and maintenance of the public drainage system which includes drainage pipes, catch basins, open channels, storm water control measures, etc. In addition, the Street Sweeping section of Storm Water Services helps to minimize the amount of trash, debris, sediment, and other pollutants from entering open or closed drainage systems. The five core components of Storm Water Services include asset management and planning, capital improvements, regulatory and enforcement activities, water quality measures required by the NC Department of Environmental Quality's Storm Water MS4 Permit and operations and maintenance.

Other City Services. The City provides a broad range of leisure-time activities, parks and recreation facilities to residents of and visitors to the area. There are 56 park and recreation sites throughout the City consisting of 801 acres including 380 acres of athletic and recreation facilities. In addition, there are 32 miles of trails. The City continues to focus on creating diverse and accessible parks and recreation opportunities.

The City maintains an active role in providing adequate housing for low and moderate income citizens. In addition to the City's Housing Authority, the City makes available housing rehabilitation loans to qualified homeowners and loans to investors for the renovation of rental property and the construction of new homes for persons of low and moderate income. The funds are provided from the City's Community Development Block Grant and Home program, the General Fund, and the Rental Rehabilitation program.

Debt Information

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 $1,495,365,091 as of June 30, 2023.

Outstanding General Obligation Debt

	Principal Outstanding as of				
General Obligation Bonds	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Street	$20,515,000	$19,290,000	$46,415,000	$45,190,000	$44,425,000
Parks	-	16,165,000	25,405,000	22,445,000	19,485,000
Refunding	6,650,000	5,990,000	9,100,000	8,435,000	7,390,000
Other	4,750,000	4,445,000	4,140,000	3,840,000	3,540,000
Total Bonds	$31,915,000	$45,890,000	$85,060,000	$79,910,000	$74,840,000

General Obligation Debt Ratios

At June 30	Total GO Debt	Assessed Valuation[1]	Total GO Debt to Assessed Valuation	Population[2]	Total GO Debt Per Capita
2019	$ 31,915,000	$ 15,279,449,619	0.21%	121,910	$ 261.79
2020	45,890,000	15,567,604,027	0.29	122,891	373.42
2021	85,060,000	15,981,099,374	0.53	115,465	736.67
2022	79,910,000	21,434,311,269	0.37	118,063	676.84
2023	74,840,000	21,895,119,764	0.34	121,309	616.94

[1] Property in the County is appraised at least once every eight years as required by state law, with the last such appraisal taking effect during fiscal year ended June 30, 2022. Property is assessed at 100% of value. Tax rates are per $100 of assessed value.
[2] Estimate of the North Carolina Office of State Budget and Management.

General Obligation Bonds Authorized and Unissued

Purpose	Date Approved	Amount Authorized and Unissued
Refunding[1]	3/2/2021	$930,000

[1] The City does not intend to issue this debt.

The table on the following page sets forth the debt service requirements on general obligation debt of the City which will be outstanding as of June 30, 2023.

General Obligation Debt Service Requirements and Maturity Schedule

Fiscal Year Ending June 30th	Existing Debt Principal	Existing Debt Principal & Interest
2023-24	$5,075,000	$7,286,307
2024-25	5,070,000	7,165,467
2025-26	5,065,000	7,043,257
2026-27	5,060,000	6,884,328
2027-28	5,055,000	6,668,849
2028-29	5,050,000	6,455,893
2029-30	4,400,000	5,623,722
2030-31	4,400,000	5,449,599
2031-32	4,400,000	5,274,613
2032-33	4,020,000	4,770,580
2033-34	4,015,000	4,650,185
2034-35	3,865,000	4,384,033
2035-36	3,865,000	4,294,895
2036-37	3,720,000	4,059,973
2037-38	3,720,000	3,973,615
2038-39	2,955,000	3,122,238
2039-40	2,955,000	3,060,320
2040-41	2,150,000	2,193,000
	$74,840,000	$92,360,874

General Obligation Debt Information for Overlapping Unit as of June 30, 2023

				Debt Authorized And Unissued		Total GO Debt		
Unit	2022 Population[1]	Assessed Valuation[2]	Tax Rate Per $100	Utility	Other	Utility	Other	Total GO Debt Per Capita
New Hanover County	234,921	$49,449,504,226	$0.4550	—	—	—	$245,346,055	$1,044.38

[1] Estimate of North Carolina Office of State Budget and Management

[2] Based on County's fiscal year ended June 30, 2023 ACFR.

Other Long-Term Commitments. Annual principal and interest requirements of the City's limited obligation bonds, installment financing contracts and other long-term contractual commitments as of June 30, 2023. Debt service on certain of these obligations are paid through the City's Special Purpose Fund and Enterprise Fund as described in more detail in the footnotes to the table.

Fiscal Year Ending June 30	General Fund	Special Purpose Fund[1]	Enterprise Fund[2]	Amount Payable
2024	$18,139,377	$4,015,425	$4,473,654	$26,628,456
2025	19,567,631	4,008,675	4,709,032	28,285,338
2026	18,925,734	4,010,075	4,590,386	27,526,195
2027	18,204,928	4,007,675	4,548,283	26,760,886
2028	17,507,729	4,011,775	4,502,400	26,021,904
2029	16,051,376	4,011,275	4,082,709	24,145,360
2030	14,949,469	4,014,275	4,046,069	23,009,813
2031	11,035,154	4,015,275	4,020,713	19,071,142
2032	12,276,608	4,013,900	3,987,632	20,278,140
2033	10,517,025	4,013,300	3,956,426	18,486,751
2034	10,156,548	4,012,700	3,361,966	17,531,214
2035	7,921,007	4,016,900	4,823,794	16,761,701
2036	6,714,257	4,015,500	4,711,726	15,441,483
2037	6,485,980	4,010,250	4,593,266	15,089,496
2038	5,672,904	4,011,850	4,478,681	14,163,435
2039	5,469,002	-	4,360,571	9,829,573
2040	5,260,101	-	4,241,061	9,501,162
2041	3,491,449	-	1,800,151	5,291,600
2042	2,976,712	-	1,723,538	4,700,250
2043	2,840,681	-	1,644,444	4,485,125
2044	1,512,167	-	1,567,958	3,080,125
	$215,675,839	$60,188,850	$80,224,460	$356,089,149

[1] Obligations payable from the Special Purpose Funds are budgeted to be paid from (1) proceeds derived from (a) a City tax equal to 3% of the gross receipts derived from the rental of any room, lodging or similar accommodation furnished by any hotel, motel, inn, tourism camp or similar place within the City (the "*City Occupancy Tax*"), and (b) a County tax equal to 3% of the gross receipts derived from the rental of any room, lodging or similar accommodation furnished by any hotel, motel, inn, tourism camp or similar place within the "convention center district" of the City, which covers substantially all of the downtown area of the City (the "*Convention Center District Occupancy Tax*" and together with the City Occupancy Tax, the "*Occupancy Taxes*") and (2) net parking revenues derived from the parking deck adjacent to the City's Convention Center Facility. Net proceeds of the Occupancy Taxes made available to the City are restricted by legislation for use only for the construction, financing, operation, promotion and maintenance of the City's Convention Center Facility.

[2] Obligations of the City's parking facilities are included in the Enterprise Funds.

Stormwater Revenue Bonds. Annual principal and interest requirements for the City's revenue bonds as of June 30, 2023, are listed below.

Fiscal Year Ending June 30	Annual P&I Requirements	Fiscal Year Ending June 30	Annual P&I Requirements
2024	$1,551,200	2033	$ 1,549,025
2025	1,552,200	2034	989,025
2026	1,549,450	2035	992,025
2027	1,551,200	2036	993,025
2028	1,551,725	2037	992,275
2029	1,551,125	2038	995,400
2030	1,548,625	2039	995,000
2031	1,553,625	2040	993,200
2032	1,552,225		$22,460,350

Debt Outlook. The City's future financing plans (after the execution and delivery of the 2024 Bonds) include an installment financing in fiscal year ending June 30, 2025 of approximately $22 million. Projects expected to be financed in 2025 include street and sidewalk repairs, a new parks maintenance facility to be built on property purchased by the City, a bridge replacement on 4th Street, concrete renovations at three fire stations, and renovation work to the 115 Third Street building. Future capital improvement and financing plans after 2025 are still under development, so the planned 2025 financing is the last one currently supported by an approved capital improvement plan. Currently, the City has no plans to issue general obligation bonds.

Tax Information

General Information

	Fiscal Year Ended June 30				As of January 31,
	2020	2021	2022	2023	2024[4]
Assessed Valuation					
Assessment Ratio[1]	100%	100%	100%	100%	100%
Real Property	$13,294,244,266	$13,582,179,209	$18,981,187,663[3]	$19,223,790,658	$19,730,662,911
Personal Property	2,100,147,355	2,235,024,676	2,281,086,055	2,492,248,956	2,832,706,754
Public Service Companies[2]	173,212,406	163,895,489	172,037,551	179,080,149	210,874,172
Total Assessed Valuation	$15,567,604,027	$15,981,099,374	$21,434,311,269[3]	$21,895,119,763	$22,774,243,838
Rate per $100	0.4984	0.4984	0.3808	0.395	0.395
Levy	$77,774,831	$79,936,469	$82,286,366	$86,628,169	$89,125,310

[1] Percentage of appraised value has been established by statute.
[2] Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.
[3] The most recent property revaluation was effective as of January 1, 2021 for the tax levy associated with fiscal year ended June 30, 2022.
[4] Estimated as of January 31, 2024.

Tax Collections

Year Ended June 30	Prior Years' Levies Collected[1]	Current Year's Levy Collected	Percentage of Current Year's Levy Collected
2019	$313,788	$75,989,085	99.26%
2020	368,699	77,013,812	99.02
2021	307,567	79,169,607	99.04
2022	213,806	81,874,939	99.50
2023	0	86,240,148	99.55

Source: New Hanover County Tax Office.
[1] Prior Years' Levies Collected as of June 30, 2023 for years 2019-2023.

For fiscal year ending June 30, 2024, the total levy collected through January 31, 2024 is $84,400,042.

Ten Largest Taxpayers for Fiscal Year 2023

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Corning Inc.	Optical Fiber MFG	$245,327,563	1.12%
River Ventures LLC (PPD)[1]	Pharmaceutical	91,256,600	0.42
Mayfaire Town Center LP	Real Estate	90,527,447	0.41
Bedrock Holdings LLC	Real Estate	88,171,000	0.40
Live Oak Bank Company	Banking	79,928,420	0.37
Duke Energy Progress Inc. (CP&L)	Utilities	77,380,864	0.35
RPP Holdings LLC	Real Estate	73,781,600	0.34
Arboretum West Mixed Use LLC	Real Estate	62,103,900	0.28
Triangle Avalon Wilmington LLC	Real Estate	60,180,200	0.27
Wilmington Independent Living LLC	Real Estate	58,960,100	0.27

Source: New Hanover County Tax Office
[1] Represents assessed valuation of real property (the Skyline Center, formerly known as the Thermo Fisher or PPD building) acquired by the City from River Ventures LLC (PPD) with a portion of the proceeds of the 2023C and 2023D Bonds. This property is now owned by the City and, except for any taxes levied and collected with respect to leasehold interests in such real property, no taxes are currently being levied and collected with respect to such property.

2023-2024 Budget Outlook

The fiscal year ending June 30, 2024 ("*FY24*") budget (the "*2024 Budget*") as originally adopted totaled $147,803,946 and included $8,520,000 in appropriated General Fund balance. A total of $8.5 million was appropriated as a transfer for debt service to support the acquisition of the Skyline Center (formerly known as the Thermo Fisher or PPD building), parking deck and adjacent properties. The remaining $20,000 was reserved as restricted fund balance for special travel needs. The 2024 Budget represented an increase of approximately 13% or $17.4 million over the prior year's adopted budget. During FY24, an additional $3,626,401 was appropriated to the City's General Fund. This total includes supplemental appropriation of $1,847,500 for debt service, resulting from the sale of surplus property in addition to funding to accommodate encumbrances from the previous year. As of February 28, 2024, the amended budget totaled $151,430,347.

The ad valorem tax rate remained unchanged for FY24 at $0.3950. The 2024 Budget dedicates $0.0825 of the ad valorem property tax rate to support the City's capital improvements program ("*CIP*"), which funds 80% debt service and 20% pay-as-you-go for certain tax-supported projects in the CIP. The level of unassigned fund balance is estimated to remain in compliance with the City Council's policy of maintaining a minimum unassigned fund balance of 20% to 25% of budgeted expenditures.

As the economy recovers from the muti-year COVID pandemic, higher consumer spending has created both inflationary pressure and heightened sales tax revenues. As a result, sales tax revenue was projected to grow at a rate of 6% over the prior year. The 2024 Budget allocated $45.2 million in sales tax representing $7.5 million of growth over the prior year's budget of $37.7 million. Sales tax revenues received by the City through February 28, 2024 (which represent sales tax revenues collected through November 30, 2024 due to the typical delay in receiving this revenue from the North Carolina Department of Revenue) were at 40% of the full-year budget with 41% of collection days elapsed. Indicators show consumer spending has begun to slow following interest rate hikes and price increases for merchandise resulting in relatively flat growth in sales tax revenue, FY24 to date.

2024-2025 Budget

The budget for the Fiscal Year ended June 30th 2025 is not expected to be presented to the City Council until its meeting in early May.

Pension Plans

The City participates in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan.

The North Carolina Local Governmental Employees' Retirement System is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of system funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the system.

The system provides, on a uniform system-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute 6% of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers, was 12.10% of eligible payroll for general employees and 13.04% of eligible payroll for law enforcement officers for the fiscal year ended June 30, 2023. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the system.

Members qualify for a vested deferred benefit that is unreduced at age 65, with at least five years of creditable service, at age 60 with 25 years of credit, or at any age with 30 years credit; reduced benefit at age 50 with at least 20 years credit or at age 60 with at least five years of creditable service. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the system are determined on an actuarial basis.

For information concerning the City's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina see the Notes to the City's Audited Financial Statements in Appendix B to the Official Statement.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Annual Comprehensive Financial Report ("*ACFR*") for the State. Please refer to the State's ACFR for additional information.

Other Post-Employment Benefits

The City provides certain other post-employment benefits ("*OPEB*") as part of the total compensation offered to attract and retain the services of qualified employees. The City offers post-retirement health care benefits to retirees hired prior to January 1, 2007, who participate in the North Carolina Local Governmental Employees' Retirement System ("*LGERS*") and have at least five years of creditable service with the City. The health care benefits for such a retiree are the same as for active employees and are available until the retiree is Medicare eligible.

The City has made changes to eligibility requirements for retiree healthcare benefits in order to manage the long-term cost of the plan. Employees hired on or after January 1, 2007, but before July 1, 2009, who subsequently retire will be required to contribute the active employee premium plus a percentage of the premium paid by the City for active employees based on the number of creditable years of service beyond five years attained with the LGERS. Such retirees may purchase healthcare benefits for their eligible dependents by paying the full cost of such dependent coverage (prior to this change, qualified retirees' contributions requirements for both individual and dependent coverages were limited to the active employee premium). Employees hired on or after July 1, 2009, but before January 1, 2011, who subsequently retire must participate in the LGERS and have at least 10 years of creditable service with the City to be eligible for benefits under the City's post-employment healthcare plan. Such a retiree will be required to contribute the active employee premium plus a percentage of the premium paid by the City for active employees based on the number of creditable years of service beyond 10 years attained with the City. Employees hired on or after January 1, 2011 are not eligible for retiree healthcare benefits.

In accordance with requirements of GASB Statement No. 75, the City engages an actuarial firm to prepare a report which assists in reporting the cost of other post-employment benefits in its financial report. As of June 30, 2023 the City-wide total OPEB liability was $39,627,746. The plan fiduciary net position was $3,172,811, resulting in an OPEB liability of $36,454,935.

For more information on the City's financial obligations with respect to these benefits and other post-retirement benefits, see Note 3B of the City's financial statements and notes thereto attached as Appendix B to the Official Statement.

Contingent Liabilities

The City is a defendant or potential defendant in various litigation or pre-litigation matters. The City is defending or will defend all of these matters vigorously. Any potential losses to the City should be limited to either the insurance policies' deductible amounts for those matters covered by insurance, or to minimal or nominal amounts in matters not covered by specific insurance policies. It is not possible at this time to predict the outcome of these claims and actions, but in the opinion of the City Attorney, these claims should not result in judgments that, in the aggregate, would have a material adverse effect on the City's financial statements or its ability to meet its financial obligations with respect to the 2024 Bonds.

APPENDIX B

FINANCIAL INFORMATION CONCERNING THE CITY OF WILMINGTON, NORTH CAROLINA

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Management's Discussion and Analysis
(unaudited)

As management of the City of Wilmington, North Carolina (the City) we offer readers of the City of Wilmington's financial statements this narrative overview and analysis of the financial activities of the City of Wilmington for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

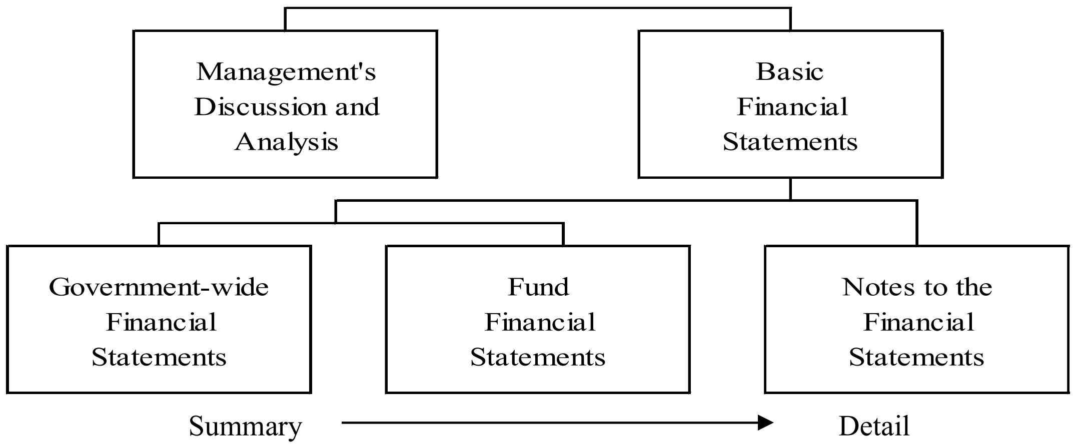
Financial Highlights

- In June 2021, the City received the first payment of $12,964,976 from the US Treasury as part of the American Rescue Plan Act (ARPA) allocation of $25,929,952. The second payment of $12,964,976 was received in June 2022. The City continues to manage these funds through various programs within the community to assist the City and our community in the recovery of the pandemic as well as maintain financial stability.
- The City continues to recover from Hurricane Florence that made landfall in September 2018 and Hurricane Isaias that made landfall in August 2020. Repairs continue to be made on City facilities damaged by Hurricane Florence. The eligible reimbursements remaining from both storms are $8.5 million for Florence and $.092 million for Isaias.
- The assets and deferred outflows of resources of the City of Wilmington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $521,664,294 (*net position*).
- The government's total net position increased by $36,859,953. Included in this amount are increases in the net position of governmental activities and business-type activities of $29,929,909 and $6,930,044 respectively.
- As of the close of the current fiscal year, the City of Wilmington's governmental funds combined ending fund balances increased $19,783,315 from the prior year to a total of $255,214,368. Approximately 15.4% of this amount, or $39,344,932, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $39,444,932 or 32.9% of total general fund expenditures and 29.3% of total general fund expenditures, including transfers for the fiscal year. This follows the City's Policy of maintaining a minimum unassigned fund balance of 20-25% of the operating budget.
- The City of Wilmington's total long-term liabilities increased by $39,329,055 or 10.6% during the current fiscal year. Total long-term liabilities increased for governmental activities by $39,683,463 and decreased by $354,408 for the business-type activities.
- The City of Wilmington's bond rating is AAA/AAA/Aaa which has remained steady for Fitch, Standard & Poor's and Moody's.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Wilmington's basic financial statements. The City'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. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Wilmington.

Required Components of Annual Comprehensive Financial Report
Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, the **required supplementary information** section contains funding information about the City's pension plans and postemployment healthcare plan. Next, **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 the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

The business-type activities are those that the City charges customers to provide. These include recycling and trash services, parking facilities, storm water management, and a golf course operated by the City. The final category is the component unit. Although legally separate from the City, the Cape Fear Public Transportation Authority is important to the City because the Authority is primarily fiscally dependent upon the City.

The government-wide financial statements are on pages 21 - 23 of this report.

Fund Financial Statements

The fund financial statements (see figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wilmington, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Wilmington can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. Financial statements for 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 Wilmington adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the board; 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.

Proprietary Funds – The City of Wilmington 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. The City of Wilmington uses enterprise funds to account for its golf course operations, recycling and trash services, storm water management, and operations of the parking facilities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Wilmington. The City uses an internal service fund to account for two activities – equipment maintenance and replacement and technology replacement. Because these operations benefit predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for reserves held by the government in a trustee capacity for others. Because the resources of fiduciary funds cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide statements. The City uses fiduciary funds to account for the assets of the Community Housing Development Organization's net proceeds from the sale of housing, law enforcement seizures and postemployment trust funds, which include the City's retiree healthcare program.

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 47 - 123 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Wilmington's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 125 of this report.

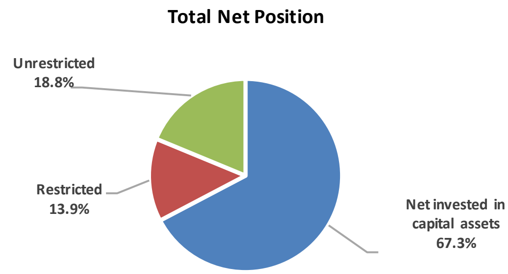
Interdependence with Other Entities – The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows in intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Wilmington exceeded its liabilities and deferred inflows of resources by $521,664,294 as of June 30, 2023. The City's net position increased by $36,859,953 for the fiscal year ended June 30, 2023. A significant portion of the City's net position $351,053,735 (67.3%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in 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. An additional portion of the City's net position, $72,762,074 (13.9%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of $97,848,485 (18.8%) is unrestricted.

Several aspects of the City's financial operations positively influenced the total unrestricted government-wide net position:

- **Governmental Activities**: The City received an increase in Sales tax revenue and Property tax revenue of $1,099,160 and $4,262,965, respectively that exceeded the prior year. Charges for services increased by $1,874,934 as there was more activity with the convention center events. A large increase in revenues was seen with investment earnings increasing by $7,843,674 due to the change in market conditions. In addition to revenue increases, the City also had expense increases over the prior year mainly due to the implementation of a city-wide compensation study, an increase in pension costs, and the increase in streets and sidewalk projects.
- **Business-type Activities**: Overall revenues increased from the prior by $5,706,028 mostly due to charges for services that were higher than the prior year by $2,530,445. Increases of investment earnings were $1,247,431 over the prior year and operating grants and contributions increased by $1,686,650 related to a grant for a major stormwater drainage project.



Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS:						
Current and other assets	$ 323,290,141	$ 306,930,680	$ 61,579,690	$ 64,574,176	$ 384,869,831	$ 371,504,856
Capital assets	489,684,308	468,552,477	94,777,668	87,283,640	584,461,976	555,836,117
Total assets	812,974,449	775,483,157	156,357,358	151,857,816	969,331,807	927,340,973
DEFERRED OUTFLOWS OF RESOURCES	35,649,061	28,188,977	4,715,754	3,287,691	40,364,815	31,476,668
LIABILITIES:						
Long-term liabilities	359,367,851	319,684,388	52,538,203	52,892,611	411,906,054	372,576,999
Current and other liabilities	27,542,083	34,078,824	5,957,863	4,181,413	33,499,946	38,260,237
Total liabilities	386,909,934	353,763,212	58,496,066	57,074,024	445,406,000	410,837,236
DEFERRED INFLOWS OF RESOURCES	31,303,180	49,428,435	11,323,148	13,747,629	42,626,328	63,176,064
NET POSITION:						
Net investment in capital assets	298,127,945	280,909,012	52,925,790	42,597,241	351,053,735	323,506,253
Restricted	72,080,664	64,217,735	681,410	602,047	72,762,074	64,819,782
Unrestricted	60,201,787	55,353,740	37,646,698	41,124,566	97,848,485	96,478,306
Total net position	$ 430,410,396	$ 400,480,487	$ 91,253,898	$ 84,323,854	$ 521,664,294	$ 484,804,341

Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	$ 11,846,453	$ 9,971,519	$ 31,616,108	$ 29,085,663	$ 43,462,561	$ 39,057,182
Operating grants and contributions	15,136,420	17,424,837	1,718,016	31,366	16,854,436	17,456,203
Capital grants and contributions	8,840,402	6,148,569	363,983	141,566	9,204,385	6,290,135
General revenues:						
Property taxes	86,821,341	82,558,376	-	-	86,821,341	82,558,376
Other taxes	56,729,808	54,725,001	-	-	56,729,808	54,725,001
Investment earnings	8,159,701	316,027	1,290,399	42,968	9,450,100	358,995
Other	6,807,466	6,498,497	476,457	457,372	7,283,923	6,955,869
Total revenues	194,341,591	177,642,826	35,464,963	29,758,935	229,806,554	207,401,761
Expenses:						
General government	40,088,557	34,635,188	-	-	40,088,557	34,635,188
Public safety	67,596,845	57,680,970	-	-	67,596,845	57,680,970
Transportation	24,843,344	20,691,751	-	-	24,843,344	20,691,751
Economic and physical development	8,050,333	8,718,652	-	-	8,050,333	8,718,652
Culture and recreation	15,156,155	13,097,808	-	-	15,156,155	13,097,808
Transit system	1,712,255	1,599,708	-	-	1,712,255	1,599,708
Interest and other charges	7,439,442	7,737,500	-	-	7,439,442	7,737,500
Recycling and Trash Svcs	-	-	9,026,763	9,777,524	9,026,763	9,777,524
Storm water management	-	-	10,064,788	8,327,457	10,064,788	8,327,457
Parking facilities	-	-	7,139,881	6,770,339	7,139,881	6,770,339
Golf	-	-	1,828,238	1,856,464	1,828,238	1,856,464
Total expenses	164,886,931	144,161,577	28,059,670	26,731,784	192,946,601	170,893,361
Increase in net position before transfers	29,454,660	33,481,249	7,405,293	3,027,151	36,859,953	36,508,400
Transfers from (to) other funds	475,249	(165,299)	(475,249)	165,299	-	-
Increase in net position	29,929,909	33,315,950	6,930,044	3,192,450	36,859,953	36,508,400
Net position at beginning of year	400,480,487	367,164,537	84,323,854	81,131,404	484,804,341	448,295,941
Net position at end of year	$ 430,410,396	$ 400,480,487	$ 91,253,898	$ 84,323,854	$ 521,664,294	$ 484,804,341

Governmental activities. Governmental activities increased the City's net position by $29,929,909. Key elements of this net increase are as follows:

- The increase in net position before transfers in the prior year was $33,481,249 compared to this year of $29,454,660, a decrease of $4,026,589.
    - Revenues increased by $16,698,765 or 9.4% from the prior year. The current year increases over prior year were predominantly due to increases in investment earnings of $7,843,674, property taxes of $4,262,965, sales tax revenue of $1,099,160 and room occupancy tax revenue of $511,106. Charges for services increased by $1,874,934 from the prior year mostly due to an increase in convention center activities. Capital grants and contributions increased by $2,691,833 mostly related to various easements and other streets and drainage assets accepted by the City for multiple transportation related projects. These increases in revenues are offset by the decrease in revenue for operating grants and contributions of $2,288,417 due to less American Rescue Plan Act (ARPA) funding being recognized in FY23.
    - Expenses increased by $20,725,354 or 14.4% over the prior year. The largest increases were $9.9 million in Public Safety and $5.5 million in General Government. The next largest increase in expenses was seen in Transportation by $4.2 million. These increases are mostly attributed to the implementation of a city-wide compensation study, an increase in pension costs, and the increase in streets and sidewalk projects.
- Transfers from (to) the Business-type Activities in the prior year were ($165,299) compared to this year of $475,249 an increase of $640,548.
    - In the current fiscal year, transfers were made from the debt service fund to the parking fund for $1,908,405 to cover the Riverplace parking deck debt service.
    - $38,366 was transferred from the general fund to the recycling and trash services fund to continue working with the police department on neighborhood cleanup efforts.
    - $71,277 of committed revenue was transferred from the general fund to the golf fund to pay for a feasibility study to improve the safety of the Municipal Golf Course crossings.
    - A transfer of $2,514,313 was made to the fleet fund from the recycling and trash fund for the purchase of nine new automated side-loading packer trucks.
    - A net transfer of capital assets of $21,016 was made to the fleet fund from the parking fund ($8,495) and from the fleet fund to the stormwater fund ($29,511) relative to the equipment and vehicles on lease from the fleet fund.

Business-type activities. Business activities increased the City's net position by $6,930,044. Key elements of the increase are as follows:

- The increase in net position before transfers in the prior year was $3,027,151compared to this year of $7,405,293, an increase of $4,378,142.
    - The increase in charges for service of $2,530,445 is mainly from the parking fund due to the increase in users as well as parking rates followed by the recycling and trash fund that also had an increase in rates. The next largest increase in revenue is in operating grants and contributions of $1,686,650 related to the grants received for stormwater.
    - Expenses increased by $1,327,886 or 5% from the prior year mainly due to improvements made to the stormwater system.
- Transfers from (to) the Governmental Activities in the prior year were $165,299 compared to this year of ($475,249), a decrease of $640,548.
    - In the current fiscal year, transfers were made from the debt service fund to the parking fund for $1,908,405 to cover the Riverplace parking deck debt service.
    - $38,366 was transferred from the general fund to the recycling and trash services fund to continue working with the police department on neighborhood cleanup efforts.
    - $71,277 of committed revenue was transferred from the general fund to the golf fund to pay for a feasibility study to improve the safety of the Municipal Golf Course crossings.
    - A transfer of $2,514,313 was made to the fleet fund from the recycling and trash fund for the purchase of nine new automated side-loading packer trucks.

- A net transfer of capital assets of $21,016 was made to the fleet fund from the parking fund ($8,495) and from the fleet fund to the stormwater fund ($29,511) relative to the equipment and vehicles on lease from the fleet fund.

Financial Analysis of the City's Funds

As noted earlier, the City of Wilmington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of City of Wilmington's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Wilmington's financing requirements. The General Fund is the chief operating fund of the City of Wilmington. At the end of the current fiscal year, unassigned fund balance of the General Fund was $39,444,932, a 14.5% decrease from the prior year; while total fund balance was $75,559,622, a 3.3% increase from the prior year. The City Council has determined that the City should maintain a minimum unassigned fund balance of 20-25% of the operating budget in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. This year, the City continued to have economic impacts from the COVID-19 pandemic as well as extended vacancies and high staff turnover. With these events, the minimum level of unassigned fund balance was still achieved.

The City currently has an unassigned fund balance of 27.9% of the operating budget, while total fund balance represents 53.4% of the same amount. 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 (not including transfers). Unassigned fund balance represents 32.9% of total General Fund expenditures, while total fund balance represents 63% of that same amount.

At June 30, 2023, the governmental funds of the City of Wilmington reported a combined fund balance of $255,214,368, a 8.4% increase or $19,783,315 more than the prior year. The General Fund, Special Purpose Fund, Streets and Sidewalks Fund, Convention Center Fund, Debt Service Fund, and non-major special revenue and capital project funds are included in this combined amount.

The General Fund realized a $2.4 million increase to fund balance due to revenues coming in higher than expected. Revenues exceeded the budget by $7.9 million. Sales tax revenues and Property tax receipts were higher than budgeted by $3.4 million due continued growth. Other increases in revenue came from ABC revenue at $1.4 million over budget and investment earnings of $2 million over budget. The General Fund expenditures were $6.5 million less than budgeted due to continued position vacancies experienced by several departments throughout the City as well as reduced operating expenses The Convention Center Fund has an increase of $1.6 million due mostly to revenue from increases in events and room occupancy tax. The Streets and Sidewalks Fund saw an increase of $1.5 million due to an increase in investment earnings and the proceeds from a limited obligation bond issuance for street and sidewalk capital improvements. The Debt Service Fund had a decrease of $3.9 million as funding was transferred to other capital projects. The non-major funds saw an increase of $17.9 million due to an increase in investment earnings and the proceeds from a limited obligation bond issuance for projects in parks and recreation as well as building capital improvement funds.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once more precise information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues (excluding transfers) were above budget estimates in total by $7,881,933 for the fiscal year. This increase was mostly related to investment earnings, sales tax and ad valorem tax coming in higher than budget by $2,063,245, $2,197,852, and $1,184,198, respectively. The City also received $1,425,666 higher than estimated for ABC Revenues. The general fund revenues continue to receive positive impacts from growth and the economy as sales tax revenues and investment earnings have resulted positively from the prior year as well as an increase of activity in City services and recreational participation increasing revenues over budget in these areas by $556,883. Miscellaneous revenue from sale of assets and insurance reimbursement increased by

$342,504. The City continued to receive lower than expected revenues from the telecommunication taxes as businesses continue to change the way they operate.

Expenditures (excluding transfers) in the General Fund were $6,493,454 less than the $126,211,654 amended budget. The City experienced levels below the authorized budget in salaries and benefits due to continued vacancies as well as other operational expenditures such as utilities and insurance coverages. The reductions in expenditures include the lingering adjustments from the pandemic as several of the City staff trainings continue to be held through video conference connections in place of in-person experiences.

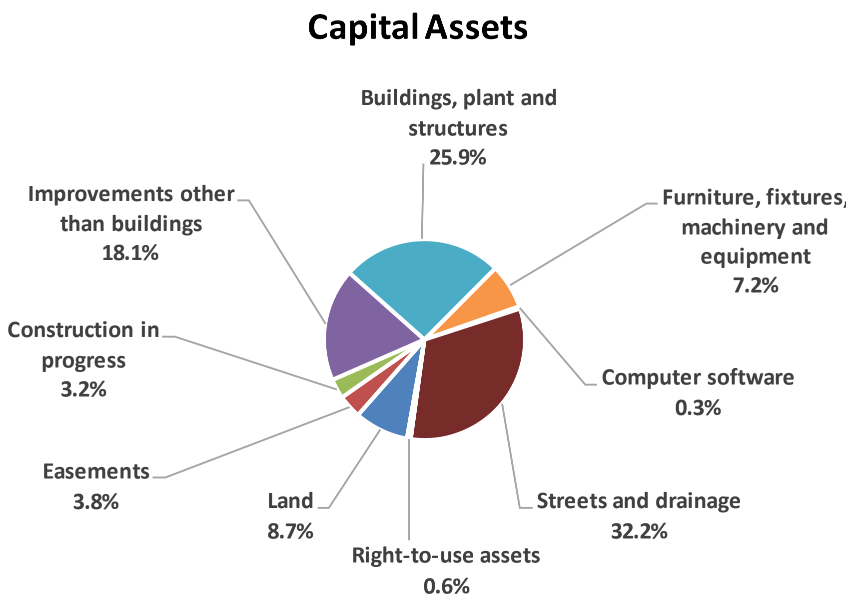
Proprietary Funds. The City of Wilmington's proprietary funds provide the same type of information found in the business-type activities of the government-wide statements but in more detail. The major enterprise funds are the Recycling and Trash Services Fund, Storm Water Management Fund and Parking Facilities Fund. Unrestricted net position of the Recycling and Trash Services Fund, Storm Water Management Fund, and the Parking Facilities Fund at the end of the fiscal year amounted to $3,114,245, $26,064,197, and $7,740,408, respectively. These balances are all in-line with the previous year except for the Storm Water Fund which had a decrease related to the increase in capitalization of drainage assets. The unrestricted net position of the non-major Golf enterprise fund totaled $727,848. This is an increase over the prior year as the golf course continues to have increased activity, bringing in higher revenue.

Capital Assets, Leases, and Debt Administration

Capital assets. The City of Wilmington's investment in capital assets for its governmental and business–type activities as of June 30, 2023, was $584,461,976 (net of accumulated depreciation). These assets include buildings, roads and bridges, drainage improvements, land, rights-of-ways and easements, park facilities, machinery and equipment, vehicles, software, and right to use assets for leases and IT subscriptions.

Major capital asset transactions during the year include the following:

- An increase of $11,189,723 in streets and drainage for governmental activity capital assets (see Figure 4) represented the largest increase. Of this amount, $2,669,841 is for various streets and drainage assets the city accepted from new developments. The City acquired land valued at $5,724,392 to be used for economic development opportunities. Of this, $4.8 million was purchased from the Salvation Army and $900 thousand was acquired through a settlement agreement. Construction in progress increased by $12,000,297 for various projects the City is currently working on. This increase was offset by the decrease of $6,844,469 where assets under construction previously were capitalized in the current year. While, not significant, the implementation of GASB 96 added $2,369,183 of right to use assets for IT subscriptions.
- An increase of $4,919,059 in improvements other than buildings for business-type activities represented the largest increase related mostly to various storm water and drainage improvement projects throughout the City. Additionally, construction in progress also increased by $4,723,660 for additional stormwater and drainage improvement projects under construction.



Capital Assets
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	$ 69,732,090	$ 64,007,698	$ 8,491,754	$ 8,491,754	$ 78,223,844	$ 72,499,452
Easements	30,399,194	25,500,997	3,953,643	3,424,585	34,352,837	28,925,582
Construction in progress	19,634,403	14,478,575	9,004,260	4,280,600	28,638,663	18,759,175
Total non-depreciable assets	119,765,687	103,987,270	21,449,657	16,196,939	141,215,344	120,184,209
Improvements other than buildings	88,234,356	86,549,337	73,732,275	68,813,216	161,966,631	155,362,553
Buildings, plant and structures	191,379,049	186,822,300	41,738,275	40,969,364	233,117,324	227,791,664
Furniture, fixtures, machinery and equipment	62,219,519	59,200,888	2,918,948	2,759,832	65,138,467	61,960,720
Computer software	3,361,240	3,181,191	102,792	102,792	3,464,032	3,283,983
Streets and drainage	289,715,852	278,526,129	-	-	289,715,852	278,526,129
Right-to-use leased land	84,270	-	1,815,439	1,815,439	1,899,709	1,815,439
Right-to-use leased equipment	529,088	191,567	-	-	529,088	191,567
Right-to-use leased buildings	76,162	44,382	-	-	76,162	44,382
Right-to-use subscription assets	2,369,183	2,272,060	-	-	2,369,183	2,272,060
Total assets being depreciated and amortized	637,968,719	616,787,854	120,307,729	114,460,643	758,276,448	731,248,497
Accumulated depreciation/ amortization	(268,050,098)	(249,950,587)	(46,979,718)	(43,373,942)	(315,029,816)	(293,324,529)
Total capital assets being depreciated and amortized, net	369,918,621	366,837,267	73,328,011	71,086,701	443,246,632	437,923,968
Total capital assets, net	$ 489,684,308	$ 470,824,537	$ 94,777,668	$ 87,283,640	$ 584,461,976	$ 558,108,177

Additional information on the City's capital assets can be found in note 3 on pages 73 - 76 of this report.

Long-term Debt. At June 30, 2023, the City does not have general obligation bonds authorized but unissued. The total bonded debt outstanding is $91,315,000. Of the amount outstanding, $74,840,000 is general obligation debt backed by the full faith and credit of the City. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) of the storm water system.

The City of Wilmington's total bonded debt decreased by $5,910,000 during the past fiscal year. At June 30, 2023, the general obligation debt was rated AAA/AAA/Aaa by Fitch, Standard and Poor's, and Moody's respectively. The revenue bonds of the Storm Water Fund have been rated AA+/Aa2 by Standard and Poor's, and Moody's respectively. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for the City of Wilmington is $1,751,609,581.

The City's total debt increased by $39,329,055 (11%) during the past fiscal year. The addition of debt was offset by principal retirements for the year ended June 30, 2023 totaling $18,351,454. The City's net pension liability for LGERS saw an increase of $34,163,093 due to the City's proportionate share of the liability increasing from .79558% to .822% for FY23 based on experience adjustments and earnings on the plan investments.

Total Debt Outstanding
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	$ 74,840,000	$ 79,910,000	$ -	$ -	$ 74,840,000	$ 79,910,000
Revenue bonds	-	-	16,475,000	17,315,000	16,475,000	17,315,000
Installment Obligations	150,998,086	136,742,175	24,801,914	26,657,825	175,800,000	163,400,000
Other Long term obligations	5,604,490	6,465,944	-	-	5,604,490	6,465,944
Plus deferred amounts for issuance premiums	27,267,432	25,263,250	1,053,055	1,229,911	28,320,487	26,493,161
Lease liability	459,092	202,431	1,503,967	1,661,434	1,963,059	1,863,865
Subscription liability	1,368,109	-	-	-	1,368,109	-
Compensated absences	9,064,698	8,566,809	629,638	610,245	9,694,336	9,177,054
Net OPEB Liability	33,247,666	34,533,455	3,207,269	4,058,311	36,454,935	38,591,766
Net pension liability (LGERS)	41,496,716	10,841,098	4,867,360	1,359,885	46,364,076	12,200,983
Total pension liability (Separation Allowance)	15,021,562	17,159,226	-	-	15,021,562	17,159,226
Total	$359,367,851	$319,684,388	$ 52,538,203	$ 52,892,611	$411,906,054	$372,576,999

Additional information on the City of Wilmington's long-term debt can be found in note 3 on pages 95 - 113 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the conservative growth projections:

- The City of Wilmington's unemployment rate was 3.5% at June 30, 2023 and was just below both the State average of 3.6% and the national average of 3.8%. In January of 2023, the national unemployment rate reached over a 50-year record low at 3.4% and sat at 3.6% in February of 2023. North Carolina remained the same during this period. The labor market is tighter in Wilmington. Tight labor markets have led to high numbers of vacancies and have contributed to rising wages. Concerns that the U.S. economy is heading for a recession has been a topic of discussion by politicians, economists, and financial professionals for over a year. In an effort to shift the recession, the Federal Reserve raised interest rates 10 times from March of 2022 to May of 2023.
- Sales tax receipts for the City of Wilmington's distribution saw a 13.2% increase from FY21 actuals ($34,416,611) to FY22 actuals ($38,986,075). The city's sales tax receipt distribution for FY23 was $40,085,234 and represents 2.8 percent over the FY22 actuals and 5.8 percent over the FY23 adopted budget ($37,869,936). The FY24 sales tax receipt projection totals $45,226,362 is 12.8% over the FY23 year-end and 20.1% over the FY23 adopted. These increases have been impacted by changes in projected property levies that affect the distribution method, the continued normalizing of consumer behavior in a post-pandemic environment as well as the looming threat of a recession. The FY24 growth represents the average growth rate budgeted pre-pandemic years. Sales Tax represents 30.6% of the total FY24 General Fund revenues. Sales tax revenues for the FY24 budget were developed based on the City's trends of recent monthly collections and growth at the time the budget was being prepared. Sales tax revenues are received 3 months in arears of actually earning them.

All of these factors were included in preparing the City of Wilmington's budget for the 2024 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities. The FY24 budget includes a real property tax rate of 39.50 cents per $100 assessed value which reflects no property tax adjustment. The value of one penny of the tax rate is equivalent to approximately $2,250,579 based on a 99.47% collection rate for Property and a 100% collection rate for Motor Vehicles. Of the $0.3950, $0.0825, representing a shift of 1.12 cents from the general fund's rate allocation, is dedicated to the Debt Service Fund to support capital projects related to the multi-year 80/20 Debt Service CIPs, voter approved bonds and public collaboration projects. The remaining property tax $0.3125 supports general government services in the general fund.

The Wilmington City Council established a Municipal Services District (MSD) for the Central Business District in December of 2016 to provide professional services above and beyond what is already provided by the City. This adopted budget includes an unchanged real property tax rate of $0.0647 per $100 assessed value, for both real and personal property, based on the total district's property values totaling $904 million. The assessed values have increased by 9.4% over FY23. Expected ad valorem revenues totaling $582,871 have been budgeted for FY24.

The FY24 General Fund budgeted expenditures, excluding transfers, increased by $8.4 million or 7.2% to $125,578,478 from the adopted FY23 budget of $117,145,400. The General Fund budget appropriates $8.5 million of unassigned fund balance toward the acquisition of property to allow the city's administration to be housed together and vacate seven properties currently used for these services. The city-wide FY24 adopted budget reflects a net increase of 19.08 positions. Each position request directly associates with the strategic plan and overall mission of the City.

Business-type Activities. Stormwater rates increased by 1% to $8.60 per month per residence ERU. Recycling and Trash Services will see an average adjustment of $2.40 per month effective beginning of the fiscal year as a result of continued on-going increases with personnel expenses, inflation cost, landfill costs and fleet expenses. Similar responses were required for both Golf and Parking to respond to increased operating costs. Golf green fees will increase by $2 and parking implemented the 2nd year of a 3-year plan for various fees to be in-line with a recently completed benchmark study. The Golf and Parking advisory boards are in support of these changes.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Wilmington, 929 N. Front St, Wilmington, N.C. 28401. You can also call 910-341-7822, visit our website www.wilmingtonnc.gov or send an email to finance@wilmingtonnc.gov.

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BASIC FINANCIAL STATEMENTS

CITY OF WILMINGTON
NORTH CAROLINA

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Net Position

June 30, 2023

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents/investments	$ 168,064,846	$ 39,501,505	$ 207,566,351	$ 2,289,479
Taxes receivable, net	959,227	-	959,227	-
Accounts receivable, net	1,202,434	2,526,377	3,728,811	17,726
Other receivables	1,434,158	351,066	1,785,224	-
Due from other governments	25,539,632	5,793,065	31,332,697	408,133
Due from management company	412,832	-	412,832	-
Inventories	795,186	133,498	928,684	360,831
Notes receivable	25,868,407	-	25,868,407	-
Prepaids	760,815	128,215	889,030	-
Restricted assets for capital outlay:				
Cash and cash equivalents/investments	80,821,661	3,134,600	83,956,261	-
Lease receivable:				
Due within one year	555,926	38,853	594,779	-
Due in more than one year	16,875,017	9,972,511	26,847,528	-
Capital assets:				
Land, easements and construction in progress	119,765,687	21,449,657	141,215,344	4,117,288
Other capital assets, net of accumulated depreciation/amortization	369,918,621	73,328,011	443,246,632	21,248,031
Total assets	812,974,449	156,357,358	969,331,807	28,441,488
DEFERRED OUTFLOWS OF RESOURCES	35,649,061	4,715,754	40,364,815	585,620
LIABILITIES				
Accounts payable	4,329,902	3,718,777	8,048,679	8,942
Due to other governments	180,115	5,323	185,438	-
Accrued liabilities	7,309,473	627,570	7,937,043	51,216
Customer and escrow deposits	1,025,109	119,105	1,144,214	-
Unearned revenues	8,095	186,985	195,080	-
Restricted liabilities:				
Accounts payable	3,940,838	1,300,103	5,240,941	-
Unearned revenues	10,748,551	-	10,748,551	-
Long-term liabilities:				
Due within one year	24,592,027	3,261,403	27,853,430	261,733
Due in more than one year	334,775,824	49,276,800	384,052,624	808,981
Total liabilities	386,909,934	58,496,066	445,406,000	1,130,872
DEFERRED INFLOWS OF RESOURCES	31,303,180	11,323,148	42,626,328	8,678
NET POSITION				
Net investment in capital assets	298,127,945	52,925,790	351,053,735	25,365,319
Restricted for:				
Stabilization by State statute	20,563,487	-	20,563,487	-
Leases	326,819	137,918	464,737	-
Community development housing loans	33,811,232	-	33,811,232	-
Convention center facility	12,938,315	-	12,938,315	-
Capital projects	3,060,485	543,492	3,603,977	-
Public safety	999,732	-	999,732	-
Economic and physical development	297,014	-	297,014	-
Cultural and recreational	83,580	-	83,580	-
Unrestricted	60,201,787	37,646,698	97,848,485	2,522,239
Net position	$ 430,410,396	$ 91,253,898	$ 521,664,294	$27,887,558

See notes to financial statements.

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Activities

Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 40,088,557	$ 1,924,761	$ 6,400,699	$ -
Public safety	67,596,845	1,068,204	1,174,093	251,658
Transportation	24,843,344	2,128,902	5,552,645	8,310,370
Economic and physical development	8,050,333	5,289,810	1,508,300	28,584
Cultural and recreational	15,156,155	1,434,776	500,683	249,790
Transit system	1,712,255	-	-	-
Interest and other charges	7,439,442	-	-	-
Total governmental activities	164,886,931	11,846,453	15,136,420	8,840,402
Business-type activities:				
Recycling and trash services	9,026,763	10,914,525	95,178	-
Storm water management	10,064,788	12,932,139	1,622,838	363,983
Parking facilities	7,139,881	5,525,902	-	-
Golf	1,828,238	2,243,542	-	-
Total business-type activities	28,059,670	31,616,108	1,718,016	363,983
Total primary government	$ 192,946,601	$ 43,462,561	$ 16,854,436	$ 9,204,385
Component unit	$ 13,039,325	$ 1,986,648	$ 7,357,421	$ 869,173

See notes to financial statements.

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position — Primary Government — Governmental Activities	Business-type Activities	Total	Component Unit
Primary government:				
Governmental activities:				
General government	$ (31,763,097)	$ -	$ (31,763,097)	$ -
Public safety	(65,102,890)	-	(65,102,890)	-
Transportation	(8,851,427)	-	(8,851,427)	-
Economic and physical development	(1,223,639)	-	(1,223,639)	-
Cultural and recreational	(12,970,906)	-	(12,970,906)	-
Transit system	(1,712,255)	-	(1,712,255)	-
Interest and other charges	(7,439,442)	-	(7,439,442)	-
Total governmental activities	(129,063,656)	-	(129,063,656)	-
Business-type activities:				
Recycling and trash services	-	1,982,940	1,982,940	-
Storm water management	-	4,854,172	4,854,172	-
Parking facilities	-	(1,613,979)	(1,613,979)	-
Golf	-	415,304	415,304	-
Total business-type activities	-	5,638,437	5,638,437	-
Total primary government	(129,063,656)	5,638,437	(123,425,219)	-
Component unit	-	-	-	(2,826,083)
General revenues:				
Ad valorem taxes	86,821,341	-	86,821,341	-
Room occupancy tax	6,370,476	-	6,370,476	-
Grants and contributions not restricted to specific programs	4,276,513	-	4,276,513	-
Operating subsidy from primary government	-	-	-	1,626,419
Operating subsidy from other governments	-	-	-	383,451
Local option sales tax	40,085,234	-	40,085,234	-
Franchise tax	8,676,707	-	8,676,707	-
Video programming sales tax	1,097,987	-	1,097,987	-
Rental vehicle tax	499,404	-	499,404	-
Investment earnings	8,159,701	1,290,399	9,450,100	-
Miscellaneous	2,530,953	476,457	3,007,410	337,197
Total general revenues not including transfers	158,518,316	1,766,856	160,285,172	2,347,067
Transfers from (to) other funds	475,249	(475,249)	-	-
Total general revenues and transfers	158,993,565	1,291,607	160,285,172	2,347,067
Change in net position	29,929,909	6,930,044	36,859,953	(479,016)
Net position at beginning of year	400,480,487	84,323,854	484,804,341	28,366,574
Net position at end of year	$ 430,410,396	$ 91,253,898	$ 521,664,294	$ 27,887,558

CITY OF WILMINGTON, NORTH CAROLINA

Balance Sheet - Governmental Funds

June 30, 2023

	General Fund	Special Purpose Fund	Convention Center Fund	Streets and Sidewalks Fund
ASSETS				
Cash and cash equivalents/investments	$ 63,463,849	$ 1,271,371	$ 10,613,053	$ 28,584,275
Taxes receivable, net	792,465	-	-	-
Accounts receivable, net	1,155,578	-	-	39,751
Other receivables	381,062	31,516	55,076	97,059
Due from other funds	273,265	-	-	-
Due from management company	-	-	412,832	-
Due from other governments	17,781,547	621,424	2,410,778	483,596
Notes receivable, net	217,620	70,947	-	-
Leases receivable	7,074,773	-	10,046,115	-
Inventories	746,471	-	-	-
Prepaids	423,156	4,772	-	312,559
Restricted assets:				
Cash and cash equivalents/investments	-	10,820,244	2,672	45,177,528
Total assets	$ 92,309,786	$ 12,820,274	$ 23,540,526	$ 74,694,768
LIABILITIES				
Accounts payable	$ 1,074,730	$ 253,776	$ 552,096	$ 837,129
Due to other funds	-	-	-	-
Due to other governments	2,836	-	-	-
Accrued liabilities	6,201,499	39,741	-	-
Customer and escrow deposits	515,754	-	-	-
Unearned revenue	4,095	-	4,000	-
Restricted liabilities:				
Accounts payable	-	-	-	3,325,192
Unearned revenue	-	10,382,568	-	-
Total liabilities	7,798,914	10,676,085	556,096	4,162,321
DEFERRED INFLOWS OF RESOURCES				
Taxes receivable, net	792,465	-	-	-
Accounts receivable	1,009,502	3,063	-	-
Notes receivable	217,620	-	-	-
Leases	6,931,663	-	9,867,451	-
Total deferred inflows of resources	8,951,250	3,063	9,867,451	-

	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents/investments	$ 18,050,668	$ 24,636,357	$ 146,619,573
Taxes receivable, net	162,995	3,767	959,227
Accounts receivable, net	-	7,105	1,202,434
Other receivables	30,463	75,750	670,926
Due from other funds	-	-	273,265
Due from management company	-	-	412,832
Due from other governments	86,842	3,986,245	25,370,432
Notes receivable, net	-	25,579,840	25,868,407
Leases receivable	-	310,055	17,430,943
Inventories	-	-	746,471
Prepaids	-	1,499	741,986
Restricted assets:			
Cash and cash equivalents/investments	61,360	24,759,857	80,821,661
Total assets	$ 18,392,328	$ 79,360,475	$ 301,118,157
LIABILITIES			
Accounts payable	$ 10,007	$ 1,426,097	$ 4,153,835
Due to other funds	-	273,265	273,265
Due to other governments	162,011	15,268	180,115
Accrued liabilities	-	28,426	6,269,666
Customer and escrow deposits	-	509,355	1,025,109
Unearned revenue	-	-	8,095
Restricted liabilities:			
Accounts payable	-	615,646	3,940,838
Unearned revenue	-	365,983	10,748,551
Total liabilities	172,018	3,234,040	26,599,474
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable, net	162,995	3,767	959,227
Accounts receivable	-	7,105	1,019,670
Notes receivable	-	3,674	221,294
Leases	-	305,010	17,104,124
Total deferred inflows of resources	162,995	319,556	19,304,315

(Continued)

CITY OF WILMINGTON, NORTH CAROLINA

Balance Sheet - Governmental Funds (Continued)

June 30, 2023

	General Fund	Special Purpose Fund	Convention Center Fund	Streets and Sidewalks Fund
FUND BALANCES				
Non Spendable:				
Leases	$ 143,110	$ -	$ 178,664	$ -
Inventories	746,471	-	-	-
Prepaids	423,156	4,772	-	312,559
Restricted:				
Stabilization by State statute	20,293,691	-	-	-
Community development loans	-	70,947	-	-
Convention center	-	-	12,938,315	-
Capital projects	-	-	-	41,852,336
Debt service	-	-	-	-
Public safety	-	738,986	-	-
Economic and physical development	-	297,014	-	-
Cultural and recreational	-	83,580	-	-
Committed:				
Capital projects	-	-	-	28,367,552
Debt service	-	-	-	-
Public safety	890,475	515,872	-	-
Transportation	-	409,192	-	-
Economic and physical development	-	20,763	-	-
Cultural and recreational	327,787	-	-	-
Transit	400,000	-	-	-
General government	220,000	-	-	-
Affordable Housing	3,150,000	-	-	-
Municipal service district	-	-	-	-
Assigned:				
Self-insurance	1,000,000	-	-	-
Subsequent year's expenditures	8,520,000	-	-	-
Unassigned	39,444,932	-	-	-
Unassigned (deficit), reported in:				
Nonmajor special revenue funds	-	-	-	-
Total fund balances	75,559,622	2,141,126	13,116,979	70,532,447
Total liabilities, deferred inflows of resources and fund balances	$ 92,309,786	$ 12,820,274	$ 23,540,526	$ 74,694,768

See notes to financial statements.

	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES			
Non Spendable:			
Leases	$ -	$ 5,045	$ 326,819
Inventories	-	-	746,471
Prepaids	-	1,499	741,986
Restricted:			
Stabilization by State statute	119,505	150,291	20,563,487
Community development loans	-	33,740,285	33,811,232
Convention center	-	-	12,938,315
Capital projects	-	23,776,072	65,628,408
Debt service	61,360	-	61,360
Public safety	-	260,746	999,732
Economic and physical development	-	-	297,014
Cultural and recreational	-	-	83,580
Committed:			
Capital projects	-	17,344,949	45,712,501
Debt service	17,876,450	-	17,876,450
Public safety	-	-	1,406,347
Transportation	-	-	409,192
Economic and physical development	-	-	20,763
Cultural and recreational	-	-	327,787
Transit	-	-	400,000
General government	-	-	220,000
Affordable Housing	-	-	3,150,000
Municipal service district	-	628,843	628,843
Assigned:			
Self-insurance	-	-	1,000,000
Subsequent year's expenditures	-	-	8,520,000
Unassigned	-	-	39,444,932
Unassigned (deficit), reported in:			
Nonmajor special revenue funds	-	(100,851)	(100,851)
Total fund balances	18,057,315	75,806,879	255,214,368
Total liabilities, deferred inflows of resources and fund balances	$ 18,392,328	$ 79,360,475	$ 301,118,157

CITY OF WILMINGTON, NORTH CAROLINA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2023

Total fund balances - governmental funds	$255,214,368
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	480,140,631
This amount represents the City's proportionate share of the net pension liability of the Local Governmental Employees' Retirement System (LGERS) relevant to governmental activities.	(40,993,565)
This amount represents the City's total pension liability of the Law Enforcement Officers' Special Separation Allowance (Separation Allowance).	(15,021,562)
This amount represents the City's net other postemployment benefits liability relevant to governmental activities.	(32,880,573)
Contributions to the LGERS pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	7,459,031
Benefit payments and pension administration costs for the Separation Allowance pension plan after the measurement date are deferred outflows of resources on the Statement of Net Position.	454,569
Internal services funds are used by management to charge the costs of equipment and personal computer replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	30,117,496
Liabilities for unavailable revenues considered deferred inflows of resources in fund statements.	2,200,190
This amount represents pension related deferrals from the City's participation in the LGERS pension plan.	18,881,298
This amount represents pension related deferrals from the City's participation in the Separation Allowance pension plan.	89,685
This amount represents other postemployment benefits related deferrals.	(8,013,993)
Long-term liabilities including accrued compensated absences, bonds payable, installment obligations, lease liabilities, subscription liabilities and accrued interest thereon are not due and payable in the current period and, therefore, are not reported in the funds.	(267,843,936)
Other adjustment to net assets for investment income receivables not reported in the governmental funds.	606,757
Net position - governmental activities	$430,410,396

See notes to financial statements.

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CITY OF WILMINGTON, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2023

	General Fund	Special Purpose Fund	Convention Center Fund	Streets and Sidewalks Fund
Revenues:				
Ad valorem taxes	$ 71,188,016	$ -	$ -	$ -
Room occupancy tax	-	-	6,370,476	-
Other taxes	50,119,375	-	-	-
Unrestricted intergovernmental	4,276,513	-	-	-
Restricted intergovernmental	3,266,710	8,869,134	-	1,041,319
Licenses and permits	829,141	-	-	-
Sales and services	3,256,190	-	5,128,687	-
Fines and forfeits	142,603	-	-	-
Investment earnings	2,544,245	284,823	309,567	2,287,938
Donations	-	26,550	-	37,699
Miscellaneous	1,367,421	1,576,882	260,890	-
Total revenues	136,990,214	10,757,389	12,069,620	3,366,956
Expenditures:				
Current:				
General government	35,009,259	1,438,175	-	-
Public safety	62,767,037	892,933	-	-
Transportation	9,220,740	3,453,726	-	16,473,626
Economic and physical development	102,748	306,062	8,542,436	-
Cultural and recreational	10,080,231	12,062	-	225,143
Transit system	1,626,419	85,836	-	-
Debt service:				
Principal retirement	1,032,092	16,654	1,860,000	-
Interest and other charges	25,699	146	1,857,465	-
Total expenditures	119,864,225	6,205,594	12,259,901	16,698,769
Excess (deficiency) of revenues over (under) expenditures	17,125,989	4,551,795	(190,281)	(13,331,813)
Other financing sources (uses):				
Transfers from other funds	-	645,743	1,771,160	2,700,782
Transfers to other funds	(14,982,767)	(4,840,720)	-	-
Issuance of installment obligations	-	-	-	8,898,015
Premium on installment obligations	-	-	-	3,192,432
Issuance of lease	116,051	-	-	-
Issuance of subscription	64,091	-	-	-
Total other financing sources (uses), net	(14,802,625)	(4,194,977)	1,771,160	14,791,229
Net change in fund balances	2,323,364	356,818	1,580,879	1,459,416
Fund balances at beginning of year	73,145,369	1,784,308	11,536,100	69,073,031
Change in reserve for inventories	90,889	-	-	-
Fund balances at end of year	$ 75,559,622	$ 2,141,126	$ 13,116,979	$ 70,532,447

See notes to financial statements.

	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	$ 15,626,827	$ 551,861	$ 87,366,704
Room occupancy tax	-	-	6,370,476
Other taxes	-	239,957	50,359,332
Unrestricted intergovernmental	-	-	4,276,513
Restricted intergovernmental	-	3,604,852	16,782,015
Licenses and permits	-	-	829,141
Sales and services	-	-	8,384,877
Fines and forfeits	-	-	142,603
Investment earnings	506,105	1,029,731	6,962,409
Donations	125,000	591,629	780,878
Miscellaneous	-	217,308	3,422,501
Total revenues	16,257,932	6,235,338	185,677,449
Expenditures:			
Current:			
General government	-	3,681,088	40,128,522
Public safety	-	850,917	64,510,887
Transportation	-	2,251,147	31,399,239
Economic and physical development	-	2,059,707	11,010,953
Cultural and recreational	-	6,633,951	16,951,387
Transit system	-	-	1,712,255
Debt service:			
Principal retirement	13,795,543	6,525	16,710,814
Interest and other charges	6,546,855	-	8,430,165
Total expenditures	20,342,398	15,483,335	190,854,222
Excess (deficiency) of revenues over (under) expenditures	(4,084,466)	(9,247,997)	(5,176,773)
Other financing sources (uses):			
Transfers from other funds	9,334,832	13,338,044	27,790,561
Transfers to other funds	(9,185,833)	(1,513,013)	(30,522,333)
Issuance of installment obligations	-	15,081,986	23,980,001
Premium on installment obligations	-	215,364	3,407,796
Issuance of lease	-	-	116,051
Issuance of subscription	-	33,032	97,123
Total other financing sources (uses), net	148,999	27,155,413	24,869,199
Net change in fund balances	(3,935,467)	17,907,416	19,692,426
Fund balances at beginning of year	21,992,782	57,899,463	235,431,053
Change in reserve for inventories	-	-	90,889
Fund balances at end of year	$ 18,057,315	$ 75,806,879	$ 255,214,368

CITY OF WILMINGTON, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities

Year Ended June 30, 2023

Net change in fund balances - total governmental funds	$ 19,692,426
Amounts reported for governmental activities in the statement of activities are different because:	
Change in fund balance due to change in reserve for inventory.	90,889
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period, including amounts for donations and disposals.	17,724,019
Some revenues in the statement of activities, including tax and other receipts do not provide current financial resources and are therefore not reported as revenues in the funds.	231,069
Contributions to the Local Governmental Retirement System (LGERS) pension plan in the current fiscal year are not included on the Statement of Activities.	7,459,031
Benefit payments and pension administration costs for the Law Enforcement Officers' Special Separation Allowance (Separation Allowance) after the measurement date are not included on the Statement of Activities.	454,569
The issuance of long-term debt including leases and subscriptions provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(9,854,857)
Some expenses reported in the statement of activities, including pension, other postemployment benefit and other expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(11,542,888)
Internal service funds are used by management to charge the costs of equipment and personal computer replacement to individual funds. The net revenue (expense) of these activities are reported with governmental activities.	5,675,651
Change in net position - governmental activities	$ 29,929,909

See notes to financial statements.

CITY OF WILMINGTON, NORTH CAROLINA

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

Year Ended June 30, 2023

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes:				
Ad valorem tax	$ 70,003,818	$ 70,003,818	$ 71,188,016	$ 1,184,198
Local option sales tax	37,647,425	37,647,425	39,845,277	2,197,852
Franchise tax	8,446,089	8,446,089	8,676,707	230,618
Video programming tax	1,259,766	1,259,766	1,097,987	(161,779)
Rental vehicle tax	487,171	487,171	499,404	12,233
Unrestricted intergovernmental	2,840,000	2,840,000	4,276,513	1,436,513
Restricted intergovernmental	3,286,388	3,286,388	3,266,710	(19,678)
Licenses and permits	832,000	832,000	829,141	(2,859)
Sales and services	2,699,307	2,699,307	3,256,190	556,883
Fines and forfeits	100,400	100,400	142,603	42,203
Interest earnings	481,000	481,000	2,544,245	2,063,245
Miscellaneous	1,024,917	1,024,917	1,367,421	342,504
Total revenues	129,108,281	129,108,281	136,990,214	7,881,933
Expenditures:				
Current:				
General Government	39,174,607	38,613,515	34,965,982	3,647,533
Public Safety	64,657,037	63,591,705	62,767,037	824,668
Transportation	10,146,325	10,073,677	9,220,740	852,937
Cultural and Recreational	11,383,583	11,248,545	10,080,231	1,168,314
Transit System	1,626,419	1,626,419	1,626,419	-
Debt Service:				
Principal retirement	1,032,093	1,032,093	1,032,092	1
Interest and other charges	25,700	25,700	25,699	1
Total expenditures	128,045,764	126,211,654	119,718,200	6,493,454
Excess of revenues over expenditures	1,062,517	2,896,627	17,272,014	14,375,387
Other financing sources (uses):				
Transfers to other funds	(15,370,952)	(15,370,952)	(15,128,792)	242,160
Issuance of lease	116,052	116,052	116,051	(1)
Issuance of subscription	214,092	214,092	64,091	(150,001)
Appropriated fund balance	13,978,291	12,144,181	-	(12,144,181)
Total other financing uses	(1,062,517)	(2,896,627)	(14,948,650)	(12,052,023)
Net change in fund balance	$ -	$ -	2,323,364	$ 2,323,364
Fund balance at beginning of year			73,145,369	
Change in reserve for inventories			90,889	
Fund balance at end of year			75,559,622	
A portion of a legally budgeted CDBG/HOME Grant and Administration Fund is consolidated into the General Fund for reporting purposes:				
Transfer from General Fund			146,025	
General government expenditures			(43,277)	
Economic and physical development expenditures			(102,748)	
Fund balance at end of year			$ 75,559,622	

See notes to financial statements.

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Net Position -
Proprietary Funds

June 30, 2023

	Enterprise Funds		
	Recycling and Trash Services Fund	Storm Water Management Fund	Parking Facilities Fund
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,885,242	$ 23,894,117	$ 8,763,545
Accounts receivable:			
Customers, net	1,280,031	1,246,346	-
Other receivables	41,620	179,106	114,432
Due from other governments	205,343	5,547,391	12,634
Lease receivable	-	-	38,853
Inventory of materials and supplies	45,923	46,382	-
Prepaids	16,450	82,808	20,513
Restricted assets:			
Cash and cash equivalents	-	1,824,506	1,310,094
Total current assets	6,474,609	32,820,656	10,260,071
Noncurrent assets:			
Lease receivable	-	-	9,972,511
Capital assets:			
Land	-	1,533,071	6,849,290
Easements	-	3,761,891	191,752
Improvements other than buildings	-	70,737,233	231,282
Buildings, plant and structures	-	1,202,630	38,957,248
Intangible software	-	-	102,792
Furniture, fixtures, machinery and equipment	37,305	1,440,261	1,134,241
Construction in progress	-	9,004,260	-
Intangible right-to-use leased assets	-	-	1,815,439
Less accumulated depreciation/amortization	(31,650)	(27,518,478)	(17,452,664)
Total capital assets, net of accumulated depreciation/ amortization	5,655	60,160,868	31,829,380
Total noncurrent assets	5,655	60,160,868	41,801,891
Total assets	6,480,264	92,981,524	52,061,962
DEFERRED OUTFLOWS OF RESOURCES			
Other postemployment benefits deferrals	814,420	511,092	12,425
Pension deferrals	1,140,819	986,780	52,660
Contributions to pension plan in current fiscal year	402,679	308,948	23,147
Charge on refunding	-	121,566	26,388
Total deferred outflows of resources	2,357,918	1,928,386	114,620

	Nonmajor Golf Fund	Total	Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,958,601	$ 39,501,505	$ 21,445,273
Accounts receivable:			
Customers, net	-	2,526,377	-
Other receivables	15,908	351,066	156,476
Due from other governments	27,697	5,793,065	169,200
Lease receivable	-	38,853	-
Inventory of materials and supplies	41,193	133,498	48,715
Prepaids	8,444	128,215	18,829
Restricted assets:			
Cash and cash equivalents	-	3,134,600	-
Total current assets	2,051,843	51,607,179	21,838,493
Noncurrent assets:			
Lease receivable	-	9,972,511	-
Capital assets:			
Land	109,393	8,491,754	-
Easements	-	3,953,643	-
Improvements other than buildings	2,763,760	73,732,275	-
Buildings, plant and structures	1,578,397	41,738,275	-
Intangible software	-	102,792	19,000
Furniture, fixtures, machinery and equipment	307,141	2,918,948	31,638,661
Construction in progress	-	9,004,260	-
Intangible right-to-use leased assets	-	1,815,439	489,564
Less accumulated depreciation/amortization	(1,976,926)	(46,979,718)	(22,603,548)
Total capital assets, net of accumulated depreciation/ amortization	2,781,765	94,777,668	9,543,677
Total noncurrent assets	2,781,765	104,750,179	9,543,677
Total assets	4,833,608	156,357,358	31,382,170
DEFERRED OUTFLOWS OF RESOURCES			
Other postemployment benefits deferrals	51,183	1,389,120	81,354
Pension deferrals	196,961	2,377,220	234,204
Contributions to pension plan in current fiscal year	66,686	801,460	85,790
Charge on refunding	-	147,954	-
Total deferred outflows of resources	314,830	4,715,754	401,348

(Continued)

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Net Position -
Proprietary Funds (Continued)

June 30, 2023

	Enterprise Funds		
	Recycling and Trash Services Fund	Storm Water Management Fund	Parking Facilities Fund
LIABILITIES			
Current liabilities:			
Accounts payable:			
Trade	$ 191,030	$ 46,584	$ 274,626
Contracts and retainage	-	2,401,352	804,542
Due to other governments	-	-	-
Accrued liabilities:			
Personnel costs	393,646	97,530	4,865
Interest	-	56,516	48,581
Current portion of long-term liabilities:			
Bonds payable	-	880,000	-
Installment obligations	-	70,000	1,775,295
Lease liability	-	-	160,011
Accrued vacation and sick leave	161,284	154,521	4,406
Customer and escrow deposits	-	119,105	-
Unearned revenues	-	-	-
Restricted liabilities:			
Accounts payable:			
Contracts and retainage payable	-	-	1,300,103
Total current liabilities	745,960	3,825,608	4,372,429
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities:			
Bonds payable	-	16,621,206	-
Installment obligations	-	96,849	22,886,619
Lease liability	-	-	1,343,956
Accrued vacation and sick leave	93,898	89,961	1,268
Net other postemployment benefits liability	1,682,833	918,678	9,182
Net pension liability	2,387,137	1,973,767	102,715
Total noncurrent liabilities	4,163,868	19,700,461	24,343,740
Total liabilities	4,909,828	23,526,069	28,716,169
DEFERRED INFLOWS OF RESOURCES			
Leases	-	-	9,873,446
Other postemployment benefits deferrals	768,905	307,426	7,149
Pension deferrals	39,549	29,841	1,614
Charge on refunding	-	393	-
Total deferred inflows of resources	808,454	337,660	9,882,209
NET POSITION			
Net investment in capital assets	5,655	44,438,492	5,699,878
Restricted for:			
Leases	-	-	137,918
Capital projects	-	543,492	-
Unrestricted	3,114,245	26,064,197	7,740,408
Net Position	$ 3,119,900	$ 71,046,181	$ 13,578,204

See notes to financial statements.

	Nonmajor Golf Fund	Total	Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable:			
Trade	$ 643	$ 512,883	$ 176,067
Contracts and retainage	-	3,205,894	-
Due to other governments	5,323	5,323	-
Accrued liabilities:			
Personnel costs	26,432	522,473	23,837
Interest	-	105,097	-
Current portion of long-term liabilities:			
Bonds payable	-	880,000	-
Installment obligations	-	1,845,295	-
Lease liability	-	160,011	118,036
Accrued vacation and sick leave	55,886	376,097	82,520
Customer and escrow deposits	-	119,105	-
Unearned revenues	186,985	186,985	-
Restricted liabilities:			
Accounts payable:			
Contracts and retainage payable	-	1,300,103	-
Total current liabilities	275,269	9,219,266	400,460
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities:			
Bonds payable	-	16,621,206	-
Installment obligations	-	22,983,468	-
Lease liability	-	1,343,956	214,997
Accrued vacation and sick leave	68,414	253,541	30,042
Net other postemployment benefits liability	596,576	3,207,269	367,093
Net pension liability	403,741	4,867,360	503,151
Total noncurrent liabilities	1,068,731	49,276,800	1,115,283
Total liabilities	1,344,000	58,496,066	1,515,743
DEFERRED INFLOWS OF RESOURCES			
Leases	-	9,873,446	-
Other postemployment benefits deferrals	288,216	1,371,696	141,337
Pension deferrals	6,609	77,613	8,942
Charge on refunding	-	393	-
Total deferred inflows of resources	294,825	11,323,148	150,279
NET POSITION			
Net investment in capital assets	2,781,765	52,925,790	9,210,644
Restricted for:			
Leases	-	137,918	-
Capital projects	-	543,492	-
Unrestricted	727,848	37,646,698	20,906,852
Net Position	$ 3,509,613	$ 91,253,898	$ 30,117,496

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2023

	Enterprise Funds		
	Recycling and Trash Services Fund	Storm Water Management Fund	Parking Facilities Fund
Operating revenues:			
Charges for services	$ 10,914,525	$ 12,932,139	$ 5,525,902
Other operating revenues	15,607	116,837	280,104
Total operating revenues	10,930,132	13,048,976	5,806,006
Operating expenses:			
Salaries, employee benefits and other personnel costs	3,288,956	3,627,142	260,881
Materials and fuels consumed	835,152	500,571	776
Landfill disposal fees	1,556,838	-	-
Services	1,505,887	1,109,576	2,168,847
Utilities	15,821	18,102	96,309
Depreciation	3,288	1,359,312	2,049,315
Amortization	-	-	178,568
Other operating expenses	1,820,821	2,882,709	1,746,813
Total operating expenses	9,026,763	9,497,412	6,501,509
Operating income (loss)	1,903,369	3,551,564	(695,503)
Nonoperating revenues (expenses):			
Investment earnings	167,052	797,228	267,196
Restricted intergovernmental	95,178	1,622,838	-
Interest and other charges	-	(567,376)	(638,372)
Gain (loss) on disposal of capital assets, net	-	-	-
Total nonoperating revenues (expenses), net	262,230	1,852,690	(371,176)
Income (loss) before capital contributions and transfers	2,165,599	5,404,254	(1,066,679)
Capital contributions	-	363,983	-
Transfers from other funds	38,366	29,511	1,908,405
Transfers to other funds	(2,514,313)	-	(8,495)
Change in net position	(310,348)	5,797,748	833,231
Net position at beginning of year	3,430,248	65,248,433	12,744,973
Net position at end of year	$ 3,119,900	$ 71,046,181	$ 13,578,204

See notes to financial statements.

	Nonmajor Golf Fund	Total	Internal Service Funds
Operating revenues:			
Charges for services	$ 2,243,542	$ 31,616,108	$ 8,952,512
Other operating revenues	63,004	475,552	34,502
Total operating revenues	2,306,546	32,091,660	8,987,014
Operating expenses:			
Salaries, employee benefits and other personnel costs	809,384	7,986,363	824,027
Materials and fuels consumed	459,243	1,795,742	16,889
Landfill disposal fees	-	1,556,838	-
Services	46,088	4,830,398	1,414,716
Utilities	49,791	180,023	15,234
Depreciation	162,656	3,574,571	3,234,599
Amortization	-	178,568	86,801
Other operating expenses	301,076	6,751,419	1,511,080
Total operating expenses	1,828,238	26,853,922	7,103,346
Operating income (loss)	478,308	5,237,738	1,883,668
Nonoperating revenues (expenses):			
Investment earnings	58,923	1,290,399	590,537
Restricted intergovernmental	-	1,718,016	-
Interest and other charges	-	(1,205,748)	(529)
Gain (loss) on disposal of capital assets, net	905	905	(335,237)
Total nonoperating revenues (expenses), net	59,828	1,803,572	254,771
Income (loss) before capital contributions and transfers	538,136	7,041,310	2,138,439
Capital contributions	-	363,983	330,191
Transfers from other funds	71,277	2,047,559	3,236,532
Transfers to other funds	-	(2,522,808)	(29,511)
Change in net position	609,413	6,930,044	5,675,651
Net position at beginning of year	2,900,200	84,323,854	24,441,845
Net position at end of year	$ 3,509,613	$ 91,253,898	$ 30,117,496

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2023

	Enterprise Funds		
	Recycling and Trash Services Fund	Storm Water Management Fund	Parking Facilities Fund
Cash flows from operating activities:			
Receipts from customers and users	$ 10,891,806	$ 9,700,239	$ 5,702,589
Receipts from interfund services provided	34,571	3,321,581	-
Payments to suppliers	(4,261,589)	(3,447,041)	(3,655,564)
Payments to or on behalf of employees	(4,641,111)	(3,378,086)	(261,060)
Payments for interfund services used	(1,431,292)	(1,048,015)	(9,688)
Net cash provided by operating activities	592,385	5,148,678	1,776,277
Cash flows from noncapital and related financing activities:			
Transfers from other funds	38,366	-	1,908,405
Transfers to other funds	(2,514,313)	-	-
Restricted intergovernmental	95,178	1,660,562	-
Net cash provided by (used in) noncapital and related financing activities	(2,380,769)	1,660,562	1,908,405
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(9,531,427)	(991,652)
Principal payments on bonds	-	(840,000)	-
Principal payments on installment obligations	-	(70,000)	(1,785,911)
Principal payments on leases	-	-	(157,467)
Interest and other charges	-	(725,719)	(631,835)
Proceeds from sale of capital assets	-	-	-
Net cash used in capital and related financing activities	-	(11,167,146)	(3,566,865)
Cash flows from investing activities:			
Investment earnings	129,124	630,661	201,530
Net increase (decrease) in cash and cash equivalents	(1,659,260)	(3,727,245)	319,347
Cash and cash equivalents at beginning of year	6,544,502	29,445,868	9,754,292
Cash and cash equivalents at end of year	$ 4,885,242	$ 25,718,623	$ 10,073,639

	Nonmajor Golf Fund	Total	Internal Service Funds
Cash flows from operating activities:			
Receipts from customers and users	$ 2,353,156	$ 28,647,790	$ 496,257
Receipts from interfund services provided	-	3,356,152	8,556,916
Payments to suppliers	(838,668)	(12,202,862)	(1,905,150)
Payments to or on behalf of employees	(808,943)	(9,089,200)	(966,837)
Payments for interfund services used	(41,215)	(2,530,210)	(6,096)
Net cash provided by operating activities	664,330	8,181,670	6,175,090
Cash flows from noncapital and related financing activities:			
Transfers from other funds	71,277	2,018,048	3,228,037
Transfers to other funds	-	(2,514,313)	-
Restricted intergovernmental	-	1,755,740	-
Net cash provided by (used in) noncapital and related financing activities	71,277	1,259,475	3,228,037
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(124,984)	(10,648,063)	(5,033,878)
Principal payments on bonds	-	(840,000)	-
Principal payments on installment obligations	-	(1,855,911)	-
Principal payments on leases	-	(157,467)	(142,713)
Interest and other charges	-	(1,357,554)	(529)
Proceeds from sale of capital assets	905	905	888,184
Net cash used in capital and related financing activities	(124,079)	(14,858,090)	(4,288,936)
Cash flows from investing activities:			
Investment earnings	43,650	1,004,965	440,594
Net increase (decrease) in cash and cash equivalents	655,178	(4,411,980)	5,554,785
Cash and cash equivalents at beginning of year	1,303,423	47,048,085	15,890,488
Cash and cash equivalents at end of year	$ 1,958,601	$ 42,636,105	$ 21,445,273

(Continued)

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Cash Flows - Proprietary Funds (Continued)

Year Ended June 30, 2023

	Enterprise Funds		
	Recycling and Trash Services Fund	Storm Water Management Fund	Parking Facilities Fund
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	$ 4,885,242	$ 23,894,117	$ 8,763,545
Restricted cash and cash equivalents	-	1,824,506	1,310,094
Total cash and cash equivalents	$ 4,885,242	$ 25,718,623	$ 10,073,639
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 1,903,369	$ 3,551,564	$ (695,503)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	3,288	1,359,312	2,227,883
Changes in assets, liabilities and deferred items:			
Accounts receivable	12,724	17,718	1,930
Other receivables	59,176	-	-
Due from other governments	(16,479)	(44,466)	(5,184)
Lease receivable	-	-	(79,363)
Lease interest receivable	-	-	(20,800)
Inventory of materials and supplies	(3,778)	12,920	-
Prepaids	6,492	2,262	(8,839)
Deferred outflows of resources for pensions	(601,590)	(571,592)	(34,836)
Deferred outflows of resources for other postemployment benefits	(450,159)	267,889	11,866
Net pension liability	1,788,743	1,342,372	82,347
Net other postemployment benefits liability	(824,805)	(26,126)	1,656
Deferred inflows of resources for pensions	(918,669)	(576,051)	(39,760)
Deferred inflows of resources for other postemployment benefits	(517,110)	(42,548)	(814)
Accounts payable and accrued liabilities	139,435	(149,583)	343,421
Due to other governments	-	(408)	-
Accrued vacation and sick leave	11,748	5,415	(7,727)
Unearned revenues	-	-	-
Net cash provided by operating activities	$ 592,385	$ 5,148,678	$ 1,776,277
Noncash investing, capital and financing activities:			
Issuance of leases	$ -	$ -	$ -
Capital assets acquired on account	-	1,679,453	(198,760)
Transfer of capital assets between proprietary funds	-	29,511	(8,495)
Capital contributions from developers	-	363,983	-
Capital contributions from governmental funds	-	-	-
Donation of capital assets to governmental funds	-	-	-
Net effect of noncash activities	$ -	$ 2,072,947	$ (207,255)

See notes to financial statements.

	Nonmajor Golf Fund	Total	Internal Service Funds
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	$ 1,958,601	$ 39,501,505	$ 21,445,273
Restricted cash and cash equivalents	-	3,134,600	-
Total cash and cash equivalents	$ 1,958,601	$ 42,636,105	$ 21,445,273
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 478,308	$ 5,237,738	$ 1,883,668
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	162,656	3,753,139	3,321,400
Changes in assets, liabilities and deferred items:			
Accounts receivable	-	32,372	33,875
Other receivables	13,349	72,525	-
Due from other governments	4,757	(61,372)	32,284
Lease receivable	-	(79,363)	-
Lease interest receivable	-	(20,800)	-
Inventory of materials and supplies	12,161	21,303	29,350
Prepaids	-	(85)	1,135,408
Deferred outflows of resources for pensions	(109,386)	(1,317,404)	(118,535)
Deferred outflows of resources for other postemployment benefits	28,865	(141,539)	(13,302)
Net pension liability	294,013	3,507,475	365,745
Net other postemployment benefits liability	(1,767)	(851,042)	(67,496)
Deferred inflows of resources for pensions	(140,993)	(1,675,473)	(195,767)
Deferred inflows of resources for other postemployment benefits	(55,945)	(616,417)	(78,933)
Accounts payable and accrued liabilities	(59,069)	274,204	(144,239)
Due to other governments	(1,080)	(1,488)	-
Accrued vacation and sick leave	9,957	19,393	(8,368)
Unearned revenues	28,504	28,504	-
Net cash provided by operating activities	$ 664,330	$ 8,181,670	$ 6,175,090
Noncash investing, capital and financing activities:			
Issuance of leases	$ -	$ -	$ 370,710
Capital assets acquired on account	-	1,480,693	-
Transfer of capital assets between proprietary funds	-	21,016	(21,016)
Capital contributions from developers	-	363,983	-
Capital contributions from governmental funds	-	-	330,131
Donation of capital assets to governmental funds	-	-	(1,223,421)
Net effect of noncash activities	$ -	$ 1,865,692	$ (543,596)

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2023

	Other Postemployment Benefits Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	$ -	$ 571,924
Investments:		
North Carolina Capital Management Trust, Government Portfolio	3,159,835	-
U.S. Treasuries	-	8,788
Commercial Paper	-	18,076
U.S. Government Agencies	-	44,582
Other receivables	12,976	476
Total assets	3,172,811	643,846
NET POSITION		
Restricted for postemployment benefits other than pensions	3,172,811	-
Restricted for individuals, organizations, and other governments	-	643,846
Total fiduciary net position	$ 3,172,811	$ 643,846

See notes to financial statements.

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Changes in Fiduciary Net Position - Fiduciary Funds

Year Ended June 30, 2023

	Other Postemployment Benefits Trust Fund	Custodial Funds
Additions:		
Contributions:		
Employer	$ 2,410,715	$ -
Plan members	570,669	-
Total contributions	2,981,384	-
Law enforcement seizures	-	9,902
Investment earnings	114,826	4,082
Total additions	3,096,210	13,984
Deductions:		
Benefit payments	2,794,766	-
Payments by court order	-	4,374
Community housing administration reimbursements	-	27,502
Administrative expense	189,868	-
Total deductions	2,984,634	31,876
Change in fiduciary net position	111,576	(17,892)
Net position at beginning of year	3,061,235	661,738
Net position at end of year	$ 3,172,811	$ 643,846

See notes to financial statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The City of Wilmington is a municipal corporation, incorporated in 1739, located in the southeastern corner of North Carolina with a population of 121,309. The City has a Council-Manager form of government with a seven-member council, which includes an elected mayor. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally separate entities for which the City is financially accountable.

Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units is combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary government. One component unit has no financial transactions or account balances and, therefore, does not appear in the financial statements. Each blended and discretely presented component unit has a June 30 year-end.

BLENDED COMPONENT UNIT

Wilmington Future, Inc.

Wilmington Future, Inc. (the Corporation), a North Carolina nonprofit corporation, exists to issue tax-exempt obligations pursuant to the Internal Revenue Code of 1986, as amended. The Corporation is governed by a three-member Board of Directors and may, by Board action, dismiss members and appoint up to four additional members. The Corporation has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Corporation does not issue separate financial statements.

DISCRETELY PRESENTED COMPONENT UNIT

Cape Fear Public Transportation Authority

The Cape Fear Public Transportation Authority (Authority), operating as Wave Transit, is a public authority created in 2004 by a concurrent resolution of New Hanover County (County) and the City. The interlocal agreement adopted by the County and City provides for the operation of transportation facilities and transportation services throughout the City and up to 30 miles outside its corporate limits and effectively merged the transportation facilities and services provided by the County and the City. The interlocal agreement was amended on March 2, 2015 at which time the term of the agreement was changed to be effective for 20 years, with one 10 year renewal term after the initial term upon approval of the County and the City. Additionally, the agreement requires the Authority to maintain a minimal fund balance of eight percent of the operating budget. If the Authority uses money from the fund balance such that the fund balance falls below eight percent, the Authority is to submit a plan to the City and County to replenish the fund balance within 24 months.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

DISCRETELY PRESENTED COMPONENT UNIT (continued)

Cape Fear Public Transportation Authority (continued)

The interlocal agreement was amended a second time on January 21, 2020 which restructured the Authority's board composition to consist of 9 members (or a member's designee). The members of the board are designated to be the New Hanover County Manager, the City of Wilmington Manager, the City of Wilmington Attorney, a New Hanover County Deputy Attorney, the City of Wilmington Finance Director, the New Hanover County Finance Director, the Executive Director of the Wilmington Urban Area Metropolitan Planning Organization and 2 members, one appointed by New Hanover County and one by the City of Wilmington. Additionally, the amended agreement designates the New Hanover County Manger is to be the Board Chair and the City of Wilmington Manager the Board Vice-Chair in the even numbered years and vice-versa in the odd numbered years.

Each proposed annual budget shall be submitted to the County and City for approval by the County Commissioners and City Council. The County and City provide annual funding to the Authority as their budgets permit. Any debt necessary for the maintenance, improvement or expansion of the Authority will be incurred by the County or City for the benefit of the Authority. The Authority establishes and revises, from time-to-time, schedules of rates, fees and charges for the use of the services of the Authority. An interlocal agreement between the City and the Authority, effective July 1, 2005 and as amended May 15, 2013, provides that the City will (a) make available to the Authority on July 1 of each fiscal year the annual appropriation approved in the adopted City budget, and (b) allow the Authority access to additional necessary operating funds in an amount not to exceed $400,000, less any additional operating funds provided by the County in excess of the County's annual appropriation for public transportation, as an advance on awarded federal and/or State operating funds that the Authority has not received. Advances shall be repaid the earlier of June 30 of each year or 120 days following the advance. In the event the Authority does not repay the advance, the City will withhold the outstanding balance from its annual appropriation. The agreement may be terminated by the mutual written consent of the parties or upon the lack of an award or termination of federal and/or State funding to the Authority. For financial reporting purposes, in conformity with GASB Codification Section 2100, the Authority is a component unit of the City and is included as such in the City's annual comprehensive financial report, as the Authority is fiscally dependent on the City.

A blended component unit is a separate legal entity whose operations are so intertwined with the Authority that it is, in substance, the same as the Authority. Making Waves Foundation (the Foundation), a North Carolina nonprofit corporation, is a blended component unit of the Authority as the Authority elects all of the board members of the Foundation's board of directors. The Foundation provides transportation fare subsidies for the Authority system to nonprofit agencies who provide assistance to members of the community in need and individuals who otherwise would not have access to transportation. These subsidies are returned to the Authority through fares. The Foundation is considered to almost exclusively benefit the Authority. The balances and transactions of the Foundation are blended with those of the Authority in the accompanying financial statements. The activity of the blended component unit is not considered to be materially significant as compared to the activity of the Authority. The Foundation does not issue separate financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

DISCRETELY PRESENTED COMPONENT UNIT (continued)

Cape Fear Public Transportation Authority (continued)

The Authority's complete financial statements for the year ended June 30, 2023 may be obtained at their administrative offices:

Cape Fear Public Transportation Authority
Forden Station
505 Cando Street
Wilmington, N.C. 28405

B. BASIS OF PRESENTATION

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the 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.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction and parks and recreation. Additionally, the City has legally adopted a CDBG/Home Grant and Loan Administration Fund. Under GASB 54 guidance, the CDBG/Home Grant and Loan Administration Fund is consolidated in the General Fund. The budgetary comparison for the CDBG/Home Grant and Loan Administration Fund has been included in the supplemental information.

Special Purpose Fund. This fund accounts for and reports the proceeds of the red-light camera program; federal forfeiture funds; North Carolina drug tax funds; and grants received from federal, state and local governments including the Department of Justice, Department of Transportation, Department of Treasury, Department of Homeland Security, and the North Carolina Departments of Transportation, Environmental Quality, and Public Safety. Additionally, the City also maintains a UDAG Loan Fund for which a budget is not adopted in accordance with State law [G.S. 159-13(a)(3)] as this fund is established to account for monies held by the City as a common law trustee. Under GASB 54 guidance, the UDAG Loan Fund is consolidated in the Special Purpose Fund.

Convention Center Fund. This fund accounts for all the user charges, fees, other resources and all costs associated with the operation of the Wilmington Convention Center.

Streets and Sidewalks Fund. This fund accounts for resources used for the acquisition, construction, repair and maintenance of streets and sidewalks within the City of Wilmington.

Debt Service Fund. The Debt Service Fund accumulates resources to pay maturing principal and interest on general obligation bonds, certain installment obligations and other long-term obligations issued for governmental capital projects and equipment purchases as well as certain installment obligations issued to refund other long-term obligations issued for the construction of the Water Street parking deck and accounted for in the Parking Facilities Fund, a business-type activity. Additionally, this fund passes through and accumulates resources pursuant to the Council adopted Capital Improvement Plans, the Streets and Sidewalks Bond Referendum, and the Parks and Recreation Bond Referendum. In accordance with these plans, resources earmarked for the pay-as-you-go portion, or 20%, of the projected costs of certain capital projects are passed through to the related capital project funds while resources are accumulated to pay related debt service on the remaining 80% of the projected costs.

Maturing principal and interest on obligations issued to fund the construction of the Wilmington Convention Center are serviced by the Convention Center Fund. Obligations issued for storm water management and parking facilities, plus related debt service, are recorded in the respective enterprise funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

The City reports the following major enterprise funds:

Recycling and Trash Services Fund. The Recycling and Trash Services Fund accounts for the provision of refuse collection and disposal services by the City.

Storm Water Management Fund. The Storm Water Management Fund accounts for storm water drainage services.

Parking Facilities Fund. The Parking Facilities Fund accounts for the operation of the City's parking facilities and the on-street parking program.

Additionally, the City reports the following fund types:

Internal Service Funds. The City's Internal Service Funds account for fleet management services and replacement of technology to other departments of the City on a cost reimbursement basis.

Pension and Other Postemployment Benefits Trust Funds. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans or other postemployment benefit plans. The City's Other Postemployment Benefits Trust Fund accounts for the City's contributions for healthcare coverage provided to qualified retirees.

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefits) trust funds. Custodial funds are used to account for assets the City holds on behalf of others that meet certain criteria and do not involve the measurement of operating results. The City maintains two Custodial Funds- the CHDO Proceeds Fund and the Law Enforcement Seizure Fund. The City's CHDO Proceeds Fund accounts for the Community Housing Development Organization's net proceeds from the sale of housing developed for first-time homebuyers. The Law Enforcement Seizure Fund accounts for confiscated monies held by the City pending court disposition.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions and debt principal payments are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by the County and then remitted to and distributed by the State. Certain intergovernmental revenues and sales and services such as recreation fees are not susceptible to accrual because generally, they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY DATA

Budgets for the City are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Debt Service Fund, CDBG/Home Administration Fund, Special Tax District Fund, and enterprise funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for capital projects funds, including the enterprise capital projects funds which are consolidated with the enterprise operating funds for reporting purposes. Additionally, project ordinances are adopted for special revenue funds, excluding the CDBG/Home Administration Fund and the Special Tax District Fund as noted previously. During the fiscal year, the City recorded opioid settlement funds received to a separate multi-year special revenue fund but as of fiscal year-end, no budget was adopted.

Budgets are not adopted for special revenue loan funds and the Firemen's Relief Fund in accordance with State law [G.S. 159-13(a)(3)] as these funds are established to account for monies held by the City as a common law trustee. The City's internal service funds operate under financial plans that were adopted by the City Council at the time the City's budget ordinance was approved, as is required by North Carolina General Statutes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and the Community Development, the Home Investment Partnership and the Convention Center multi-year funds; at the fund level for all capital projects multi-year funds; and at the grant level for the Special Purpose multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund.

All amendments must be approved by City Council. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY

DEPOSITS AND INVESTMENTS

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The NCCMT Government Portfolio, a SEC—registered (2a-7) money market mutual fund which invests in treasuries and government agencies, is reported at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

CASH AND CASH EQUIVALENTS

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income; however, the City maintains separate investments of proceeds of bond issues and other financings. All cash and investment types, short-term and longer-term fixed income investments are essentially managed as demand deposits and are therefore considered to be cash and cash equivalents.

RESTRICTED ASSETS

Unspent donations and grants received in advance are classified as restricted assets because they are restricted to the capital projects or programs for which the funds were collected. Unexpended proceeds of the City's general obligation bonds and limited obligation bonds are classified as restricted assets because their use is limited by bond covenants, bond indentures and other financing agreements to the purpose for which the debt was originally issued.

Cash and cash equivalents/investments are restricted in the accompanying governmental fund statements as follows:

	Special Purpose Fund	Convention Center Fund	Streets and Sidewalks Fund	Debt Service Fund	Nonmajor Governmental Funds	Governmental Activities
Debt proceeds and related interest earnings	$ -	$ 2,672	$ 42,367,043	$ 61,360	$ 24,391,718	$ 66,822,793
Federal forfeiture funds	603,469	-	-	-	-	603,469
ARPA funds	9,569,342	-	-	-	-	9,569,342
Opioid settlement funds	-	-	-	-	101,928	101,928
Opioid pilot program	209,727	-	-	-	-	209,727
Grants received in advance	437,261	-	-	-	266,211	703,472
Donations	-	-	2,810,485	-	-	2,810,485
Other	445	-	-	-	-	445
	$ 10,820,244	$ 2,672	$ 45,177,528	$ 61,360	$ 24,759,857	$ 80,821,661

Cash and cash equivalents are restricted in the accompanying proprietary fund statements as follows:

	Storm Water Management Fund	Parking Facilities Fund	Business-Type Activities
Debt proceeds and related interest earnings	$ 1,824,506	$ 1,310,094	$ 3,134,600

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

AD VALOREM TAXES RECEIVABLE

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2021. For collection purposes, taxes receivable are written off at the end of ten years in accordance with North Carolina General Statutes.

LEASE RECEIVABLE AND RELATED DEFERRED INFLOW OF RESOURCES

This City is a party to noncancellable leases as a lessor for land, buildings, a parking deck and a parking lot and recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the noncancellable term of the lease using the City's estimated incremental borrowing rate as the discount rate. Subsequently, the lease receivable is reduced by the principal portion of fixed payments from the lessee and the interest portion is recorded as lease interest revenue. Under the lease agreement, 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 payment is received.

The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. Subsequently, the deferred inflow of resources is recognized as lease revenue over the life of the lease term using the straight-line method.

The City monitors changes in the circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 aging of account balances.

INVENTORIES AND PREPAID ITEMS

Inventories are maintained for major items used by the governmental funds and proprietary funds in their operations. They are valued at cost (first-in, first-out) in the governmental funds and proprietary funds, with the exception of the Golf Fund. The Golf Fund inventory is held for resale and is valued at the lower of cost (first-in, first-out) or net realizable value. Disbursements for inventory-type items in the General Fund are considered to be expenditures at the time of purchase. For the General Fund, inventory is offset by nonspendable fund balance.

Certain payments to vendors and employees reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

CAPITAL ASSETS

Capital assets are reported in the government-wide financial statements and proprietary fund financial statements in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than a certain cost and an estimated useful life that extends past a single full reporting period. Minimum capitalization costs are as follows: land, rights-of-way and easements $10,000; furniture, equipment and computer software $5,000; buildings and improvements, plant structures $25,000; infrastructure and certain improvements other than buildings $100,000. Infrastructure includes streets and drainage systems. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets and those acquired by annexation prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or effective date of annexation. Donated capital assets and those acquired by annexation after June 30, 2015 are recorded at acquisition value. General infrastructure assets acquired prior to July 1, 2002 consist of streets and related rights-of-way that were acquired or received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Intangible assets consist of computer software, costs incurred during the application/development stage of internally generated software and rights-of-way and easements acquired subsequent to July 1, 2010. Those rights-of-way and easements acquired subsequent to July 1, 1980 and, prior to July 1, 2010, have been reported as part of the capital asset land value. The City's rights-of-way and easements have been determined to have indefinite life.

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, where the City is the lessee, or agreements where the City reports an information technology (IT) subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

This City is a party to noncancellable leases as a lessee for a parking lot, buildings and equipment and recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the noncancellable term of the lease using the City's estimated incremental borrowing rate as the discount rate. Subsequently, the lease liability is reduced by the principal portion of fixed payments made to the lessor and the interest portion is recorded as interest expense. The lease asset is recorded at the initiation of the lease in an amount equal to the initial amount of the related lease liability plus any lease payments made prior to the lease term, less incentives and plus ancillary charges necessary to place the lease into service. Subsequently, the lease asset is amortized on a straight-line basis over the life of the related lease.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

CAPITAL ASSETS (continued)

This City is a party to noncancellable IT subscriptions for software and recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide statements. At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the noncancellable term of the subscription using the City's estimated incremental borrowing rate as the discount rate. Subsequently, the subscription liability is reduced by the principal portion of fixed payments made to the subscription vendor and the interest portion is recorded as interest expense. The subscription asset is recorded at the initiation of the subscription term in an amount equal to the initial amount of the related subscription liability plus any subscription payments made prior to the subscription term, plus capitalizable initial implementation costs at the start of the subscription term, and less any incentives received from the subscription vendor. Subsequently, the subscription asset is amortized on a straight-line basis over the subscription term.

The City monitors changes in the circumstances that would require a remeasurement of its leases and subscriptions and will remeasure the related asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

Interest costs incurred before the end of a construction period are recognized as expense in the period in which the cost is incurred and, therefore, are not included in the historical cost of capital assets reported in business-type activities.

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

Asset class	Estimated useful lives	
Infrastructure (including streets and drainage systems)	50	years
Buildings, plant, structures and improvements	40	years
Improvements other than buildings	20	years
Parking facilities plant and structures	20	years
Heating, ventilation and air conditioning improvements	15	years
Vehicles	5	years
Furniture and equipment	5	years
Computer software	5	years

The City may consider capital assets impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired assets will be appropriately reduced in value or discarded if idle. The City owns no significant capital assets that would be considered impaired.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

DEFERRED OUTFLOWS AND 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 a future period and so will not be recognized as an expense or expenditure until then. The City has several items that meet this criterion in the statement of net position – a loss on refunding, deferrals of pension expense, deferrals of other postemployment benefits expense, contributions made to the pension plan in the current fiscal year and benefit payments and administration costs paid subsequent to the measurement date. In addition to liabilities, the statement of net position and/or balance sheet can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – receivables that do not meet the availability criterion, leases, a gain on refunding, deferrals of pension expense and deferrals of other postemployment benefits expense.

LONG-TERM OBLIGATIONS

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

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

Under the City's current personnel ordinance, full-time employees accrue vacation days based on years of service and may accumulate up to twice their annual accrual level on December 31st of each year. Any unused days not exceeding twice the annual accrual level will be paid upon termination of employment.

Full time employees receive thirteen paid holidays per year. If scheduled holidays cannot be taken, nonexempt employees who are in classifications approved for banking accrued holidays may accumulate all approved holidays and be paid for any unused days upon request. However, all accumulated holiday balances are liquidated prior to fiscal year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

COMPENSATED ABSENCES (continued)

Sick leave credits can be accumulated indefinitely and do not vest. Employees in good standing with a hire date before July 1, 2009 and with at least five years of continuous service may, upon the authorization of the city manager, be paid up to 25% of their unused sick leave upon termination of employment. Employees hired on or after July 1, 2009 are not eligible to be paid for unused sick leave upon termination. Any unused or unpaid sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

For the City's government-wide financial statements and its proprietary funds, an expense and a liability for compensated absences are recorded as the leave is earned (vacation and partial sick leave). The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of the 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.

OPIOID SETTLEMENT FUNDS

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a $26 billion-dollar nationwide settlement related to multiple opioid lawsuits. New national opioid settlements have been reached with Teva, Allergan, CVS, Walgreens and Walmart increasing the total of the settlement to $56 billion. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds 15% directly to the State ("State Abatement Fund"), 80% to abatement funds established by Local Governments ("Local Abatement Funds") and 5% to a County Incentive Fund.

The City received $70,205 as part of this settlement in fiscal year 2023 bringing the total received to date to $99,772. Per the terms of the MOA, the City created a special revenue fund, the Opioid Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30th, 2023. The MOA offered the City two options of expending the funds. The City opted for both Options A and B, which allows the City to fund one or more high-impact strategies from a list of evidence-based strategies as well as address a wider array of strategies to combat the opioid epidemic.

REIMBURSEMENT FOR PANDEMIC-RELATED EXPENDITURES

In fiscal year 2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The City was allocated $25.93 million of fiscal recovery funds to be paid in two equal installments. The first installment of $12.965 million was received in June 2021. The second installment was received in June 2022. City staff and the City Council have elected to use $8.43 million of the ARPA funds for Economic and Community Assistance, $6.17 million for City/Community Infrastructure and $11.33 million for City Response and Recovery. Revenue replacement funds are transferred to the appropriate funds once the disbursement has occurred for the intended use.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

NET POSITION

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.

The governmental fund types classify fund balances as follows:

Nonspendable fund balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The following are the City's nonexpendable fund balances as of June 30, 2023:

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

Inventories and prepaids - portion of fund balance that is not an available resource because it represents the year-end balances of ending inventories and prepaids, which are not spendable resources.

Restricted fund balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The following are the City's restricted fund balances as of June 30, 2023:

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories, prepaids and leases as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

FUND BALANCES (continued)

Restricted for community development loans - portion of fund balance that is not an available resource because it represents the year-end balance of notes receivable where related amounts to be collected are restricted by revenue source for the purpose of providing community development loans.

Restricted for convention center - portion of fund balance that is restricted by revenue source for the operation of the convention center. This amount represents the unspent portion of the room occupancy tax specifically levied for construction and operation of the convention center as well as the interest earned thereon.

Restricted for capital projects - portion of fund balance that is restricted by loan documents for construction of major capital improvements including streets, sidewalks and public facilities. This amount represents the balance of unspent proceeds of certain debt obligations, unspent donations and unspent grants received in advance.

Restricted for debt service - portion of fund balance that is restricted by loan documents for issuance costs and debt service payments. This amount represents the balance of interest earnings in certain escrow accounts related to debt obligations.

Restricted for public safety – portion of fund balance that is restricted by revenue source for public safety expenditures such as firemen's relief benefits and certain law enforcement activities including operation of the Southeastern North Carolina Airborne Law Enforcement program.

Restricted for economic and physical development - portion of fund balance that is restricted by revenue source for community development and other projects which have an economic impact on the City.

Restricted for culture and recreation – portion of fund balance that is restricted by revenue source for the Empie dog park and other projects that provide cultural and recreational enhancement opportunities.

Committed fund balance - This classification includes amounts that can only be used for specific purposes imposed by majority vote by quorum of the City Council (highest level of decision-making authority). The City Council can, by ordinance prior to the end of the fiscal year, commit fund balance in the form of a transfer out of the general fund to another fund appropriate for the designated purpose or by amending the fee schedule to reserve proceeds of certain fees for specific purposes. Once adopted, any modification or rescission of the specific purpose imposed by the ordinance including transfer of these funds out of their respective funds requires a subsequent ordinance by majority action of the City Council. The following are the City's committed fund balances as of June 30, 2023:

Committed for capital projects - portion of fund balance committed by City Council for the construction of building improvements, parks and recreation facilities and street and sidewalk improvements held in capital project funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

FUND BALANCES (continued)

Committed for debt service - portion of fund balance committed by City Council to pay for future debt service.

Committed for public safety - portion of fund balance committed by City Council for Law Enforcement Officers' Special Separation Allowance obligations, the Southeastern North Carolina Airborne Law Enforcement program and to provide matching funds for future public safety grant opportunities.

Committed for transportation - portion of fund balance committed by City Council for the Wilmington Urban Area Metropolitan Planning Organization and the safelight program.

Committed for economic and physical development - portion of fund balance committed by City Council to fund affordable housing programs, historic preservation education and other projects which have an economic impact on the City.

Committed for cultural and recreational - portion of fund balance committed by City Council to support projects that provide cultural and recreational enhancement opportunities.

Committed for transit - portion of fund balance committed by City Council to allow the Authority access to additional necessary operating funds as an advance on awarded federal and/or State operating funds that the Authority has not received.

Committed for general government - portion of fund balance committed by City Council to provide funds for a disparities study and future special travel and training opportunities for City Council, City Manager, Clerk and Attorney.

Committed for affordable housing - portion of fund balance committed by City Council to provide funds for future affordable and workforce housing initiatives.

Committed for municipal service district - portion of fund balance committed by City Council to support the services to be provided within the Downtown Municipal Services District.

Assigned fund balance - This classification includes amounts that the City intends to use for specific purposes. Assignments of fund balance are authorized by City Council. The following are the City's assigned fund balances as of June 30, 2023:

Assigned for self-insurance - portion of fund balance held for the future payment of the City's self-insured employee healthcare benefits. This assignment is determined by City Council in conjunction with management at Council retreats.

Assigned for subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The City Council approves the appropriation as part of the adoption of the annual budget.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

FUND BALANCES (continued)

Unassigned fund balance - This classification is the portion of fund balance that has not been restricted, committed or assigned to specific purposes or other funds as of June 30, 2023. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount; however, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City has revenue spending guidelines for programs with multiple revenue sources. The Finance Director 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 Director may deviate from this order if it is in the best interest of the City.

The City has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that unassigned fund balance is at least equal to or greater than 20 to 25% of the combined annual operating budgets of the General Fund and Debt Service Fund. Any portion of the General Fund balance in excess of 20% of the combined annual operating budgets may be used for non-recurring expenditures and pay-as-you-go capital expenditures. For the General Fund at June 30, 2023, the portion of fund balance that is available for appropriation equates to unassigned fund balance.

DEFINED BENEFIT PENSION AND OPEB PLANS

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) and Law Enforcement Officers' Special Separation Allowance (the "Separation Allowance") and additions to or deductions from LGERS' and the Separation Allowance fiduciary net position have been determined on the same basis as they are reported by LGERS and Separation Allowance. 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 and Separation Allowance.

For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of the healthcare benefit plan and additions to/deductions from the healthcare benefit plan fiduciary net position have been determined on the same basis as they are reported by the healthcare benefit plan. For this purpose, the healthcare benefit plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

F. COMPARATIVE DATA

Comparative data for the prior year has been presented in selected sections of the City's Annual Comprehensive Financial Report (ACFR) in order to provide an understanding of changes in the City's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the City's financial position and operations, or would cause the statements to be unduly complex or difficult to understand.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental funds balance sheet includes a reconciliation between total fund balances – governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One item of that reconciliation explains that "long-term liabilities including bonds payable and accrued interest thereon, are not due and payable in the current period and therefore are not reported in the funds."

The details of that item are as follows:

Lease liability	$ (126,059)
Subscription liability	(1,368,109)
Bonds payable	(74,840,000)
Installment obligations	(150,998,086)
Other long-term obligations	(5,604,490)
Unamortized premiums	(27,267,432)
Unamortized deferred outflows of resources	2,418,401
Unamortized deferred inflows of resources	(90,055)
Accrued interest payable	(1,015,970)
Accrued vacation and sick leave	(8,952,136)
	$ (267,843,936)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net position - governmental activities as reported in the government-wide statement of activities. One item of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, including amounts for donations and disposals."

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)

The details of those items are as follows:

Capital outlay	$ 28,260,835
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	6,237,196
Net transfers of capital assets from proprietary funds increase net position in the statement of activities, but do not appear in governmental funds because they are not financial resources.	893,230
The net book value of capital assets disposed decreases net position in the statement of activities, but does not appear in governmental funds because they are not financial resources.	(40,648)
Amortization expense	(1,042,969)
Depreciation expense	(16,583,625)
	$ 17,724,019

Another element of that reconciliation states that "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, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items."

The details of this item are as follows:

Debt issued:	
Issuance of leases	$ (116,051)
Issuance of subscriptions	(97,123)
Issuance of installment obligations	(23,980,001)
Issuance premium (to be amortized over the life of the obligation)	(3,407,796)
Principal payments:	
Leases	54,197
Subcriptions	1,001,074
Bonds payable	5,070,000
Installment obligations	9,724,090
Other long-term obligations	861,454
Amortization of premiums and loss on refundings	1,035,299
	$ (9,854,857)

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)

Another item of that reconciliation states that "some revenues in the statement of activities, including tax and other receipts do not provide current financial resources and are therefore not reported as revenues in the governmental funds." The details of this item are as follows:

Accrued interest receivable	$ 606,756
Tax and other receipts deferred in funds	(375,687)
	$ 231,069

The reconciliation further states that "some expenses reported in the statement of activities, including pension, other postemployment benefit and other expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this item are as follows:

Accrued vacation and sick leave	$ (506,257)
Other postemployment benefits	1,443,784
Pension expense - Local Governmental Empoyees' Retirement System	(11,365,214)
Pension expense - Law Enforcement Special Separation Allowance	(1,071,155)
Accrued interest payable	(44,046)
	$ (11,542,888)

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

DEPOSITS AND INVESTMENTS

All of the City's deposits are either insured or collateralized under the Pooling Method. Under the Pooling Method, which is a statewide 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 each unit's agent in the unit's 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 agents. Because of the inability to measure the exact amount 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.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

DEPOSITS AND INVESTMENTS (continued)

At June 30, 2023, the City's deposits had a carrying amount of $98,765,035 and a bank balance of $102,920,796. Of the bank balance, $1,019,035 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Cash on hand at June 30, 2023, was $24,404.

At June 30, 2023, the investments and related maturities of the City were as follows:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6 - 12 Months
North Carolina Capital Management Trust - Government Portfolio	Fair Value-Level 1	$ 101,165,695	$ 101,165,695	$ -
U.S. Treasuries	Fair Value-Level 1	11,724,637	-	11,724,637
Commercial paper	Fair Value-Level 2	24,133,288	-	24,133,288
U.S. Government Agencies	Fair Value-Level 2	59,512,758	-	59,512,758
Total investments		$ 196,536,378	$ 101,165,695	$ 95,370,683

All investments are measured using the market approach which uses prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets. Level one debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years. Also, the City's investment policy limits the weighted average maturity of the City's investment portfolio (including deposits) to no more than 12 months. The weighted average maturity of the investment portfolio as of June 30, 2023 is 2.7 months.

Credit Risk

The City has no formal policy on managing credit risk. As of June 30, 2023, the City's investment in the NCCMT Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Service. The City's investments in commercial paper were rated P1 by Standard & Poor's and A1 by Moody's Investors Service. The City's investments in U.S. Government Agencies (Federal Home Loan Bank, Federal National Mortgage Association and Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The City's investment policy limits the amount that the City may invest in any one issuer to 25% of the City's total investments. More than 5% of the City's investments are in the Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, Natixis NY, and Royal Bank of Canada. These investments are 9.7%, 5.9%, 9.1%, 7.5%, 5.3% and 5.1% respectively, of the City's total investments.

RECEIVABLES

Current receivables for governmental activities at the government-wide level at June 30, 2023, were as follows:

	Taxes	Accounts	Other	Other Governments	Notes	Management Company	Leases	Total
General Fund	$ 2,332,657	$ 1,641,501	$ 591,567	$ 17,781,547	$ 217,620	$ -	$ 7,074,773	$ 29,639,665
Special Purpose Fund	-	-	77,946	621,424	70,947	-	-	770,317
Convention Center Fund	-	-	105,421	2,410,778	-	412,832	10,046,115	12,975,146
Streets and Sidewalks Fund	-	39,751	240,053	483,596	-	-	-	763,400
Debt Service Fund	473,320	-	75,344	86,842	-	-	-	635,506
Nonmajor Governmental Funds	10,820	7,105	187,351	3,986,245	27,028,222	-	310,055	31,529,798
Internal Service Funds	-	-	156,476	169,200	-	-	-	325,676
Total receivable	2,816,797	1,688,357	1,434,158	25,539,632	27,316,789	412,832	17,430,943	76,639,508
Allowance for doubtful accounts	(1,857,570)	(485,923)	-	-	(1,448,382)	-	-	(3,791,875)
Total governmental funds	$ 959,227	$ 1,202,434	$ 1,434,158	$ 25,539,632	$ 25,868,407	$ 412,832	$ 17,430,943	$ 72,847,633

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

RECEIVABLES (continued)

The amount due from other governments for governmental activities consists of the following:

Local government sales and use taxes	$ 10,772,580
Franchise tax	1,907,898
Video programming sales tax	267,363
PEG channel support	6,410
Room occupancy tax	1,380,766
Refund of sales and use tax paid	981,628
Community Development Block Grant entitlement	363,500
Home Investment Partnership entitlement	150,275
ABC revenues	1,779,481
Firemen's relief funds	130,732
FEMA/Hurricane disaster assistance	4,487,847
Other grants and reimbursements	3,311,152
	$ 25,539,632

The amount of lease receivable for governmental activities consists of the following lease agreements:

On July 1, 2021, the City entered into a 141 month lease as Lessor for the use of 625 square feet of land at the Legion Stadium Sports Complex by AT&T. An initial lease receivable was recorded in the amount of $302,145. As of June 30, 2023, the value of the lease receivable is $263,183. The lessee is required to make monthly fixed payments of $1,984. The lease has an interest rate of 1.76%. The value of the deferred inflow of resources as of June 30, 2023 was $250,716, and the City recognized lease revenue of $25,715 and interest revenue of $4,825 during the fiscal year. The lessee has 2 extension options, each for 60 months.

On July 1, 2021, the City entered into a 119 month lease as Lessor for the use of Greenfield Lake Amphitheater by Live Nation. An initial lease receivable was recorded in the amount of $404,482. As of June 30, 2023, the value of the lease receivable is $334,037. The lessee is required to make quarterly fixed payments of $10,200. The lease has an interest rate of 1.60%. The value of the deferred inflow of resources as of June 30, 2023 was $323,541, and the City recognized lease revenue of $40,471 and interest revenue of $5,710 during the fiscal year. In addition, the City recognized $93,330 in variable lease revenue for concession and ticket sales for the fiscal year.

On July 1, 2021, the City entered into a 120 month lease as Lessor for the use of Live Oak Bank Pavilion by Live Nation. An initial lease receivable was recorded in the amount of $1,851,832. As of June 30, 2023, the value of the lease receivable is $1,498,783. The lessee is required to make quarterly fixed payments of $50,000. The lease has an interest rate of 1.60%. The value of the deferred inflow of resources as of June 30, 2023 was $1,481,466, and the City recognized lease revenue of $185,183 and interest revenue of $25,790 during the fiscal year. In addition, the City recognized $297,813 in variable lease revenue for concession and ticket sales for the fiscal year.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

RECEIVABLES (continued)

On July 1, 2021, the City entered into a 558 month lease as Lessor for the use of the Convention Center Parking Deck by Embassy Suites Hotel. An initial lease receivable was recorded in the amount of $8,132,995. As of June 30, 2023, the value of the lease receivable is $7,930,228. The lessee is required to make monthly fixed payments of $25,000. The lease has an interest rate of 2.58%. The value of the deferred inflow of resources as of June 30, 2023 was $7,783,189, and the City recognized lease revenue of $174,903 and interest revenue of $206,156 during the fiscal year. The lessee has 2 extension options, each for 120 months.

On November 1, 2021, the City entered into a 581 month lease as Lessor for the use of the Convention Center parking deck by Aloft Hotel. An initial lease receivable was recorded in the amount of $2,158,568. As of June 30, 2023, the value of the lease receivable is $2,115,886. The lessee is required to make monthly fixed payments of $6,500. The lease has an interest rate of 2.58%. The value of the deferred inflow of resources as of June 30, 2023 was $2,084,262, and the City recognized lease revenue of $44,583 and interest revenue of $54,977 during the fiscal year. The lessee has 2 extension options, each for 120 months.

On July 1, 2021, the City entered into a 21 month lease as Lessor for the use of Cotton Exchange parking lot by Bullock, LLC. An initial lease receivable was recorded in the amount of $18,819. The lessee is required to make monthly fixed payments of $900. The lease has an interest rate of 0.51%. The City recognized lease revenue of $8,065 and interest revenue of $17 during the fiscal year. During the fiscal year the lease term ended; therefore, there is no lease receivable or deferred inflow of resources as of June 30, 2023. The parties entered into a new term by separate agreement on a short-term basis.

On July 1, 2021, the City entered into a 1146 month lease as Lessor for a River Place ground lease with SCP-EW River Place, LLC. An initial lease receivable was recorded in the amount of $1,723,790. As of June 30, 2023, the value of the lease receivable is $1,711,636. The lessee is required to make monthly fixed payments of $4,046. The lease has an interest rate of 2.58%. The value of the deferred inflow of resources as of June 30, 2023 was $1,687,709, and the City recognized lease revenue of $18,041 and interest revenue of $44,272 during the fiscal year. The lessee has 2 extension options, the first for 300 months and the second for 288 months.

On July 1, 2021, the City entered into a 125 month lease as Lessor for the use of building space by the Wilmington Railroad Museum. An initial lease receivable was recorded in the amount of $377,488. As of June 30, 2023, the value of the lease receivable is $310,055. The lessee is required to make monthly fixed payments that total $39,000 annually but are divided into different amounts to specific months seasonally. The lease has an interest rate of 1.60%. The value of the deferred inflow of resources as of June 30, 2023 was $305,010, and the City recognized lease revenue of $36,239 and interest revenue of $5,267 during the fiscal year. The lessee has 1 extension option for 60 months.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

RECEIVABLES (continued)

On May 1, 2022, the City entered into a 15 month lease as Lessor for the use of space in the Harrelson Building by Masonboro Construction. An initial lease receivable was recorded in the amount of $41,421. As of June 30, 2023, the value of the lease receivable is $2,839. The lessee is required to make monthly fixed payments of $2,760. The lease has an interest rate of 1.98%. The value of the deferred inflow of resources as of June 30, 2023 was $2,945, and the City recognized lease revenue of $35,345 and interest revenue of $414 during the fiscal year.

On May 1, 2022, the City entered into a 132 month lease as Lessor for the use of space in the Harrelson Building by Remax. An initial lease receivable was recorded in the amount of $740,360; however, during the fiscal year, this lease was terminated. Prior to termination, the lessee was required to make monthly fixed payments of $5,628. The lease had an interest rate of 2.77%. The City recognized lease revenue of $39,262 and interest revenue of $11,629 during the fiscal year. At the time of the termination, the value of the lease receivable ($703,039) and the related deferred inflow of resources ($689,881) were removed leaving no value as of June 30, 2023.

On May 1, 2022, The City entered into a 25 month lease as Lessor for the use of CP Brunswick - Harrelson Building. An initial lease receivable was recorded in the amount of $190,878; however, during the fiscal year, this lease was terminated. Prior to termination, the lessee was required to make monthly fixed payments of $7,714. The lease had an interest rate of 2.45%. The City recognized lease revenue of $54,957 and interest revenue of $2,196 during the fiscal year. At the time of the termination, the value of the lease receivable ($124,023) and the related deferred inflow of resources ($120,218) were removed leaving no value as of June 30, 2023.

On May 1, 2022, the City entered into a 176 month lease as Lessor for the use of space in the Harrelson Building by Brooks, Pierce, McLendon, Humphrey & Leonard, LLP. An initial lease receivable was recorded in the amount of $2,129,488. As of June 30, 2023, the value of the lease receivable is $2,018,329. The lessee is required to make monthly fixed payments of $12,606. The lease has an interest rate of 2.99%. The value of the deferred inflow of resources as of June 30, 2023 was $1,965,493, and the City recognized lease revenue of $145,592 and interest revenue of $61,929 during the fiscal year. The lessee has 2 extension options, each for 60 months.

On May 1, 2022, the City entered into a 176 month lease as Lessor for the use of space in the Harrelson Building by United Bank. An initial lease receivable was recorded in the amount of $1,317,207. As of June 30, 2023, the value of the lease receivable is $1,245,967. The lessee is required to make monthly fixed payments of $8,000. The lease has an interest rate of 2.94%. The value of the deferred inflow of resources as of June 30, 2023 was $1,219,793 and the City recognized lease revenue of $90,355 and interest revenue of $37,554 during the fiscal year. The lessee has 2 extension options, each for 60 months.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

RECEIVABLES (continued)

Receivables for business-type activities at the government-wide level at June 30, 2023, were as follows:

	Accounts	Other	Other Governments	Leases	Total
Recycling and Trash Services Fund	$ 1,674,265	$ 41,620	$ 205,343	$ -	$ 1,921,228
Storm Water Management Fund	1,538,202	179,106	5,547,391	-	7,264,699
Parking Facilities Fund	-	114,432	12,634	10,011,364	10,138,430
Nonmajor Golf Fund	-	15,908	27,697	-	43,605
Total receivables	3,212,467	351,066	5,793,065	10,011,364	19,367,962
Allowance for doubtful accounts	(686,090)	-	-	-	(686,090)
Total business-type activities	$ 2,526,377	$ 351,066	$ 5,793,065	$10,011,364	$ 18,681,872

The amount due from other governments for business-type activities consists of the following:

Refund of sales and use tax paid	$ 169,305
Solid waste disposal tax	23,673
Cape Fear Public Utility Authority	333,013
FEMA/Hurricane disaster assistance	3,974,519
Other grants and reimbursements	1,292,555
	$ 5,793,065

The amount of lease receivable for business-type activities consists of the following lease agreements:

On July 1, 2021, the City entered into a 1174 month lease as Lessor for the use of River Place parking deck by SCP-EW River Place, LLC. An initial lease receivable was recorded in the amount of $10,064,520. As of June 30, 2023, the value of the lease receivable is $9,996,583. The lessee is required to make monthly fixed payments of $23,500. The lease has an interest rate of 2.58%. The value of the deferred inflow of resources as of June 30, 2023 was $9,858,772 and the City recognized lease revenue of $102,874 and interest revenue of $258,541 during the fiscal year. The lessee has 2 extension options, the first for 300 months and the second for 288 months.

On July 1, 2021, the City entered into a 30 month lease as Lessor for the use of parking spaces at Market St & Princess St by the General Services Administration. An initial lease receivable was recorded in the amount of $73,373. As of June 30, 2023, the value of the lease receivable is $14,781. The lessee is required to make monthly fixed payments of $2,469. The lease has an interest rate of 0.730%. The value of the deferred inflow of resources as of June 30, 2023 was $14,674, and the City recognized lease revenue of $29,349 and interest revenue of $223 during the fiscal year. The lessee had a termination period of 3 months as of the lease commencement.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued)
June 30, 2023

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

CAPITAL ASSETS

Capital asset activity for the primary government's governmental activities for the year ended June 30, 2023, was as follows:

	July 1, 2022	Increases	Decreases	Transfers	June 30, 2023
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 64,007,698	$ 5,724,392	$ -	$ -	$ 69,732,090
Easements	25,500,997	4,933,397	(35,200)	-	30,399,194
Construction in progress	14,478,575	12,000,297	-	(6,844,469)	19,634,403
Total capital assets not being depreciated	103,987,270	$ 22,658,086	$ (35,200)	$ (6,844,469)	119,765,687
Capital assets being depreciated and amortized:					
Improvements other than buildings	86,549,337	$ 786,705	$ -	$ 898,314	88,234,356
Buildings, plant and structures	186,822,300	1,166,506	-	3,390,243	191,379,049
Furniture, fixtures, machinery and equipment	59,200,888	5,785,360	(2,841,152)	74,423	62,219,519
Computer software	3,181,191	80,148	-	99,901	3,361,240
Streets and drainage	278,526,129	8,841,930	-	2,347,793	289,715,852
Right-to-use leased land	-	84,270	-	-	84,270
Right-to-use leased equipment	191,567	370,710	(33,189)	-	529,088
Right-to-use leased buildings	44,382	31,780	-	-	76,162
Right-to-use subscription assets	2,272,060	97,123	-	-	2,369,183
Total capital assets being depreciated and amortized	616,787,854	$ 17,244,532	$ (2,874,341)	$ 6,810,674	637,968,719
Less accumulated depreciation and amortization for:					
Improvements other than buildings	39,498,549	$ 4,017,361	$ -	$ -	43,515,910
Buildings, plant and structures	59,482,218	4,842,365	-	-	64,324,583
Furniture, fixtures, machinery and equipment	46,564,598	5,080,853	(2,835,704)	(12,779)	48,796,968
Computer software	2,468,382	337,256	-	-	2,805,638
Streets and drainage	101,903,443	5,540,389	-	-	107,443,832
Right-to-use leased land	-	8,427	-	-	8,427
Right-to-use leased equipment	16,754	100,725	-	-	117,479
Right-to-use leased buildings	16,643	32,534	-	-	49,177
Right-to-use subscription assets	-	988,084	-	-	988,084
Total accumulated depreciation and amortization	249,950,587	$ 20,947,994	$ (2,835,704)	$ (12,779)	268,050,098
Total capital assets being depreciated and amortized, net	366,837,267				369,918,621
Governmental activities capital assets, net	$ 470,824,537				$ 489,684,308

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

CAPITAL ASSETS (continued)

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

General government	$ 2,797,236
Public safety	3,018,584
Transportation	6,105,077
Economic and physical development	1,351,874
Cultural and recreational	4,353,823
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	3,321,400
	$ 20,947,994

Capital asset activity for each of the business-type activities for the year ended June 30, 2023, was as follows:

	July 1, 2022	Increases	Decreases	Transfers	June 30, 2023
Recycling and Trash Services:					
Capital assets being depreciated:					
Furniture, fixtures, machinery and equipment	$ 37,305	$ -	$ -	$ -	$ 37,305
Less accumulated depreciation for:					
Furniture, fixtures, machinery and equipment	28,362	$ 3,288	$ -	$ -	31,650
Total capital assets being depreciated, net	8,943				5,655
Solid waste capital assets, net	8,943				5,655
Storm water:					
Capital assets not being depreciated:					
Land	1,533,071	$ -	$ -	$ -	1,533,071
Easements	3,232,833	529,058	-	-	3,761,891
Construction in progress	4,280,600	6,545,332	-	(1,821,672)	9,004,260
Total capital assets not being depreciated	9,046,504	$ 7,074,390	$ -	$ (1,821,672)	14,299,222
Capital assets being depreciated:					
Improvements other than buildings	65,936,508	$ 2,979,053	$ -	$ 1,821,672	70,737,233
Buildings, plant and structures	1,202,630	-	-	-	1,202,630
Furniture, fixtures, machinery and equipment	1,143,139	254,832	-	42,290	1,440,261
Total capital assets being depreciated	68,282,277	$ 3,233,885	$ -	$ 1,863,962	73,380,124
Less accumulated depreciation for:					
Improvements other than buildings	25,069,005	$ 1,160,417	$ -	$ -	26,229,422
Buildings, plant and structures	405,567	30,066	-	-	435,633
Furniture, fixtures, machinery and equipment	671,815	168,829	-	12,779	853,423
Total accumulated depreciation	26,146,387	$ 1,359,312	$ -	$ 12,779	27,518,478
Total capital assets being depreciated, net	42,135,890				45,861,646
Storm water capital assets, net	51,182,394				60,160,868

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued)
June 30, 2023

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

CAPITAL ASSETS (continued)

	July 1, 2022	Increases	Decreases	Transfers	June 30, 2023
Parking facilities:					
Capital assets not being depreciated:					
Land	$ 6,849,290	$ -	$ -	$ -	$ 6,849,290
Easements	191,752	-	-	-	191,752
Total capital assets not being depreciated	7,041,042	$ -	$ -	$ -	7,041,042
Capital assets being depreciated and amortized:					
Improvements other than buildings	231,282	$ -	$ -	$ -	231,282
Buildings, plant and structures	38,188,337	768,911	-	-	38,957,248
Furniture, fixtures, machinery and equipment	1,241,390	23,981	(122,635)	(8,495)	1,134,241
Computer Software	102,792	-	-	-	102,792
Right-to-use leased land	1,815,439	-	-	-	1,815,439
Total capital assets being depreciated and amortized	41,579,240	$ 792,892	$ (122,635)	$ (8,495)	42,241,002
Less accumulated depreciation and amortization for:					
Improvements other than buildings	86,635	$ 11,565	$ -	$ -	98,200
Buildings, plant and structures	14,264,117	1,837,886	-	-	16,102,003
Furniture, fixtures, machinery and equipment	746,529	190,943	(122,635)	-	814,837
Computer Software	71,567	8,921	-	-	80,488
Right-to-use leased land	178,568	178,568	-	-	357,136
Total accumulated depreciation and amortization	15,347,416	$ 2,227,883	$ (122,635)	$ -	17,452,664
Total capital assets being deprecated and amortized, net	26,231,824				24,788,338
Parking facilities capital assets, net	33,272,866				31,829,380
Golf:					
Capital assets not being depreciated:					
Land	109,393	$ -	$ -	$ -	109,393
Capital assets being depreciated:					
Improvements other than buildings	2,645,426	$ 118,334	$ -	$ -	2,763,760
Buildings, plant and structures	1,578,397	-	-	-	1,578,397
Furniture, fixtures, machinery and equipment	337,998	6,650	(37,507)	-	307,141
Total capital assets being depreciated	4,561,821	$ 124,984	$ (37,507)	$ -	4,649,298
Less accumulated depreciation for:					
Improvements other than buildings	1,331,999	$ 98,251	$ -	$ -	1,430,250
Buildings, plant and structures	297,411	37,460	-	-	334,871
Furniture, fixtures, machinery and equipment	222,367	26,945	(37,507)	-	211,805
Total accumulated depreciation	1,851,777	$ 162,656	$ (37,507)	$ -	1,976,926
Total capital assets being depreciated, net	2,710,044				2,672,372
Golf capital assets, net	2,819,437				2,781,765
Business-type activities capital assets, net	$ 87,283,640				$ 94,777,668

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

COMMITMENTS FOR CAPITAL PROJECTS

At June 30, 2023, the City has commitments for active projects as follows:

	Spent to date	Remaining commitment
Governmental funds:		
Capital projects	$ 77,228,623	$ 29,346,438
Enterprise funds:		
Storm Water capital projects	$ 15,417,816	$ 3,231,657
Parking Facilities capital projects	22,710,177	58,513
Nonmajor Golf capital projects	-	45,000
Total enterprise funds	$ 38,127,993	$ 3,335,170

B. LIABILITIES

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

1. Local Governmental Employees' Retirement System

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

1. Local Governmental Employees' Retirement System (continued)

Benefits Provided. (Continued) LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.10% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were $8,346,281 for the year ended June 30, 2023.

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 with at least five years of service include 4% interest. 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 employer contributions, or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the City reported a liability of $46,364,076 for its proportionate share of the LGERS net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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. At June 30, 2022, the City's proportion was 0.822%, which was an increase of 0.026% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of $12,818,505. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

1. Local Governmental Employees' Retirement System (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,997,786	$ 195,872
Changes of assumptions	4,626,095	-
Net difference between projected and actual earnings on pension plan investments	15,323,812	-
Changes in proportion and differences between City contributions and proportionate share of contributions	238,988	584,642
City contributions subsequent to the measurement date	8,346,281	-
Total	$ 30,532,962	$ 780,514

$8,346,281 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2024	$ 6,540,447
2025	5,760,518
2026	1,804,652
2027	7,300,550
	$ 21,406,167

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

1. Local Governmental Employees' Retirement System (continued)

Actuarial Assumptions. (Continued) The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	6.0%	2.7%
Total	100%	

Actuarial Assumptions. The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

1. Local Governmental Employees' Retirement System (continued)

Sensitivity of the 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 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	$ 83,681,186	$ 46,364,076	$ 15,612,610

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

2. Law Enforcement Officers' Special Separation Allowance

Plan Description. The City of Wilmington 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 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.

Plan Description. All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2022, the date of the latest actuarial valuation, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	61
Active plan members	246
Total	307

Summary of Significant Accounting Policies.

Basis of Accounting. The City has chosen to fund the Special 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 meets the criteria which are outlined in GASB Statement 73.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

2. Law Enforcement Officers' Special Separation Allowance (continued)

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2021 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	3.3 to 7.8 percent, including inflation and productivity factor
Discount rate	4.05 percent

The discount rate is based on the Fidelity GO AA 20 Year Rate Index as of December 31, 2022.

Mortality rates are based on the Pub-2010 amount-weighted tables using generational improvements 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 made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are paid by the City. The City paid $919,732 as benefits came due for the reporting period. Of which $454,569 was paid subsequent to the measurement date of December 31, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the City reported a total pension liability of $15,021,562. The total pension liability was measured as of December 31, 2022 based on a June 30, 2022 actuarial valuation. For the year ended June 30, 2023 the City recognized pension expense of $1,541,584.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 202,210	$ 355,093
Changes of assumptions	2,210,678	1,968,110
City benefit payments and plan administrative expense made subsequent to the measurement date	454,569	-
Total	$ 2,867,457	$ 2,323,203

$454,569 reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

2. Law Enforcement Officers' Special Separation Allowance (continued)

Year ending June 30:	
2024	$ 288,885
2025	275,746
2026	77,475
2027	(552,421)
	$ 89,685

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 4.05 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 (3.05 percent) or 1-percentage-point higher (5.05 percent) than the current rate:

Sensitivity of the City's total pension liability to changes in the discount rate. (continued)

	1% Decrease (3.05%)	Discount Rate (4.05%)	1% Increase (5.05%)
Total pension liability	$ 16,130,093	$ 15,021,562	$ 14,004,107

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

	2023
Beginning balance	$ 17,159,226
Service cost	778,203
Interest on total pension liability	375,573
Differences between expected and actual experience in the measurement of the total pension liability	(320,660)
Changes of assumptions or other inputs	(2,036,598)
Benefit payments	(934,182)
Ending balance of the total pension liability	$ 15,021,562

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 June 30, 2022 valuation were based on the results of an actuarial experience study for the Local Governmental Employees Retirement System for the five year period ending December 31, 2019.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

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

The net pension liability for LGERS was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability for LEOSSA was measured as of December 31, 2022, with an actuarial valuation date of June 30, 2022. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	Total
Proportionate Share of Net Pension Liability	$ 46,364,076	$ -	$ 46,364,076
Proportion of the Net Pension Liability	0.822%	n/a	
Total Pension Liability	-	15,021,562	15,021,562
Pension Expense	12,818,505	1,541,584	14,360,089

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	LEOSSA	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,997,786	$ 202,210	$ 2,199,996
Changes of assumptions	4,626,095	2,210,678	6,836,773
Net difference between projected and actual earnings on pension plan investments	15,323,812	-	15,323,812
Changes in proportion and differences between City contributions and proportionate share of contributions	238,988	-	238,988
City contributions (LGERS)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	8,346,281	454,569	8,800,850
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 195,872	$ 355,093	$ 550,965
Changes of assumptions	-	1,968,110	1,968,110
Changes in proportion and differences between City contributions and proportionate share of contributions	584,642	-	584,642

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

4. Supplemental Retirement Income Plan

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. For the year ended June 30, 2023, the City's required contribution was $892,783 for the law enforcement officers.

The City has elected to make contributions on behalf of all employees to the Supplemental Retirement Income Plan or the 457 Deferred Compensation Plan, discussed later in NOTE 3. The City's contribution is 4.5% of covered payroll and contributions are made to the plan selected by the employee. The City Council established the contribution and can amend or discontinue it at any time. Employees can also make voluntary contributions to these plans.

Employer contributions to the Supplemental Retirement Income Plan, excluding required contributions for law enforcement officers, totaled $1,862,533 for the year ended June 30, 2023. Employee contributions to this plan, including law enforcement officers, included in salary expense for the year ended June 30, 2023, were $2,216,950.

5. Other Postemployment Benefits

Plan Description.

Plan Administration. Under the terms of a City Council resolution, the City of Wilmington provides specified healthcare benefits to eligible retirees through its medical self-insurance program as a single-employer defined benefit other postemployment benefit plan to cover retirees of the City who participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least five years of creditable service with the City. The healthcare benefits for retired employees are the same as for active employees and are available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. Dependents of retirees may participate in the healthcare plan by paying premiums that vary depending upon their type of coverage. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

Plan Description. (continued)

Plan Membership. Membership of the plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

	General Employees	Firefighters	Law Enforcement Officers
Inactive plan members and dependents receiving benefits	43	68	73
Inactive plan members entitled to but not yet receiving benefits	-	-	-
Active plan members*	174	94	100
Total	217	162	173

* Excludes 624 active members who will not receive benefits due to the January 1, 2011 closure of the plan and 7 elected officials who are not eligible for future benefits.

Benefits Provided. The healthcare benefits for retired employees are the same as for active employees and are available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. The retiree contribution to the cost of a selected type of coverage is equivalent at a minimum to the active employee premium but may also include a percentage of the City's portion of the premium depending on the date the retiree was last hired by the City and the years of creditable service the retiree achieved with the LGERS. For qualified retired employees hired on or after January 1, 2007 but before July 1, 2009, contribution requirements are the active employee premium plus a percentage of the premium paid by the City for active employees as determined by the following chart:

Years of Creditable Service with the North Carolina Local Governmental Employees' Retirement System		Percentage of City Premium Required of Retiree in Addition to Active Employee Premium
At Least:	Not More Than:	
5	9	75 %
10	14	50
15	19	25
20	-	-

Retired employees hired on or after January 1, 2007 but before January 1, 2011 may purchase healthcare benefits for their eligible dependents by paying the full cost of such dependent coverage. For qualified retired employees hired before January 1, 2007, contribution requirements for both individual and dependent coverage are limited to the active employee premium.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

Benefits Provided. (continued)

Effective June 30, 2009, 39 employees accepted an early retirement incentive offer. Of these employees, 26 receive benefits under the City's healthcare plan on a noncontributory basis until they become 65 years of age or Medicare eligible, whichever comes first, and can no longer participate in the plan. The remaining 13 employees continue to make the required retiree contributions but once age 65 or Medicare eligibility is reached and they can no longer participate in the healthcare plan, the City will fund a Health Reimbursement Account in the amount of $10,500 over five years on behalf of the employee. The effects of these termination benefits were included in the actuarial valuation as of June 30, 2022.

Effective with employees hired on or after July 1, 2009 but before January 1, 2011, by City Council resolution, a retiree must participate in the North Carolina Local Governmental Employees' Retirement System and have at least 10 years of creditable service with the City of Wilmington to be eligible for benefits under the City's postemployment healthcare plan. Such a retiree will be required to contribute the active employee premium plus a percentage of the premium paid by the City for active employees based on the number of creditable years of service attained with the City as determined by the following chart:

Years of Continuous Service with the City of Wilmington		Percentage of City Premium Required of Retiree in Addition to Active Employee Premium
At Least:	Not More Than:	
10	15	80 %
15	20	60
20	25	40
25	30	20
30	-	-

Effective with employees hired on or after January 1, 2011, by City Council resolution, the City no longer provides an Employee Healthcare Plan for retirees.

Contributions. The City Council established the contribution requirements of plan members under the City's medical self-insurance program and those contribution requirements may be amended by the City Council. Annually, the cost of each type of coverage is determined and a set amount of those costs are required of active employees. For the year ended June 30, 2023 active employee contribution requirements range from $135 to $730 per month depending on their choice of coverage. The retiree contribution to the cost of a selected type of coverage is equivalent at a minimum to the active employee premium but may also include a percentage of the City's portion of the premium depending on the date the retiree was last hired by the City and the years of creditable service the retiree achieved with the LGERS.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

Contributions. (continued)

The City initially elected to fund the healthcare benefits on a pay as you go basis; however, during the fiscal year-ended June 30, 2009, the City established an irrevocable trust for these benefits at First Citizens Bank and prefunded an additional amount to partially pay the future cost of coverage for benefits. For the current year, the City contributed $2,410,715 or 9.00% of annual covered payroll for current premiums. The City is self-insured. Contributions of $570,669 were made by retirees for healthcare premiums.

Investments.

Investment Policy. The City of Wilmington Employee Benefit Trust, established under the terms of a City Council resolution, authorizes the Trustee to invest and reinvest trust assets in accordance with North Carolina General Statutes and to diversify the investments to minimize the risk of losses. Investments in securities of the North Carolina Capital Management Trust's (NCCMT) Government Portfolio, a SEC-registered (2a-7) external investment pool, are measured at fair value. Administrative costs are charged to the individual funds.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Government Portfolio	100%	3.5%

Rate of return. For the year ended June 30, 2023, the annual money weighted rate of return on investments, net of investment expense, was 3.41 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability. The components of the net OPEB liability at June 30, 2023 were as follows:

Total OPEB liability	$ 39,627,746
Plan fiduciary net position	3,172,811
City's net OPEB liability	$ 36,454,935
Plan fiduciary net position as a percentage of the total OPEB liability	8.01%

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.3 to 8.3 percent (7.80 percent for law enforcement and 8.00 percent for firefighters), including wage inflation
Investment rate of return	3.75 percent, net of OPEB plan investment expense, including price inflation
Healthcare cost trend rates	7.50 percent for 2023 decreasing to an ultimate rate of 4.50 percent by 2031

The total OPEB liabilities were rolled forward to June 30, 2023 for the employer and the plan, respectively, utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on Pub-2010 mortality rates, with adjustments for LGERS experience and generational mortality improvements using scale MP-2019. For general employees, Pub-2010 General-Retirees base rates are projected from 2010 using generational improvement with Scale MP-2019. Rates for males are set forward 2 years and use 96% of rates under age 81 then blended to 100% at age 85 and beyond. Rates for females are 100% of rates under age 92 then blended to 110% at age 95 and beyond. The General Mortality Table for Employees was used for ages less than 50 because the retiree tables have no rates prior to age 50. For law enforcement officers and firefighters, Pub-2010 Safety Mortality Table for Retirees base rates are projected from 2010 using generational improvement with Scale MP-2019. Rates for males and females are set forward 1 year and use 97% of rates for all ages. Because the retiree tables have no rates prior to age 45, the Safety Mortality Table for Employees was used for ages less than 45.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2019, adopted by the LGERS Board.

Discount rate. The discount rate used to measure the total OPEB liability was 3.86 percent. The projection of cash flows used to determine the discount rate was based upon the Single Equivalent Interest Rate. However, because the OPEB's plan fiduciary net position was not projected to be sufficient to make all future benefit payments, the discount rate incorporates a municipal bond rate which is 3.86 percent per the Municipal Bond Index Rate at the measurement date.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current discount rate:

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Net OPEB liability	$ 39,629,514	$ 36,454,935	$ 33,561,515

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current healthcare cost trend rate:

	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Net OPEB liability	$ 33,136,280	$ 36,454,935	$ 40,189,375

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2023, the City reported a net OPEB liability of $36,454,935. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2023 the components of the net OPEB liability of the City, measured as of June 30, 2023 were as follows:

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2022	$ 41,653,001	$ 3,061,235	$ 38,591,766
Changes for the year:			
Service cost	1,098,759	-	1,098,759
Interest	1,431,847	-	1,431,847
Differences between expected and actual experience	(2,062,697)	-	(2,062,697)
Changes of assumptions	(82,449)	-	(82,449)
Contributions	-	2,410,715	(2,410,715)
Net investment income	-	114,826	(114,826)
Benefit payments	(2,410,715)	(2,410,715)	-
Administrative expenses	-	(3,250)	3,250
Net changes	(2,025,255)	111,576	(2,136,831)
Balances at June 30, 2023	$ 39,627,746	$ 3,172,811	$ 36,454,935

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.54 percent in 2022 to 3.86 percent in 2023 on the measurement date and the projected measurement asset depletion date.

For the year ended June 30, 2023, the City recognized OPEB expense (income) of ($801,798). At June 30, 2023, 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	$ -	$ 8,081,626
Changes of assumptions	3,018,112	3,102,552
Net difference between projected and actual earnings on plan investments	109,514	-
Total	$ 3,127,626	$ 11,184,178

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2024	$ (3,147,843)
2025	(2,824,970)
2026	(1,698,399)
2027	(385,340)
	$ (8,056,552)

Reconciliation for deferred outflows and deferred inflows for OPEB due to change in fund allocations:

	Per Actuary	Change in Fund Allocation	Total Deferred Outflows
Deferred Outflows Reconciliation - OPEB			
Governmental activities	$ 2,852,460	$ 156,461	$ 3,008,921
Recycling and Trash Services Fund	144,378	670,043	814,421
Storm Water Management Fund	78,817	432,274	511,091
Parking Facilities Fund	788	11,637	12,425
Nonmajor Golf Fund	51,183	-	51,183
Total deferred outflows	$ 3,127,626	$ 1,270,415	$ 4,398,041

	Per Actuary	Change in Fund Allocation	Total Deferred Inflows
Deferred Inflows Reconciliation - OPEB			
Governmental activities	$ 10,200,206	$ 882,691	$ 11,082,897
Recycling and Trash Services Fund	516,284	252,621	768,905
Storm Water Management Fund	281,845	25,581	307,426
Parking Facilities Fund	2,817	4,333	7,150
Nonmajor Golf Fund	183,026	105,189	288,215
Total deferred inflows	$ 11,184,178	$ 1,270,415	$ 12,454,593

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to change in fund allocations for OPEB will be recognized in OPEB Expense in the funds as follows:

	Governmental Activities	Recycling and Trash Services Fund	Storm Water Management Fund	Parking Facilities Fund	Nonmajor Golf Fund	Total
Years ending June 30:						
2024	$ (198,279)	$ 62,987	$ 164,725	$ 10,092	$ (39,525)	$ -
2025	(198,639)	72,410	159,972	(1,543)	(32,200)	-
2026	(176,363)	114,515	88,392	(738)	(25,806)	-
2027	(152,949)	167,510	(6,396)	(507)	(7,658)	-
Total	$ (726,230)	$ 417,422	$ 406,693	$ 7,304	$ (105,189)	$ -

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by MissionSquare Retirement. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergencies. All assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. A separate report was not issued for the plan.

The City provides a contribution of 3% of covered payroll to the 457 Deferred Compensation Plan for fire fighters. The City also matches the contributions made by the fire fighters to the 457 Deferred Compensation Plan up to 3% of covered payroll. The City Council established both the 3% contribution and the matching contribution and may amend or discontinue them at any time. Contributions by fire fighters to the plan, included in salary expense for the year ended June 30, 2023, were $408,134 that was matched by the City.

Employer contributions to the 457 Deferred Compensation Plan totaled $2,006,234 for the year ended June 30, 2023. This amount included the 3% contribution and matching contributions for fire fighters as well as the 4.5% employer contribution available to all employees. Employee contributions to the plan, excluding the fire fighter's matched deferral, included in salary expense for the year ended June 30, 2023, were $1,093,324.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

OTHER EMPLOYMENT BENEFITS

The City has elected to provide death benefits to employees engaged in law enforcement through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of $25,000 and will not exceed $50,000. Because all death benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City is not required to contribute for employees not engaged in law enforcement. For the fiscal year ended June 30, 2023, the City made contributions to the State for death benefits of $24,998.

The City has elected to provide additional group-term life insurance benefits to employees for benefit eligible positions. The City provides Basic Life Insurance which includes an Accidental Death and Dismemberment provision. All full-time active employees are eligible for this benefit after the eligibility waiting period. The coverage is effective the first of the month following 60 days of employment. Lump sum death benefit payments to beneficiaries are equal to the employee’s annual salary rounded to the next higher $1,000, if not already a multiple of $1,000, subject to a maximum benefit of $150,000. However, in no event will the basic amount of life insurance be less than $10,000. All death benefits are made by the insurance provider. The City has no liability beyond the payment of monthly premiums. For the fiscal year ended June 30, 2023, the City paid $85,547 to the insurance provider for death benefit premiums for all eligible employees. Life insurance benefits in excess of $50,000 are considered taxable to the employee as a fringe benefit.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The balance in deferred outflows of resources at the government-wide level of the City at June 30, 2023 is summarized as follows:

	Governmental Activities	Business-type Activities
Deferred amount for loss on refunded debt	$ 2,418,401	$ 147,954
Contributions to pension plan in current year for the Local Governmental Employees' Retirement System (LGERS)	7,544,821	801,460
Benefit payments/administration costs paid subsequent to the measurement date for the Law Enforcement Officers' Special Separation Allowance (Separation Allowance)	454,569	-
Pension deferrals - LGERS	19,809,461	2,377,220
Pension deferrals - Separation Allowance	2,412,888	-
Pension deferrals for other postemployment benefits	3,008,921	1,389,120
	$ 35,649,061	$ 4,715,754

The balance in deferred inflows of resources at the government-wide level of the City at June 30, 2023 is summarized as follows:

	Governmental Activities	Business-type Activities
Deferred amount for gain on refunded debt	$ 90,055	$ 393
Leases	17,104,124	9,873,446
Pension deferrals - LGERS	702,901	77,613
Pension deferrals - Separation Allowance	2,323,203	-
Pension deferrals for other postemployment benefits	11,082,897	1,371,696
	$ 31,303,180	$ 11,323,148

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

UNEARNED REVENUES

The balance in unearned revenues at June 30, 2023 is summarized as follows:

	General Fund	Special Purpose Fund	Convention Center Fund	Nonmajor Governmental Funds	Nonmajor Golf Fund	Governmental Activities	Business-type Activities
Unrestricted:							
Prepaid parks and recreation pass cards	$ 4,095	$ -	$ -	$ -	$ -	$ 4,095	$ -
Prepaid capital contribution - management company	-	-	4,000	-	-	4,000	-
Prepaid golf course green fees	-	-	-	-	186,985	-	186,985
Restricted:							
ARPA funds unspent	-	9,569,342	-	-	-	9,569,342	-
Opioid pilot program	-	209,727	-	-	-	209,727	-
Opioid settlement	-	-	-	99,772	-	99,772	-
Grants received in advance	-	603,054	-	266,211	-	869,265	-
Other	-	445	-	-	-	445	-
	$ 4,095	$ 10,382,568	$ 4,000	$ 365,983	$ 186,985	$ 10,756,646	$ 186,985

LONG-TERM LIABILITIES

Leases

The City has entered into agreements to lease certain assets. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future lease payments as of the date of their inception.

Governmental activities lease agreements as of June 30, 2023 were as follows:

On July 1, 2021, the City entered into a 32 month lease as lessee for the use of an aircraft hangar for the Sable program. An initial lease liability was recorded in the amount of $44,382. As of June 30, 2023, the value of the lease liability is $11,170. The City is required to make monthly fixed payments of $1,400. The lease has an interest rate of 0.73%. The value of the right-to-use lease asset as of June 30, 2023 is $44,382 with accumulated amortization of $33,287.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

Leases (continued)

On December 1, 2021, the City entered into a 48 month lease as lessee for deployment #1 of computers under a PC as a service agreement. An initial lease liability was recorded in the amount of $69,032. As of June 30, 2023, the value of the lease liability is $34,514. The City is required to make annual fixed payments of $18,280. The lease has an interest rate of 1.027%. The value of the right-to-use lease asset as of June 30, 2023 is $69,032 with accumulated amortization of $27,325.

On April 1, 2022, the City entered into a 27 month lease as lessee for the use of iNet gas detection equipment. An initial lease liability was recorded in the amount of $24,627. As of June 30, 2023, the value of the lease liability is $11,099. The City of is required to make monthly fixed payments of $1,284. The lease has an interest rate of 2.24%. The value of the right-to-use lease asset as of June 30, 2023 is $24,627 with accumulated amortization of $13,681.

On May 1, 2022, the City entered into a 48 month lease as lessee for deployment #2 of computers under a PC as a service agreement. An initial lease liability was recorded in the amount of $83,012; however, during the current year, a return of certain computers to the vendor resulted in a lease modification to reduce both the lease liability and right to use lease asset by $33,190. As of June 30, 2023, the value of the lease liability is $24,423. Subsequent to the modification, the City is required to make annual fixed payments of $12,700. The lease has an interest rate of 2.65%. The value of the right to use asset as of June 30, 2023 is $49,823 with accumulated amortization of $22,368.

On May 1, 2022, the City entered into a 60 month lease as lessee for the use of a Systel plotter. An initial lease liability was recorded in the amount of $14,896. As of June 30, 2023, the value of the lease liability is $11,595. The City is required to make monthly fixed payments of $265. The lease has an interest rate of 2.65%. The value of the right-to-use lease asset as of June 30, 2023 is $14,896 with accumulated amortization of $3,471.

On July 1, 2022, the City entered into a 24 month lease as lessee for the use of a facility to operate the City Health Clinic. An initial lease liability was recorded in the amount of $31,780. As of June 30, 2023, the value of the lease liability is $16,024. The City is required to make monthly fixed payments of $1,350. The lease has an interest rate of 2.02%. The value of the right to use asset as June 30, 2023 is $31,780 with accumulated amortization of $15,890.

On August 1, 2022, the City entered into a 48 month lease as lessee for deployment #3 of computers under a PC as a service agreement. An initial lease liability was recorded in the amount of $37,884. As of June 30, 2023, the value of the lease liability is $28,091. The City is required to make annual fixed payments of $9,793. The lease has an interest rate of 2.28%. The value of the right to use asset as of June 30, 2023 is $37,884 with accumulated amortization of $8,682.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

Leases (continued)

On October 1, 2022, the City entered into a 48 month lease as lessee for deployment #4 of computers under a PC as a service agreement. An initial lease liability was recorded in the amount of $42,630. As of June 30, 2023, the value of the lease liability is $31,453. The City is required to make annual fixed payments of $11,177. The lease has an interest rate of 3.27%. The value of the right to use asset as of June 30, 2023 is $42,630 with accumulated amortization of $7,993.

On Decemebr 1, 2022, the City entered into a 48 month lease as lessee for deployment #5 of computers under a PC as a service agreement. An initial lease liability was recorded in the amount of $66,840. As of June 30, 2023, the value of the lease liability is $49,315. The City is required to make annual fixed payments of $17,525. The lease has an interest rate of 3.27%. The value of the right to use asset as of June 30, 2023 is $66,840 with accumulated amortization of $9,748.

On Decemebr 1, 2022, the City entered into a 48 month lease as lessee for deployment #6 of computers under a PC as a service agreement. An initial lease liability was recorded in the amount of $68,485. As of June 30, 2023, the value of the lease liability is $50,529. The City is required to make annual fixed payments of $17,956. The lease has an interest rate of 3.27%. The value of the right to use asset as of June 30, 2023 is $68,485 with accumulated amortization of $9,987.

On January 1,2023, the City entered into a 48 month lease as lessee for deployment #7 of computers under a PC as a service agreement. An initial lease liability was recorded in the amount of $76,724. As of June 30, 2023, the value of the lease liability is $56,776. The City is required to make annual fixed payments of $19,947. The lease has an interest rate of 2.68%. The value of the right to use asset as of June 30, 2023 is $76,724 with accumulated amortization of $9,590.

On January 2, 2023, the City entered into a 60 month lease as lessee for the use of a facility and pasture for police horses. An initial lease liability was recorded in the amount of $84,270. As of June 30, 2023, the value of the lease liability is $76,172. The City is required to make monthly fixed payments of $1,499. The lease has an interest rate of 2.68%. The value of the right to use asset as of June 30, 2023 is $84,270 with accumulated amortization of $8,427.

On April 1, 2023, the City entered into a 48 month lease as lessee for deployment #11 of computers under a PC as a service agreement. An initial lease liability was recorded in the amount of $66,107. As of June 30, 2023, the value of the lease liability is $49,006. The City is required to make annual fixed payments of $17,101. The lease has an interest rate of 2.33%. The value of the right to use asset as of June 30, 2023 is $66,107 with accumulated amortization of $4,132.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

Leases (continued)

On May 1,2023, the City entered into a 48 month lease as lessee for deployment #10 of computers under a PC as a service agreement. An initial lease liability was recorded in the amount of $12,040. As of June 30, 2023, the value of the lease liability is $8,925. The City is required to make annual fixed payments of $3,115. The lease has an interest rate of 2.33%. The value of the right to use asset as of June 30, 2023 is $12,040 with accumulated amortization of $502.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal	Interest	Total
2024	$ 175,383	$ 11,261	$ 186,644
2025	140,629	7,381	148,010
2026	114,041	3,745	117,786
2027	20,115	527	20,642
2028	8,924	70	8,994
	$ 459,092	$ 22,984	$ 482,076

Business-type activities lease agreement as of June 30, 2023, was as follows:

On July 1, 2021, the City entered into a 122 month lease as lessee for the use of the 2nd Street lot for parking. An initial lease liability was recorded in the amount of $1,815,439. As of June 30, 2023, the value of the lease liability is $1,503,967. The City is required to make monthly fixed payments of $15,247, increasing to $17,153 beginning September 1, 2026. The lease has an interest rate of 1.60%. The value of the right-to-use lease asset as of June 30, 2023 is $1,815,439 with accumulated amortization of $357,136.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year(s) Ending June 30	Principal	Interest	Total
2024	$ 160,011	$ 22,951	$ 182,962
2025	162,597	20,365	182,962
2026	165,224	17,738	182,962
2027	187,067	14,953	202,020
2028	193,956	11,876	205,832
2029-2032	635,112	16,691	651,803
	$ 1,503,967	$ 104,574	$ 1,608,541

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

Subscriptions

The City has entered into subscription agreements for software. The subscription agreements qualify as other than short-term leases under GASB 96 and, therefore, have been recorded at the present value of the future subscription payments as of the date of their inception.

Governmental activities subscription agreements as of June 30, 2023 were as follows:

On July 1, 2022, the City entered into a 30 month subscription for the use of Tyler MUNIS accounting software module deployment #1. An initial subscription liability was recorded in the amount of $1,394,745. As of June 30, 2023, the value of the subscription liability is $841,349. The City is required to make quarterly fixed payments of $142,917. The subscription has an interest rate of 2.18%. The value of the right to use asset as of June 30, 2023 is $1,394,744 with accumulated amortization of $557,898.

On July 1, 2022, the City entered into a 30 month subscription for the use of Tyler MUNIS accounting software module deployment #2. An initial subscription liability was recorded in the amount of $116,810. As of June 30, 2023, the value of the subscription liability is $70,463. The City is required to make quarterly fixed payments of $11,969. The subscription has an interest rate of 2.18%. The value of the right to use asset as of June 30, 2023 is $116,810 with accumulated amortization of $46,724.

On July 1, 2022, the City entered into a 30 month subscription for the use of Tyler MUNIS accounting software module deployment #3. An initial subscription liability was recorded in the amount of $77,780. As of June 30, 2023, the value of the subscription liability is $46,919. The City is required to make quarterly fixed payments of $7,970. The subscription has an interest rate of 2.18%. The value of the right to use asset as of June 30, 2023 is $77,780 with accumulated amortization of $31,112.

On July 1, 2022, the City entered into a 30 month subscription for the use of Tyler MUNIS accounting software module deployment #4. An initial subscription liability was recorded in the amount of $121,291. As of June 30, 2023, the value of the subscription liability is $73,166. The City is required to make quarterly fixed payments of $12,429. The subscription has an interest rate of 2.18%. The value of the right to use asset as of June 30, 2023 is $121,291 with accumulated amortization of $48,517.

On July 1, 2022, the City entered into a 24 month subscription for the use of Axon Evidence for body camera video evidence software. An initial subscription liability was recorded in the amount of $252,554. As of June 30, 2023, the value of the subscription liability is $125,012. The City is required to make annual fixed payments of $127,542. The subscription has an interest rate of 2.02%. The value of the right to use asset as of June 30, 2023 is $252,554 with accumulated amortization of $126,277.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

Subscriptions (continued)

On July 1, 2022, the City entered into a 36 month subscription for the use of DebtBook accounting software. An initial subscription liability was recorded in the amount of $22,023. As of June 30, 2023, the value of the subscription liability is $14,523. The City is required to make annual fixed payments of $7,500. The subscription has an interest rate of 2.18%. The value of the right to use asset as of June 30, 2023 is $22,022 with accumulated amortization of $7,341.

On July 1, 2022, the City entered into a 24 month subscription for the use of ESRI Geographic Information software. An initial subscription liability was recorded in the amount of $163,235. As of June 30, 2023, the value of the subscription liability is $80,863. The City is required to make annual fixed payments of $82,500. The subscription has an interest rate of 2.02%. The value of the right to use asset as of June 30, 2023 is $163,235 with accumulated amortization of $80,061.

On July 1, 2022, the City entered into a 15 month subscription with West Publishing for legal and investigative research software. An initial subscription liability was recorded in the amount of $12,525. As of June 30, 2023, the value of the subscription liability is $2,547. The City is required to make monthly fixed payments of $811. The subscription has an interest rate of 1.71%. The value of the right to use asset as of June 30, 2023 is $12,525 with accumulated amortization of $10,020.

On July 1, 2022, the City entered into a 24 month subscription with Lexis Nexis - Relx Incorporated for legal and investigative research software. An initial subscription liability was recorded in the amount of $18,331. As of June 30, 2023, the value of the subscription liability is $9,258. The City is required to make monthly fixed payments of $780. The subscription has an interest rate of 2.02%. The value of the right to use asset as of June 30, 2023 is $18,331 with accumulated amortization of $9,165.

On July 1, 2022, the City entered into a 13 month subscription with PayFactors Market Data for job market research. An initial subscription liability was recorded in the amount of $13,481. As of June 30, 2023, no subscription liability remains. The City is required to make annual fixed payments of $13,500. The subscription has an interest rate of 1.71%. The value of the right to use asset as of June 30, 2023 is $13,481 with accumulated amortization of $12,444.

On July 1, 2022, the City entered into a 13 month subscription for professional online training software with Pluralsight. An initial subscription liability was recorded in the amount of $12,720. As of June 30, 2023, no subscription liability remains. The City is required to make annual fixed payments of $12,738. The subscription has an interest rate of 1.71%. The value of the right to use asset as of June 30, 2023 is $12,720 with accumulated amortization of $11,741.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

Subscriptions (continued)

On July 1, 2022, the City entered into a 24 month subscription with SpartanTec for UniTrends Enterprise Plus Recovery software. An initial subscription liability was recorded in the amount of $40,313. As of June 30, 2023, the value of the subscription liability is $19,356. The City is required to make annual fixed payments of $21,000. The subscription has an interest rate of 2.02%. The value of the right to use asset as of June 30, 2023 is $40,313 with accumulated amortization of $19,638.

On July 1, 2022, the City entered into a 29 month subscription with TeleMessage Incorperated for Mobile Archiver Messaging. An initial subscription liability was recorded in the amount of $18,851. As of June 30, 2023, the value of the subscription liability is $9,410. The City is required to make annual fixed payments of $9,600. The subscription has an interest rate of 2.02%. The value of the right to use asset as of June 30, 2023 is $18,851 with accumulated amortization of $7,800.

On July 1, 2022, the City entered into a 42 month subscription with Balancing Act for a budget engagement platform. An initial subscription liability was recorded in the amount of $13,460. As of June 30, 2023, the value of the subscription liability is $8,973. The City is required to make annual fixed payments of $4,640. The subscription has an interest rate of 2.28%. The value of the right to use asset as of June 30, 2023 is $13,460 with accumulated amortization of $3,846.

On July 1, 2022, the City entered into a 48 month subscription for the use of iNet Gas Monitoring software. An initial subscription liability was recorded in the amount of $15,965. As of June 30, 2023, the value of the subscription liability is $12,086. The City is required to make monthly fixed payments of $348. The subscription has an interest rate of 2.28%. The value of the right to use asset as of June 30, 2023 is $15,965 with accumulated amortization of $3,991.

On August 1, 2022, the City entered into a 60 month subscription for the use of Gordian VFA Facility for a capital planning and management software. An initial subscription liability was recorded in the amount of $33,032. As of June 30, 2023, the value of the subscription liability is $26,507. The City is required to make annual fixed payments of $6,525. The subscription has an interest rate of 2.37%. The value of the right to use asset as of June 30, 2023 is $33,032 with accumulated amortization of $6,056.

On February 11, 2023, the City entered into a 36 month subscription with SpartanTec for Checkpoint CloudGuard software. An initial subscription liability was recorded in the amount of $42,069. As of June 30, 2023, the value of the subscription liability is $27,677. The City is required to make annual fixed payments of $14,392. The subscription has an interest rate of 2.66%. The value of the right to use asset as of June 30, 2023 is $42,069 with accumulated amortization of $5,453.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

Subscriptions (continued)

The future principal and interest subscription payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal	Interest	Total
2024	$ 965,933	$ 23,934	$ 989,867
2025	384,082	4,113	388,195
2026	10,920	382	11,302
2027	7,174	170	7,344
	$ 1,368,109	$ 28,599	$ 1,396,708

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, which pledge the full faith, credit, and taxing power of the City, have been issued for governmental purposes and are serviced by the Debt Service Fund. All issues are tax-exempt with the exception of Public Improvements Bonds, Series 2014 issued for extension of the North Riverwalk and Public Improvements Bonds, Series 2016 also issued for the North Riverwalk and related projects, the Parks and Recreation Bonds, Series 2020 issued to pay a portion of the capital cost of the construction, installation and equipping of the North Riverfront Park, and the Parks and Recreation Bonds, Series 2021B issued to pay a portion of the capital cost of construction, installation, and equipping of a sports complex. Principal and interest requirements are provided by appropriation in the year in which they become due. In the event of default, the City agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the City under the related agreements.

General obligation bonds outstanding at June 30, 2023 are comprised of the following issues:

	Governmental activities
$3,050,000 Taxable Public Improvements Bonds, Series 2014 issued for extension of the North Riverwalk; principal payments due June 1 in installments of $150,000 to $155,000 through June 1, 2034; semiannual interest payments due June 1 and December 1 with rates from 3.40 to 4.20 percent.	$ 1,655,000
$2,925,000 Taxable Public Improvement Bonds, Series 2016A issued for extension of North Riverwalk and related projects; principal payments due June 1 in installments of $145,000 through June 1, 2036; semiannual interest payments due June 1 and December 1 with rates from 2.63 to 3.00 percent.	1,885,000

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

General Obligation Bonds (continued)

	Governmental activities
$6,650,000 Refunding Public Improvement Bonds, Series 2016B issued to refund $2,800,000, a portion of outstanding General Obligation Bonds, Series 2008A and $4,500,000, a portion of outstanding General Obligation Bonds, Series 2008B; principal payments due annually on September 1, in installments of $650,000 to $675,000, through September 1, 2028; semiannual interest payments due on September 1 and March 1 at rates from 3.00 to 5.00 percent.	$ 3,995,000
$15,300,000 Street and Sidewalk Bonds, Series 2018 issued to pay the capital costs of the acquisition, construction, installation and equipping of street and sidewalk improvements; principal payments due annually on June 1, in installments of $765,000, through June 1, 2038; semiannual interest payments due on June 1 and December 1 at rates from 2.70 to 5.00 percent.	11,475,000
$16,165,000 Taxable Parks and Recreation Bonds, Series 2020 issued to pay a portion of the capital costs of the construction and equipping of Riverfront Park; principal payments due annually on June 1, in installments ranging from $805,000 to $810,000, through June 1, 2040; semiannual interest payments due on June 1 and December 1 at rates from 1.15 to 2.40 percent.	13,735,000
$32,950,000, Parks and Recreation ($4,250,000) and Streets and Sidewalks ($28,700,000) Bonds, Series 2021A issued for the capital costs of street, sidewalk and parks and recreation improvements; principal payments due annually beginning on May 1 in installments ranging from $700,000 to $2,150,000 beginning May 1, 2026 through May 1, 2041; semiannual interest payments due on May 1 and November 1 at rates from 2.0 to 5.0 percent.	32,950,000
$10,050,000 Taxable Parks and Recreation Bonds, Series 2021B issued to pay a portion of the capital costs of the construction and equipping of a sports complex; principal payments due annually on May 1, in installments ranging from $1,450,000 to $2,150,000, through May 1, 2026; semiannual interest payments due on May 1 and November 1 at rates from 0.40 to 0.93 percent.	5,750,000

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

General Obligation Bonds (continued)

	Governmental activities
$3,770,000 Refunding Bonds, Series 2021C issued to refund $1,950,000, a portion of the Public Improvement Bonds, Series 2011A and $2,650,000, a portion of the Public Improvememt Bonds, Series 2011C; principal payments due annually on July 1, in installments ranging from $375,000 to $380,000 through July 1, 2031; semiannual interest payments due on July 1 and January 1 at a rate of 5.0 percent.	$ 3,395,000
Serviced by Debt Service Fund	$ 74,840,000

Annual debt service requirements to maturity for general obligation bonds at June 30, 2023 are as follows:

Year(s) Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2024	$ 5,075,000	$ 2,211,307
2025	5,070,000	2,095,468
2026	5,065,000	1,978,257
2027	5,060,000	1,824,328
2028	5,055,000	1,613,849
2029-2033	22,270,000	5,304,406
2034-2038	19,185,000	2,177,700
2039-2043	8,060,000	315,558
	$ 74,840,000	$ 17,520,873

Revenue Bonds

The City has issued tax exempt revenue bonds for improvements to the storm water systems. Principal and interest requirements are provided by appropriation in the year in which they become due.

The City has pledged storm water fee customer revenues, net of specified operating expenses, to pay the storm water fee revenue bonds. The bonds are payable solely from storm water fee customer net revenues. Related principal and interest paid for the current year are $1,553,200 or 21.2% of available net revenues of $7,330,942. In the event of default, the City agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the City under the related agreements.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Revenue Bonds (continued)

Revenue bonds outstanding at June 30, 2023 are comprised of the following individual issues:

	Business-type activities
$19,425,000 Storm Water Fee Revenue Bonds, Series 2015A issued for storm water system improvements and to refund $6,960,000 of outstanding Series 2007 Storm Water Fee Revenue Bonds; principal installments due annually on June 1, in varying amounts from $740,000 to $1,250,000, through June 1, 2040; semiannual interest payments due June 1 and December 1, with rates from 3.0 to 5.0 percent.	$ 16,475,000
Serviced by Storm Water Management Fund	$ 16,475,000

Annual debt service requirements to maturity for revenue bonds at June 30, 2023 are as follows:

Year(s) Ending June 30	Business-type Activities Principal	Business-type Activities Interest
2024	$ 880,000	$ 671,200
2025	925,000	627,200
2026	950,000	599,450
2027	985,000	566,200
2028	1,020,000	531,725
2029-2033	5,765,000	1,989,625
2034-2038	4,075,000	886,750
2039-2040	1,875,000	113,200
	$ 16,475,000	$ 5,985,350

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Revenue Bonds (continued)

Certain covenants are contained in the revenue bond order. The City was in compliance with the covenants during the fiscal year ended June 30, 2023. The revenue coverage calculation as of June 30, 2023 is as follows:

Revenues (1)		
Operating revenues	$ 12,932,139	
Other operating revenue	1,739,675	
Investment earnings	797,228	$ 15,469,042
Current Expenses (2)		
Operating expenses	9,497,412	
Less depreciation	(1,359,312)	8,138,100
Revenues available for debt service		7,330,942
Principal and interest requirements (3)		
Revenue bonds (at 120%)	1,861,440	
Other indebtedness (at 100%)	77,000	1,938,440
Revenues in excess of principal and interest requirements		$ 5,392,502

(1) Includes all fees, other charges and investment income in accordance with bond covenants.

(2) Excludes interest and depreciation expense in accordance with bond covenants.

(3) Includes all indebtedness for succeeding fiscal year in accordance with bond covenants.

Installment Obligations

Limited Obligation Bonds have been issued for the purchase of real property, construction of public facilities, construction of parking facilities and improvements to streets, sidewalks, Riverwalk and riverfront. All issues are tax-exempt with the exception of Limited Obligation Bonds, Series 2020C, issued as permanent financing for the Water Street Parking Deck redevelopment and a portion of the financing to construct and equip the North Riverfront Park, and the Limited Obligation Bonds, Series 2021B, issued to finance a portion of construction and equipping of a sports complex and to refinance a portion of Limited Obligation Bonds, Series 2012.

The 2014A, 2016, 2017, 2020A and 2020C Limited Obligation Bonds are secured by assets being financed including the Convention Center and adjacent Parking Deck, Police Headquarters, Fire Headquarters and the Empie Park Fire Station. The 2015A, 2020B, 2021A, 2021B and 2023A Limited Obligation Bonds are secured by assets being financed including the Operations Center, Command Center, the Police/Fire Training Facility and Firing Range, and the Eastwood, Military Cutoff, Seagate, Masonboro Loop, Cinema Drive, Shipyard and River Lights Fire Stations. Principal and interest requirements are provided by appropriation in the year in which they become due. In the event of default, the City agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the City under the related agreements.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Installment Obligations (continued)

Installment obligations outstanding at June 30, 2023 are comprised of the following individual issues:

	Governmental activities	Business-type activities
$21,565,000 Refunding Limited Obligation Bonds, Series 2014A issued to refund $22,640,000, a portion of the Certificates of Participation, Series 2005A; principal payment due annually on June 1, in installments ranging from $1,345,000 to $1,450,000 through June 1, 2032; semiannual interest payments due on June 1 and December 1 at rates from 3.25 to 5.00 percent.		
Serviced by Debt Service Fund	$ 12,370,000	$ -
Serviced by Storm Water Management Fund	-	140,000
$16,130,000 Limited Obligation Bonds, Series 2015A issued for constructing and equipping the Cinema Drive Fire Station and the Shipyard Fire Station, constructing various street and sidewalk improvements and improving certain existing sections of the City's riverwalk and riverfront; principal payments due annually on June 1, in installments ranging from $950,000 to $1,100,000 through June 1, 2035; semiannual interest payments due June 1 and December 1 at rates from 3.25 to 5.00 percent.		
Serviced by Debt Service Fund	11,940,000	-
$48,940,000 Limited Obligation Refunding Bonds, Series 2016 to refund $44,500,000, a portion of the Certificates of Participation, Series 2008A and $5,855,000, a portion of the Certificates of Participation, Series 2008B; principal payments due annually on June 1 in installments ranging from $2,235,000 to $3,895,000 through June 1, 2038; semiannual interest payments due on June 1 and December 1 at rates from 3.00 to 5.00 percent.		
Serviced by Convention Center Fund	45,480,000	-

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Installment Obligations (continued)

	Governmental activities	Business-type activities
$11,835,000 Limited Obligation Bonds, Series 2017, for improvements to streets, sidewalks, streetscapes, Riverwalk, riverfront, Thalian Hall, Greenfiled Lake dock and walkway, and acquisition of land for a firing range and public safety training facility; principal payments due annually on June 1 in installments ranging from $590,000 to $595,000 through June 1, 2037; semiannual interest payments due June 1 and December 1 at rates from 3.00 to 4.00 percent.		
Serviced by Debt Service Fund	$ 8,270,000	$ -
$25,605,000 Limited Obligation Bonds, Series 2020A for improvements to streets, sidewalks, streetscapes, the 6th Street bridge, Riverwalk and certain parks and recreation facilities and to refund $14,000,000 of outstanding, taxable Limited Obligation Bonds, Series 2010B maturing on and after June 1, 2021; principal payments due annually on June 1 in installments ranging from $690,000 to $1,875,000 through June 1, 2040; semiannual interest payments due June 1 and December 1 at rates from 4.00 to 5.00 percent.		
Serviced by Debt Service Fund	19,995,000	-
$9,470,000 Limited Obligation Bonds, Series 2020B issued to construct and equip the police and fire traninig facility and firing range; principal payments due annually on June 1 in installments ranging from $470,000 to $475,000 through June 1, 2040; semiannual interest payments due June 1 and December 1 at rates from 1.75 to 5.00 percent.		
Serviced by Debt Service Fund	8,055,000	-

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Installment Obligations (continued)

	Governmental activities	Business-type activities
$34,745,000 Taxable Limited Obligation Bonds, Series 2020C to finance a portion of the capital cost of the North Waterfront Park Project and the Water Street Parking Deck Redevelopment Project and to refund the $25,800,000 direct borrowing, taxable interim drawdown installment agreement executed with PNC Bank which was issued for the construction of the Water Street Parking Deck Redevelopment Project; principal payments due annually on June 1 in installments ranging from $1,735,000 to $1,740,000 through June 1, 2040; semiannual interest payments due June 1 and December 1 at rates from 1.57 to 3.09 percent.		
Serviced by Debt Service Fund	$ 6,930,000	$ -
Serviced by the Parking Facilities Fund	-	22,595,000
$6,430,000 Limited Obligation Bonds, Series 2021A issued for improvements to street, streetscape, Riverwalk, parks and recreation and City Hall improvements; principal payments due annually on June 1, in installments ranging from $100,000 to $375,000 beginning June 1, 2024 through June 1, 2041; semiannual interest payments due June 1 and December 1 at rates from 3.0 to 4.0 percent.		
Serviced by Debt Service Fund	6,430,000	-
$12,760,000 Taxable Limited Obligation Bonds, Series 2021B to pay the capital costs of construction and equipping of a sports complex and to refund $11,010,000, a portion of the Limited Obligation Bonds, Series 2012; principal payments due annually on June 1 in installments ranging from $415,000 to $2,085,000 through June 1, 2030; semiannual interest payments due June 1 and December 1 at rates from 0.60 to 2.03 percent.		
Serviced by Debt Service Fund	7,548,086	-
Serviced by the Parking Facilities Fund	-	2,066,914

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Installment Obligations (continued)

	Governmental activities	Business-type activities
$23,980,000 Limited Obligation Bonds, Series 2023A to finance street, sidewalk, streetscape, Riverwalk, and parks and recreation improvements, including Water Street Park and Riverfront Park, the construction and equipping of a new fire station in the Riverlights community, and a portion of constructing and equipping of a sports complex; principal payments due annually on June 1 in installments ranging from $1,195,000 to $1,200,000 thru June 1, 1943; semiannually interest payments due June 1 and December 1 at a rate of 5.0 percent.		
Serviced by Debt Service Fund	$ 23,980,000	$ -
Installment Obligations Serviced By:		
Debt Service Fund	$ 105,518,086	$ -
Convention Center Fund	45,480,000	-
Storm Water Management Fund	-	140,000
Parking Facilities Fund	-	24,661,914
	$ 150,998,086	$ 24,801,914

Annual debt service requirements to maturity for installment obligations at June 30, 2023 are as follows:

Year(s) Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2024	$ 10,994,705	$ 6,145,753	$ 1,845,295	$ 589,977
2025	11,061,981	5,649,504	1,828,019	562,938
2026	11,117,985	5,200,056	1,742,015	533,045
2027	11,097,577	4,744,473	1,727,423	503,785
2028	11,085,838	4,309,428	1,714,162	470,638
2029-2033	47,190,000	14,922,424	6,635,000	1,874,546
2034-2038	38,230,000	6,292,680	6,650,000	1,012,170
2039-2043	10,220,000	1,139,844	2,660,000	123,291
	$ 150,998,086	$ 48,404,162	$ 24,801,914	$ 5,670,390

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Other Long-Term Obligations

The City is financing the acquisition of certain real property for governmental and business-type activities through direct borrowings and inter-local installment agreements.

Other long-term obligations outstanding at June 30, 2023 are comprised of the following individual issues:

	Governmental activities
$6,265,838 installment agreement payable to New Hanover County. In July 2006, the City and County executed an interlocal agreement pursuant to which the parties agreed to cooperate in the financing of certain parks and recreation projects through a County general obligation bond referendum, a portion of which would be used to finance City projects and the City agreed to pay the County a portion of the County's debt service on related bonds issued. The County issued related general obligation bonds in June 2008 and later refunded a portion of these bonds in May 2016. This installment agreement represents the portion of the County's refunding debt service payable by the City to the County for City projects. Principal payments due to the County annually on August 1 in installments ranging from $521,881 to $622,996 through August 1, 2028; semiannual interest payments due August 1 and February 1 at rates from 4.00 to 5.00 percent.	$ 3,617,290
$2,491,458 installment agreement payable to New Hanover County. In July 2006, the City and County executed an interlocal agreement pursuant to which the parties agreed to cooperate in the financing of certain parks and recreation projects through a County general obligation bond referendum, a portion of which would be used to finance City projects and the City agreed to pay the County a portion of the County's debt service on related bonds issued. The County issued related general obligation bonds in June 2010 and later refunded a portion of these bonds in May 2016. This installment agreement represents the portion of the County's refunding debt service payable by the City to the County for City projects. Principal payments due to the County annually on August 1 in installments ranging from $239,085 to $251,505 through August 1, 2030; semiannual interest payments due August 1 and February 1 at rates from 3.00 to 5.00 percent.	1,987,200
Debt Service Fund	$ 5,604,490

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Other Long-Term Obligations (continued)

Annual debt service requirements to maturity for other long-term obligations are as follows:

Year(s) Ending June 30	Governmental Activities Installment Agreements Principal	Governmental Activities Installment Agreements Interest
2024	$ 864,716	$ 232,518
2025	867,977	189,201
2026	871,239	145,720
2027	874,501	102,077
2028	872,948	62,755
2029-2031	1,253,109	44,305
	$ 5,604,490	$ 776,576

Other long-term liabilities disclosures

State statutes provide for a legal debt limit of 8% of the City's assessed value of taxable property. The City's legal debt limit as of June 30, 2023 amounts to $1,751,609,581 resulting in an available legal debt margin of $1,495,365,091.

Changes in long-term liabilities for governmental activities during fiscal year 2023 were as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
General obligation bonds	$ 79,910,000	$ -	$ (5,070,000)	$ 74,840,000	$ 5,075,000
Installment obligations	136,742,175	23,980,001	(9,724,090)	150,998,086	10,994,705
Other long-term obligations	6,465,944	-	(861,454)	5,604,490	864,716
Plus deferred amounts for issuance premiums	25,263,250	3,407,796	(1,403,614)	27,267,432	-
Lease liability	202,431	486,761	(230,100)	459,092	175,382
Subscription liability	2,272,060	97,123	(1,001,074)	1,368,109	965,933
Compensated absences	8,566,809	5,805,822	(5,307,933)	9,064,698	5,607,516
Net OPEB Liability	34,533,455	-	(1,285,789)	33,247,666	-
Net pension liability (LGERS)	10,841,098	30,655,618	-	41,496,716	-
Total pension liability (Separation Allowance)	17,159,226	-	(2,137,664)	15,021,562	908,775
Governmental activity long-term liabilities	$321,956,448	$ 64,433,121	$ (27,021,718)	$359,367,851	$ 24,592,027

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Other long-term liabilities disclosures (continued)

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, $112,562 of compensated absences, $367,093 of other postemployment benefits and $503,151 of net pension liability are included in the above amounts. Also, for the governmental activities, compensated absences, net pension liabilities, other postemployment benefits obligation and claims and judgements are generally liquidated by the general fund.

Changes in long-term liabilities for business-type activities during fiscal year 2023 were as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Revenue bonds	$ 17,315,000	$ -	$ (840,000)	$ 16,475,000	$ 880,000
Installment obligations	26,657,825	-	(1,855,911)	24,801,914	1,845,295
Plus deferred amounts for issuance premiums	1,229,911	-	(176,856)	1,053,055	-
Lease liability	1,661,434	-	(157,467)	1,503,967	160,011
Compensated absences	610,245	703,578	(684,185)	629,638	376,097
Net OPEB Liability	4,058,311	-	(851,042)	3,207,269	-
Net pension liability (LGERS)	1,359,885	3,507,475	-	4,867,360	-
Business-type activity long-term liabilities	$ 52,892,611	$ 4,211,053	$ (4,565,461)	$ 52,538,203	$ 3,261,403

COMMITMENTS AND CONTINGENCIES

The City entered into a three-year contractual agreement beginning November 1, 2010 with SMG, LLP (SMG) for the operation of the City's Convention Center Facility (Center) for a management fee of $100,000 per year; which was amended to extend the agreement until October 31, 2018. On October 16, 2018, City Council voted to approve continuing the agreement for another five years, through October 31, 2023. This agreement included terms with the option that allowed the City to extend the agreement for an additional five years through November 1, 2028, which the City has opted to extend. Under the agreement, the operations of the Center are maintained in a separate non-incorporated organization. Pursuit to the agreement, the revenue of the Center is to be placed in a separate account for the operation of the Center and all receipts are to be treated by SMG as if they are held in trust for the City. Additionally, the contract specifies that the cash and related assets held by SMG on behalf of the City are to be used for the operation, promotion, and maintenance of the Center. The City records the net equity of the venture as a receivable on the City's books. The Center's primary operations are the rental of facility space for events and meetings and providing catering and other ancillary services as part of the scheduled events. The Center's principal source of revenue is rental charges and food and beverage sales. For the year ended June 30, 2023, the City paid $135,467 for this service. The City's obligation for the year ending June 30, 2024, is $145,896 as the fee is adjusted based on the CPI-U-South Region index.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

COMMITMENTS AND CONTINGENCIES (continued)

The City's Second Street, Market Street, Convention Center and Riverplace parking decks, and the Second Street and Hannah Block parking lots are managed under a contract through June 2023 by an independent contractor. The contract also provides for the enforcement, maintenance, and administration of on street parking as well as special hourly event rates. For the year ended June 30, 2023, the City paid $2,353,425 for these services. The contract costs under a new contract effective July 1, 2023, are expected to be $3,048,266 for the year ending June 30, 2024, which includes the addition of the newly acquired parking deck in northern downtown purchased in July 2023.

The City entered into an incentive agreement in March 2023 with Megacorp Logistics, LLC to provide incentive payments to the company in exchange for the company's commitment to provide jobs at their facility in the City. Megacorp Logistics, LLC is required to provide 300 new full-time equivalent employees with an average annual compensation of $62,000 per year. The City's obligation under the agreement is $40,000 per year for five years commencing when the company demonstrates that the minimum required levels of new full-time employees have been hired on or before July 2023. The first payment of $40,000 was made for FY2023.

The City entered into an incentive agreement in October 2022 with Port City Logistics, Inc to provide incentive payments to the company in exchange for the company's commitment to make a direct investment of at least $16 million in real and personal property in the City and provide hiring of 75 new full-time equivalent employees with an average annual compensation of $64,000 per year. The City's obligation under the agreement is $9,000 per year for five years commencing when the company demonstrates that the minimum required levels of new full-time employees have been hired and direct investment has been made. No payment has been made for FY2023.

The City entered into an incentive agreement in September 2022 with Live Oak Banking Company to provide incentive payments to the company in exchange for the company's commitment to make a direct investment of at least $25 million in real and personal property in the City and provide hiring of 204 new full-time equivalent employees with an average annual compensation of $113,000. The City's obligation under the agreement is $40,000 per year for five years commencing when the company demonstrates that the minimum required levels of new full-time employees have been hired and direct investment has been made. The $40,000 annual incentive is divided into two separate payments of: $25,000 Direct Investment and $15,000 New Full Time Equivalent Employees. The first payment of $38,800 was made for FY2023.

The City entered into an incentive agreement in September 2022 with GE Hitachi Nuclear Energy Americas LLC and Global Nuclear Fuel – Americas, LLC to provide incentive payments to the company in exchange for the company's commitment to provide 485 new full-time equivalent employees with an average annual compensation of $131,000. The City's obligation under the agreement is $50,000 per year for five years commencing when the company demonstrates that the minimum required levels of new full-time employees have been hired on or before July 2023. The first payment of $50,000 was made for FY2023.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

COMMITMENTS AND CONTINGENCIES (continued)

The City entered into an incentive agreement in March 2022 with Vantaca LLC to provide incentive payments to the company in exchange for the company's commitment to provide jobs at their facility in the City. Vantaca LLC is required to provide 104 new full-time equivalent employees with an average annual compensation of $80,000 per year. The City's obligation under the agreement is $16,000 per year for five years commencing when the company demonstrates that the minimum required levels of new full-time employees have been hired on or before July 2023. The first payment of $16,000 was made for FY2023.

The City entered into an incentive agreement in April 2018 with New NGC Inc. dba National Gypsum Company to provide incentive payments to the company in exchange for the company's commitment to re-open, improve, equip, and staff their facility in the City. National Gypsum Company is required to make a direct investment in the facility of at least $25 million and to provide 51 new full-time equivalent employees with an average annual compensation of $57,000 per year. The City's obligation under the agreement is $46,000 per year for five years commencing when National Gypsum Company secures a Certificate of Occupancy and demonstrates that the minimum required levels of new full-time employees had been hired and the minimum level of direct investment had been attained. The $46,000 annual incentive is divided into two separate payments of: $23,000 Direct Investment and $23,000 New Full Time Equivalent Employees. Five annual payments have been made accordingly: Fiscal Year 2019 $35,169, fiscal year 2020 $40,851, fiscal year 2021 $41,424, fiscal year 2022 $43,167 and the final payment made in fiscal year 2023 for $44,941.

On June 14, 2014, the City and the Town of Wrightsville Beach entered into an inter-local agreement under with an approximately 12 acre tract, the site of the defunct Galleria Shopping Center previously annexed into Wrightsville Beach was de-annexed and subsequently annexed into the City for the purposes of promoting redevelopment. In consideration for the loss in property taxes to the Town of Wrightsville Beach, the City agreed to make annual payments over 29 years. Beginning July 15, 2015, the City will make payments of $7,224 annually through July 2018; and $30,000 annually from July 2019 through July 2043. A payment of $7,224 was made in July of each year from 2015 through 2018. A payment of $30,000 was made in July of each year from 2019 through 2023.

Encumbrances are amounts needed to pay any commitment related to purchase orders and contracts that remain unperformed at year-end. The City's outstanding encumbrances at June 30, 2023 are as follows:

General Fund	$ 1,711,334
Debt Service Fund	2,200
Special Purpose Fund	953,086
Convention Center Fund	353,776
Streets and Sidewalks Fund	14,910,491
Recycling and Trash Services Fund	21,149
Storm Water Management Fund	3,670,060
Parking Facilities Fund	185,311
Nonmajor Governmental Funds	14,780,013
Nonmajor Golf Fund	107,888
Internal Service Funds	3,747,079
Total encumbrances	$ 40,442,387

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

COMMITMENTS AND CONTINGENCIES (continued)

Jointly Governed Organizations

The City, in conjunction with New Hanover County, created the Cape Fear Public Utility Authority (CFPUA) to ensure the citizens of their localities the most reliable means of providing quality water and wastewater treatment. The City and New Hanover County each appoint five members and jointly appoint one member of the eleven-member board. The participating governments do not have any ongoing financial interest or ongoing financial responsibility, other than as disclosed in the long-term liability footnotes.

The City, in conjunction with New Hanover, Brunswick, Columbus and Pender Counties and the municipalities therein established the Cape Fear Council of Governments (Council). The Council was established for various purposes, but mainly to coordinate funding for federal and state assistance. Each participating government appoints a minimum of one member to the Council's board. The City paid fees of $21,084 to the Council during the fiscal year ended June 30, 2023.

Related Organization

The nine-member Board of the Wilmington Housing Authority is appointed by the Mayor of the City of Wilmington. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Wilmington is also disclosed as a related organization in the Notes to Financial Statements for the Wilmington Housing Authority.

The Wilmington Housing Authority discovered extensive mold throughout many of their properties in 2021 which required the displacement of approximately 150 families. Due to the costs of remediating these properties and providing housing and per diem for the displaced families, the Authority faced a significant funding gap in its remediation efforts. The Wilmington City Council authorized assistance to the Authority for its capital improvement housing remediation project up to an amount of $1,650,000. Of this amount, $100,000 was provided as a grant to the Authority that was paid in June 2022 with the remaining amount of $1,550,000 to be a five-year 0% loan. The loan agreement was executed in September 2022 and $1,033,334 was disbursed during FY2023.

C. INTERFUND BALANCES AND ACTIVITY

The compositions of interfund and intra-entity balances as of June 30, 2023, are as follows:

	General Fund
Receivable Fund	$ 273,265
Payable Fund:	
Nonmajor Governmental Funds	$ 273,265

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

C. INTERFUND BALANCES AND ACTIVITY (continued)

The outstanding balances are from time lags between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers for the year ended June 30, 2023 were as follows:

	General Fund	Special Purpose Fund	Debt Service Fund	Nonmajor Governmental Funds	Recycling and Trash Services Fund	Parking Facilities Fund	Internal Service Funds	Total
Transfers out	$ 14,982,767	$ 4,840,720	$ 9,185,833	$ 1,513,013	$ 2,514,313	$ 8,495	$ 29,511	$ 33,074,652
Transfers in:								
Special Purpose Fund	$ 645,743	$ -	$ -	$ -	$ -	$ -	$ -	$ 645,743
Convention Center Fund	-	1,771,160	-	-	-	-	-	1,771,160
Streets and Sidewalks Fund	58,175	-	2,642,607	-	-	-	-	2,700,782
Debt Service Fund	9,334,832	-	-	-	-	-	-	9,334,832
Nonmajor Governmental Funds	4,120,650	3,069,560	4,634,821	1,513,013	-	-	-	13,338,044
Recycling and Trash Service Fund	38,366	-	-	-	-	-	-	38,366
Storm Water Management Fund	-	-	-	-	-	-	29,511	29,511
Parking Facilities Fund	-	-	1,908,405	-	-	-	-	1,908,405
Nonmajor Golf Fund	71,277	-	-	-	-	-	-	71,277
Internal Service Funds	713,724	-	-	-	2,514,313	8,495	-	3,236,532
Total	$ 14,982,767	$ 4,840,720	$ 9,185,833	$ 1,513,013	$ 2,514,313	$ 8,495	$ 29,511	$ 33,074,652

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

C. INTERFUND BALANCES AND ACTIVITY (continued)

The City uses transfers to 1) move revenues from the fund in which state statute or budget requires the revenues to be collected to the fund from which state statute or budget requires the funds to be expended, 2) move receipts committed to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 3) move receipts committed to fund the pay-go portion of capital improvement plans from the Debt Service Fund to the capital funds making the improvements, 4) use unrestricted revenues collected in various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations such as grant matches and capital improvements, 5) move previous transfers to capital project funds back to the general fund as capital projects are cancelled in accordance with budgetary authorizations, 6) move $1,771,160 from the American Rescue Plan Act Fund to the Convention Center Fund for revenue replacement, 7) move $313,240 from the American Rescue Plan Act Fund to the Building Improvements Fund for critical infrastructure investment, and 8) move $2,756,320 from the American Rescue Plan Act Fund to the General Fund Housing Loan Fund for a housing development loan.

NOTE 4 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; and injuries to employees. The City has chosen to establish a risk financing fund for risks associated with the employees' health and dental insurance plans. The risk financing fund is accounted for in the general fund where assets are set aside for claim settlements. In addition to premiums withheld from employees, premiums are paid into the general fund by other funds that incur claims and are available to pay claims, claim reserves and administrative costs of the programs. These interfund premiums are used to reduce the amount of claims expenditures reported in the general fund. As of June 30, 2023, such interfund premiums did not exceed reimbursable expenditures.

MEDICAL SELF-INSURANCE PROGRAM

The City has contracted with Universal Medical Resources (UMR) to administer its group medical self-insurance program. In addition, the City has a contract with UMR to provide for individual stop-loss above a specified amount which provides a method by which the group limits claims charged to its account. The specific stop-loss provides that during any one contract period the total accumulated claims expense paid for any one participant above $210,000 will not be charged to the group during the remainder of that contract period for that participant.

As of June 30, 2023, the City has recorded a liability of $1,165,317 for estimated unpaid claims in accordance with the guidelines of GASB Statement No. 10, which requires that a liability for claims be reported if 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. Claim liabilities include an amount for claims that have been incurred but not reported (IBNR) and are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

NOTE 4 – RISK MANAGEMENT (continued)

MEDICAL SELF-INSURANCE PROGRAM (continued)

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	2022	2023
Medical Self-Insurance Program:		
Unpaid claims, beginning	$ 1,004,000	$ 777,524
Incurred claims (including IBNRs)	9,324,941	11,740,013
Claim payments	(9,551,417)	(11,352,220)
Unpaid claims, ending, due within one year	$ 777,524	$ 1,165,317

DENTAL SELF-INSURANCE PROGRAM

As of June 30, 2023, the City is a self-insurer for group dental insurance. The City has contracted with Delta Dental of North Carolina to administer the dental program. As of June 30, 2023, the City has recorded a liability of $17,536 for estimated unpaid claims in accordance with the guidelines of GASB Statement No. 10, which requires that a liability for claims be reported if 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. Claim liabilities include an amount for claims that have been incurred but not reported (IBNR) and are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

Changes in the balances of dental claims liabilities during the past two fiscal years are as follows:

Dental Self-Insurance Program:	2022	2023
Unpaid claims, beginning	$ 8,065	$ 16,267
Incurred claims (including IBNRs)	463,286	509,541
Claim payments	(455,084)	(508,272)
Unpaid claims, ending, due within one year	$ 16,267	$ 17,536

WORKERS' COMPENSATION SELF-INSURANCE PROGRAM

The City has contracted with Sedgewick Claims Management Services, Inc., a provider of claims administrative services, to administer its workers' compensation and employers' liability self-insurance program. The program provides that the City would be responsible for the first $550,000 of cost and/or benefits payable to employees (other than public safety) resulting from any one accident or event, regardless of the number of persons injured. For public safety employees (police and fire), the City is responsible for the first $750,000 of cost and/or benefits. Specific excess insurance would provide coverage above these dual self-insured retentions ($550,000/$750,000) up to maximum limits provided under the North Carolina Workers' Compensation Act and up to $1,000,000 each accident or disease for employers' liability. As of June 30, 2023, the City has recorded a liability of $720,733 for estimated claims in accordance with the guidelines of GASB Statement No. 10, which requires that a liability for claims be reported if 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. Claim liabilities include an amount for claims that have been incurred but not reported (IBNR) and are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

NOTE 4 – RISK MANAGEMENT (continued)

WORKERS' COMPENSATION SELF-INSURANCE PROGRAM (continued)

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

Workers' Compensation Self-Insurance Program:	2022	2023
Unpaid claims, beginning	$ 878,890	$ 1,080,026
Incurred claims (including IBNRs)	1,565,258	695,509
Claim payments	(1,364,122)	(1,054,802)
Unpaid claims, ending, due within one year	$ 1,080,026	$ 720,733

COMMERCIAL COVERAGES

The City carries flood insurance with a loss limit of $5,000,000 on most properties subject to a $100,000 deductible. Certain items of property are excluded from this coverage, such as the City's Riverwalk and the Wilmington Convention Center. A separate flood insurance policy is purchased for the Wilmington Convention Center through the National Flood Insurance Program with the maximum policy limits of $500,000 for building and $500,000 for business personal property, subject to a $25,000 deductible. As a result, the City has purchased an excess flood insurance policy providing an additional $10,000,000 of coverage on the facility subject to the underlying flood policy being exhausted.

The finance officer of the City is individually bonded for $500,000. The tax collector/collection officer, and the billing/collection manager are individually bonded for $100,000 each. The remaining employees that have access to funds are insured under a crime policy with limits of $1,000,000, with a $25,000 retention.

The City carries commercial coverage for other risks of loss. There have been no significant reductions in insurance coverage from the previous year. Settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 5 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. LITIGATION

The City is a party to a number of civil lawsuits and other legal actions, including a number of actions where the City's defense is being handled by the City's insurance carrier and any potential losses should be limited to the insurance policies' deductibles. There are also several claims for damages that have not yet resulted in either litigation or some other form of settlement or resolution. In the opinion of the City attorney and management, the ultimate outcome of these claims is either (a) not expected to have a significant impact on the City's financial position or (b) a reserve for estimated liabilities has been accrued on the financial statements.

Effective March 1, 2019, the City enacted regulations for short-term lodging uses. The ordinance established, among other code requirements, a registration fee and annual renewal requirement with financial penalties for failing to register. Over the past three years, there have been appeals to the Board of Adjustment regarding various elements of the ordinance. One case was further appealed to New Hanover County Superior Court and then to the North Carolina Court of Appeals as Schroeder v. City of Wilmington. The Court of Appeals ruled that portions of the ordinance violated were invalid. As a result, in June of 2022, the City issued refunds totaling $508,899 for all previously-collected registration fees and any related fees and penalties related to the registration program. In addition to these refunds, following remand from the Court of Appeals to the New Hanover County Superior Court, on September 9, 2022, the City was further ordered to pay Plaintiffs' attorney fees and other costs in the amount of $306,620.

NOTE 5 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

B. FEDERAL AND STATE ASSISTANCE PROGRAMS

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

Also, under the terms of federal and State assistance programs, capital assets acquired partially or entirely with federal or State funds have disposition restrictions which provide for the disposition of assets or proceeds from an approved sale in accordance with federal or State regulations.

C. ROOM OCCUPANCY AND TOURISM DEVELOPMENT TAX

New Hanover County and the City of Wilmington each levy a 3% room occupancy tax pursuant to state enabling legislation. Session Law 2006-167 modified earlier legislation and created the Wilmington Convention Center District. That legislation also amended the method of distribution of the tax beginning July 1, 2008. Effective July 1, 2008, taxes levied by New Hanover County derived from accommodations in the district and 100% of the tax levied by the City of Wilmington must be used for construction, financing, operation, promotion, and maintenance of the convention center. For the year ended June 30, 2023, the City recognized $6,370,476 in tax revenue as a result of the tax levy with a total of $62,673,061 collected since the levy was enacted.

In accordance with Session Law 2002-139 Section 1.(e) as rewritten by Session Law 2006-167, the City of Wilmington must annually publish a detailed, audited report on its receipts and expenditures of the room occupancy tax proceeds during the preceding year. The text of the report must be included in the minutes of the City Council and placed on a public web site and must be made available in hard copy upon request. The City has included this required detailed report on its receipts and expenditures of the occupancy tax proceeds in the Supplemental Financial Data Section of this report.

The Special Purpose Fund accounts for the room occupancy tax authorized and received by the City from inception through a portion of fiscal year 2018. Over that period, sufficient occupancy tax revenues were transferred annually to the Convention Center Fund to support Convention Center operations. During fiscal year 2018, occupancy tax revenues began to be accounted for directly in the Convention Center Fund.

NOTE 6 – ANNEXATIONS

Under North Carolina General Statutes, cities may annex areas upon a receipt of a valid petition signed by the owners of all the real property located within such area. Since May of 2009 the Wilmington City Council has adopted seven voluntary annexation ordinances: 1) 5000 River Road [1,358.717 acres], 2) 7910 Market Street [26.57 acres], 3) 6469, 6501 and 6505 Gordon Road [9.99 acres], 4) 4625 Carolina Beach Road [.23 acres], 5) 7758,7764,7770,7766,7800,7802,7804,7806 and 7810 Market Street [16.259 acres], 6) 7152 Market Street [0.11 acres], and 7) 205, 209, 213, and 217 Middle Sound Loop Road [4.82 acres]], and 8) 5029 Carolina Beach Road [1.87 acres].

In addition, 4 tracts, totaling approximately 74 acres, were voluntarily annexed into the City by the North Carolina General Assembly, through Session Law 2012-138, effective July 1, 2012.

NOTE 6 – ANNEXATIONS (continued)

A 12.64 acre area, known as the Galleria, was de-annexed from the Town of Wrightsville Beach and annexed into the City by the North Carolina General Assembly, through Session Law 2014-45, effective June 30, 2014. That site was recently sold in August of 2022 to another developer, but it is still anticipated that a mixed-use development consisting of residential, commercial, and office uses will be developed on the site.

A .72 acre area was de-annexed from Wrightsville Beach and annexed into the City by the North Carolina General Assembly, through Session Law 2018-107, effective June 30, 2018. It is anticipated that a mixed-use development consisting of residential, commercial, and office uses will be developed on the site.

NOTE 7 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On July 13, 2023, the City acquired 12.45 acres in Northern Downtown Wilmington for $68,000,000. The acquisition includes a 12-story office building, located at 929 N. Front Street, a 1,022-space parking deck adjacent to the facility, and undeveloped parcels to be used for economic development. The purpose of this acquisition is to consolidate certain City offices, in multiple facilities throughout the City, into a centralized facility downtown as well as secure additional parking that will serve the public parking needs in this area of the City. In connection with the acquisition, the City is leasing back two floors of the facility to Thermo Fisher under a three year agreement for approximately $1,800,000 per year. To finance the acquisition, the City issued the following three series of debt on July 12, 2023: $23,800,000 Series 2023B Taxable Variable Rate Bank Placement with Truist; $10,200,000 Series 2023C Taxable Limited Obligation Bonds; and $30,090,000 Series 2023D Tax-Exempt Limited Obligation Bonds. The total proceeds, including $4,560,102 of issue premium, amounted to $68,650,102.

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLES

The City implemented Governmental Accounting Standards Board (GASB) Statement Number 96, “Subscription-Based Information Technology Arrangements”, in the fiscal year ended June 30, 2023. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscriptions. As a result of the implementation for the year ended June 30, 2023, additional footnote disclosures have been included (see Note 1) to describe the impact for this change in accounting principle.

NOTE 9 – PRONOUNCEMNETS ISSUED, NOT YET EFFECTIVE

The GASB has issued pronouncements prior to June 30, 2023 that have effective dates that may impact future financial presentations.

Management has not yet determined what, if any, impact implementation of the following statements may have on the financial statements of the City of Wilmington:

- GASB Statement Number 99, “Omnibus 2023”, was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will be effective for the City beginning with its year ending June 30, 2024.

NOTE 9 – PRONOUNCEMNETS ISSUED, NOT YET EFFECTIVE (continued)

- GASB Statement Number 100, "Accounting Changes and Error Corrections", was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of the Statement will be effective for the City beginning with its year ending June 30, 2024.

- GASB Statement Number 101 "Compensated Absences", was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement will be effective for the City beginning with its year ending June 30, 2025.

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REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

CITY OF WILMINGTON, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Seven Fiscal Years

Schedule of Changes in Total Pension Liability

	2023	2022	2021	2020
Beginning balance	$ 17,159,226	$ 17,513,179	$ 12,877,207	$ 12,157,366
Service costs	778,203	753,707	474,620	444,374
Interest on the total pension liability	375,573	329,738	406,705	429,245
Difference between expected and actual experience	(320,660)	(150,305)	223,583	209,000
Changes of assumptions and other inputs	(2,036,598)	(430,481)	4,334,262	367,075
Benefit payments	(934,182)	(856,612)	(803,198)	(729,853)
Ending balance of the total pension liability	$ 15,021,562	$ 17,159,226	$ 17,513,179	$ 12,877,207

Notes to the Required Schedules:

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

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be presented as they are available.

CITY OF WILMINGTON, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Seven Fiscal Years

Schedule of Changes in Total Pension Liability

	2019	2018	2017
Beginning balance	$ 12,120,460	$ 11,041,905	$ 10,964,122
Service costs	471,491	389,212	426,020
Interest on the total pension liability	373,210	415,527	382,911
Difference between expected and actual experience	261,415	168,953	-
Changes of assumptions and other inputs	(449,152)	658,802	(254,516)
Benefit payments	(620,058)	(553,939)	(476,632)
Ending balance of the total pension liability	$ 12,157,366	$ 12,120,460	$ 11,041,905

Notes to the Required Schedules:

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

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be presented as they are available.

CITY OF WILMINGTON, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Seven Fiscal Years

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2023	2022	2021	2020
Total pension liability	$ 15,021,562	$ 17,159,226	$ 17,513,179	$ 12,877,207
Covered employee payroll	$ 14,920,644	$ 16,038,277	$ 16,238,727	$ 16,413,865
Total pension liability as a percentage of its covered employee payroll	100.68%	106.99%	107.85%	78.45%

Notes to the Required Schedules:

City of Wilmington has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 nor does the plan provide pay related benefits.

December 31, 2022 Measurement Date: There was an experience gain due to general plan experience. The discount rate changed from 2.25% to 4.05% resulting in an inflow due to an assumption change.

December 31, 2021 Measurement Date: Municipal Bond Index Rate increased from 1.93% to 2.25%.

December 31, 2020 Measurement Date: Municipal Bond Index Rate decreased from 3.26% to 1.93%. Based on the results of an experience study completed by the Actuary for the Local Government Employers Retirement System for the five-year period ending December 31, 2019, the following were updated: mortality rates, salary increase rates, service retirement dates, disability retirement rates, termination rates, real wage growth, and leave conversion service.

December 31, 2019 Measurement Date: Municipal Bond Index Rate decreased from 3.64% to 3.26%.

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be presented as they are available.

CITY OF WILMINGTON, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Seven Fiscal Years

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2019	2018	2017
Total pension liability	$ 12,157,366	$ 12,120,460	$ 11,041,905
Covered employee payroll	$ 15,816,969	$ 14,924,613	$ 15,426,775
Total pension liability as a percentage of its covered employee payroll	76.86%	81.21%	71.58%

Notes to the Required Schedules:

City of Wilmington has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 nor does the plan provide pay related benefits.

December 31, 2018 Measurement Date: Municipal Bond Index Rate increased from 3.16% to 3.64%.

December 31, 2017 Measurement Date: Municipal Bond Index Rate decreased from 3.86% to 3.16%.

December 31, 2016 Measurement Date: Municipal Bond Index Rate increased from 3.57% to 3.86%.

The assumed inflation rate has been reduced from 3.00% to 2.50% and assumed wage inflation has been increased from 0.50% to 1.00%.

CITY OF WILMINGTON, NORTH CAROLINA

Other Postemployment Benefits
Required Supplementary Information
Last Seven Fiscal Years *

Schedule of Changes in the City's Net OPEB Liability and Related Ratios

	2023	2022	2021	2020
Total OPEB liability				
Service costs	$ 1,098,759	$ 1,361,229	$ 1,899,113	$ 1,442,050
Interest on the total OPEB liability	1,431,847	975,939	1,219,349	1,697,747
Difference between expected and actual experience	(2,062,697)	(16,715)	(12,621,498)	(1,093,804)
Changes of assumptions and other inputs	(82,449)	(4,673,672)	1,927,752	5,347,232
Benefit payments**	(2,410,715)	(1,925,541)	(1,846,174)	(1,084,789)
Net change in total OPEB liability	(2,025,255)	(4,278,760)	(9,421,458)	6,308,436
Total OPEB liability - beginning	41,653,001	45,931,761	55,353,219	49,044,783
Total OPEB liability - ending (a)	$ 39,627,746	$ 41,653,001	$ 45,931,761	$ 55,353,219
Plan fiduciary net position				
Contributions - employer***	$ 2,410,715	$ 1,925,541	$ 1,846,174	$ 1,084,789
Net investment income	114,826	4,906	694	46,287
Benefit payments**	(2,410,715)	(1,925,541)	(1,846,174)	(1,084,789)
Administrative expense	(3,250)	(3,250)	(3,250)	(2,934)
Net change in plan fiduciary net position	111,576	1,656	(2,556)	43,353
Plan fiduciary net position - beginning	3,061,235	3,059,579	3,062,135	3,018,782
Plan fiduciary net position - ending (b)	$ 3,172,811	$ 3,061,235	$ 3,059,579	$ 3,062,135
City's net OPEB liability - ending (a) - (b)	$ 36,454,935	$ 38,591,766	$ 42,872,182	$ 52,291,084
Plan fiduciary net position as a percentage of the total OPEB liability	8.01%	7.35%	6.66%	5.53%
Covered-employee payroll ****	$ 26,512,023	$ 28,097,222	$ 28,097,222	$ 29,959,407
City's net OPEB liability as a percentage of covered-employee payroll	137.50%	137.35%	152.59%	174.54%

* This schedule is presented to illustrate the requirement to show information for 10 years.
Additional years will be presented as they are available.

** Benefit payments are net of participant contributions.

*** Employer contributions include benefit payments and administrative expenses paid outside the Trust.

****Contributions are based on choice of coverage.

CITY OF WILMINGTON, NORTH CAROLINA

Other Postemployment Benefits
Required Supplementary Information
Last Seven Fiscal Years *

Schedule of Changes in the City’s Net OPEB Liability and Related Ratios

	2019	2018	2017
Total OPEB liability			
Service costs	$ 1,573,456	$ 1,619,641	$ 1,735,746
Interest on the total OPEB liability	1,876,455	1,720,460	1,480,650
Difference between expected and actual experience	(5,698,585)	(378,659)	-
Changes of assumptions and other inputs	3,911,453	(1,377,963)	(2,419,235)
Benefit payments**	(1,695,649)	(1,652,234)	(1,683,538)
Net change in total OPEB liability	(32,870)	(68,755)	(886,377)
Total OPEB liability - beginning	49,077,653	49,146,408	50,032,785
Total OPEB liability - ending (a)	$ 49,044,783	$ 49,077,653	$ 49,146,408
Plan fiduciary net position			
Contributions - employer***	$ 1,695,649	$ 1,652,234	$ 2,558,413
Net investment income	61,751	31,906	7,628
Benefit payments**	(1,695,649)	(1,652,234)	(1,683,538)
Administrative expense	(2,700)	(2,700)	(2,700)
Net change in plan fiduciary net position	59,051	29,206	879,803
Plan fiduciary net position - beginning	2,959,731	2,930,525	2,050,722
Plan fiduciary net position - ending (b)	$ 3,018,782	$ 2,959,731	$ 2,930,525
City's net OPEB liability - ending (a) - (b)	$ 46,026,001	$ 46,117,922	$ 46,215,883
Plan fiduciary net position as a percentage of the total OPEB liability	6.16%	6.03%	5.96%
Covered-employee payroll ****	$ 29,959,407	$ 34,820,821	$ 34,820,821
City's net OPEB liability as a percentage of covered-employee payroll	153.63%	132.44%	132.72%

* This schedule is presented to illustrate the requirement to show information for 10 years.
Additional years will be presented as they are available.

** Benefit payments are net of participant contributions.

*** Employer contributions include benefit payments and administrative expenses paid outside the Trust.

****Contributions are based on choice of coverage.

CITY OF WILMINGTON, NORTH CAROLINA

Other Postemployment Benefits
Required Supplementary Information
Last Eight Fiscal Years *

Schedule of City Contributions

	2023	2022	2021	2020
Actuarially determined contribution	$ 3,078,676	$ 3,140,752	$ 3,810,631	$ 3,810,631
Contributions in relation to the actuarially determined contribution	2,410,715	1,925,541	1,846,174	1,084,789
Contribution deficiency (excess)	$ 667,961	$ 1,215,211	$ 1,964,457	$ 2,725,842
Covered-employee payroll*	$ 26,512,023	$ 28,097,222	$ 28,097,222	$ 29,959,407
Contributions as a percentage of covered-employee payroll	9.09%	6.85%	6.57%	3.62%

* Covered-employee payroll does not include pay for active members who are ineligible for benefits. For years following the valuation when no new valuation is performed, covered payroll has been set equal to the covered payroll from the most recent valuation.

Notes to Schedule

Valuation date

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar amount closed
Amortization period	25 Years
Asset valuation method	Fair value
Inflation	2.5 percent
Healthcare cost trend rates	7.50 percent for 2023 decreasing to an ultimate rate of 4.50 percent by 2031
Salary increases	3.3 to 8.3 percent, including wage inflation. In the 2022 actuarial valuation, expected wage growth is based on the LGERS actual experience study for the five year period January 1, 2015 to December 31, 2019.
Investment rate of return	3.75 percent, net of OPEB plan investment expense, including price inflation
Retirement age	In the 2022 actuarial valuation, expected retirement ages of employees were based on the results of an actual experience study for the period January 1, 2015 to December 31, 2019, adopted by the LGERS
Mortality	In the 2022 actuarial valuation, life expectancies were based on Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be presented as they are available.

CITY OF WILMINGTON, NORTH CAROLINA

Other Postemployment Benefits
Required Supplementary Information
Last Eight Fiscal Years *

Schedule of City Contributions

	2019	2018	2017	2016
Actuarially determined contribution	$ 3,934,874	$ 3,934,874	$ 4,216,794	$ 4,713,266
Contributions in relation to the actuarially determined contribution	1,695,649	1,652,234	2,558,413	3,089,486
Contribution deficiency (excess)	$ 2,239,225	$ 2,282,640	$ 1,658,381	$ 1,623,780
Covered-employee payroll*	$ 29,959,407	$ 34,820,821	$ 34,820,821	$ 34,820,821
Contributions as a percentage of covered-employee payroll	5.66%	4.74%	7.35%	8.87%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be presented as they are available

CITY OF WILMINGTON, NORTH CAROLINA

Other Postemployment Benefits
Required Supplementary Information
Last Seven Fiscal Years *

Schedule of Investment Returns

	2023	2022	2021	2020
Annual money-weighted rate of return, net of investment expense	3.75%	0.08%	0.03%	1.53%

* This schedule is presented to illustrate the requirement to show information for 10 years.
Additional years will be presented as they are available.

CITY OF WILMINGTON, NORTH CAROLINA

Other Postemployment Benefits
Required Supplementary Information
Last Seven Fiscal Years *

Schedule of Investment Returns

	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	2.09%	1.09%	0.37%

* This schedule is presented to illustrate the requirement to show information for 10 years.
Additional years will be presented as they are available.

CITY OF WILMINGTON, NORTH CAROLINA

Local Governmental Employees' Retirement System
Required Supplementary Information
Last Ten Fiscal Years

Schedule of City's Proportionate Share of Net Pension Liability (Asset)

	2023	2022	2021	2020	2019
Wilmington's proportion of the net pension liability (asset) (%)	0.82185%	0.79558%	0.82659%	0.86106%	0.87174%
Wilmington's proportion of the net pension liability (asset) ($)	$ 46,364,076	$ 12,200,983	$ 29,537,582	$ 23,514,877	$ 20,683,026
Wilmington's covered payroll *	$ 60,225,442	$ 57,098,725	$ 56,303,103	$ 55,802,965	$ 52,630,129
Wilmington's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	76.98%	21.37%	52.46%	42.14%	39.30%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

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

** This will be the same percentage for all participant employers in the LGERS plan.

CITY OF WILMINGTON, NORTH CAROLINA

Local Governmental Employees' Retirement System
Required Supplementary Information
Last Ten Fiscal Years

Schedule of City's Proportionate Share of Net Pension Liability (Asset)

	2018	2017	2016	2015	2014
Wilmington's proportion of the net pension liability (asset) (%)	0.85845%	0.86089%	0.91912%	0.86664%	0.86090%
Wilmington's proportion of the net pension liability (asset) ($)	$ 13,114,738	$ 18,270,970	$ 4,124,955	$ (5,110,978)	$ 10,377,151
Wilmington's covered payroll *	$ 52,150,017	$ 51,780,213	$ 48,520,316	$ 46,880,467	$ 45,459,421
Wilmington's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.15%	35.29%	8.50%	(10.90%)	22.83%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

CITY OF WILMINGTON, NORTH CAROLINA

Local Governmental Employees' Retirement System
Required Supplementary Information
Last Ten Fiscal Years

Schedule of City Contributions

	2023	2022	2021	2020	2019
Contractually required contribution	$ 8,346,281	$ 6,949,241	$ 5,905,226	$ 5,114,837	$ 4,446,150
Contributions in relation to the contractually required contribution	8,346,281	6,949,241	5,905,226	5,114,837	4,446,150
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Wilmington's covered payroll	$ 67,590,458	$ 60,225,442	$ 57,098,725	$ 56,303,103	$ 55,802,965
Contributions as a percentage of covered payroll	12.35%	11.54%	10.34%	9.08%	7.97%

CITY OF WILMINGTON, NORTH CAROLINA

Local Governmental Employees' Retirement System
Required Supplementary Information
Last Ten Fiscal Years

Schedule of City Contributions

	2018	2017	2016	2015	2014
Contractually required contribution	$ 4,062,901	$ 3,805,576	$ 3,531,195	$ 3,422,257	$ 3,257,102
Contributions in relation to the contractually required contribution	4,062,901	3,805,576	3,531,195	3,422,257	3,257,102
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Wilmington's covered payroll	$ 52,630,129	$ 52,150,017	$ 51,780,213	$ 48,520,316	$ 46,880,467
Contributions as a percentage of covered payroll	7.72%	7.30%	6.82%	7.05%	6.95%

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Contract, the Indenture, and the Deed of Trust. This summary is not intended to be definitive and is qualified in its entirety by reference to each of the aforementioned documents for the complete terms thereof. Copies of said documents are available from the City on request.

DEFINITIONS

"Acquisition and Construction Fund" means the special fund of that name created under the Indenture.

"*Additional Bonds*" means Bonds executed and delivered in accordance with the Indenture.

"*Additional Payments*" means the reasonable and customary expenses and fees of the Trustee and the Corporation, any expenses of the Corporation in defending an action or proceeding in connection with the Contract or the Indenture and any taxes or any other expenses, including, but not limited to, licenses, permits, state and local income, sales and use or ownership taxes or property taxes which the City or the Corporation is expressly required to pay as a result of the Contract (together with interest that may accrue thereon if the City fails to pay the same).

"*Arbitrage and Tax Regulatory Agreements*" means the Arbitrage and Tax Regulatory Agreements or Tax Certificates executed by and among the City, the Corporation and the Trustee to signify the acceptance of certain covenants and obligations necessary for the exclusion of interest with respect to Additional Bonds from the gross income of the owners thereof under the Code.

"*BB&T Contract*" means the Installment Financing Contract dated as of October 1, 2012 between the City and Branch Banking and Trust Company.

"*Beneficiary*" means the Trustee, as assignee of the Corporation, as beneficiary under the Deed of Trust.

"*Bonds*" means the 2012 Bonds, the 2015A Bonds, the 2015B Bonds, the 2020B Bonds, the 2021 Bonds, the 2023A Bonds, the 2023B Bond, the 2023CD Bonds, the 2024 Bonds, and any Additional Bonds.

"*Bond Fund*" means the special fund created under the Indenture.

"*Business Day*" means a day on which the Trustee or the City is not required or authorized by law to remain closed.

"*Cede & Co.*" means Cede & Co., the nominee of DTC or any successor nominee of DTC with respect to the Bonds.

"*City*" means the City of Wilmington, North Carolina or any successor to its functions.

"*City Representative*" means (1) the Finance Director or the person or persons at the time designated to act on behalf of the City for the purpose of performing any act under the Contract by a written certificate furnished to the Trustee and the Corporation containing the specimen signatures of such person or persons and signed on behalf of the City by the City Manager and the Finance Director of the City, or

(2) if any or all of the City's rights and obligations are assigned thereunder, the person or persons at the time designated to act on behalf of the City and the assignee by a written certificate similarly furnished and of the same tenor.

"*Code*" means the Internal Revenue Code of 1986, as amended, including regulations promulgated thereunder.

"*Command Center*" means land and an existing building acquired by the City for use as a police command center.

"*Contract*" means, collectively, the 2012 Contract, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, and the Sixth Amendment.

"*Corporation*" means Wilmington Future, Inc. or any successor thereto.

"*Corporation Representative*" means any person or persons at the time designated to act on behalf of the Corporation for purposes of performing any act on behalf of the Corporation under the Contract and the Indenture by a written certificate furnished to the City and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President, Vice President or Secretary/Treasurer.

"Cost of Acquisition and Construction" includes payment of or reimbursement for the following items:

(a) the Costs of Issuance;

(b) obligations incurred or assumed for the Projects in connection with the construction, renovation, equipping and financing or refinancing thereof, including, without limitation, costs of obtaining title insurance and a survey of the Premises; and

(c) all other costs which are considered to be a part of the cost of construction, renovation, equipping and financing of the Projects in accordance with generally accepted accounting principles and which will not affect the exclusion from gross income for federal income tax purposes of the designated interest component of Installment Payments related to the 2024 Bonds or other Bonds executed and delivered with the expectation that interest with respect to them will be excludable from gross income of the owners thereof under the Internal Revenue Code of 1986, as amended, all payable by the City, including sums required to reimburse the City for advances made by the City that are properly chargeable to the construction, renovation, equipping and financing of the Projects.

"*Costs of Issuance*" means the costs incurred in connection with the initial issuance of the Bonds, including, without limitation, all printing expenses in connection with the Indenture, the Contract, and the documents and certificates contemplated by the Indenture, the Preliminary Official Statement and the Official Statement for the Bonds, and the Bonds, legal fees and expenses of counsel to the Corporation, bond counsel, counsel to the City, other counsel, counsel to the purchaser or purchasers of the Bonds, rating agency fees, any accounting expenses incurred in connection with determining that the Bonds are not "*arbitrage bonds*" within the meaning of the Code, the Trustee's initial fees and expenses (including attorney's fees), and state license fees, on the submission of requisitions by the City signed by a City Representative stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of executing and delivering the Bonds.

"*Deed of Partial Release*" means the Deed of Partial Release, dated as of April 2, 2024, releasing the site of the Command Center from the lien of the 2012 Deed of Trust.

"*Deed of Trust*" means, collectively, the 2012 Deed of Trust, the First Notice, the Second Notice, the Third Notice, the Fourth Notice, and the Deed of Partial Release.

"*Deed of Trust Trustee*" means the trustee named under the Deed of Trust.

"*DTC*" means The Depository Trust Company, a limited purpose company organized under the law of the State of New York, and its successors and assigns.

"*DTC Participant*" or "*DTC Participants*" means securities brokers and dealers, banks, trust companies, clearing corporations and certain other corporations which have access to the DTC system.

"*Event of Default*" means those events of default specified in the Contract, the Indenture and the Deed of Trust, as applicable.

"*Federal Securities*" means, to the extent such investments qualify under Section 159-30 of the General Statutes of North Carolina as amended from time to time, (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America are pledged (including any securities issued or held in the name of the Trustee in book entry form on the books of the Department of the Treasury of the United States of America) which obligations are held by the Trustee and are not subject to prepayment or purchase before maturity at the option of anyone other than the holder; (b) any bonds or other obligations of any state or territory of the United States of America or of any agency, instrumentality or local governmental unit of any such state or territory which are (1) not callable before maturity or (2) as to which irrevocable instructions have been given to the trustee or escrow agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified, and which are rated by Moody's, S&P and Fitch Ratings within its highest rating category and which are secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) of this definition which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate; or (c) evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in clause (a) or (b) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in clause (a) or (b), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated.

"*Fifth Amendment*" means Amendment Number Five to the Installment Financing Contract dated as of July 1, 2023, between the Corporation and the City and any amendments or supplements thereto, including the Payment Schedule attached thereto, amending the 2012 Contract.

"*Fifth Supplement*" means Supplemental Indenture, Number 5 dated as of July 1, 2023, between the Corporation and the Trustee and any amendments or supplements thereto, supplementing and amending the 2012 Indenture.

"*Fire Station 8*" means a City fire station known as Fire Station 8, located at 601 Eastwood Road.

"*Fire Station 9*" means a fire station known as Fire Station 9, located at 1201 Military Cutoff Road.

"*First Amendment*" means Amendment Number One to the Installment Financing Contract dated as of June 1, 2015, between the Corporation and the City and any amendments or supplements thereto, including the Payment Schedule attached thereto, amending the 2012 Contract.

"*First Notice*" means the Notice of Extension of Deed of Trust to Additional Property dated as of June 1, 2015 from the City, as Grantor, to a deed of trust trustee for the benefit of the Corporation, as Beneficiary, and as assigned by the Corporation to the Trustee under the Indenture, extending the lien of the 2012 Deed of Trust to the 2015 Fire Stations.

"*First Supplement*" means Supplemental Indenture, Number 1 dated as of June 1, 2015, between the Corporation and the Trustee and any amendments or supplements adopted in accordance with the terms of the 2012 Indenture and the First Supplement.

"*First Amendment to the 1999 Contract*" means Amendment Number One to the Installment Purchase Contract dated as of January 15, 2003 between the City and the Corporation, amending the 1999 Contract, the proceeds of which were used to pay the capital costs of (1) the first phase of construction of the Operations Center, (2) the construction of the Second Street parking deck, and (3) improvements to the City's Riverwalk along the Cape Fear River south of Dock Street and north of the Coast Line Convention Center.

"*Fiscal Year*" means a twelve-month period commencing on the first day of July of any year and ending on the 30th day of June of the succeeding year, or such other twelve-month period which may subsequently be adopted as the Fiscal Year of the City.

"*Fitch Ratings*" means Fitch Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, "*Fitch Ratings*" will refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

"*Fourth Amendment*" means Amendment Number Four to the Installment Financing Contract dated as of May 1, 2023, between the Corporation and the City and any amendments or supplements thereto, including the Payment Schedule attached thereto, amending the 2012 Contract.

"*Fourth Notice*" means the Fourth Notice of Extension of Deed of Trust to Additional Property dated as of July 13, 2023 from the City, as Grantor, to a deed of trust trustee for the benefit of the Corporation, as Beneficiary, and as assigned by the Corporation to the Trustee under the Indenture, extending the lien of the 2012 Deed of Trust to the site of the Northern Downtown Campus.

"*Fourth Supplement*" means Supplemental Indenture, Number 4 dated as of May 1, 2023, between the Corporation and the Trustee and any amendments or supplements thereto, supplementing and amending the 2012 Indenture.

"*Indenture*" means, collectively, the 2012 Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, and the Sixth Supplement pursuant to which the Bonds are issued.

"*Installment Payments*" means those payments made by the City to the Corporation as described in Article III and in the Payment Schedule attached to the Sixth Amendment.

"*Interest Payment Date*" means with respect to the 2024 Bonds, each June 1 and December 1, beginning December 1, 2024.

"*Masonboro Fire Station*" means a City fire station known as Masonboro Fire Station, located at 3335 Masonboro Loop Road.

"*Moody's*" means Moody's Investors Service, its successors and their assigns, and, if such entity for any reason no longer performs the function of a securities rating agency, "*Moody's*" will be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

"*Net Proceeds,*" when used with respect to any (1) proceeds from policies of insurance which are payable to the Corporation or the Trustee, (2) proceeds of any condemnation award arising out of the condemnation of all or any portion of the Premises or the (3) proceeds from any sale or lease of the Premises pursuant to the Deed of Trust or otherwise subsequent to an Event of Default, means the amount remaining after deducting from the gross proceeds thereof all expenses (including, without limitation, attorneys' fees and costs) incurred in the collection of such proceeds.

"*Northern Downtown Campus*" means the downtown campus that includes a building with 370,000 square feet of office space, in which the City will consolidate City administrative offices, and a related parking deck.

"*Operations Center*" means a building which houses the City's traffic engineering, streets and drainage, solid waste, water and sewer line maintenance, fleet service, storm water operations, recreation and public works administrations operations.

"*Opinion of Counsel*" means an opinion in writing of legal counsel, who may be counsel to the Trustee, the City or the Corporation.

"*Outstanding*" or "*Bonds Outstanding*" means all Bonds which have been executed and delivered, except:

(a) Bonds canceled or which have been surrendered to the Trustee for cancellation;

(b) Bonds in lieu of which other Bonds have been authenticated under the Indenture;

(c) Bonds which have been prepaid as provided in the Indenture (including Bonds prepaid on a partial prepayment as provided in the Indenture); and

(d) Bonds which have been deemed paid under the Indenture.

"*Owner*" or "*Owners*" means, initially, Cede & Co., as nominee for DTC, and if the book-entry system of evidence and transfer of ownership in the Bonds is discontinued, the registered owner or owners of any Bond fully registered as shown in the registration books of the Trustee.

"*Payment Schedule*" means the documents attached to the Sixth Amendment which sets forth the City's Installment Payments.

"*Permitted Investments*" means Federal Securities and any other investments which are qualified under Section 159-30 of the General Statutes of North Carolina, as amended from time to time.

"*Person*" or "*person*" means natural persons, firms, associations, corporations and public bodies.

"*Premises*" means the property subject to the lien and security interest created by the Deed of Trust, as more particularly described therein, specifically including the Operations Center, Fire Station 8, Fire Station 9, Masonboro Fire Station, Seagate Fire Station, the 2015 Fire Stations, the Public Safety Training Facility and Firing Range, the Riverlights Fire Station, the Northern Downtown Campus, and the real property on which they are located.

"*Prepayment Fund*" means the special fund of that name created under the Indenture.

"*Prior Contracts*" means, collectively, the 1999 Contract, as amended by the First Amendment to the 1999 Contract and the Second Amendment to the 1999 Contract, the 2001 Contract and the 2008 Contract.

"*Prior Projects*" means, collectively, the projects financed with proceeds of the Prior Contracts.

"*Projects*" means the Prior Projects, the 2015 Projects, the Water Street Parking Deck, the Public Safety Training Facility and Firing Range, the 2021 Projects, the 2023A Projects, the 2023BCD Project, the 2024 Projects, the Refunded Projects (2014A Bonds), and any other projects financed or refinanced with Additional Bonds.

"*Public Safety Training Facility and Firing Range*" means the approximately 31,000 square-foot public safety training facility to be known as the Haynes Lacewell Public Safety Training Facility, which includes a ten (10) lane tactical "walk-down", 100-yard range with multiple firing positions, a 360-degree use-of-force simulator, a driving simulator, flexible classrooms, canine training facilities, an advanced fire ground command simulator, physical fitness facilities and associated locker rooms, support and administrative spaces, including a police substation and space to house the Wilmington Fire Department Training and Logistics division, and space that could be used for training by other City departments.

"*Purchase Price*" means the amount advanced by the Corporation to enable the City to finance and refinance the Projects under the terms of the Contract, as such price may be adjusted in connection with the issuance of Additional Bonds under the Indenture.

"*Rebate Fund*" means the special fund of that name created under the Indenture.

"*Refunded Projects (2014A Bonds)*" means the projects financed and refinanced from the proceeds of the Corporation's Limited Obligation Bonds, Series 2014A, executed and delivered in the original principal amount of $21,565,000, as set forth in the Installment Purchase Contract dated as of June 1, 2005, as previously amended, and as further amended by Amendment Number Three to the Installment Purchase Contract, dated as of July 1, 2014, each between the Corporation and the City.

"*Refunded Bonds*" means the Limited Obligation Bonds, Series 2014A, issued in the original principal amount of $21,565,000, maturing on and after June 1, 2025.

"*Refunded Bonds Indenture*" means the Indenture of Trust dated as of June 1, 2005, between the Corporation and Wachovia Bank, National Association, the successor to which is the Trustee, as supplemented, pursuant to which the Refunded Bonds were executed and delivered.

"*Revenues*" means (a) all Net Proceeds not applied to the replacement of the Premises; (b) all Installment Payments; and (c) all investment income on all funds and accounts created under the Indenture (other than the Rebate Fund).

"*Riverlights Fire Station*" means the approximately 13,000 square foot fire station located in the Riverlights community of the City to be known as Fire Station 6.

"*S&P*" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, its successors and their assigns, and, if such entity for any reason no longer performs the function of a securities rating agency, "*S&P*" will be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

"*Seagate Fire Station*" means a City fire station known as Seagate Fire Station, located at 6102 Oleander Drive.

"*Second Amendment*" means Amendment Number Two to the Installment Financing Contract dated as of May 1, 2020, between the Corporation and the City and any amendments or supplements thereto, including the Payment Schedule attached thereto, amending the 2012 Contract.

"*Second Amendment to the 1999 Contract*" means Amendment Number Two to the Installment Purchase Contract dated as of July 1, 2004 between the City and the Corporation, amending the 1999 Contract, the proceeds of which were used to pay the capital costs of (1) construction of the second phase of construction of the Operations Center and (2) construction of the Masonboro Fire Station.

"*Second Notice*" means the Second Notice of Extension of Deed of Trust to Additional Property dated as of May 1, 2020 from the City, as Grantor, to a deed of trust trustee for the benefit of the Corporation, as Beneficiary, and as assigned by the Corporation to the Trustee under the Indenture, extending the lien of the 2012 Deed of Trust to the site of the Public Safety Training Facility and Firing Range.

"*Second Supplement*" means Supplemental Indenture, Number 2 dated as of May 1, 2020, between the Corporation and the Trustee and any amendments or supplements thereto, supplementing and amending the 2012 Indenture.

"*Sixth Amendment*" means Amendment Number Six to the Installment Financing Contract dated as of May 1, 2024, between the Corporation and the City and any amendments or supplements thereto, including Payment Schedule attached thereto, amending the 2012 Contract.

"*Sixth Supplement*" means Supplemental Indenture, Number 6 dated as of May 1, 2024, between the Corporation and the Trustee and any amendments or supplements thereto, supplementing and amending the 2012 Indenture.

"*State*" means the State of North Carolina.

"*Third Amendment*" means Amendment Number Three to the Installment Financing Contract dated as of May 1, 2021, between the Corporation and the City and any amendments or supplements thereto, including the Payment Schedule attached thereto, amending the 2012 Contract.

"*Third Notice*" means the Third Notice of Extension of Deed of Trust to Additional Property dated as of May 1, 2023 from the City, as Grantor, to a deed of trust trustee for the benefit of the Corporation, as

Beneficiary, and as assigned by the Corporation to the Trustee under the Indenture, extending the lien of the 2012 Deed of Trust to the site of the Riverlights Fire Station.

"*Third Supplement*" means Supplemental Indenture, Number 3 dated as of May 1, 2021, between the Corporation and the Trustee and any amendments or supplements thereto, supplementing and amending the 2012 Indenture.

"*Trustee*" means U.S. Bank Trust Company, National Association, acting in the capacity of trustee for the Owners pursuant to the Indenture, and any successor thereto appointed under the Indenture.

"*Trust Estate*" means the property, pledged and assigned to the Trustee pursuant to and defined as such in the granting clauses of the Indenture.

"*Trustee Representative*" means the person or persons at the time designated to act on behalf of the Trustee for purposes of performing any act on behalf of the Trustee under the Indenture by a written certificate furnished to the City and the Corporation containing the specimen signature of such person or persons and signed on behalf of the Trustee by any duly authorized officer of the Trustee.

"*1999 Contract*" means the Installment Purchase Contract dated as of June 15, 1999 between the City and the Corporation, the proceeds of which were used to pay the capital costs of (1) construction of Fire Station 8 and Fire Station 9 and (2) the acquisition of land for the Operations Center.

"*2001 Contract*" means the Installment Financing Contract dated as of December 18, 2001 between the City and Bank of America, N.A., the proceeds of which were used to pay the capital costs of the renovation and equipping of Legion Stadium.

"*2008 Contract*" means the Installment Financing Contract dated as of April 1, 2008 between the City and RBC Bank (USA), the successor to which is PNC Bank National Association, the proceeds of which were used to pay the capital costs of the (1) construction of the Seagate Fire Station, (2) additional costs associated with the construction of the Masonboro Fire Station, (3) renovation of the community arts center, (4) acquisition of land for the construction of a multi-modal transportation center, (5) the acquisition of the Command Center, (6) the acquisition of land for a city park and (7) repairs to and replacement of a portion of the City's riverwalk.

"*2012 Bonds*" means the Refunding Limited Obligation Bonds (City of Wilmington, North Carolina), Series 2012 evidencing proportionate undivided interests in rights to receive certain Revenues pursuant to the Contract.

"2012 Contract" means the Installment Financing Contract dated as of June 15, 2012 between the Corporation and the City and any amendments or supplements thereto, including the Exhibits attached thereto.

"2012 Deed of Trust" means the Deed of Trust, Security Agreement and Fixture Filing dated as of June 26, 2012 from the City, as Grantor, to the Deed of Trust Trustee for the benefit of the Corporation, as Beneficiary, and as assigned by the Corporation to the Trustee under the Indenture.

"*2012 Indenture*" means the Indenture of Trust dated as of June 15, 2012 between the Corporation and the Trustee and any amendments and supplements thereto.

"2015 Bonds" means, collectively, the 2015A Bonds and the 2015B Bonds.

"*2015 Fire Stations*" means the Cinema Drive Fire Station and the Shipyard Fire Station.

"*2015 Projects*" means (a) constructing and equipping the 2015 Fire Stations, (b) constructing various street improvements, (c) repairing sidewalks, including curbs and gutters, and (d) improving certain existing sections of the City's riverwalk and riverfront at Pocket Park, at the intersection of Market and Water streets and in the area between Market and Princess streets, which will become part of the Projects.

"*2015A Bonds*" means the Limited Obligation Bonds, Series 2015A, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues Pursuant To the Contract, executed and delivered under the First Supplement and the 2012 Indenture, the details of which are described in the First Supplement.

"*2015B Bonds*" means the Taxable Limited Obligation Bonds, Series 2015B, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues Pursuant To the Contract, executed and delivered under the First Supplement and the 2012 Indenture, the details of which are described in the First Supplement.

"*2020B Bonds*" means the Limited Obligation Bonds, Series 2020B, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues Pursuant To the Contract, to be executed and delivered under the Second Supplement and the 2012 Indenture, the details of which are described in the Second Supplement.

"*2021 Bonds*" means, collectively, the 2021A Bonds and the 2021B Bonds.

"*2021A Bonds*" means the Limited Obligation Bonds, Series 2021A, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues Pursuant to the Contract, to be executed and delivered under the Third Supplement and the 2012 Indenture, the details of which are described in the Third Supplement.

"*2021B Bonds*" means the Taxable Limited Obligation Bonds, Series 2021B, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues Pursuant to the Contract, to be executed and delivered under the Third Supplement and the 2012 Indenture, the details of which are described in the Third Supplement.

"*2021 Projects*" means, collectively, the 2021A Projects and the 2021B Project.

"*2021A Projects*" means (i) street, streetscape and Riverwalk improvements, (ii) parks and recreation improvements, and (iii) upgrades to City Hall.

"*2021B Project*" means construction and equipping of a sports complex.

"*2023A Bonds*" means the Limited Obligation Bonds, Series 2023A, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues Pursuant to the Contract, to be executed and delivered under the Fourth Supplement and the 2012 Indenture, the details of which are described in the Fourth Supplement.

"*2023A Projects*" means (i) street, sidewalk, accessibility, streetscape and Riverwalk improvements, (ii) parks and recreation improvements, including improvements to Water Street Park and Riverfront Park, (iii) the construction and equipping of the Riverlights Fire Station, and (iv) a portion of the construction and equipping of a sports complex.

"*2023CD Bonds*" means, collectively, 2023C Bonds and the 2023D Bonds.

"*2023B Bond*" means the Variable Rate Taxable Limited Obligation Bond, Series 2023B, Evidencing a Proportionate Undivided Interest in Rights to Receive Certain Revenues Pursuant to the Contract, to be executed and delivered under the Fifth Supplement and the 2012 Indenture, the details of which are described in the Fifth Supplement.

"*2023C Bonds*" means the Taxable Limited Obligation Bonds, Series 2023C, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues Pursuant to the Contract, to be executed and delivered under the Fifth Supplement and the 2012 Indenture, the details of which are described in the Fifth Supplement.

"*2023D Bonds*" means the Limited Obligation Bonds, Series 2023D, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues Pursuant to the Contract, to be executed and delivered under the Fifth Supplement and the 2012 Indenture, the details of which are described in the Fifth Supplement.

"*2023BCD Project*" means the acquisition of the Northern Downtown Campus and related property, which the City is acquiring from River Ventures, LLC, an affiliate of Thermo Fisher Scientific.

"*2024 Bonds*" means the Limited Obligation Bonds, Series 2024, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues Pursuant to the Contract, to be executed and delivered under the Sixth Supplement and the 2012 Indenture, the details of which are described in the Sixth Supplement.

"*2024 Projects*" means (a) street, sidewalk, accessibility, streetscape, and Riverwalk improvements, (b) the acquisition of two blocks of riverfront property and the repair of a bulkhead wall on that property located along the future Water Street Park riverfront edge, and (c) a portion of the construction and equipping of a sports complex.

"*Underwriter*" means, with respect to the 2024 Bonds, Raymond James & Associates, Inc., as underwriter.

"*Water Street Parking Deck*" means the parking deck, a portion of which was acquired by the City and improved with the proceeds of the BB&T Contract.

THE CONTRACT

Advancement. In the Contract, the Corporation agrees to make an advance to the City of the Purchase Price, and the City accepts from the Corporation the Purchase Price to be applied in accordance with the terms and conditions of the Contract. The City will use the proceeds of the Purchase Price to finance and refinance the Projects and to pay certain costs incurred in connection with the execution and delivery of the Bonds.

Title; Release of Security Interest. Title to the Premises and any and all additions, repairs, replacements or modifications thereto will be in the City from and after the date of execution and delivery of the Contract. The City will own the Premises free and clear of any lien or security interest created by the Deed of Trust on the repayment in full of the Purchase Price and the payment of all other amounts due under the Contract. The City will deliver to the Trustee the Deed of Trust simultaneously with the execution and delivery of the Contract and will cause the Deed of Trust to be recorded in the New Hanover County Registry. On payment in full of all of the City's obligations under the Contract, including the Purchase Price and all other payments due thereunder, the Corporation or its assignee, at the City's expense and request, will discharge the Indenture and release the lien on the Deed of Trust, at which time the Contract will terminate.

Installment Payments; Additional Payments. As consideration for the Corporation's advance of the Purchase Price to the City, the City will repay to the Trustee, as assignee of the Corporation, the Purchase Price in installments with interest as provided in the Contract and the Payment Schedule attached to the Contract (each an "*Installment Payment*"). Each installment will be deemed to be an Installment Payment and will be paid in the amounts and at the times set forth on the Payment Schedule except as provided in the Contract. There will be credited against the amount of Installment Payments otherwise payable under the Contract amounts equal to (1) earnings derived from the investment of the Bond Fund and the Prepayment Fund and (2) any other money not constituting Installment Payments required to be deposited in the Bond Fund. Installment Payments must be sufficient in the aggregate to repay the Purchase Price together with interest thereon. As further consideration for the Corporation's advance of the Purchase Price to the City, the City will also pay the Additional Payments, as required in the Contract, on a timely basis directly to the person or entity to which such Additional Payments are owed.

Limited Obligation of the City. NOTWITHSTANDING ANY PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST WHICH MAY BE TO THE CONTRARY, NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST WILL BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE CITY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST WILL BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS NOR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE CITY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. THE CONTRACT, THE INDENTURE AND THE DEED OF TRUST WILL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE CITY FOR ANY FISCAL YEAR IN WHICH THE CONTRACT IS IN EFFECT; PROVIDED, HOWEVER, ANY FAILURE OR REFUSAL BY THE CITY TO APPROPRIATE FUNDS WHICH RESULTS IN THE FAILURE BY THE CITY TO MAKE ANY PAYMENT COMING DUE UNDER THE CONTRACT WILL IN NO WAY OBVIATE THE OCCURRENCE OF THE EVENT OF DEFAULT RESULTING FROM SUCH NONPAYMENT. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE CITY IN ANY ACTION FOR BREACH OF A CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE CITY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEY DUE UNDER THE CONTRACT. NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST WILL BE CONSTRUED TO PLEDGE OR TO CREATE A LIEN ON ANY CLASS OR SOURCE OF THE CITY'S MONEY, NOR WILL ANY PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST RESTRICT THE FUTURE

ISSUANCE OF ANY OF THE CITY'S BONDS OR OBLIGATIONS PAYABLE FROM ANY CLASS OR SOURCE OF THE CITY'S MONEY. THIS PROVISION WILL TAKE PRIORITY OVER ANY PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST THAT CONFLICTS WITH ITS TERMS.

Prepayment of Purchase Price.

(a) If the City has performed all of its obligations under the Contract, then it shall have the option to prepay or provide for the prepayment of the Purchase Price applicable to the 2012 Bonds on any date on or after June 1, 2022, in full or in part in the amount of $5,000 or any integral multiple thereof on 45 days' notice to the Trustee, at a prepayment price equal to the then applicable prepayment price of the 2012 Bonds, plus accrued interest to the prepayment date.

(b) If the City has performed all of its obligations under the Contract, then it shall have the option to prepay or provide for the prepayment of the Purchase Price applicable to the 2015 Bonds on any date on or after June 1, 2025, in full or in part in the amount of $5,000 or any integral multiple thereof on 45 days' notice to the Trustee, at a prepayment price equal to the then applicable prepayment price of the 2015 Bonds, plus accrued interest to the prepayment date.

(c) If the City has performed all of its obligations under the Contract, then it shall have the option to prepay or provide for the prepayment of the Purchase Price applicable to the 2020B Bonds on any date on or after June 1, 2030, in full or in part in the amount of $5,000 or any integral multiple thereof on 45 days' notice to the Trustee, at a prepayment price equal to the then applicable prepayment price of the 2020B Bonds, plus accrued interest to the prepayment date.

(d) If the City has performed all of its obligations under the Contract, then it shall have the option to prepay or provide for the prepayment of the Purchase Price applicable to the 2021A Bonds on any date on or after June 1, 2031, in full or in part in the amount of $5,000 or any integral multiple thereof on 45 days' notice to the Trustee, at a prepayment price equal to the then applicable prepayment price of the 2021A Bonds, plus accrued interest to the prepayment date.

(e) If the City has performed all of its obligations under the Contract, then it shall have the option to prepay or provide for the prepayment of the Purchase Price applicable to the 2023A Bonds on any date on or after June 1, 2033, in full or in part in the amount of $5,000 or any integral multiple thereof on 45 days' notice to the Trustee, at a prepayment price equal to the then applicable prepayment price of the 2023A Bonds, plus accrued interest to the prepayment date.

(f) If the City has performed all of its obligations under the Contract, then it shall have the option to prepay or provide for the prepayment of the Purchase Price applicable to the 2023B Bond on any U.S. Government Securities Business Day (as defined in the Fifth Supplement), in full or in part, on 45 days' notice to the Trustee, at a prepayment price equal to the then applicable prepayment price of the 2023B Bond, plus accrued interest to the prepayment date.

(g) If the City has performed all of its obligations under the Contract, then it shall have the option to prepay or provide for the prepayment of the Purchase Price applicable to the 2023D Bonds on any date on or after September 1, 2033, in full or in part in the amount of $5,000 or any integral multiple thereof on 45 days' notice to the Trustee, at a prepayment price equal to the then applicable prepayment price of the 2023D Bonds, plus accrued interest to the prepayment date.

(h) If the City has performed all of its obligations under the Contract, then it shall have the option to prepay or provide for the prepayment of the Purchase Price applicable to the 2024 Bonds on any date on or after June 1, 2034, in full or in part in the amount of $5,000 or any integral multiple thereof on

45 days' notice to the Trustee, at a prepayment price equal to the then applicable prepayment price of the 2024 Bonds, plus accrued interest to the prepayment date.

(i) If the Purchase Price is partially prepaid, then the Trustee shall recalculate the Payment Schedule as necessary in the manner required by the Indenture.

Damage, Destruction or Condemnation; Use of Net Proceeds.

--*Damage, Destruction or Condemnation.* If, during the term of the Contract, (1) any portion of the Premises is destroyed or damaged by fire or other casualty; (2) title to or the temporary or permanent use of any portion of the Premises or the estate of the City or the Corporation or its assignee in any portion of the Premises is taken under the power of eminent domain by any governmental authority; (3) a material defect in construction of any portion of the Premises becomes apparent; or (4) title to or the use of any portion of the Premises is lost by reason of a defect in title thereto, then the City continues to be obligated, subject to the provisions of the Contract, to pay the amounts specified in the Contract at the respective times required.

--*Obligation of the City To Repair and Replace the Premises.* Subject to the provisions of the following paragraph, the Trustee will cause the Net Proceeds of any insurance policies, performance or payment bonds, if any, condemnation awards or Net Proceeds made available by reason of any occurrence described under the caption "--*Damage, Destruction or Condemnation*" above, to be deposited in a separate fund held by the Trustee. Except as set forth under the caption "--*Discharge of the Obligation of the City To Repair the Premises*" below, all Net Proceeds so deposited will be applied to the prompt repair, restoration, modification, improvement or replacement of the Premises on receipt of requisitions acceptable to the Trustee approved by a City Representative stating with respect to each payment to be made: (a) the requisition number; (b) the name and address of the person, firm or corporation to whom payment is due; (c) the amount to be paid; and (d) that each obligation mentioned therein has been properly incurred, is a proper charge against such separate fund, and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee will cooperate with the City in the administration of such separate fund and will not unreasonably withhold its approval of requisitions under this paragraph. If the Net Proceeds (plus any amount withheld therefrom by reason of any deductible clause) are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Premises, the City may complete the work and pay any cost in excess of the amount of the Net Proceeds, and the City agrees that, if by reason of any such insufficiency of the Net Proceeds, the City will make any payments pursuant to the provisions of this paragraph, the City is not entitled to any reimbursement therefor from the Corporation, the Trustee or the Owners, nor is the City entitled to any diminution of the Installment Payments and Additional Payments. Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds will be the property of the City, subject to the Deed of Trust to the extent it relates to the Premises, and will be included as part of the Premises under the Contract.

--*Discharge of the Obligation of the City To Repair the Premises.* On the occurrence of an event described under the caption "--*Damage, Destruction or Condemnation*" above with respect to the Premises, the City may elect not to repair, restore, improve or replace the affected portion of the Premises if (1) the Net Proceeds are less than $500,000 and (2) a City Representative certifies to the Corporation that such Net Proceeds are not necessary to restore the affected portion of the Premises to its intended use. In such event, the City will direct the Trustee to deposit such Net Proceeds in the Bond Fund to be applied toward the next payment of principal and interest with respect to the Bonds.

Within 90 days of the occurrence of an event specified under the caption "--*Damage, Destruction or Condemnation*" above, the City will commence the repair, restoration, modification, improvement or replacement of the Premises or will elect, by written notice to the Trustee, to proceed under the provisions of the immediately preceding paragraph. For purposes of this paragraph, "*commence*" will include the retention of an architect or engineer in anticipation of repair, restoration, modification, improvement or replacement of the Premises.

--*Cooperation of the Corporation.* The Corporation will cooperate fully with the City and the Trustee in filing any proof of loss with respect to any insurance policy covering the events described under the caption "*--Damage, Destruction or Condemnation*" above, and has assigned to the Trustee any interest it may have in such policies or rights of action for such purposes. In no event will the Corporation or the City voluntarily settle, or consent to the settlement of, any proceeding arising out of any such insurance claim with respect to the Premises without the written consent of the other.

Care and Use. Subject to the provisions of applicable law and the terms of the Contract, the City will use the Premises in a careful and proper manner, in compliance with all applicable laws and regulations, and, at its sole cost and expense, will service, repair and maintain the Premises so as to keep the Premises in good condition, repair, appearance and working order for the purposes intended, ordinary wear and tear excepted. The City will replace any part of the Premises as may from time to time become worn out, unfit for use, lost, stolen, destroyed or damaged. Any and all additions to or replacements of the Premises and all parts thereof will constitute accessions to the Premises and will be subject to all the terms and conditions of the Contract and included in the term "*Premises*" and as used in the Contract.

General Tax Covenant. In the Contract, the City covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest portion of the Installment Payments created by the Contract under Section 103 of the Code. The City will not directly or indirectly use or permit the use of any proceeds of any fund created under the Indenture, or take or omit to take any action that would cause the obligation created by the Contract to be an "arbitrage bond" within the meaning of Section 148(a) of the Code. To that end, the City and the Corporation have executed the Arbitrage and Tax Regulatory Agreements and will comply with all requirements of Section 148 of the Code to the extent applicable. The City further represents and covenants that the Installment Payments created by the Contract are not and will not constitute a "private activity bond" as defined in Section 141 of the Code.

Property Insurance. The City will continually maintain or cause to be maintained insurance to the full insurable value of the Premises against loss by fire, wind damage, hazards customarily included in the term "*extended coverage*" with responsible and reputable insurance companies and will promptly pay all premiums therefor when due. All insurance policies and renewals thereof will name the Corporation and the Trustee as parties insured thereunder, as the respective interests of each of such parties may appear, and have attached thereto a mortgagee long form loss payable clause in favor of the Trustee, and provide that no such policy can lapse or be canceled, substantially modified or terminated without at least 60 days prior notice to the Trustee and that any loss payable thereunder will be made payable and will be applied as provided in the Contract. In the event of loss, the City will give immediate notice by mail to the Trustee, who may, but will not be obligated to, make proof of loss. In the event of foreclosure of the Deed of Trust or other transfer of title to the Premises, all right, title and interest of the City in any insurance policies then in force will pass to the Trustee. Additionally, during the term of the Contract, the City will continually maintain standard liability insurance as is customarily maintained by like entities with respect to facilities similar to the Premises.

The City may provide for and maintain the insurance required under the Contract partially or wholly by means of an adequate risk retention fund. Reserves for a risk retention fund will be determined by using actuarial principles. Any risk retention fund will be reviewed annually by the City's risk manager or an independent insurance consultant or actuarial consultant. The Trustee may rely on a letter of the City's risk manager or an independent insurance consultant or actuarial consultant as to the adequacy of any risk retention fund.

Assignment. The City will not sell, assign, lease, sublease, pledge or otherwise encumber or suffer a lien or encumbrance on or against any interest in the Contract or the Premises (except for the lien and security interest of the Corporation therein or except for any permitted encumbrances) without the Trustee's prior written consent. Notwithstanding the foregoing, the City may lease all or a portion of the Premises subject to the following conditions:

(a) the obligation of the City to make Installment Payments and Additional Payments under the Contract will remain obligations of the City;

(b) the City will, at least 30 days before the execution and delivery of any such lease, furnish or cause to be furnished to the Trustee a true and complete copy of such lease;

(c) no lease will cause the interest component of Installment Payments relating to any Bonds intended to be excludable from gross income of the recipient thereof for federal income tax purposes to become includable in gross income for federal income tax purposes; and

(d) the Trustee will have received an opinion of Counsel to the City to the effect that such lease is subordinate in all respects to the lien of the Deed of Trust and that such lease is subject to immediate termination at the Trustee's direction in the event of a default by the City under the Contract.

Amendments and Modifications.

--*Without Consent of the Owners.* The Indenture provides that the Corporation and the Trustee may, with the written consent of the City, but without the consent of or notice to the Owners, consent to any amendment, change or modification of the Contract or the Deed of Trust that does not materially adversely affect the interests of the existing Owners as may be required (a) by the provisions of the Contract, the Deed of Trust or the Indenture; (b) for the purpose of curing any ambiguity or formal defect or omission in the Contract or the Deed of Trust; (c) to more precisely identify the Premises (as defined in the Deed of Trust) or to add or substitute improvements acquired in accordance with the Contract, the Deed of Trust and the Indenture; (d) to execute and deliver Additional Bonds as provided in the Indenture; (e) to amend the City's continuing disclosure obligation as provided in the Contract; or (f) in connection with any other change therein which, in the judgment of the Trustee, does not materially adversely affect the interests of the existing Owners.

--*With Consent of the Owners.* The Indenture provides that, except for the amendments, changes or modifications permitted by the above paragraph, neither the Corporation nor the Trustee will consent to any other amendment, change or modification of the Contract or the Deed of Trust without the giving of notice thereof to the LGC and to the Owners and receipt of consent by the LGC and by the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in the Indenture. If the City and the Corporation requests the consent of the Trustee to any such proposed amendment, change or modification of the Contract or the Deed of Trust, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in the Indenture. Such notice will briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the designated corporate trust office of the Trustee for inspection by all Owners. The written consent by the purchaser of a series of Additional Bonds constitutes the consent of the Owners of that series of Additional Bonds.

No amendment to the Contract which would increase the amount or maturity of Bonds Outstanding or the interest rate with respect thereto will be effective until it is approved by the Local Government Commission of North Carolina.

Events of Default. The occurrence of the following are considered Events of Default under the Contract:

(a) The City fails to make any Installment Payment on the date such Installment Payment is due under the Contract;

(b) The City fails to budget and appropriate money sufficient to pay all Installment Payments and the reasonably estimated Additional Payments coming due in any Fiscal Year;

(c) The City fails to perform or observe any term, condition or covenant of the Contract on its part to be observed or performed, other than as referred to in (a) or (b) above, or of the Deed of Trust on its part to be observed or performed, or breaches any warranty by the City contained in the Contract or the Deed of Trust, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Trustee unless the Trustee agrees in writing to an extension of such time prior to its expiration; provided, however, that if the failure cannot be corrected within the stated period, the Trustee will not unreasonably withhold consent for an extension not longer than 180 days;

(d) Any bankruptcy, insolvency or reorganization proceedings or similar litigation, is instituted by the City, or a receiver, custodian or similar officer is appointed for the City or any of its property, and such proceedings or appointments are not vacated or fully stayed within 90 days after the institution or occurrence thereof; or

(e) Any representation or statement made by the City in the Contract, the Deed of Trust or in any other document executed or delivered in connection therewith is found to be incorrect or misleading in any material respect on the date made.

Remedies on Default. On the occurrence of any Event of Default, the Trustee may, and if required by a majority in aggregate principal amount of the Owners of the Bonds, the Trustee will, to the extent permitted by applicable law and the terms of the Contract, exercise any one or more of the following remedies as the Trustee elects or as will be directed by a majority in aggregate principal amount of the Owners of the Bonds:

(a) Declare the unpaid portion of the principal and interest components of Installment Payments immediately due and payable without notice or demand to the City;

(b) Proceed by appropriate court action to enforce performance by the City of the applicable covenants of the Contract or to recover for the breach thereof; or

(c) Exercise or direct the Deed of Trust trustee to exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State and the general laws of the State with respect to the enforcement of the security interest granted or reserved under the Contract and the Deed of Trust including, without limitation, to the extent permitted by law, re-enter and take possession of the Premises without any court order or other process of law and without liability for entering the premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the City, and apply the proceeds of any such sale, lease, sublease or other disposition, after deducting all costs and expenses, including court costs and attorneys' fees, incurred with the recovery, repair, storage and other sale, lease, sublease or other disposition, toward the balance due under the Contract and, thereafter, will pay any remaining proceeds to the City.

NOTWITHSTANDING ANY OTHER PROVISIONS IN THE CONTRACT TO THE CONTRARY, IT IS THE INTENT OF THE PARTIES TO THE CONTRACT TO COMPLY WITH GENERAL STATUTES OF NORTH CAROLINA SECTION 160A-20. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE CITY IN VIOLATION OF SECTION 160A-20 INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT WHEN THE SALE OF ALL OR ANY PORTION OF THE PREMISES IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT.

THE INDENTURE

Funds and Accounts. The Indenture creates (1) the Bond Fund; (2) the Prepayment Fund; (3) the Rebate Fund; and (4) the Acquisition and Construction Fund, to be held in trust by the Trustee.

--*The Bond Fund.* There has been created and established with the Trustee a special fund designated "*City of Wilmington, North Carolina 2012 Installment Financing Contract Bond Fund*" (the "*Bond Fund*"), the money in which is to be used to pay the principal, premium, if any, and interest with respect to the Bonds. Within the Bond Fund, the Indenture creates and establishes an Interest Account and a Principal Account, the money in each of which is to be used as set forth in "*—Use of Money in Bond Fund*" below.

--*The Interest Account*. There is to be deposited into the Interest Account of the Bond Fund (1) that portion of each payment of Installment Payments which is designated and paid as interest under the Contract; (2) investment earnings on the Bond Fund and the Prepayment Fund, as provided in the Indenture; (3) Net Proceeds from any lease of the Premises after an Event of Default to the extent required to pay the next installment of interest or any previous installment of interest not paid; (4) all money required to be deposited therein in accordance with the Indenture; and (5) all other money received by the Trustee under the Indenture accompanied by directions from the City that such money is to be deposited into the Interest Account of the Bond Fund. The Trustee will credit all amounts deposited into the Interest Account of the Bond Fund, including the amounts set forth in the Contract, toward the interest component of the Installment Payment then due and payable under the Contract. The Trustee will notify the City of all amounts credited toward such Installment Payments within 30 days of such credit.

--*The Principal Account*. There is to be deposited into the Principal Account of the Bond Fund (1) that portion of each payment of Installment Payments which is designated and paid as principal under the Contract; (2) Net Proceeds from any lease of the Premises after an Event of Default after the deposit described under the first paragraph of the caption "*--The Interest Account*" above; (3) all money required to be deposited therein in accordance with the Indenture; and (4) all other money received by the Trustee under the Indenture accompanied by directions from the City that such money is to be deposited into the Principal Account of the Bond Fund.

--*Use of Money in Bond Fund.* Money in the Interest Account of the Bond Fund is to be used for the payment of the interest with respect to the Bonds as the same becomes due and payable. Money in the Principal Account of the Bond Fund is to be used for the payment of the principal with respect to the Bonds as the same becomes due and payable. Investment earnings on money on deposit in the Bond Fund are to be applied to the next payment of Installment Payments with respect to the Bonds. If the Bonds are to be prepaid in whole pursuant to the Indenture, any money remaining in the Interest Account and the Principal Account of the Bond Fund is to be applied to such prepayment along with other money held by the Trustee for such purpose.

--*The Prepayment Fund.* There has been created and established with the Trustee a special fund designated the "*City of Wilmington, North Carolina 2012 Installment Financing Contract Prepayment Fund*" (the "*Prepayment Fund*"). The Trustee will deposit into the Prepayment Fund money provided by the City as a prepayment of principal components of Installment Payments. Money on deposit in each account of the Prepayment Fund is to be disbursed for prepayment of the Bonds as provided in the Indenture. Any income from investment of money in the Prepayment Fund is to be deposited into the Interest Account of the Bond Fund and applied to the interest component of the next payment of the Installment Payments. Whenever any money on deposit in the Prepayment Fund is disbursed for prepayment of less than all of the Outstanding Bonds, the Installment Payments set forth in the Contract are to be recalculated by the Trustee to reflect the reduction in the outstanding principal amount of the Bonds after such prepayment.

--*The Rebate Fund.* If the City informs the Trustee that funds are to be set aside in a separate account of the Trustee to be held for the payment of rebate payments to the Federal Government pursuant to the terms of the Arbitrage and Tax Regulatory Agreements, the Trustee will create and establish the "*City of Wilmington, North Carolina 2012 Installment Financing Contract Rebate Fund*" (the "*Rebate Fund*"). The Trustee will deposit in the Rebate Fund the amounts as directed by the City. The City will make or cause to be made the calculation or calculations required by the Arbitrage and Tax Regulatory Agreements and will direct the Trustee to make deposits and disbursements from the Rebate Fund in accordance therewith. The Trustee will invest the Rebate Fund as directed by the City.

--*The Acquisition and Construction Fund.* There has been created and established with the Trustee a special fund designated the "*City of Wilmington, NC 2012 Installment Financing Contract Acquisition and Construction Fund*" (the "*Acquisition and Construction Fund*"). The Trustee will deposit in the Acquisition and Construction Fund the amount set forth in the Indenture. In addition, the Trustee will deposit into the Acquisition and Construction Fund such amounts as the City may designate in a certificate signed by a City Representative in connection with the execution and delivery of Additional Bonds under the Indenture. All Costs of Acquisition and Construction shall be paid from funds in the Acquisition and Construction Fund, as directed by the City in accordance with the Contract. The Trustee shall create additional accounts within the Acquisition and Construction Fund on the City's written direction.

Investment of Money. All money held as part of the Bond Fund, the Prepayment Fund, the Acquisition and Construction Fund or any other fund or account created under the Indenture or the Contract except the Rebate Fund is to be deposited or invested and reinvested from time to time by the Trustee, at the written direction of the City as agent of the Corporation, in deposits or investments, which are Permitted Investments subject to the following restrictions:

(a) Money in the Acquisition and Construction Fund is to be invested only in obligations which will by their terms mature not later than the date the City estimates, in a writing provided to the Trustee, the money represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund;

(b) Money in the Bond Fund is to be invested only in obligations which will by their terms mature on such dates as to ensure that on the date of each interest and principal payment, there will be in the Bond Fund from matured obligations and other money already in the Bond Fund, cash to pay the interest and principal payable on such payment date; and

(c) Money in the Prepayment Fund is to be invested in obligations which will by their terms mature, or will be subject to prepayment at the option of the owner thereof, on or before the date funds are expected to be required for expenditure or withdrawal.

The Rebate Fund is to be invested and reinvested by the Trustee, at the written direction of the City, in accordance with the Arbitrage and Tax Regulatory Agreements.

Any and all such deposits or investments will be held by or under the control of the Trustee. The Trustee may make any and all such deposits or investments through its own investment department or the investment department of any bank or trust Corporation under common control with the Trustee. The Trustee is specifically authorized to enter into agreements with itself or any other person, which agreements guarantee the repurchase of specific Permitted Investments at specific prices. Except as expressly provided in the Indenture, deposits or investments will at all times be a part of the fund or account from which the money used to acquire such deposits or investments has come, and all income and profits on such deposits or investments will be credited to, and losses thereon will be charged against, such fund or account. In computing the amount in any fund or account held under the provisions of the Indenture, obligations purchased as a deposit or investment of money therein will be valued at the market price thereof, exclusive of accrued interest. The Trustee will sell and reduce to cash a sufficient amount of such deposits or investments whenever the cash balance in any fund or account created under the Indenture is insufficient to satisfy the purposes of such fund or account.

Additional Bonds. So long as the Contract remains in effect and no Event of Default has occurred and is continuing, additional Bonds (the "*Additional Bonds*") may be issued on the terms and conditions provided in the Indenture.

Additional Bonds may be delivered by the Trustee at the direction of the Corporation to provide funds to pay: (1) the cost of acquiring, constructing, renovating and equipping other facilities or acquiring equipment and other capital assets for utilization by the City for public purposes; (2) the cost of refunding of all or any portion of the Bonds then Outstanding or any other installment financing obligations of the City; (3) costs of funding a reserve fund for any series of the Bonds for which one may be required and (4) the Costs of Issuance relating to the issuance and sale of the Additional Bonds.

Additional Bonds may be executed and delivered only on there being filed with the Trustee:

(a) Originally executed counterparts of a supplemental indenture and an amendment to the Contract adopted in accordance with the requirements of the Indenture and approved by the Local Government Commission of the State, if so required by law, including requirements regarding approval of the Owners, if applicable, expressly providing that the Additional Bonds being executed and delivered as well as any Bonds and Additional Bonds theretofore executed and delivered will be secured on a parity as provided in the Indenture, except that the date or dates of the Additional Bonds, the rate or rates of interest with respect to the Additional Bonds, the time or times of payment of the principal and interest with respect thereto, and provisions for the prepayment thereof, if any, all will be as provided in the supplemental indenture and amendment to the Contract, and further providing for an increase in the Purchase Price and the Installment Payments required or authorized to be paid to the Trustee under the Contract in such amount as will be necessary to pay (assuming that no Event of Default will occur), the principal, premium, if any, and interest with respect to the Additional Bonds.

(b) A written opinion or opinions of nationally recognized bond counsel and mutually acceptable to the City, the Corporation and the Trustee, to the effect that the amendment to the Contract and the authentication of the Additional Bonds have been duly authorized, that the amendment to the Contract is valid and enforceable against the City and that the exclusion from gross income for federal income tax purposes of the interest component of the Installment Payments will not be adversely affected by the execution and delivery of the Additional Bonds, and that the sale and delivery of the Additional Bonds will not constitute a default under the Contract or the Indenture or cause any violation of the covenants, agreements or representations under the Contract or the Indenture.

(c) A written order to the Trustee to deliver the Additional Bonds to the purchaser or purchasers therein identified on payment to the Trustee of a specified sum plus accrued interest, if any.

Each of the Additional Bonds executed and delivered pursuant to the Indenture will evidence a proportionate undivided interest in rights to receive certain Revenues under the Contract, as amended, proportionately and ratably secured with the Bonds originally executed and delivered and all other issues of Additional Bonds, if any, executed and delivered pursuant to the Indenture, without preference, priority or distinction of any Bond or Additional Bond over any other.

Supplemental Indentures.

--*Consent of Owners Not Required.* The Trustee and the Corporation may, with the written consent of the City, but without the consent of, or notice to, the Owners, enter into such indentures supplemental thereto for any one or more or all of the following purposes, as long as such supplemental indenture does not adversely affect the interests of the Owners:

(a) To add to the covenants and agreements of the Corporation contained in the Indenture other covenants and agreements to be thereafter observed by the Corporation;

(b) To cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if such provisions are necessary or desirable and do not adversely affect the interests of the Owners; or

(c) To issue Additional Bonds as provided in the Indenture.

--*Consent of Owners Required.* Exclusive of supplemental indentures covered under the caption "--*Consent of Owners Not Required*" above, the written consent of the City and the consent of the LGC and the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding is required for the execution by the Corporation and the Trustee of any indenture or indentures supplemental thereto; provided, however, that without the consent of the LGC and the Owners of all the Bonds at the time Outstanding affected thereby nothing contained in the Indenture will permit, or be construed as permitting:

(a) A change in the terms of prepayment or maturity of the principal amount of or the interest with respect to any Outstanding Bond, or a reduction in the principal or premium payable with respect to any prepayment of any Outstanding Bond or the rate of interest with respect thereto;

(b) The deprivation of the Owner of any Bond then Outstanding of the lien created by the Indenture (other than as originally permitted thereby);

(c) A privilege or priority of any Bond or Bonds over any other Bond or Bonds; or

(d) A reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

The written consent by the purchaser of a series of Additional Bonds constitutes the consent of the Owners of that series of Additional Bonds.

If at any time the City or the Corporation requests the Trustee to enter into such supplemental indenture for any of the purposes described above, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by first-class mail to the Owners of the Bonds then Outstanding at the address shown on the registration books maintained by the Trustee. Such notice will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as is prescribed by the City following the giving of such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof as provided in the Indenture, no Owner will have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Exclusion of Bonds Held By or For the City and the Corporation. In determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the City and the Corporation will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee is protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee actually knows to be so owned will be disregarded.

Events of Default. Any of the following events are defined as and will be deemed an "*Event of Default*" under the Indenture:

(a) Default in the payment of the principal or premium, if any, with respect to any Bond when the same becomes due and payable, whether at the stated maturity thereof or on proceedings for prepayment.

(b) Default in the payment of any installment of interest with respect to any Bond when the same becomes due and payable.

(c) The occurrence of an "*Event of Default*" under the Contract.

Remedies on Default.

(a) On the occurrence and continuance of an Event of Default, the Trustee will, if required by a majority in aggregate principal amount of the Owners of the Bonds, by written notice to the City, declare the obligations of the City as to the principal and interest components of Installment Payments and the aggregate principal amount with respect to the Bonds and the accrued interest with respect thereto to be immediately due and payable.

(b) The provisions of the preceding paragraph are subject to the condition that if, after the principal with respect to any of the Installment Payments and the Bonds has been so declared to be due and payable, and before the earlier of (1) the exercise of rights granted under the Deed of Trust or (2) to the extent permitted by the Indenture and applicable law, any judgment or decree for the payment of the money due has been obtained or entered as provided in the Indenture, the defaulting party (the "*Defaulting Party*") will cause to be deposited with the Trustee a sum sufficient to pay all matured installments of the principal and interest with respect to all Bonds which have become due otherwise than by reason of such declaration (with interest on such overdue installments of principal and interest, to the extent permitted by law, at the rate or rates per annum borne by the Bonds) and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default under the Indenture other than nonpayment of the principal or interest with respect to the Bonds which have become due by said declaration have been remedied, then, in every such case, such Event of Default will be deemed waived and such declaration and its consequences rescinded and annulled, and the

Trustee will promptly give written notice of such waiver, rescission or annulment to the Defaulting Party and will give notice thereof by first-class mail to all Owners; but no such waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

The provisions of paragraph (a) are further subject to the condition that any waiver of any event of default under the Contract and a rescission and annulment of its consequences will constitute a waiver of the corresponding Event of Default under the Indenture and a rescission and annulment of the consequences thereof. If notice of such event of default under the Contract has been given as provided in the Indenture, the Trustee will promptly give written notice of such waiver, rescission or annulment to the Defaulting Party and will give notice thereof by first-class mail to all Owners; but no such waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(c) On the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, to the extent permitted by the Indenture and applicable law, and on the written direction of Owners of not less than a majority in principal amount of the Bonds Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Trustee of an express trust:

(1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the Defaulting Party to carry out any agreements with or for the benefit of the Owners and to perform its or their duties under the Contract and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Contract or the Indenture, as the case may be;

(2) take whatever action at law or in equity is permissible and may appear necessary or desirable to enforce its rights against the Defaulting Party or the Premises held as security therefor.

No right or remedy is intended to be exclusive of any other rights or remedies, but each and every such right or remedy will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute. If any Event of Default has occurred and if requested by the Owners of a majority in aggregate principal amount of Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee is obligated to exercise, to the extent permitted by the Indenture and applicable law, such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, will deem most expedient in the interests of the Owners.

Application of Money. All money received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture will, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and applied as follows:

(a) Unless the principal with respect to all of the Bonds have become or have been declared due and payable, all such money will be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due with respect to the Bonds, in the order of the maturity of the installments of such interest beginning with the earliest such maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid principal and premium, if any, with respect to any of the Bonds which have become due (other than Bonds matured or called for prepayment for the payment of which money is held pursuant to the provisions of the Indenture), in the order of their due dates and beginning with the earliest due date and, if the amount available is not sufficient to pay in full Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto of interest on overdue installments of principal, premium, if any, and interest, to the extent permitted by law, and if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such particular installment, to the persons entitled thereto, without any discrimination or privilege; and

FOURTH - To be held for the payment to the persons entitled thereto, as the same become due, of the principal, premium, if any, and interest with respect to the Bonds which may thereafter become due in accordance with the terms of the Indenture.

(b) If the principal with respect to all of the Bonds have become due or has been declared due and payable, all such money will be applied to the payment of the principal and interest then due and unpaid with respect to the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or privilege, with interest on overdue installments of interest or principal, to the extent permitted by law.

Whenever money is to be applied pursuant to the provisions described above, such money will be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee applies such funds, it will fix the date (which will be an Interest Payment Date unless it deems another date more suitable) on which such application is to be made and on such date interest on the amounts of principal to be paid on such dates will cease to accrue. The Trustee will give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such date, and will not be required to make payment to the Owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal, premium, if any, and interest with respect to all of the Bonds have been paid and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund will be paid to the City.

Defeasance. If, when the Bonds secured by the Indenture become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal, premium, if any, and interest due and payable with respect to all of the Bonds will be paid or provision has been made for the payment of the same, together with all other sums payable under the Indenture, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Corporation to the Trustee and the Owners will then cease, terminate and become void and be discharged and satisfied. In such event, on the request of the City, the Trustee will transfer and convey to the City all property assigned or pledged to the Trustee by the Corporation then held by the Trustee pursuant to the Indenture, and the Trustee will execute such documents as may be reasonably required by the City and will turn over to the City any surplus in any fund created under the Indenture other than the Rebate Fund.

Outstanding Bonds will, before the maturity or prepayment date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph if (a) in case said Bonds are to be prepaid on any date before their maturity, the City has given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give on a date, in accordance with the provisions of the Indenture, notice of prepayment of such Bonds on said prepayment date, (b) there has been deposited with the Trustee either money in an amount which will be sufficient, or Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide money which, together with the money, if any, deposited with or held by the Trustee at the same time, sufficient to pay when due the principal, premium, if any, and interest due and to become due with respect to the Bonds on and before the prepayment date or maturity date thereof, as the case may be, and (c) if the Bonds are not by their terms subject to prepayment within the next 60 days, the City has given the Trustee in form satisfactory to it (1) irrevocable instructions to give, as soon as practicable in the same manner as the notice of prepayment is given, a notice to the Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or prepayment date on which money is to be available for the payment of the principal, premium, if any, and interest with respect to said Bonds, (2) verification from an independent accountant or other nationally recognized expert not unacceptable to the Trustee that the money or Federal Securities deposited with the Trustee will be sufficient to pay when due the principal, premium, if any, and interest due and to become due with respect to the Bonds on and before the prepayment date or maturity date thereof, and (3) an opinion of nationally recognized bond counsel that such deposit of money or Federal Securities will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds. Neither the Federal Securities nor money deposited with the Trustee pursuant to this Section or principal or interest payments on any such Federal Securities will be withdrawn or used for any purpose other than, and such Federal Securities or money will be held in trust for, the payment of the principal, premium, if any, and interest with respect to said Bonds; provided any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, be reinvested in Federal Securities of the type described in clause (b) of this paragraph maturing at the times and in amounts sufficient (together with any other money or Federal Securities then held by the Trustee as described above) to pay when due the principal, premium, if any, and interest to become due with respect to said Bonds on or before such prepayment date or maturity date thereof, as the case may be. At such time as any Bonds will be deemed paid as aforesaid, such Bonds will no longer be secured by or entitled to the benefits of the Indenture and the Contract, except for the purpose of exchange and transfer and any payment from such money or Federal Securities deposited with the Trustee.

The release of the obligations of the Corporation described in the preceding paragraph is without prejudice to the rights of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements incurred with respect to the administration of the trust created by the Indenture and the performance of its powers and duties under the Indenture.

THE DEED OF TRUST

Deed of Trust and Security Interest. To secure (1) the obligation of the City to make the Installment Payments and (2) the payment and performance of all the other liabilities and obligations, whether now existing or hereafter arising, of the City to the Corporation under the Contract and the Deed of Trust, the City has granted and conveyed to the Deed of Trust Trustee for the benefit of the Beneficiary, its successors and assigns all right, title and interest that the City now has or may hereafter acquire in the Premises as more fully described in the Deed of Trust.

City's Continuing Obligation. The City will remain liable for full payment and performance, as the case may be, of all obligations secured by the Deed of Trust, notwithstanding the occurrence of any event or circumstance whatsoever. However, no deficiency judgment may be rendered against the City in favor of the Beneficiary in violation of 160A-20 of the North Carolina General Statutes, including, without limitation, any deficiency judgment for amounts that may be owed under the Contract or the Deed of Trust when the sale of all or any portion of the Premises is insufficient to produce enough money to pay in full all remaining obligations under the Contract or the Deed of Trust.

Release of Premises. Notwithstanding any other provisions of the Deed of Trust to the contrary, at any time so long as there is no Event of Default, with the consent of the Beneficiary, the Deed of Trust Trustee must release the Premises or any part thereof from the lien and security interest of the Deed of Trust when and if the following requirements have been fulfilled:

(a) In connection with any release of the Premises, or any part thereof, there shall be filed with the Beneficiary a certified copy of the resolution of the City Council of the City stating the purpose for which the City desires such release of the Premises, giving an adequate legal description of the part of the Premises to be released, requesting such release and providing for the payment by the City of all expenses in connection with such release.

(b) In connection with the release of any part of the Premises constituting less than the entire Premises, either (1) the tax, insured or appraised value of the Premises remaining after the proposed release is not less than 50% of the aggregate principal components of the Installment Payments then Outstanding under the Indenture or (2) the City (i) provides for the substitution of other real property therefor and the tax, insured or appraised value of the Premises remaining after the proposed substitution is not less than the value of the Premises (as determined above) immediately before the proposed substitution, (ii) delivers to the Deed of Trust Trustee and the Corporation an opinion of Special Counsel to the effect that the substitution (A) is permitted by law and under the Deed of Trust and (B) will not adversely affect the tax treatment of the Bonds, and (iii) records a modification to the Deed of Trust reflecting such substitution of the Premises.

(c) In connection with the release of any part of the Premises constituting less than the entire Premises, such release shall not prohibit the City's ingress, egress and regress to and from the remainder of the Premises not being released, or materially interfere with the use of the remainder of the Premises not being released.

(d) In connection with the release of all property constituting the entire Premises, there is paid to the Beneficiary an amount sufficient to provide for the payment in full of all Outstanding Bonds in accordance with the Indenture.

Grant and Release of Easements. Notwithstanding any other provisions of the Deed of Trust, at any time so long as there is no Event of Default, with the consent of the Trustee, the City may at any time or times grant easements, licenses, rights of way and other rights and privileges in the nature of easements with respect to any part of the Premises and the City may release existing interests, easements, licenses, rights of way and other rights or privileges with or without consideration. The Beneficiary agrees that it shall execute and deliver and will cause, request or direct the Trustee to execute and deliver any instrument reasonably necessary or appropriate to grant or release any such interest, easement, license, right of way or other right or privilege but only upon receipt of (a) a copy of the instrument of grant or release, (b) a written request of the City requesting such instrument and (c) a certificate executed by the City that the grant or release is not detrimental to the proper conduct of the operations of the City at the Premises and will not materially impair the effective use, nor materially decrease the value, of the Premises.

Release of Fixtures. Notwithstanding any other provisions of the Deed of Trust, at any time so long as there is no Event of Default, with the consent of the Trustee, the Grantor may at any time or times release Fixtures to be added to the Premises from the security interest created hereby with or without consideration. The Beneficiary agrees that it shall execute and deliver and will cause, request or direct the Trustee to execute and deliver any instrument reasonably necessary or appropriate to release any such Fixture but only upon receipt of (a) a copy of the instrument of release, (b) a written request of the City requesting such instrument and (c) a certificate executed by the City that the release is not detrimental to the proper conduct of the operations of the City at the Premises and will not impair the effective use, nor decrease the value, of the Premises.

Amendments. See **"THE CONTRACT--*Amendments*"** above.

Events of Default. The term "*Default*", "*Event of Default*" or "*Events of Default*" as used in the Deed of Trust, will mean any one or more of the following events:

(a) The occurrence of any "*Event of Default*" under the Contract; or

(c) Failure by the City to perform or observe any term, condition or covenant of the Deed of Trust on its part to be observed or performed, other than as referred to in (a) above, or breach of any warranty by the City therein contained, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Deed of Trust Trustee or the Beneficiary unless the Deed of Trust Trustee or the Beneficiary agrees in writing to an extension of such time before its expiration; provided, however, that if the failure cannot be corrected within the stated period, the Deed of Trust Trustee or the Beneficiary will not unreasonably withhold consent for an extension not longer than 180 days.

Acceleration on Default; Additional Remedies. If an Event of Default has occurred and is continuing, the Beneficiary will, at the direction of a majority in aggregate principal amount of the Owners of the Outstanding Bonds, declare all Indebtedness to be due and payable and the same will thereupon become due and payable in accordance with the Contract and the Deed of Trust without any presentment, demand, protest or notice of any kind. Thereafter, the Beneficiary may, to the extent permitted by applicable law and subject to the Contract:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Premises, or any part thereof, in its own name or in the name of the Deed of Trust Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Premises, or part thereof or interest therein, increase the income therefrom or protect the security thereof, and, with or without taking possession of the Premises, sue for or otherwise collect the rents and issues thereof, including those rents and issues past due and unpaid, and apply the same, less costs and expenses of operation and collection including attorney's fees, upon any Indebtedness, all in such order as the Beneficiary may determine. The entering upon and taking possession of the Premises, the collection of such rents and issues and the application thereof as aforesaid, will not cure or waive any Event of Default or notice of Event of Default under the Deed of Trust or invalidate any act done in response to such Default or pursuant to such notice of Default and notwithstanding the continuance in possession of the Premises or the collection, receipt and application of rents and issues, the Deed of Trust Trustee or the Beneficiary, to the extent permitted by applicable law and subject to the Contract, will be entitled to exercise every right provided for in any instrument securing or relating to the Indebtedness or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

(b) Commence an action to foreclose the Deed of Trust as a mortgage, specially enforce any of the covenants of the Deed of Trust, or cause the Deed of Trust Trustee to foreclose the Deed of Trust by power of sale; and

(c) To the extent permitted by applicable law and the terms of the Contract, exercise any or all of the remedies available to a secured party under the Uniform Commercial Code of North Carolina or under any other applicable laws.

NOTWITHSTANDING ANY PROVISIONS CONTAINED IN THE DEED OF TRUST, IT IS THE INTENT OF THE PARTIES TO COMPLY WITH THE PROVISIONS OF NORTH CAROLINA GENERAL STATUTES SECTION 160A-20. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE CITY IN FAVOR OF THE BENEFICIARY IN VIOLATION OF SECTION 160A-20, INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT OR THE DEED OF TRUST WHEN THE SALE OF ALL OR ANY PORTION OF THE PREMISES IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT OR THE DEED OF TRUST. NOTWITHSTANDING ANY PROVISION TO THE CONTRARY IN THE DEED OF TRUST, NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE CITY IN ANY ACTION TO COLLECT ANY OF THE INDEBTEDNESS SECURED BY THE DEED OF TRUST AND THE TAXING POWER OF THE CITY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONIES DUE OR SECURED UNDER THE DEED OF TRUST.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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Parker Poe

May __, 2024

Wilmington Future, Inc.
Wilmington, North Carolina

City of Wilmington, North Carolina
Wilmington, North Carolina

U.S. Bank Trust Company, National Association
Charlotte, North Carolina

$28,890,000
Limited Obligation Bonds, Series 2024
Evidencing Proportionate Undivided Interests in Rights to Receive
Certain Revenues Pursuant to an Installment Financing Contract between
Wilmington Future, Inc. and the City of Wilmington, North Carolina

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the execution and delivery of the $28,890,000 Limited Obligation Bonds, Series 2024 (the "*2024 Bonds*"), evidencing proportionate undivided interests in rights to receive certain Revenues pursuant to an Installment Financing Contract dated as of June 15, 2012 (the "*2012 Contract*"), as previously amended by Amendment Number One to the 2012 Contract dated as of June 1, 2015 (the "*First Amendment*"), Amendment Number Two to the 2012 Contract dated as of May 1, 2020 (the "*Second Amendment*"), Amendment Number Three to the 2012 Contract dated as of May 1, 2021 (the "*Third Amendment*"), Amendment Number Four to the 2012 Contract dated as of May 1, 2023 (the "*Fourth Amendment*"), and Amendment Number Five to the 2012 Contract dated as of July 1, 2023 (the "*Fifth Amendment*"), and as further amended by Amendment Number Six to the 2012 Contract dated as of May 1, 2024 (the "*Sixth Amendment*" and together with the 2012 Contract, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, and the Fifth Amendment, the "*Contract*"), each between Wilmington Future, Inc., a nonprofit corporation organized and existing under the Constitution and laws of the State of North Carolina (the "*Corporation*"), and the City of Wilmington, North Carolina (the "*City*").

The 2024 Bonds are being executed and delivered pursuant to an Indenture of Trust dated as of June 15, 2012 (the "*2012 Indenture*"), as previously supplemented by Supplemental Indenture, Number 1 dated as of June 1, 2015 (the "*First Supplement*"), Supplemental Indenture, Number 2 dated as of May 1, 2020 (the "*Second Supplement*"), Supplemental Indenture, Number 3 dated as of May 1, 2021 (the "*Third Supplement*"), Supplemental Indenture, Number 4 dated as of May 1, 2023 (the "*Fourth Supplement*"), and Supplemental Indenture, Number 5 dated as of July 1, 2023 (the "*Fifth Supplement*"), and as further supplemented by Supplemental Indenture, Number 6 dated as of May 1, 2024 (the "*Sixth Supplement*" and together with the 2012 Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, and the Fifth Supplement, the "*Indenture*"), each between the Corporation and U.S. Bank Trust Company, National Association, as successor trustee (the "*Trustee*"). To secure its obligations under the Contract, the City has executed and delivered a Deed of Trust, Security Agreement and Fixture Filing dated as of June 26, 2012 (the "*2012 Deed of Trust*"), as previously extended by a Notice of Extension of Deed of Trust to Additional Property, dated as of June 1, 2015 (the "*First Extension*"), a Second Notice of Extension of Deed of Trust to Additional Property, dated as of May 1, 2020 (the "*Second Extension*"), a Third Notice of Extension of Deed of Trust to Additional Property, dated as of May 1, 2023 (the "*Third Extension*"), and a Fourth Notice of Extension of Deed of Trust to Additional Property, dated as of July 13, 2023 (the "*Fourth Extension*"), and as further modified by the Deed of Partial Release, dated as of April 2, 2024, releasing the site of the Command Center from the Deed of Trust (the "*Deed of Partial Release*" and together with the 2012 Deed of Trust, the First Extension, the Second Extension, the Third Extension, and the Fourth Extension, the "*Deed of Trust*"), each from the City to the deed of trust trustee named therein. The Corporation has assigned to the Trustee pursuant to the Indenture all of its rights, title and interest in and to the Contract, including the right to receive Installment Payments, but excluding certain reserved rights described in the Indenture, and the Deed of Trust. Each capitalized term used but not defined herein has the meaning given to such term in the Contract and the Indenture, as applicable.

The proceeds of the 2024 Bonds will be used to (1) finance capital costs of (a) street, sidewalk, accessibility, streetscape, and Riverwalk improvements, (b) the acquisition of two blocks of riverfront property and the repair of a bulkhead wall on that property located along the future Water Street Park riverfront edge, and (c) a portion of the construction and equipping of a sports complex, (2) refinance the City's installment payment obligations related to the Corporation's Limited Obligation Bonds, Series 2014A, maturing on and after June 1, 2025, and (3) pay the costs related to the execution, sale and delivery of the 2024 Bonds. The City has agreed under the Contract to pay its Installment Payments required thereunder directly to the Trustee.

In our capacity as Bond Counsel, we have examined executed copies of the Indenture, the Deed of Trust, the Contract, a specimen of the 2024 Bonds, and such law and certified proceedings, instruments, opinions and other documents as we have deemed necessary to render the opinions hereinafter expressed. As to questions of fact material to the opinions hereinafter expressed, we have relied on representations of the Corporation and the City contained in the Contract and the related documents thereto, the certified proceedings and other certifications of public officials and others furnished to us, including certifications furnished to us by or on behalf of the Corporation and the City, without undertaking to verify the same by independent investigation.

We have also relied on the opinion of Meredith T. Everhart, as City Attorney, dated the date hereof, with respect to the City's due authorization, execution and delivery of the Sixth Amendment and other matters set forth therein, and the opinion of J. Alan Campbell, Esq., as counsel to the Corporation, dated the date hereof, with respect to the Corporation's due authorization, execution and delivery of the Sixth Supplement and the Sixth Amendment and other matters set forth therein. We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings that we have examined 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 upon such public records, certifications, documents, opinions and proceedings.

On the basis of the foregoing, we are of the opinion, under existing law, that:

1. The Sixth Supplement has been duly authorized, executed and delivered by the Corporation and is a valid, binding and enforceable obligation of the Corporation and, assuming the due authorization, execution and delivery by the Trustee, creates a valid lien on the Revenues in favor of the Trustee for the benefit of the Owners of the 2024 Bonds.

2. The Sixth Amendment has been duly authorized, executed and delivered by the City and the Corporation and is a valid, binding and enforceable obligation of the City and the Corporation.

3. The 2024 Bonds have been duly authorized, executed and delivered for the purposes described above. The 2024 Bonds evidence valid and legally binding proportionate undivided interests in the Revenues pursuant to the Contract, enforceable in accordance with their terms. The 2024 Bonds are entitled to the benefits and security of the Indenture for the payment thereof from certain amounts to be paid under the Contract in accordance with the terms of the Indenture and the Contract.

4. The portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds, as provided in the Contract, 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 portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. The opinion set forth in the preceding sentence is subject to the condition that the City and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the execution and delivery of the 2024 Bonds in order that the portion of the Installment Payments designated as interest under the Contract and paid as interest with respect to the 2024 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The City and the Corporation have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated as interest under the Contract and paid as interest with respect to the 2024 Bonds to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2024 Bonds. We express no opinion regarding other federal tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest with respect to the 2024 Bonds.

5. The portion of the Installment Payments designated as interest under the Contract and paid as interest with respect to the 2024 Bonds is exempt from State of North Carolina income taxation.

The rights of the Owners of the 2024 Bonds and the enforceability of the Indenture, the Contract, the Deed of Trust, and the 2024 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.

Our services as Bond Counsel in connection with the execution and delivery of the 2024 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 2024 Bonds and the tax-exempt status of interest with respect thereto. We have not been engaged or undertaken to review 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 2024 Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion herein relating thereto (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 under the Contract, that may have been relied on by anyone in making the decision to purchase the 2024 Bonds.

This opinion is delivered to you and for your benefit in connection with the above transaction; it may not be relied on by you for any other purposes and may not be relied on by, nor may copies be provided to, any other person, firm, corporation or other entity without our prior written consent.

Respectfully submitted,

PARKER POE ADAMS & BERNSTEIN LLP

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2024 Bonds. The 2024 Bonds will be delivered as fully-registered certificates 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 certificate for each maturity of each series of the 2024 Bonds will be registered in the name of Cede & Co., as nominee for DTC, each in the aggregate principal amount of such maturity and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2024 BONDS, AS DTC'S PARTNERSHIP NOMINEE, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE 2024 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2024 BONDS.

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 ("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 securities certificates. 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 ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. 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 ("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 and www.dtc.org.

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of 2024 Bonds ("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 Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024 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 the 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with the Trustee, as custodian for 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 2024 Bonds with the Trustee, as custodian for DTC, and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the 2024 Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the 2024 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 of the 2024 Bonds 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 the 2024 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2024 Bonds, such as prepayment, tenders, defaults and proposed amendments to the security documents.

Prepayment notices shall be sent to DTC. If less than all of the 2024 Bonds are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2024 Bonds to be prepaid.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2024 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 or voting rights to those Direct Participants to whose accounts the 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participants and not of DTC (nor its nominee), the City or the Trustee subject to any statutory or regulatory requirements as may be in effect front time to time. Payments of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursements of such payments to the Beneficial Owners shall be -the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its service as securities depository with respect to the 2024 Bonds at any time by giving reasonable notice to the City and Trustee. Under such circumstances, or in the event that a successor depository is not obtained, 2024 Bonds will be printed and delivered. The City may decide to discontinue participation in the system of book-entry transfer through DTC (or a successor securities depository). In that event, 2024 Bonds 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 and the Corporation take no responsibility for the accuracy thereof.

The City, the Corporation and the Trustee cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the 2024 Bonds (a) payments of principal and interest with respect to the 2024 Bonds, (b) confirmations of their ownership interests in the 2024 Bonds or (c) prepayment or other notices sent to DTC or Cede & Co , its partnership nominee, as the registered owner of the 2024 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.

NEITHER THE CITY, THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR PREPAYMENT PRICE OR INTEREST WITH RESPECT TO THE 2024 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 2024 BONDS UNDER THE TERMS OF THE INDENTURE; AND (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL PREPAYMENT OF THE 2024 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.

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CITY OF WILMINGTON
NORTH CAROLINA