

NEW ISSUE  
FULL BOOK-ENTRY

Ratings: Moody's: "Aa2"

S&P: "AA+"

(See "MISCELLANEOUS—Ratings" herein)

*In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law, (1) assuming compliance by the City with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2026 Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the 2026 Bonds is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.*

**\$12,560,000\***



**CITY OF WILMINGTON, NORTH CAROLINA**  
**Storm Water Fee Revenue Refunding Bonds**  
**Series 2026**

**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 issuance of its Storm Water Fee Revenue Refunding Bonds, Series 2026 (the "2026 Bonds"). Selected information is presented on this cover page for the convenience of the user. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**Security:** The 2026 Bonds are special obligations of the City, secured solely by the pledge of Net Revenues, except to the extent payable from proceeds of the 2026 Bonds, investment earnings and certain net insurance and other proceeds. Neither the credit nor the taxing power of the City or the State of North Carolina (the "State") or any of the State's political subdivisions is pledged for the payment of principal of or interest on the 2026 Bonds. No Owner of the 2026 Bonds has the right to compel the exercise of the taxing power of the State, the City or any of the State's political subdivisions or the forfeiture of any of their respective properties in connection with any default on the 2026 Bonds. The principal of and interest on the 2026 Bonds are payable solely from the Net Revenues pledged by the City and neither the State, the City nor any of the State's political subdivisions is obligated to pay the principal of and interest on the 2026 Bonds except from such Net Revenues. See "SECURITY AND SOURCES OF PAYMENT" herein.

**Redemption:** The 2026 Bonds are subject to redemption as described herein.

**Issued**

**Pursuant to:** The 2026 Bonds will be issued pursuant to The State and Local Government Revenue Bond Act, specifically, Article 5, Chapter 159 of the General Statutes of North Carolina, as amended; a General Trust Indenture dated as of October 1, 2007, between the City and U.S. Bank Trust Company, National Association, Charlotte, North Carolina, as successor trustee (the "Trustee") to U.S. Bank National Association; and Series Indenture, Number 3, dated as of May 1, 2026, between the City and the Trustee.

**Purposes:** Proceeds of the 2026 Bonds will be used, together with other available funds, to (a) refinance all or a portion of the City's outstanding \$19,425,000 Storm Water Fee Revenue and Revenue Refunding Bonds, Series 2015A; and (b) pay the costs related to the issuance of the 2026 Bonds.

**Interest Payment**

**Dates:** June 1 and December 1 of each year, commencing December 1, 2026.

**Denomination:** \$5,000 or integral multiples thereof.

**Registration:** Full book-entry-only through The Depository Trust Company. See Appendix F.

**Closing/Delivery**

**Date:** On or about May \_\_, 2026.

**Trustee:** U.S. Bank Trust Company, National Association.

**Bond Counsel:** Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina.

**City Attorney:** Meredith T. Everhart, Esq., Wilmington, North Carolina.

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

**Underwriter's**

**Counsel:** Pope Flynn, LLC, Charlotte, North Carolina.



Date of Official Statement: May \_\_, 2026

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of the 2026 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

## MATURITY SCHEDULE

**\$12,560,000\* Storm Water Fee Revenue Refunding Bonds, Series 2026,  
due June 1, as follows:**

<u>Due</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>1</sup></u>
2027	\$ 855,000			
2028	920,000			
2029	965,000			
2030	1,010,000			
2031	1,065,000			
2032	1,115,000			
2033	1,170,000			
2034	665,000			
2035	705,000			
2036	740,000			
2037	775,000			
2038	815,000			
2039	860,000			
2040	900,000			

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\* Preliminary, subject to change.

<sup>1</sup> CUSIP numbers have been assigned by an independent company not affiliated with the City or the Underwriter and are included solely for convenience of the owners of the 2026 Bonds. Neither the City nor the Underwriter is responsible for selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2026 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after issuance of the 2026 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2026 Bonds.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the 2026 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2026 Bonds by any person in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the City and other sources that are deemed to be reliable, but is not guaranteed as to accuracy or completeness by the Underwriter and is not to be construed as a representation by the Underwriter.

The electronic distribution of this Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2026 Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular state. The 2026 Bonds shall not be offered or sold in any state unless and until they are either registered pursuant to the laws of such state or qualified pursuant to an appropriate exemption from registration in such state.

Neither the 2026 Bonds nor the Indentures have been registered or qualified with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended and Section 304(a)(4) of the Trust Indenture Act of 1939, as amended. The registration or qualification of the 2026 Bonds and the Indentures in accordance with applicable provisions of securities laws of the States in which the 2026 Bonds and the Indentures have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof.

In making an investment decision, investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2026 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

The information set forth herein has been obtained from sources which are believed to be reliable and is in a form deemed final by the County for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)). 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.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

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 a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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## OFFICIAL STATEMENT

*relating to*

**\$12,560,000\***

**CITY OF WILMINGTON, NORTH CAROLINA**  
**Storm Water Fee Revenue Refunding Bonds**  
**Series 2026**

### INTRODUCTION

This Official Statement, which includes the cover and the appendices hereto, provides certain information in connection with the issuance of the Storm Water Fee Revenue Refunding Bonds, Series 2026 (the “2026 Bonds”), of the City of Wilmington, North Carolina (the “City”).

This introduction provides certain limited information to serve as a guide to this Official Statement, and is expressly qualified by this Official Statement as a whole. Prospective investors should make a full review of the entire Official Statement and of the documents summarized or described herein. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Neither the delivery of this Official Statement nor of the 2026 Bonds shall under any circumstances create any implication that there has been no change in the City’s affairs since the date of this Official Statement.

**Purposes.** The City is issuing the 2026 Bonds to (a) refinance all or a portion of the City’s outstanding \$19,425,000 Storm Water Fee Revenue and Revenue Refunding Bonds, Series 2015A (the “2015A Bonds”); and (b) pay the costs related to the issuance of the 2026 Bonds. See “**THE PLAN OF REFUNDING**” and “**ESTIMATED SOURCES AND USES OF FUNDS.**”

**The 2026 Bonds.** The 2026 Bonds will be dated their date of delivery and will bear interest from that date, payable on December 1, 2026, and semiannually thereafter on each June 1 and December 1, at the rates shown on the inside cover page. Principal on the 2026 Bonds will be payable, subject to redemption as described herein, on June 1 in the years and amounts shown on the inside cover page. The 2026 Bonds are offered in denominations of \$5,000 and integral multiples thereof. The 2026 Bonds will be subject to redemption, as described below.

**The City.** See Appendix A hereto for certain information regarding the City.

**Security.** The 2026 Bonds will be special obligations of the City, solely secured by and payable from net revenues (the “*Net Revenues*”) as defined in the General Indenture referenced below, of the City’s storm water facilities (the “*Storm Water Facilities*”), on a parity with all other Bonds Outstanding from time to time under the General Indenture, including, without limitation, the Unrefunded 2015A Bonds (as defined herein), except to the extent payable from proceeds of the 2026 Bonds, certain investment earnings and certain net insurance and other proceeds.

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\*Preliminary, subject to change.

The 2026 Bonds are not payable from the City's general funds and do not constitute a legal or equitable pledge, charge, lien or encumbrance on any of the City's property or on any of its income, receipts or revenues, except the Net Revenues and other funds pledged to their payment. Neither the City's credit nor its taxing power is pledged for the payment of the principal of or interest on the 2026 Bonds, and no Owner has the right to compel the exercise of the City's taxing power or the forfeiture of any City property in connection with any default on the 2026 Bonds. See "**SECURITY AND SOURCES OF PAYMENT.**"

The 2026 Bonds will be authorized and issued pursuant to a bond order adopted by the City Council of the City and pursuant to (1) a General Trust Indenture (the "*General Indenture*") dated as of October 1, 2007, between the City and U.S. Bank Trust Company, National Association, Charlotte, North Carolina, as successor trustee (the "*Trustee*") and (2) Series Indenture, Number 3 ("*Series Indenture, Number 3*") and, collectively with the General Indenture, the "*Indentures*") dated as of May 1, 2026, between the City and the Trustee.

The General Indenture provides for the creation of the Reserve Fund and further provides that the respective series indenture for each series of Bonds issued under the General Indenture will determine whether the Reserve Fund is to be used for such series and, if so, will establish the provisions regarding the use of the Reserve Fund with respect to such series. In connection with the issuance of the 2026 Bonds, no account will be established in the Reserve Fund to secure the 2026 Bonds.

Under the General Indenture, before the beginning of each Fiscal Year, the City is required to fix, establish or maintain or cause to be fixed, established and maintained such fees, rates and charges for the provision of storm water services in the City, and to revise or cause to be revised the same, as necessary, as will produce:

(a) Revenues which together with 50% of the balance in the Surplus Fund at the end of the preceding Fiscal Year is at least equal in such Fiscal Year to the total of (1) the Current Expenses for such Fiscal Year, as may be amended from time to time, plus (2) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year, which includes debt service on the 2026 Bonds, the Unrefunded 2015A Bonds and any other Bonds Outstanding under the General Indenture, plus (3) 100% of the Principal and Interest Requirements on Subordinate Indebtedness to become due during such Fiscal Year, plus (4) 100% of the Principal and Interest Requirements on General Obligation Indebtedness to become due during such Fiscal Year, plus (5) 100% of the Principal and Interest Requirements on Other Indebtedness to become due during such Fiscal Year, plus (6) 100% of the amount required to reimburse the provider of a Qualified Reserve Fund Substitute, if any, for any amounts owing thereunder; and

(b) Revenues at least equal in such Fiscal Year to the total of (1) the Current Expenses for such Fiscal Year, as may be amended from time to time, plus (2) 110% of (1.10 times) the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year, which includes debt service on the 2026 Bonds, the Unrefunded 2015A Bonds and any other Bonds Outstanding under the General Indenture, plus (3) 100% of the Principal and Interest Requirements on Subordinate Indebtedness to become due during such Fiscal Year, plus (4) 100% of the Principal and Interest Requirements on General Obligation Indebtedness to become due during such Fiscal Year, plus (5) 100% of the Principal and Interest Requirements on Other Indebtedness to become due during such Fiscal Year, plus (6) 100% of the amount required to reimburse the provider of a Qualified Reserve Fund Substitute, if any, for any amounts owing thereunder.

“*Current Expenses*,” “*Storm Water Facilities*,” “*Fiscal Year*,” “*General Obligation Indebtedness*,” “*Other Indebtedness*,” “*Principal and Interest Requirements on the Bonds*,” “*Revenues*” and “*Subordinate Indebtedness*” are among the terms used and defined in the General Indenture and Series Indenture, Number 3. For complete definitions of these and other terms, see “—**Definitions of Certain Terms**” in Appendix C.

The 2026 Bonds will be additionally secured by certain funds held by the Trustee under the General Indenture.

**Book-Entry Form.** The 2026 Bonds will be issued in book-entry-only form, without physical delivery of 2026 Bonds to beneficial owners of the 2026 Bonds (“*Beneficial Owners*”). The Trustee will make principal and interest payments to The Depository Trust Company (“*DTC*”), a New York corporation, which will in turn remit such payments to its participants for subsequent distribution to Beneficial Owners. See “**THE 2026 BONDS—Book-Entry-Only Form.**”

**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 Code, interest on the 2026 Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the 2026 Bonds is exempt from State of North Carolina income taxation. See “**TAX TREATMENT**” herein.

**Professionals.** Raymond James & Associates, Inc. (the “*Underwriter*”) is underwriting the 2026 Bonds. Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, is serving as Bond Counsel to the City. Pope Flynn, LLC, Charlotte, North Carolina, is serving as counsel to the Underwriter. Meredith T. Everhart, Esq., Wilmington, North Carolina, is City Attorney. U.S. Bank Trust Company, National Association, Charlotte, North Carolina, as successor trustee (the “*Trustee*”), is serving as the Trustee. Waters and Company, LLC, Birmingham, Alabama, is serving as financial advisor to the City.

**Additional Information.** Additional information and copies in reasonable quantity of the principal financing documents may be obtained during the offering period from Raymond James & Associates, Inc. 5820 Patterson Avenue, Suite 100, Richmond, Virginia 23226, Attention: Public Finance (804-225-1197). 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.

**Continuing Disclosure.** The City has undertaken in Series Indenture, Number 3 to provide certain annual financial information and operating data and to provide notice of certain material events. See “**CONTINUING DISCLOSURE OBLIGATION**” below.

## THE 2026 BONDS

### Authorization

The 2026 Bonds will be issued pursuant to the Indentures.

The City’s issuance of the 2026 Bonds is authorized by (i) The State and Local Government Revenue Bond Act (the “*Act*”), which is Article 5, Chapter 159 of the North Carolina General Statutes, (ii) the Indentures; and (iii) a bond order adopted by the City Council of the City.

The City's issuance of the 2026 Bonds has received the required approval of the North Carolina Local Government Commission (the "LGC"). The LGC is a division of the North Carolina State Treasurer's office charged with general oversight of local government finance in the State of North Carolina (the "State"). The LGC's approval is required for substantially all local government bond issues and substantially all other local government financing arrangements in the State.

Under the Act, in determining whether to allow bonds to be issued, the LGC has wide discretion to consider the need for and feasibility of the projects to be financed, the local government's capability to repay the amount financed from the pledged revenue sources, and the local government's general compliance with State budget and finance laws. Under the Act, the LGC is also responsible, with the issuing unit's approval, for selling bonds issued pursuant to the Act. See Appendix D for additional information on the LGC and its powers and duties.

## **General Terms**

**Payment Terms.** The 2026 Bonds will be dated as of their date of delivery, and will bear interest from their date payable on December 1, 2026, and semiannually thereafter on each June 1 and December 1 (the "*Interest Payment Dates*"), at the rates shown on the inside cover page (calculated on the basis of a 360-day year consisting of twelve 30-day months). The record date for the payment of interest shall be the 15<sup>th</sup> day of the month next preceding the Interest Payment Date. Principal of the 2026 Bonds will be payable, subject to redemption as described herein, on June 1 in the years and amounts shown on the inside cover page. Payments will be effected through DTC. See "**—Book-Entry-Only Form**" below. The Trustee will make payments due on non-Business Days on the succeeding Business Day.

**Denominations.** The 2026 Bonds are offered in denominations of \$5,000 and integral multiples thereof.

**Registration and Exchange.** So long as DTC or its nominee is the registered owner of the 2026 Bonds, transfers and exchanges of beneficial ownership interests in the 2026 Bonds will be available only through DTC participants, as hereinafter described. See "**—Book-Entry-Only Form**" below. The Indentures describe the provisions for transfer and exchange applicable if a book-entry system is no longer in effect.

## **Redemption Provisions**

**Optional Redemption.** The 2026 Bonds maturing on or before June 1, 2036\* are not subject to call and redemption before their maturities. The 2026 Bonds maturing on or after June 1, 2037\* may be redeemed before their maturities, at the option of the City, from any funds that may be available for such purpose, either in whole or in part on any date on or after June 1, 2036, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium.

**Notice of Redemption.** The Trustee shall send notice of redemption of any 2026 Bonds by registered or certified mail not less than 30 days and not more than 60 days prior to the date fixed for redemption (1) to the LGC by Mail or Electronic Means, (2)(a) to DTC or its nominee by registered or certified mail, or as otherwise permitted by DTC's rules and procedures, (b) if DTC or its nominee is no longer the registered owner of the 2026 Bonds, by Mail to the then-registered owners (the "*Owners*") of the 2026 Bonds to be redeemed. Series Indenture, Number 3 also requires the Trustee to send notice of redemption to the MSRB through the MSRB's Electronic Municipal Market Access system pursuant to the procedures promulgated 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

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\* Preliminary, subject to change.

redemption, (ii) the failure to give any such notice or any defect therein shall not affect the validity of the proceedings for the redemption of the 2026 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 the redemption of the 2026 Bonds. The redemption notice may state (1) that it is conditioned upon the deposit of money with the Trustee on the Redemption Date at the time and in an amount equal to the amount necessary to effect the redemption and such notice will be of no effect unless such money is so deposited, and (2) that the City retains the right to rescind the redemption notice on or prior to the Redemption Date, and such notice and optional redemption shall be of no effect if such money is not so deposited or if the notice is rescinded as described in Series Indenture, Number 3.

***Selection of 2026 Bonds for Redemption.*** If less than all of the 2026 Bonds are called for redemption, the City will select the maturity or maturities of the 2026 Bonds to be redeemed. If less than all 2026 Bonds of any maturity are to be redeemed, the 2026 Bonds to be redeemed will be selected (1) by DTC pursuant to its rules and procedures or (2) if a book-entry system is no longer in effect, by the Trustee by lot. If the 2026 Bonds are to be redeemed in part, they may be redeemed only in integral multiples of \$5,000. If a portion of a 2026 Bond is called for redemption, a new 2026 Bond in principal amount equal to the unredeemed portion thereof shall be issued to the Owner thereof upon surrender thereof.

***Effect of Call for Redemption.*** If notice is properly given and the City makes available sufficient funds or securities for redemption at the time and place indicated for redemption, in accordance with the Indentures, the 2026 Bonds or portions thereof so called for redemption shall become due and payable on the redemption date, and interest on such 2026 Bonds or portions thereof shall cease to accrue from and after such date.

### **Book-Entry-Only Form**

The 2026 Bonds will be delivered as fully registered certificates in book-entry-only form without physical delivery of certificates to the beneficial owners of the 2026 Bonds. The Trustee will make payments of principal of and interest on the 2026 Bonds to DTC, which will in turn remit such payments to its direct participants for subsequent distribution to the beneficial owners of the 2026 Bonds. See Appendix F hereto.

## **SECURITY AND SOURCES OF PAYMENT**

### **Special Obligations**

The 2026 Bonds will be special obligations of the City, solely secured by and payable from the Net Revenues on a parity with all other Bonds Outstanding from time to time under the General Indenture, including, without limitation, the Unrefunded 2015A Bonds, except to the extent payable from proceeds of the 2026 Bonds, investment earnings and certain net insurance and other proceeds.

The 2026 Bonds are not payable from the City's general funds and do not constitute a legal or equitable pledge, charge, lien or encumbrance on any of the City's property or on any of its income, receipts or revenues, except the Net Revenues and other funds pledged thereto under the General Indenture and Series Indenture, Number 3. Neither the City's credit nor its taxing power are pledged for the payment of the principal of or interest on the 2026 Bonds, and no Owner has the right to compel the exercise of the City's taxing power or the forfeiture of any of its property in connection with any default on the 2026 Bonds.

The concept of Net Revenues, as more fully described below, is related to rents, rates, fees, charges, assessments or other charges or other income derived by the City in connection with the management and operation of the “Storm Water Facilities.” See “**THE STORM WATER FACILITIES.**”

### **Pledge of Net Revenues**

The Net Revenues are pledged to the payment of, and as security for, all Bonds Outstanding under the General Indenture, including the 2026 Bonds, the Unrefunded 2015A Bonds and any Additional Bonds that may be issued under the General Indenture.

“*Net Revenues*” means the excess of Revenues over Current Expenses.

“*Revenues*” means all rents, rates, fees, charges, assessments or other charges or other income received by the City as authorized by Section 160A-314 of the General Statutes of North Carolina, as amended, or imposed directly by the City in connection with the management and operation of the Storm Water Facilities, and all parts thereof, including amounts received from the investment or deposit of money in any Fund or Account (but not including amounts received from interest or other investment income earned in (a) the Construction Fund and (b) during the construction period, if the related Series Indenture directs that such earnings be deposited in the Construction Fund, the Reserve Fund), all as calculated in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture, but does not include (1) net proceeds of insurance or condemnation awards or other extraordinary items, (2) any amounts received by the City representing sales or use taxes which may be required by law or agreement to be paid to the State or a governmental unit thereof, or (3) any refundable money attributable to the Storm Water Facilities or (4) any unrealized gains.

“*Current Expenses*” means the current expenses of operation, maintenance and current repair of the Storm Water Facilities, as calculated in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture, but not including (1) any allowance for depreciation or replacements of capital assets of the Storm Water Facilities, (2) money payable as Interest or as interest on General Obligation Indebtedness, Subordinate Indebtedness or Other Indebtedness, (3) money deposited or transferred to the Reserve Fund and (iv) unrealized losses. For a complete definition of “Current Expenses,” see “—**DEFINITIONS OF CERTAIN TERMS**” in Appendix C.

### **Rate Covenant**

Under the General Indenture, before the beginning of each Fiscal Year, the City is required to fix, establish or maintain or cause to be fixed, established and maintained such fees, rates and charges for the provision of storm water services in the City, and to revise or cause to be revised the same, as necessary, as will produce:

- (a) Revenues which together with 50% of the balance in the Surplus Fund at the end of the preceding Fiscal Year is at least equal in such Fiscal Year to the total of (1) the Current Expenses for such Fiscal Year, as may be amended from time to time, plus (2) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year, which includes debt service on the 2026 Bonds, the Unrefunded 2015A Bonds and any other Bonds Outstanding under the General Indenture, plus (3) 100% of the Principal and Interest Requirements on Subordinate Indebtedness to become due during such Fiscal Year, plus (4) 100% of the Principal and Interest Requirements on General Obligation Indebtedness to become due during such Fiscal Year, plus (5) 100% of the Principal and Interest Requirements on Other Indebtedness to become due during such Fiscal Year, plus (6) 100% of the amount

required to reimburse the provider of a Qualified Reserve Fund Substitute, if any, for any amounts owing thereunder; and

(b) Revenues at least equal in such Fiscal Year to the total of (1) the Current Expenses for such Fiscal Year, as may be amended from time to time, plus (2) 110% of (1.10 times) the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year, which includes debt service on the 2026 Bonds, the Unrefunded 2015A Bonds and any other Bonds Outstanding under the General Indenture, plus (3) 100% of the Principal and Interest Requirements on Subordinate Indebtedness to become due during such Fiscal Year, plus (4) 100% of the Principal and Interest Requirements on General Obligation Indebtedness to become due during such Fiscal Year, plus (5) 100% of the Principal and Interest Requirements on Other Indebtedness to become due during such Fiscal Year, plus (6) 100% of the amount required to reimburse the provider of a Qualified Reserve Fund Substitute, if any, for any amounts owing thereunder.

The City has covenanted in the General Indenture that all users, including political subdivisions and public bodies (State or federal) who receive services from the Storm Water Facilities will pay therefor at the established rates, fees and charges, but the City may adopt specific policies with respect to use by persons of low income and the rates, fees and charges need not be uniform.

### **State Law**

Under current North Carolina law, the City is authorized to establish and revise from time to time schedules of rents, rates, fees, charges, and penalties for the use of or the services furnished by any “public enterprise,” which as defined includes structural and natural storm water and drainage systems of all types. The enabling legislation also expressly precludes two or more units of local government which operate separate structural and natural storm water and drainage systems in the same area within a county from levying separate storm water fees, but does permit those units to allocate among themselves the functions, duties, powers and responsibilities for jointly operating a single structural and natural storm water and drainage system within the same area within a county, provided that only one of the units party to such joint agreement may actually levy the storm water fee within the joint service area. New Hanover County (the “*County*”), the County in which the City is located, does not operate a separate storm water system.

Current North Carolina law further provides that a unit of local government that has issued revenue bonds, including revenue bonds issued to refund prior revenue bonds, for which revenue bonds storm water fees have been pledged as security and as the source of repayment, may continue to levy a storm water fee for the sole purpose of (i) paying principal, interest, or redemption premiums on such bonds in accordance with their terms, (ii) funding any reserve requirements or similar obligations imposed by any documents, instruments, or agreements pursuant to which such revenue bonds are authorized or issued or securing the same or any related credit facility, liquidity facility, derivative agreement, or any other similar agreement, and (iii) paying any related cost, fees and expenses until the revenue bonds are retired.

If the County were to establish its own storm water system, under current North Carolina law, the City would retain the independent authority to levy and collect a storm water fee for the purposes described above so long as any Bonds remain outstanding under the General Indenture, notwithstanding any modification, termination or expiration of any joint agreement between the City and the County or other action by the County seeking to modify the current system for billing storm water fees. However, if any such joint agreement were to expire or terminate, or the then current billing system were changed by the County, then after such event the City would be precluded under current North Carolina law from issuing any Additional Bonds under the General Indenture to fund the cost of any new money projects.

Nevertheless, the City could still issue Additional Bonds under the General Indenture to refund Bonds outstanding at the time of termination or expiration of such joint agreement or change in billing system. If no Bonds are Outstanding under the General Indenture at the time of expiration or termination of the such joint agreement or change in billing system, then under current North Carolina law the City would be precluded from continuing to levy a storm water fee.

### **Funds and Accounts Held Under General Indenture**

The General Indenture establishes several separate funds and accounts for the custody and application of Bond proceeds, Revenues, and other funds.

As provided in Series Indenture, Number 3, the proceeds of the 2026 Bonds will be deposited in (i) the 2026 Cost of Issuance Account of the Construction Fund created under the General Indenture and held by the Trustee and allocated therein to pay Costs of Issuance related to the 2026 Bonds, and (ii) the Bond Fund established under the General Indenture and held by the Trustee to provide funds to redeem the Refunded Bonds (as defined herein) as the City shall direct in separate writing.

The City will cause all Revenues to be deposited in the Storm Water Management Fund as such Revenues are received by the City. Under the General Indenture, the City is required periodically to transfer amounts from the Storm Water Management Fund to other funds and accounts, including funds and accounts to be used for payment of Current Expenses and debt service on Bonds Outstanding under the General Indenture, including the 2026 Bonds and the Unrefunded 2015A Bonds, and for payment of other contractual obligations related to the Storm Water Facilities. See “—FUNDS AND ACCOUNTS” in Appendix C.

All of the money and securities held in the funds and accounts established by the General Indenture, except for the Storm Water Management Fund, the Capital Improvement Fund and the Surplus Fund, are pledged on a parity to the Trustee for the benefit of the Owners to secure payment of the 2026 Bonds, the Unrefunded 2015A Bonds and any other Bonds Outstanding from time to time under the General Indenture.

### **The Reserve Fund**

The General Indenture provides for the creation of the Reserve Fund and further provides that the respective series indenture for each series of Bonds issued under the General Indenture will determine whether the Reserve Fund is to be used for such series and will establish the provisions regarding the use of the Reserve Fund with respect to such series.

In connection with the issuance of the 2026 Bonds, no account will be established in the Reserve Fund to secure the 2026 Bonds.

### **Additional Bonds**

Under the conditions described in the General Indenture and without the approval or consent of the Owners, the City can incur additional parity indebtedness secured by a lien on Net Revenues and certain other funds ranking on a parity with the lien securing the 2026 Bonds and the Unrefunded 2015A Bonds. See “—ISSUANCE OF ADDITIONAL BONDS” in Appendix C.

## THE PLAN OF REFUNDING

### Refunding

The City has issued its 2015A Bonds, a portion of the proceeds of which were used by the City to finance improvements to the City's Storm Water Facilities. Currently, \$14,220,000 in aggregate principal amount of 2015A Bonds are outstanding.

On the date of delivery of the 2026 Bonds, the City expects to use a portion of the proceeds of the 2026 Bonds to refund in advance of their maturities each maturity of the 2015A Bonds maturing on June 1, 2027 through June 1, 2040, inclusive (collectively, the "*Refunded Bonds*") as set forth in the following table:

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal Amount</u> <sup>1</sup>
2027	\$ 985,000
2028	1,020,000
2029	1,050,000
2030	1,100,000
2031	1,160,000
2032	1,205,000
2033	1,250,000
2034	740,000
2035	780,000
2037	1,670,000
2040	2,760,000

<sup>1</sup>Subject to change.

The 2015A Bonds maturing on June 1, 2026 in the aggregate outstanding principal amount of \$950,000 are not included in the Refunded Bonds, are referred to herein as the "Unrefunded 2015A Bonds" and will remain outstanding as of the date of delivery of the 2026 Bonds until payment of such Unrefunded 2015A Bonds on June 1, 2026.

On the date of closing of the 2026 Bonds, the Trustee, in its capacity as trustee for the Refunded Bonds, will deposit a portion of the proceeds of the 2026 Bonds and certain City funds, in the Bond Fund established by the General Indenture to redeem the Refunded Bonds as the City shall direct in writing. Until the Refunded Bonds are redeemed, such funds will be held irrevocably in trust for the registered owners of the Refunded Bonds and, except for any small portion that may be held uninvested by the trustee for the Refunded Bonds, will be invested by the trustee for the Refunded Bonds in a portfolio of securities, as directed in writing by the City, that will bear interest at such rates and mature at such times and in such amounts so that sufficient money will be available to pay (a) the interest on the Refunded Bonds when due through June 22, 2026 and (b) on June 22, 2026, the principal of the Refunded Bonds at which time the outstanding principal of and interest on such Refunded Bonds will be paid in full. Upon the making of the deposit referred to above, the obligations of the City with respect to the holders of the Refunded Bonds will be fully discharged and satisfied, and such holders will be entitled to payment only from the proceeds of the government obligations purchased by the trustee for the Refunded Bonds with such money. See “**VERIFICATION OF MATHEMATICAL ACCURACY**” herein.

### **ESTIMATED SOURCES AND USES OF FUNDS**

The following table presents estimated information as to sources and uses of funds for the plan of financing.

**Sources of Funds:**

Par amount of 2026 Bonds  
 [Net] Original Issue [Premium/Discount]  
 City Contribution  
 Total

**Uses of Funds:**

Bond Fund Deposit  
 Costs of Issuance<sup>1</sup>  
 Total

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<sup>1</sup> Includes underwriter’s discount, legal fees, printing costs, rating agency fees and other miscellaneous transaction costs.

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## DEBT SERVICE REQUIREMENTS

The following table presents information on the City’s debt service obligations on the 2026 Bonds and the Unrefunded 2015A Bonds, the proceeds of which were applied to improvements to the Storm Water Facilities and the principal of and interest on which are payable from the Net Revenues.

<b>Fiscal Year Ending June 30</b>	<b><u>2026 Bonds</u></b>			<b><u>Unrefunded 2015A Bonds</u></b>	<b><u>Total of 2026 Bonds and Unrefunded 2015A Bonds</u></b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>		
2026				\$966,250	
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
Totals					

Note: Totals may not foot due to rounding.

## FINANCIAL SCHEDULES

The following table prepared by the City summarizes certain historical financial information related to the Storm Water Facilities. For purposes of the following table, Revenues and Current Expenses have been determined on the basis of the definitions thereof in the General Indenture.

### Historical Financial Information

	<u>Fiscal Year Ending June 30</u>				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues					
Charges for Services:					
Utility Fees	\$9,447,968	\$9,769,114	\$9,782,139	\$9,917,482	\$10,268,791
City Streets <sup>(1)</sup>	2,939,139	3,042,743	3,150,000	3,261,038	3,375,990
Grants/CFPUA Reimbursements	57,628	-	1,622,838	624,453	956,538
Other Revenues	189,243	37,114	116,837	59,923	127,611
Investment Earnings <sup>(2)</sup>	<u>39,434</u>	<u>27,065</u>	<u>797,228</u>	<u>1,225,701</u>	<u>1,354,147</u>
Total Revenue	\$12,673,412	\$12,876,036	\$15,469,042	\$15,088,597	\$16,083,077
Current Expenses <sup>(3)</sup>	<u>\$7,197,565</u>	<u>\$6,412,240</u>	<u>\$8,138,100</u>	<u>\$7,899,231</u>	<u>\$7,931,772</u>
Net Revenues Available for Debt Service	\$5,475,847	\$6,463,796	\$7,330,942	\$7,189,366	\$8,151,305
Revenue Bond Debt Service Coverage <sup>(4)</sup>	3.21	4.35	4.72	4.63	5.25
Total Debt Service <sup>(5)</sup>	\$1,799,662	\$1,573,725	\$1,633,000	\$1,628,200	\$1,620,805
Total Debt Service Coverage <sup>(4)</sup>	3.04	4.11	4.49	4.42	5.03

<sup>(1)</sup> The City transfers an annual amount to the Storm Water Management Fund from its General Fund for impervious surface area of streets and sidewalks owned by the City. Amounts paid by the City with respect to general governmental improvements and City buildings are included in Utility Fees and therefore are not included in the charge for City streets. In those years where the rate charged to customers per ERU increased, the transfer (charge for City streets) increased by an equal proportion, plus an additional 0.47%.

<sup>(2)</sup> Includes earnings on the Storm Water Management Enterprise Fund and the Storm Water Capital Projects Fund. Excludes Unrealized Gains pursuant to the definition of Revenues included in the General Indenture.

<sup>(3)</sup> Excludes Depreciation and Amortization.

<sup>(4)</sup> Based on the information set forth in the table above, in each Fiscal Year, the City satisfied the requirements of the Rate Covenant as described in “**SECURITY AND SOURCES OF PAYMENT-Rate Covenant**” herein.

<sup>(5)</sup> Includes Debt Service on Storm Water Fee Revenue Bonds and Other Indebtedness related to the Storm Water Facilities.

## Projected Financial Information

### *Statement of Assumptions*

Certain assumptions were made in conjunction with the financial projections prepared by the City for the Storm Water Facilities for the six Fiscal Years ending June 30, 2026 through 2031. These assumptions, as well as the financial projections, were reviewed by the City's financial advisor experienced in the preparation of financial projections for municipal utilities and found to be reasonable. The following is a summary of the primary assumptions made in conjunction with the financial projections:

1. The City's storm water utility fee structure is based on an impervious area rate methodology utilizing an Equivalent Residential Unit (ERU) of 2,500 square feet of imperviousness. This unit is applied to all single-family properties and is applied to all non-single-family properties by measurement of the amount of impervious surface.
2. The City rate per ERU is \$8.97 per month during fiscal year 2026 and is projected to increase by 3.34% annually.
3. The number of ERUs billed is projected to increase by 0.5% annually from its current level of 101,709.
4. The City transfers an annual amount to the Storm Water Management Fund from its General Fund for impervious surface area of streets and sidewalks owned by the City. The amount of this transfer in fiscal year 2026 is expected to be \$2,774,318 and is projected to increase by approximately 3.8% annually.
5. Projected utility fees revenues are reduced by \$190,000 annually for delinquencies and credits for capital contributions from customers.
6. Current expenses of \$7,949,498 for fiscal year 2026 are based on staff estimates as of January 21, 2026, and are projected to increase by 4.0% annually.
7. Projected investment income on operating and capital funds is based on projected investment yields of 3.75% in fiscal year 2026, 3.25% in fiscal year 2027, 2.50% in fiscal year 2028, and 2.00% thereafter.
8. Capital Expenditures for Storm Water Facilities are projected to be \$4,835,392 in fiscal year 2026 and then \$60,017,514 for the five-year period ending in fiscal year 2031, funded with \$23,000,000 from proceeds of future bonds and \$37,017,514 from internally-generated pay-as-you-go funds. See, "**THE STORM WATER FACILITIES—Capital Improvement Program**" herein.
9. New money bond proceeds of \$11,500,000 will be generated from future bonds in 2027, followed by a second issue for the same amount in 2029. Future bonds are assumed to be issued as one-year interest only followed by 24-year level debt service at an all-in interest cost of 5.00%.

### ***Projected Financial Information***

For purposes of the following table, Revenues and Current Expenses have been determined on the basis of the definitions thereof in the General Indenture.

	<u>Fiscal Year Ending June 30 (000's omitted)</u>					
	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Revenues						
Charges for Services:						
Utility Fees	\$10,757,958	\$11,180,188	\$11,618,702	\$12,074,129	\$12,547,119	\$13,038,352
City Streets <sup>(1)</sup>	2,774,318	2,880,455	2,990,653	3,105,066	3,223,857	3,347,192
Grants/CFPUA Reimbursements	1,571,586	-	-	-	-	-
Other Operating Revenues	100,000	100,000	100,000	100,000	100,000	100,000
Investment Earnings <sup>(2)</sup>	<u>1,322,889</u>	<u>995,462</u>	<u>774,080</u>	<u>413,140</u>	<u>497,867</u>	<u>435,414</u>
Total Revenues	\$16,526,752	\$15,156,105	\$15,483,435	\$15,692,334	\$16,368,843	\$16,920,957
Current Expenses <sup>(3)</sup>	<u>7,949,498</u>	<u>8,741,184</u>	<u>9,090,831</u>	<u>9,454,465</u>	<u>9,832,643</u>	<u>10,225,949</u>
Net Revenues Available for Debt Service	\$ 8,577,254	\$ 6,414,921	\$ 6,392,604	\$ 6,237,870	\$ 6,536,200	\$ 6,695,009
Revenue Bond Debt Service <sup>(4)</sup>	\$ 1,549,450	\$ 1,551,200	\$ 2,126,725	\$ 2,384,540	\$ 2,957,040	\$ 3,220,456
Revenue Bond Debt Service Coverage (times)	5.54	4.14	3.01	2.62	2.21	2.08
Total Debt Service <sup>(4)</sup>	\$ 1,549,450	\$ 1,551,200	\$ 2,126,725	\$ 2,384,540	\$ 2,957,040	\$ 3,220,456
Total Debt Service Coverage (times)	5.54	4.14	3.01	2.62	2.21	2.08

<sup>(1)</sup> The City transfers an annual amount to the Storm Water Management Fund from its General Fund for impervious surface area of streets and sidewalks owned by the City. See footnote (1) to the table under the heading “**THE STORM WATER FACILITIES—Major Customers**” herein.

<sup>(2)</sup> Includes earnings on the Storm Water Management Enterprise Fund and the Storm Water Capital Projects Fund.

<sup>(3)</sup> Excludes depreciation and amortization.

<sup>(4)</sup> Includes debt service on the 2015A Bonds, including the Refunded Bonds and the Unrefunded 2015A Bonds, and Additional Bonds to be issued under the General Indenture in fiscal years 2027 and 2029. See “**Statement of Assumptions**” paragraph (9) above. Projected annual debt service savings resulting from the Bonds are not included.

## THE STORM WATER FACILITIES

The City operates various storm water facilities serving residents within the City's incorporated limits. At June 30, 2025, the City had approximately 34,831 single family-type storm water accounts, where each pays a fee based on one Equivalent Residential Unit ("ERU"), and 5,064 non-single family-type accounts, where each account pays a fee based on actual digitized impervious area converted to one ERU per 2,500 square feet of impervious area. Total ERUs as of June 30, 2025 were equal to 101,203.

### Organization and Management

The Storm Water system is owned by the City and operated through the City's Public Services Department. The Public Services Department consists of six divisions: Administration, Public Buildings, Solid Waste Management, Parks and Urban Forestry, Streets and Storm Water Services. As of June 30, 2025, the Storm Water Services Division had 62 full-time employees. Through Interlocal Agreement, the Cape Fear Public Utility Authority provides billing and collection services for the Storm Water System. See "**THE STORM WATER FACILITIES—Billings and Collection Procedures**" herein.

As a division of the City, the Storm Water System is under the administrative control of the City Manager. The Director of the Public Services Department is the chief administrator of the Storm Water System and reports directly to the Deputy City Manager.

*Rebecca L. Hawke* is the City Manager of the City. Ms. Hawke has held this position since June 30, 2025. She comes to Wilmington from Matthews, North Carolina where she served as town manager and previously assistant town manager since 2016. Hawke brings more than 18 years of local government experience to the role, with broad executive experience in organizational leadership and community engagement. Prior to Matthews, Hawke spent over nine years in local government in Virginia, serving in executive roles for the Town of Christiansburg and City of Radford. Hawke is a Credentialed Manager through the International City/County Management Association (ICMA-CM). She holds a B.A. in Communication Studies from Hollins University, an M.S. in Corporate and Professional Communication from Radford University, and a Master of Public Administration degree from the University of North Carolina at Chapel Hill. She also holds a Master's Certificate in Human Resources Management from Cornell University and is a graduate of the Public Executive Leadership Academy (PELA) through UNC-Chapel Hill's School of Government.

*Mary Vigue* is one of two Deputy City Managers of the City. Ms. Vigue has held this position since May of 2022 following service with the City of Raleigh since 2017. She previously held the roles of Assistant City Manager for the City of Greensboro and Executive Director of an education foundation. In her capacity as Deputy City Manager, Vigue oversees the City's finance, internal audit, budget, information technology and human resources departments. She holds a Master of Public Administration degree from UNC-Chapel Hill.

*Thom Moton* is one of two Deputy City Managers of the City. Mr. Moton has held this position since April of 2018 and has more than 20 years of local government experience, including Assistant City Manager positions in North Carolina, Missouri and Texas. Prior to joining the City team, he served as Assistant City Manager for Rocky Mount, overseeing several areas such as parks and recreation and public works. Mr. Moton received both his Bachelor's degree in Business Administration in 1992 and his Master's degree in Public Administration from the University of North Texas.

*Martha Wayne* is the City's Finance Director. Ms. Wayne accepted this position in December 2025. Wayne is a seasoned financial leader with over 20 years of experience in both the public and private sectors. She most recently served as Deputy Chief Financial Officer for New Hanover County, where she played a crucial role in managing the County's fiscal operations, investments, debt, grants, and capital projects. She is a Certified Public Accountant (CPA) and holds both a Master of Accounting and a

Bachelor of Science in Accounting from North Carolina State University. Before joining the County, Wayne held several key roles at public accounting firms RSM US LLP and Cherry Beakert & Holland, where she focused on client relationships, audit planning, and staff development. As the City's Finance Director, Wayne is responsible for overseeing the City's financial operations, managing financial reporting, and ensuring the effective use of public funds. She plays a central role in advising City leadership on fiscal policies and strategies.

*Dennis LaCaria* is the City's Chief of Staff. Mr. LaCaria joined the City in October 2025 and will lead high-priority initiatives, foster collaboration across departments, and translate strategic vision into measurable results, improving government performance and ensuring high-quality service delivery to the City's residents. Mr. LaCaria brings more than 20 years of executive leadership in local government and public education. As Executive Director of Facilities Management for Charlotte-Mecklenburg Schools, he secured the North Carolina's largest school bond referendum at \$2.5 billion, obtained an additional \$26.5 million in local funding, and managed a \$9 billion portfolio of physical assets. He has also served as Senior Assistant to the County Manager in Mecklenburg County, North Carolina, where he advanced major initiatives in capital planning, affordable housing, and health and human services. Mr. LaCaria holds a Six Sigma certificate from North Carolina State University, a certificate in Educational Facilities Planning from San Diego State University, and has completed UNC-Chapel Hill's Principal's Executive Program.

*Aaron Beckner* is the Manager of the City's Storm Water Services Division and Assistant Public Works Director. Mr. Beckner has been with the City since 2017. He holds a Bachelor of Science in Civil Engineering from New Hampshire University. He currently administers a budget for the storm water enterprise fund in excess of \$14 million and manages 62 employees in the Storm Water Services Division.

In addition to the individuals and positions described above, the City of Wilmington is currently in the process of recruiting an Assistant City Manager for Community Excellence to join the City's executive leadership team. This position will report directly to the City Manager and serve as a trusted advisor and operational leader, providing strategic vision and overseeing a new, diverse portfolio of departments focusing on economic development, emergency management, compliance, community building, and planning and development.

## **General**

The City historically maintained the drainage system within public rights of way and officially accepted easements on private property. This approach meant that other portions of the drainage system that are not within officially-accepted easements were receiving little to no maintenance or improvement by property owners. In many cases, flooding problems on public streets were being caused by the portion of the system on private property. Without access to these segments of the system, solutions to flooding on public property are limited.

In 1996, residents of the City spoke out about persistent flooding situations as well as water quality concerns. The City Council responded by directing staff to provide recommendations on expanding the storm water program. In October 1996, staff recommended a comprehensive storm water program expansion that covered five major areas that are discussed below under "**Storm Water Program and Facilities.**" In addition, the recommendation included financing this expansion with the establishment of storm water services fees. Following a lengthy process to establish the mechanism for billing storm water service fees, the City Council approved an ordinance enacting the formation of a storm water utility in July 1998.

## Storm Water Program and Facilities

The City's Storm Water Services Division maintains and improves the public drainage system for protection of the community and the environment. This mission involves the portions of man-made and natural systems on City property, in public rights of way and in officially accepted easements on private property. The 52.9 square miles in the City's corporate limits drain either to the Cape Fear River on the west side or to the Intracoastal Waterway on the east side. The entire drainage system is comprised of a variety of pipes, structures, culverts, channels, ditches, creeks and retention facilities and is in excess of 630 miles. Pursuant to an interlocal agreement with the North Carolina Department of Transportation ("NCDOT"), Wilmington has assumed maintenance responsibility for the portion of system within NCDOT right of ways.

Wilmington's expanded stormwater program includes the following program areas:

- Management and Planning – This program area includes the administrative oversight of the storm water utility. Personnel management, interaction with citizens and maintenance of GIS databases are several of the typical tasks that are dealt with on a daily basis.
- Capital Improvements – Through use of the City's Engineering Division or outside Engineering consultants, drainage improvement projects are implemented to deal with flooding problems, water quality improvements, erosion or stability issues and access for long term maintenance.
- Operations and Maintenance; Street Sweeping – The City has 54 employees that maintain the public drainage system on a daily basis. The closed drainage section primarily deals with repairing, cleaning or improving pipes, catch basins and other drainage structures. The open drainage section is responsible for keeping roadside swales, ditches and larger channels free from debris and in serviceable condition. The Stormwater Control Measure (SCM) section maintains over 131 acres of publicly-owned retention ponds, storm water wetlands and Greenfield Lake. The street sweeping section keeps sediment and debris from entering the drainage system, clogging it and then polluting creeks and streams.
- Water Quality – In 1998, the City joined with New Hanover County to begin monitoring all watersheds within the area. The University of North Carolina at Wilmington ("UNC-Wilmington") has performed the monitoring and has provided valuable information on the health of the City's natural resources.
- Regulatory and Enforcement – With the passage of federal storm water regulations and existing City codes, the City has devoted resources for implementing National Pollutant Discharge Elimination System ("NPDES") requirements and enforcement of its Illicit Discharge Detection and Elimination (IDDE) program and maintenance standards on privately owned retention ponds.

## Environmental Compliance

The North Carolina Division of Water Quality renewed NPDES Phase II permit NCS000406 previously issued to the City (the "NPDES Phase II Permit"), which became effective on February 1, 2018. This is Wilmington's third five-year cycle with respect to the NPDES Phase II Permit. The NPDES Phase II Permit, which originates with the United States Environmental Protection Agency but is implemented by the State of North Carolina, requires the City to implement six minimum measures of storm water quality over a five- year period. The six measures include: (1) public education and outreach; (2) public involvement and participation; (3) construction site runoff; (4) pollution prevention/good housekeeping; (5) post-construction management; and (6) illicit discharge detection and elimination.

Because of the resources made available by creation of the storm water utility, the City is well equipped to maintain compliance with the five-year plan included in the permit.

### Capital Improvement Program

The City has developed and implemented an informal capital improvement plan for the Storm Water Facilities. The City has covenanted in the General Indenture to maintain a five-year capital improvement plan which incorporates the capital improvement plan related to the Storm Water Facilities and has also covenanted to file its capital improvement plan each year with the Trustee within 30 days after it is adopted by the City Council of the City.

The plan in its current form contemplates the total cost of capital improvements to the Storm Water Facilities to be approximately \$67,017,130 for the period shown in the table set below. The table provides an overall breakdown of certain prior capital expenditures made by the City with respect to the Storm Water Facilities and the projected capital expenditures, together with the actual and estimated sources of funds to be used to finance these capital improvements.

PROJECTED CAPITAL EXPENDITURES (AND RELATED PRIOR CAPITAL EXPENDITURES)								
Project Name	Prior Years	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Totals
Wisteria/Clearbrook Area Drainage	\$ 689,852	\$ 755,225	\$ 4,388,004	\$ -	\$ -	\$ -	\$ -	\$ 5,833,081
Brookshire/Beasley Drainage Project	786,269	62,116	4,859,669	5,703,327	-	-	-	11,411,381
Clear Run Branch Drainage	-	-	657,419	3,897,810	3,772,696	-	-	8,327,925
New McCumbers Drainage Outfall	-	-	-	-	843,117	2,671,497	2,650,000	6,164,614
Red Berry Drainage Improvements	198,341	94,765	1,350,000	1,350,000	-	-	-	2,993,106
Annual Storm Drain Rehabilitation	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,900,000	12,900,000
Eagles Nest Drainage	5,450	-	-	1,250,000	1,250,000	1,500,000	-	4,005,450
Pirates Cove Drainage Improvements	205,625	23,398	1,506,845	-	-	-	-	1,735,868
Whispering Pines & Masonboro Sound Drainage	170,252	200,000	503,000	1,220,799	1,220,799	-	-	3,314,850
New Orleans Place Drainage	5,057	-	-	248,420	859,675	-	-	1,113,152
Storm Rehab ANC - Buffaloes Outfall	11,939	25,332	25,000	130,000	132,729	-	-	325,000
Culvert Replacement - Kelly Road	-	200,000	238,510	202,720	1,356,158	1,350,000	-	3,347,388
Storm Rehab ANC - Robert E Lee	-	700,000	-	-	-	-	-	700,000
Storm Rehab ANC - Aecom W Lake S	-	250,000	-	-	-	-	-	250,000
Storm Rehab ANC - Kirby Smith/CA	-	170,000	-	-	-	-	-	170,000
10th & Grace Storm Drainage	91,439	354,556	-	-	-	-	-	445,995
Elisha / Camberly Drainage	-	-	-	473,895	2,158,488	-	-	2,632,383
Whisky Creek Drainage	-	-	-	-	-	400,000	200,000	600,000
Greenville Loop Road Harvest Grove Lane Drainage	-	-	-	57,107	689,830	-	-	746,937
	<b>\$ 2,164,224</b>	<b>\$ 4,835,392</b>	<b>\$ 15,528,447</b>	<b>\$ 16,534,078</b>	<b>\$ 14,283,492</b>	<b>\$ 7,921,497</b>	<b>\$ 5,750,000</b>	<b>\$ 67,017,130</b>
ESTIMATED PERMANENT SOURCES OF FUNDING								
	Prior Years	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Totals
<b>Parity Debt Funding (City):<sup>1</sup></b>								
Revenue Bonds (Future)	\$ -	\$ -	\$ 7,428,078	\$ 3,925,869	\$ 5,089,301	\$ 3,906,752	\$ 2,650,000	\$ 23,000,000
<b>Pay-As-You-Go Funding (City):</b>								
Storm Water Management Fund	2,072,863	4,501,373	6,628,669	12,608,209	9,194,191	4,014,745	3,100,000	42,120,050
<b>Sources From Other Entities:</b>								
Grants and Government Contributions	91,361	334,019	1,471,700	-	-	-	-	1,897,080
<b>Total Sources of Funding</b>	<b>2,164,224</b>	<b>4,835,392</b>	<b>15,528,447</b>	<b>16,534,078</b>	<b>14,283,492</b>	<b>7,921,497</b>	<b>5,750,000</b>	<b>67,017,130</b>

<sup>1</sup> Reflects capital expenditures to be funded by the City through issuance of debt.

## Storm Water Fees

Charges for storm water services currently are divided into two classes:

- Single Family detached residence; and
- All other properties that include impervious surface.

Storm Water rates are reviewed annually by the City Manager during consideration of the Fiscal Year’s operating budget, together with a review of existing debt service and future debt service for bonds supported by storm water fees. The City Manager then recommends the storm water rates to be in effect for the ensuing Fiscal Year to City Council. The City Council establishes the rates to be charged by the City for its storm water facilities.

The following table outlines the storm water rate changes since 2020. The City approved rate increases take effect on July 1 of each fiscal year.

### Storm Water Fee Rates since July 1, 2020 Monthly Charge

Fee Type	7/01/2020- 6/30/2021	7/01/2021- 6/30/2022	7/01/2022- 6/30/2023	7/01/2023- 6/30/2024	7/01/2024- 6/30/2025	7/01/2025- 6/30/2026
Single Family Detached	\$8.35	\$8.43	\$8.51	\$8.60	\$8.68	\$8.97
All other properties	\$8.35 per ERU	\$8.43 per ERU	\$8.51 per ERU	\$8.60 per ERU	\$8.68 per ERU	\$8.97 per ERU

## Future Rate Increases

The City Council has adopted a storm water fee rate methodology which provides for the setting of rates based on the size of the capital program, operating budget, maintenance of adequate working capital and debt service reserves. The City adopted a 3.3% (\$8.97 per ERU) increase in storm water rates for Fiscal Year ended June 30, 2026 and the City is projecting a 3.3% increase for each of the fiscal years 2027 through 2031.

## Revenue and Number of ERUs

The following table provides information on the Revenue and number of ERUs at the end of each of the last five Fiscal Years ended June 30, 2025.

At June 30	Storm Water Revenue	Percentage Increase	Number of ERUs
2021	\$12,387,107	0.03%	95,002
2022	12,811,857	3.43	96,380
2023	12,932,138	0.09	97,517
2024	13,178,520	1.91	98,477
2025	13,644,781	3.42	101,203

## Major Customers

The following table presents information on the ten largest customers<sup>1</sup> for the City's storm water system during the Fiscal Year ended June 30, 2025.

<u>Customer</u>	<u>ERU's</u>	<u>Revenues</u>
City of Wilmington	N/A	\$3,375,990
UNC Wilmington	3,356	349,518
New Hanover Board of Education	2,035	211,976
Novant	1,768	184,204
New Hanover County	979	101,938
Tribute Properties	875	91,166
RSE Independence LLC	865	90,055
CBL & Associates Mayfaire	825	85,887
Corning	737	76,787
Wilmington HA	633	75,164

<sup>1</sup> Amounts paid by the City with respect to general governmental improvements and City buildings not included. The City transfers an annual amount to the Storm Water Management Fund from its General Fund for impervious surface area of streets and sidewalks owned by the City. In those years in which it is expected that the rate charged to customers per ERU will increase, the transfer (charge for Interfund Services Provided) is expected to increase by an equal proportion, in addition to the annual increase of 0.47%.

Excluding the storm water fees paid by the City for City-owned property that is not included as part of a City enterprise fund, no single customer contributes more than 2.56% of total storm water fee revenues. The ten largest customers depicted above (other than the City) comprise approximately 9.22% of the total storm water fee revenues.

## Billing and Collection Procedures

The City maintains the public storm water system for the citizens within the City limits. The cost of providing this service is billed to the customers on behalf of the City by the Cape Fear Public Utility Authority (the "Authority") on the same monthly bill the customer receives for the water and/or wastewater services. The storm water charges are set by the City. The amounts the Authority receives from customers for the City services are transferred to the City weekly. In the event of partial payments of current charges, payments are applied to storm water charges first, then wastewater charges and lastly to water charges. The Authority enforces collection procedures, including shutting off water service, on delinquent accounts. In compliance with the Interlocal Agreement, the Authority uses the same payment application hierarchy for delinquent storm water accounts. Payments are applied to the most delinquent billing period first with the proceeds satisfying the entire outstanding amount for that billing period to storm water charges first, then wastewater charges and lastly to water charges. While the Authority engages in the administrative billing and receipt of funds on behalf of the City, the Authority does not have the legal authorization to act as a Collection Agency as defined in North Carolina General Statutes § 58-70-15. The City and the Authority have engaged a licensed third party Collection Agency to conduct Collection Agency activity. See "**THE CITY— Government and Major Services—Public Service Enterprises**" in Appendix A hereto.

## **Budget Procedures**

Operating and capital budgets for the Storm Water System are formulated in the same manner as other City departments. The Public Services Director prepares an initial budget request. The City Manager reviews and may revise the submitted budget request and incorporates the request into the overall budget submitted to the City Council for its consideration.

## **THE CITY OF WILMINGTON**

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, 2025. 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, 2025, 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.

## **INDENTURE SUMMARY**

A summary of certain provisions of the General Indenture, including a list of definitions of certain terms, is included as Appendix C. The summary does not purport to be complete, and is limited in all respects by reference to the complete document. See the Introduction for information on the availability of copies of the General Indenture and Series Indenture, Number 3.

## **LEGAL MATTERS**

### **Litigation**

No litigation is now pending or, to the best of the City's knowledge, threatened, against or affecting the City which seeks to restrain or enjoin the authorization, execution or delivery of the 2026 Bonds, the General Indenture or Series Indenture, Number 3, or which contests the validity or the authority or proceedings for the adoption, authorization, execution or delivery of the 2026 Bonds, or the City's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the City's authorization, execution and delivery of the General Indenture, Series Indenture, Number 3 or the 2026 Bonds, or the City's authority to carry out its obligations thereunder, or which would have a material adverse impact on the City's condition, financial or otherwise.

### **Opinions of Counsel**

All legal matters related to the authorization, execution, sale and delivery of the 2026 Bonds are subject to Bond Counsel's approval. The proposed form of Bond Counsel's opinion is included as Appendix E.

Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by its counsel.

## TAX TREATMENT

General. On the date of issuance of the 2026 Bonds, Parker Poe Adams & Bernstein LLP, Bond Counsel, will render an opinion that, under existing law, (1) assuming compliance by the City with certain provisions of the Code, interest on the 2026 Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the 2026 Bonds is exempt from State of North Carolina income taxation.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the 2026 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 2026 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 2026 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the City subsequent to issuance of the 2026 Bonds to maintain the excludability of the interest on the 2026 Bonds from gross income for federal income tax purposes. Bond Counsel's opinion is given in reliance on certifications by representatives of the City as to certain facts material to the opinion and the requirements of the Code.

The City has covenanted to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026 Bonds in order that the interest on the 2026 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the City with such covenants, and Bond Counsel has not been retained to monitor compliance by the City with such covenants subsequent to the date of issuance of the 2026 Bonds. Failure to comply with certain of such requirements may cause the interest on the 2026 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2026 Bonds. No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of or the receipt, accrual, or amount of interest with respect to the 2026 Bonds.

If the interest on the 2026 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 2026 Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the 2026 Bonds. Prospective purchasers and owners of the 2026 Bonds are advised that, if the Internal Revenue Service does audit the 2026 Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the City as the taxpayer, and the owners of the 2026 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 2026 Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers and owners of the 2026 Bonds should be aware that ownership of the 2026 Bonds and the accrual or receipt of interest on the 2026 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 2026 Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers and owners of the 2026 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 2026 Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the 2026 Bonds to be subject directly or indirectly to federal, state, or local income taxation, adversely affect the market price or marketability of the 2026 Bonds or otherwise prevent the owners of the 2026 Bonds from realizing the full current benefit of the status of the interest on the 2026 Bonds.

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

An owner of a 2026 Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the 2026 Bond if such owner fails to provide to any person required to collect information in accordance with Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" described in Section 6049 of the Code properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Original Issue Premium. As indicated on the inside cover page, the 2026 Bonds maturing on \_\_\_\_\_ (collectively, the "*Premium 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, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

Original Issue Discount. As indicated on the inside cover page, the 2026 Bonds maturing on June 1, 20\_\_ (collectively, the "*OID Bonds*"), are being sold at initial offering prices which are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the

capacity of underwriters, placement agents or wholesalers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

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

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

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price different from the initial offering price during the initial offering of the 2026 Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

### **CONTINUING DISCLOSURE OBLIGATION**

In accordance with the requirements of Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("*Rule 15c2-12*"), the City has undertaken in Series Indenture, Number 3 for the benefit of the beneficial owners of the 2026 Bonds to provide to the MSRB:

(a) by not later than seven months after the end of each fiscal year, beginning with the Fiscal Year ending June 30, 2026, the audited financial statements of the City for each such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited financial statements of the City for such Fiscal Year to be replaced

subsequently by audited financial statements of the City to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2026, the financial and statistical data as of a date not earlier than the end of each such Fiscal Year for the type of information included in the Official Statement dated May \_\_, 2026 in the tables under the headings “**THE STORM WATER FACILITIES—Storm Water Fees,**” and “**—Revenue and Number of ERUs**” and “**—Major Customers,**” in each case to the extent such items are not included in the audited financial statements referred to in paragraph (1) above.

(c) in a timely manner not in excess of 10 Business Days after the occurrence of the event, notice of any of the following events with respect to the 2026 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 2026 Bonds or other material events affecting the tax status of the 2026 Bonds;
- (7) modification of the rights of the Beneficial Owners of the 2026 Bonds, if material;
- (8) call of any of the 2026 Bonds, if material, and tender offers;
- (9) defeasance of any of the 2026 Bonds;
- (10) release, substitution or sale of the property securing repayment of the 2026 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 the failure by the City to provide the required annual financial information or operating data described in paragraphs (a) and (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 that the City’s financial statements be prepared in accordance with generally accepted accounting principles and that they be audited in accordance with generally accepted auditing standards.

The City has acknowledged in Series Indenture, Number 3 that its undertaking pursuant to Rule 15c2-12 is intended to be for the benefit of the Owners and the beneficial owners of the 2026 Bonds and is enforceable by the Trustee or by any Owner or beneficial owner of the 2026 Bonds. The right to enforce the provisions of the City’s Rule 15c2-12 undertakings is limited to a right to obtain specific performance of the City’s obligations and a failure by the City to comply with its Rule 15c2-12 undertakings will not be an event of default under the General Indenture or Series Indenture, Number 3 and will not result in acceleration of the 2026 Bonds. All actions shall be instituted, had and maintained in the manner provided in Series Indenture, Number 3 for the benefit of all Owners and beneficial owners of the 2026 Bonds.

The City may modify from time to time, consistent with Rule 15c2-12, the information provided to the extent necessary or appropriate in the judgment of the City, but: (1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City; (2) the information to be provided, as modified, would have complied with the requirements of the Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule 15c2-12 as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the Owners or the beneficial owners, as determined by the Trustee or nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the 2026 Bonds then Outstanding under the terms of the General Indenture at the time of the amendment. Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided. The City’s Rule 15c2-12 undertakings will terminate on payment, or provision having been made for payment in a manner consistent with the Rule 15c2-12, in full of the principal of and interest on the 2026 Bonds.

Except as set forth in the next succeeding paragraph, 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.

On January 9, 2026, the City filed a Material Event Notice related to a rating action by Fitch Ratings on December 22, 2025. While the City was aware that Fitch would be taking this action, Fitch failed to alert the City at the time of the rating action. Once the City learned of the rating action on January 9, they immediately filed the required Material Event Notice.

### **VERIFICATION OF MATHEMATICAL ACCURACY**

On the date of delivery and payment, proceeds of the 2026 Bonds will be used to purchase securities as directed in writing by the City to be held in trust by the trustee for the Refunded Bonds to provide for payment of principal of and interest and premium on the Refunded Bonds through June 22, 2026, the call date for the Refunded Bonds. The arithmetical accuracy of certain computations included in the schedules provided by or on behalf of the City relating to (a) computation of anticipated receipts of principal and interest on the Federal Securities to pay the regularly scheduled principal and interest with respect to the Refunded Bonds until the call date and to prepay the Refunded Bonds on the call date, and (b) computation of yields on the 2026 Bonds and the Federal Securities will be verified by Bingham Arbitrage Rebate Services, Inc., Richmond, Virginia. Such computations are based solely upon assumptions and information supplied by or on behalf of the City. Bingham Arbitrage Rebate Services, Inc. has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

### **MISCELLANEOUS**

#### **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 2026 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 2026 Bonds.

#### **Financial Advisor**

Waters and Company, LLC, Birmingham, Alabama, is acting as financial advisor to the City in connection with the issuance of the 2026 Bonds.

#### **Bankruptcy**

Under North Carolina law, a local governmental unit such as the City may not file for bankruptcy protection without (1) the consent of the LGC and (2) the satisfaction of the requirements of § 109(c) of the United States Bankruptcy Code. If the City were to initiate bankruptcy proceedings with the consent of the LGC and satisfy the requirements of 11 U.S.C. § 109(c), the bankruptcy proceedings could have material and adverse effects on Owners of the 2026 Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the 2026 Bonds. The effect of the other provisions of the United States Bankruptcy Code on

the rights and remedies of the Owners of the 2026 Bonds cannot be predicted and may be affected significantly by judicial interpretation, general principles of equity (regardless of whether considered in a proceeding in equity or at law) and considerations of public policy.

### **Underwriting**

Raymond James & Associates, Inc., Richmond, Virginia (the “*Underwriter*”), has agreed under the terms of a Bond Purchase Agreement (the “*Bond Purchase Agreement*”) to purchase all of the 2026 Bonds, if any of the 2026 Bonds are to be purchased, at a purchase price of \$\_\_\_\_\_ (equal to the par amount of the 2026 Bonds [plus][less] a [net] original issue [premium][discount] of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_). The Underwriter’s obligation to purchase the 2026 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The Underwriter is committed to take and pay for all of the 2026 Bonds if any are taken. The Underwriter may offer and sell the 2026 Bonds to certain dealers (including dealers depositing the 2026 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.

### **Relationships Among Parties**

Parker Poe Adams & Bernstein LLP serves as Bond Counsel for the City and, from time to time it and Pope Flynn, LLC, counsel to the Underwriter, have 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 issuance of the 2026 Bonds.

### **Approval**

The LGC and the City have each duly authorized the delivery of this Official Statement.

Members of the LGC staff have participated in the preparation of this Official Statement and other documents related to the issuance of the 2026 Bonds, but the LGC and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this Official Statement, other than those in Appendix D.

**APPENDIX A**  
**DESCRIPTION OF THE CITY**

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# THE CITY

## General Description

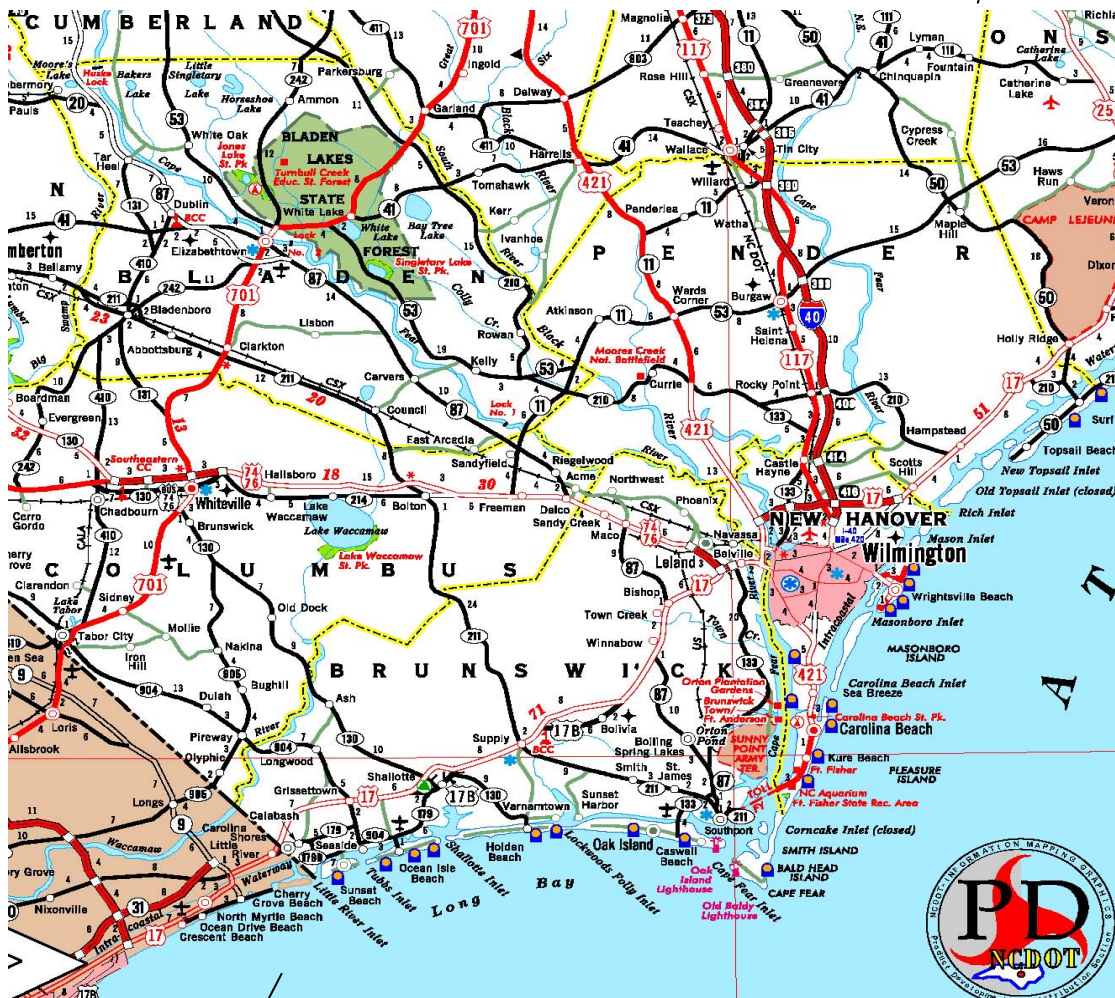
The City of Wilmington, North Carolina (the “City” or “Wilmington”), incorporated in 1739, is located approximately at the midpoint of the eastern seaboard of the United States, in the southeastern coastal section of the State of North Carolina (the “State”). The City is an active business, service and industrial center for the surrounding five-county area with a population of approximately 562,000. 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 2025, the Milken Institute/Greenstreet Real Estate Partners Best Performing Cities Index ranked the Wilmington Metropolitan Statistical Area 13th nationally, marking an eight-place improvement over its 2024 position. Wilmington also tied for the top spot among the most moved-to cities in the United States, based on an analysis of net long-distance migration from January 2024 through March 2025 in the moving and storage company PODS’ 5<sup>th</sup> annual Moving Trends Report. 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.

50 MILE RADIUS

New York, New York 500 Miles

Washington, D.C. 355 Miles



## Demographic Characteristics

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

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2025</u>
55,530	75,542	106,476	115,451	126,164 <sup>1</sup>

Source: United States Department of Commerce, Bureau of the Census, except for 2025.

<sup>1</sup> Estimate of North Carolina Office of State Budget and Management.

According to the North Carolina State Demographer, as of 2025, the City is the eighth largest city in the State.

Per capita income figures for the County and the State are presented in the following table:

<u>Year</u>	<u>County</u>	<u>State</u>
2020	\$53,673	\$51,816
2021	60,273	57,233
2022	61,827	59,092
2023	66,363	62,233
2024	69,666	65,634

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

## 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 fiber optics and nuclear fuel and jet engine components, as well as 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 visitors to 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 2024 travel and tourism generated \$1.14 billion in the County (the third consecutive year the County has surpassed the billion-dollar mark), an increase of 1.5% from 2023. An estimated 7,003 jobs in the region were supported by tourism, generating \$290.59 million in payroll in 2024. State tax revenue generated in the County totaled \$37.54 million through State sales and excise taxes, and taxes on personal and corporate income. About \$41.80 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 \$326.79. The County ranked 8<sup>th</sup> in visitor spending among North Carolina's 100 counties in 2024.

**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, which allows companies operating at the Port to benefit from streamlined customs procedures and potential duty savings on imported goods, enhancing the Port’s competitiveness for international trade. 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. Current projects intended to further enhance operational efficiency include a \$22.5 million intermodal rail yard expansion, expected to be completed in 2026, which will add four new working tracks and increase annual rail capacity to more than 50,000 container movements, and a North Gate relocation and access improvement project, with construction anticipated to be completed in 2027, designed to improve truck circulation and terminal access.

**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. In August of 2024, the PPD clinical research business of Thermo Fisher was honored for industry leadership in digital services by Information Services Group (ISG), a leading global technology research and advisory firm. Thermo Fisher was recognized as an ISG Provider Lens Leader for its digital transformation services in clinical development and patient engagement and regulatory affairs. ISG’s honor focuses on Thermo Fisher’s ability to provide access for patients to clinical trials of promising new medical therapies in more efficient and effective ways. It also recognizes the company’s ability to help pharmaceutical and biotech customers accelerate the delivery of safe and effective medications to the marketplace while addressing issues of patient diversity, health equity, and sustainability in clinical research.

Alcami, a fully integrated end-to-end contract development and manufacturing organization, opened its doors in the City in 1983. In 2024, Alcami doubled its stability storage capability in the City with the completion of the first phase of its Good Manufacturing Practices Stability Storage space in its Wilmington facility. The expansion adds about 2,200 cubic feet of stability storage space, with capacity to add 6,000 more cubic feet of space if needed. 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 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 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. In December of 2025, the U.S. Department of Energy announced a \$400 million grant to the Tennessee Valley Authority (TVA) to continue to accelerate deployment of GE Verona Hitachi Nuclear Energy BWRX-300 small modular reactors, with commercial operation of the first BWRX-300 at the utility’s Clinch River Site in Oak Ridge, Tennessee targeted for the early 2030’s. It would become the nation’s first commercial small modular reactor. The TVA submitted a construction permit application to the U.S. Nuclear Regulatory Commission (NRC) in May 2025, and the NRC is currently reviewing the application. The BWRX-300 is the simplest, yet most innovative boiling water reactor.

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 2025, GNF announced the introduction of GNF4, a next generation nuclear fuel product engineered to help plants operate with lower fuel cost per megawatt hour, due to better corrosion resistance and enhanced reliability. The first lead use assemblies of GNF4 are contracted for deployment in 2026 with full reload quantities expected in 2030.

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. In March 2025, GE aerospace announced \$1 billion of investment in its U.S. manufacturing sites and suppliers, which includes nearly \$52 million at its site in Wilmington to fund metal parts for multiple machines that will help reduce cycle times and increase capacity with crane systems and additional tooling. It will also allow for upgrades to the site building.

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. In January 2026, they announced a multiyear agreement, up to \$6 billion, with Meta to accelerate the most advanced data centers in the United States to support Meta’s apps, technologies, and AI ambitions. Corning will supply Meta with the newest innovations in optical fiber, cable, and connectivity solutions. To support this, Corning will expand its manufacturing capabilities across its operations in the State, including in the City.

**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 *The Summer I Turned Pretty* and *George & Tammy*, and in July 2025 it hosted a new ABC sitcom, *R.J. Decker*. Dark Horse Studios, which has operated in the City since 2020, has expanded 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 brings Dark Horse Studios to over 80,000 square feet of sound stages. Studios 3 and 4 were completed in November 2024 and are expected to attract local and out of state productions seeking stage space. Dark Horse Studio’s new stages have already hosted the first two seasons of MrBeast’s game show “Beast Games.” Film and television production in North Carolina generated approximately \$185.5 million in 2025 — the fourth-highest direct in-state spending since 2015, when the State’s current film and entertainment grant program took effect — underscoring the strength and continued growth of the industry statewide. 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, regional referral center, and tertiary care center serving a seven-county area in southeastern North Carolina. The medical center is one of nine Level II or higher trauma centers in the State and is home to the region's first Level III Neonatal Intensive Care Unit. Novant NHRMC offers advanced clinical capabilities, including the da Vinci® Surgical System, and serves as the primary teaching site for residency programs in internal medicine, obstetrics and gynecology, general surgery, and family medicine. These 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. The hospital has received numerous recognitions for quality of care.

The 2021 sale of New Hanover Regional Medical Center to Novant Health provided the funding for an approximately \$1.25 billion community endowment to benefit New Hanover County and its residents, providing long-term support for health and community initiatives.

In 2026, Novant Health announced plans to invest more than \$1 billion in healthcare infrastructure across the Coastal Region over the next five to seven years. Planned projects include a new heart and vascular patient tower, expansion of cardiovascular medical office space, development of a 60-bed physical rehabilitation hospital, and renovations to expand surgical and endoscopy capacity at Novant NHRMC. The projects are intended to address continued population growth and increasing demand for specialty care and remain subject to State regulatory approval.

**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 more than 60 majors, 37 master's degrees, and six Doctoral programs. *U.S News and World Reports* in 2026 ranks UNCW highly in several programs. UNCW ranked 109th among Top Public National Universities, 58<sup>th</sup> in undergraduate teaching programs, 12<sup>th</sup> in Best Online Master's in Nursing Programs for veterans and tied for 35<sup>th</sup> in best Online Master's in Nursing programs, up 30 spots from last year. UNCW had a fall 2024 enrollment of approximately 19,000 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 22,500 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. CFCC's Associates Degree Nursing program is the top in North Carolina and has a pass rate over 98%.

## Major Employers

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

<u>Company or Institution</u>	<u>Product or Service</u>	<u>Approximate Number of Employees</u>
<i>Major Manufacturing</i>		
General Electric Company***	Components and Fuel for Nuclear Production of Electricity and Jet Engine Components	2,021
Corning, Inc*	Optical Wave Guides	1,000
<i>Major Non-Manufacturing</i>		
Novant Health*	Health Care	7,500
New Hanover County Board of Education**	Public Education	3,385
New Hanover County**	County Government	2,044
The University of North Carolina at Wilmington*	Higher Education	1,965
Thermo Fisher Scientific (PPD)*	Pharmaceuticals Testing	1,700
Wilmington Health*	Health Care	1,270
City of Wilmington*	Municipal Government	1,174
Cape Fear Community College*	Higher Education	1,081

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.

## Taxable Sales

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

<u>Fiscal Year Ended/Ending June 30</u>	<u>Total Taxable Sales</u>	<u>Increase (Decrease) Percent Over Previous Year</u>
2021	\$5,746,625,707	14.30%
2022	6,680,019,869	16.24
2023	7,179,532,403	7.48
2024	7,363,675,819	2.56
2025	7,544,388,573	2.45
2026 (7 months) <sup>1</sup>	4,765,580,476	--

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

<sup>1</sup> For the seven-month period ended January 2026. The comparable figure for the seven-month period ended January 2025 was \$4,473,247,578.

## Employment

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

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
January	6.2%	3.9%	3.9%	3.8%	3.8%	3.9%
February	6.0	3.8	3.8	3.8	3.5	
March	5.4	3.5	3.6	3.5	3.7	
April	5.1	3.4	3.1	3.0	3.4	
May	5.0	3.6	3.4	3.3	3.6	
June	5.4	4.0	3.7	3.6	3.9	
July	4.9	3.8	3.8	3.8	3.7	
August	4.7	4.1	3.9	3.7	3.8	
September	3.9	3.3	3.3	3.0	3.5	
October	3.9	3.5	3.5	3.1	N/A	
November	3.8	3.6	3.4	3.4	3.9	
December	3.1	3.3	3.4	3.2	3.3	

Source: North Carolina Department of Commerce: Labor and Economic Analysis Division.

Note: Most recent data available.

## 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 <u>Ending</u>	Number of Building <u>Permits</u>	Residential Value <u>(in thousands)</u>	Nonresidential Value <u>(in thousands)</u>	Total Value <u>(in thousands)</u>
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	1,635	282,780	282,275	565,055
2025	1,756	378,623	280,538	659,161
2026 <sup>1</sup>	804	191,559	107,863	299,422

Source: New Hanover County Building Inspections Division.

<sup>1</sup> Through December 31, 2025. As of December 31, 2024, the number of building permits was 856, and the residential, non-residential, and total values (in thousands) were \$167,634, \$175,292, and \$343,167, 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:

The Pointe at Barclay is a multi-phase commercial development located at the corner of Independence Boulevard and S. 17<sup>th</sup> Street. Six buildings have been constructed to date, and three additional commercial buildings have been released for construction. A 4-story hotel with 104 rooms is currently under construction. Plans for a 4-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 are currently under construction.

Kilimanjaro is a 2,500 square-foot restaurant located at 215 Wright Street. The project has been released for construction.

Cape Fear Solar is a multi-phased development project that includes a 5-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 is currently under construction

Autumn Hall began construction in 2007 on a mixed-use development with an estimated value of \$420 million. The original master plan included more than 200 acres and a wide range of residential, retail and office development. Commercial spaces in the development include 403,000 square-feet of retail space, 355,000 square-feet of office space, and a 135-room hotel. The development has also provided 72 acres of common/open space. A total of 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 Novant NHRMC, have been constructed. A multifamily development consisting of a total of 286 residential units, pool, and open space was completed in the spring of 2013. Carolina Bay at Autumn Hall, which consists of 51 condominium units, was completed in 2013. Phase II of Carolina Bay at Autumn Hall, a continuing care retirement community with 122 multi-family units and a 100-bed assisted living facility, has been completed. The next phase of development was released for construction in 2019 and included 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 is currently under construction. Two, 2-story commercial buildings with 34,000 square-feet of office and commercial space are currently under construction. A 34,000 square-foot medical office located at 5505 Currituck Drive is currently under 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. Middleburg Apartments, a 250-unit, two-building apartment development located in the MX-zoned portion of RiverLights, was recently completed. On December 1, 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. Plans for a 120-unit independent living facility and a 60-bed assisted living facility are currently under review. Refuel is a 6,507 square-foot convenience food store with fuel pumps located at 505 Arnold Street. The project is currently under construction. A dental office building with 4,219 square-feet is proposed at 5413 Watergrass Drive. This project is currently under review.

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 is currently under construction.

[Remainder of Page Intentionally Left Blank]

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

<u>Name of Development</u>	<u>Type of Development</u>	<u>Number of Units</u>
Center Point <sup>1</sup>	Mixed Use – Apartments, Hotel, Retail & Office Space	370
Airlie at Wrightsville Sound	Single Family	49
East & Mason	Mixed Use – Townhomes, Single Family	168
Switchyard	Multi Family	252
Wilmington Three Phase A	Apartments	286
Pacific Place	Single Family	39
Proximity at Watermark	Apartments	248
Venture at Carolina	Multi Family	225
Midtown Junction	Multi Family	257
Good Shepard Ministries Supportive Housing	Affordable Housing Units	32
Bradley Heights	Multi Family	61
Twin Lofts	Multi Family	148
Cape Landing Apartments	Affordable Housing Apartments	60
Cape Landing Apartments	Townhomes	11
Midtown Flats	Multi Family	34
Sapphire on 5 <sup>th</sup>	Multi Family	124
Midtown and Main	Multi Family	40
Mira Mar Townhomes (Formerly Villa Point)	Townhomes	18
The Townhomes at Allens Lane	Townhomes	16

<sup>1</sup> 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.

**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”)<sup>1</sup> for the past four years and the current year:

<u>School Year</u> <sup>2</sup>	<u>Elementary Grades (K-5)</u>		<u>Intermediate Grades (6-8)</u>		<u>Secondary Grades (9-12)</u>	
	<u>Number of Schools</u>	<u>ADM</u> <sup>1</sup>	<u>Number of Schools</u>	<u>ADM</u> <sup>1</sup>	<u>Number of Schools</u>	<u>ADM</u> <sup>1</sup>
2020-21	26	10,639	7	5,623	9	8,024
2021-22	26	10,882	7	5,441	9	8,259
2022-23	26	10,996	7	5,381	9	8,397
2023-24	26	10,964	7	5,258	9	8,407
2024-25	26	10,775	7	5,263	9	8,171
2025-26 <sup>3</sup>	25	10,508	7	5,202	7	8,050

Source: North Carolina Department of Public Instruction.

<sup>1</sup> 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.

<sup>2</sup> The above table includes alternative schools.

<sup>3</sup> 2025-26 ADM based on the Month 2 Membership Report FY2026.

New Hanover County Schools has projected an average daily membership of 23,760 during the 2025-2026 school year for kindergarten through twelfth grade. In 2024-2025 New Hanover County Schools served 24,209 students from kindergarten through twelfth grade. Services were provided to these students in 25 elementary schools, seven middle schools, four high schools, one technical high school, two early college high schools, and three specialty schools. Additionally, pre-K services were provided for 750 students, distributed across public elementary classrooms as well as three dedicated pre-K centers.

### ***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 include interchange improvements at Military Cutoff Road and Eastwood Road, Martin Luther King Jr. Parkway (MLK) and Kerr Avenue, MLK and Market Street; College Road upgrades between Market Street and Gordon Road, and Oleander Drive and Greenville Loop; and Cape Fear Memorial Bridge replacement, South Front Street widening, and Market Street widening.

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 approximately 700,000 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 \$1,827,444 for fiscal year ending June 30, 2025, representing 13% of the Transportation Authority’s budget. In 2025, Wave Transit received a \$1 million grant from the Federal Transit Administration to replace six older shuttle buses and to complete the conversion of its fixed-route bus fleet from diesel fuel to compressed natural gas, resulting in a fleet that now operates entirely on cleaner-burning fuel sources.

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 4<sup>th</sup> largest in the State. In 2025, ILM served 1,826,994 passengers, a 24.6% increase over the 1,465,869 served in 2024. ILM reports that it ranks first in growth over the last three years among major airports in the country. From 2022-2025, ILM reported a 66% increase in seat capacity growth and now offers 29 non-stop routes and has expanded services from several airlines. 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. The Airport is a U.S. Customs and Border Protection General Aviation International Clearance Facility.

Phase one of the Wilmington International Airport (ILM) expansion, with a total cost of approximately \$69 million, includes a \$16.4 million grant from the Federal Aviation Administration. The project commenced in 2018 and was completed in phases, culminating in Fall 2023. The expansion substantially increased the size and functionality of the terminal and included the construction of a new outbound baggage handling room with updated screening equipment, expansion of the airline ticket lobby, ticket counters, and ticket office areas, and the addition of new gate space with expanded seating, restrooms, and concession areas. The project also included improvements to the baggage claim and car rental areas, as well as renovation of the former gate areas. As completed, the terminal increased by approximately 75% to 162,800 square feet and added four new gates, expanded concessions and restaurant space, and an enhanced baggage claim area. These improvements position ILM to accommodate continued passenger growth in the region while providing a modernized, efficient, and expanded passenger experience. Phase two consists of approximately \$165 million in planned capital improvements and 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. Approximately 1,500 of these parking spaces have been completed and placed into service, with the remaining spaces and the terminal access improvements scheduled for completion by fall 2026. There will also be a complete renovation of one of 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 1,221 miles of distribution lines and 76,311 customer accounts. The Authority’s wastewater collection system consists of approximately 947 miles of gravity lines, 23,806 manholes, approximately 159 pump stations and 169 miles of pressurized sewage force main. The Authority currently has 76,426 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 31,000 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 well 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 58 park and recreation sites throughout the City consisting of 807 acres including 380 acres of athletic and recreation facilities. In addition, there are approximately 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 \$1,564,481,844 as of June 30, 2025.

***Outstanding General Obligation Debt***

	Principal Outstanding as of				
	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025
General Obligation Bonds					
Street	\$46,415,000	\$45,190,000	\$44,425,000	\$43,660,000	\$42,895,000
Parks	25,405,000	22,445,000	19,485,000	16,525,000	13,565,000
Refunding	9,100,000	8,435,000	7,390,000	6,340,000	5,290,000
Other	4,140,000	3,840,000	3,540,000	3,240,000	2,945,000
Total Bonds	\$85,060,000	\$79,910,000	\$74,840,000	\$69,765,000	\$64,695,000

***General Obligation Debt Ratios***

<u>At June 30</u>	<u>Total GO Debt</u>	<u>Assessed Valuation<sup>1</sup></u>	<u>Total GO Debt to Assessed Valuation</u>	<u>Population<sup>2</sup></u>	<u>Total GO Debt Per Capita</u>
2021	\$85,060,000	\$15,981,099,374	0.53	116,243	731.74
2022	79,910,000	21,434,311,269	0.37	118,294	675.52
2023	74,840,000	21,895,119,764	0.34	121,309	616.94
2024	69,765,000	22,638,692,946	0.31	123,756	563.73
2025	64,695,000	23,221,264,259	0.28	126,164	512.78

<sup>1</sup> Property in the County is appraised at least once every eight years as required by State law. The most recent property revaluation was effective as of January 1, 2025 for the tax levy associated with fiscal year ended June 30, 2026. Property is assessed at 100% of value. Tax rates are per \$100 of assessed value.

<sup>2</sup> Estimate of the North Carolina Office of State Budget and Management.

The following table sets forth the debt service requirements on general obligation debt of the City which will be outstanding as of June 30, 2025.

**General Obligation Debt Service Requirements and Maturity Schedule**

Fiscal Year Ending June 30th	Existing Debt	
	Principal	Principal & Interest
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	4,059,972
2037-38	3,720,000	3,973,615
2038-39	2,955,000	3,122,237
2039-40	2,955,000	3,060,320
2040-41	<u>2,150,000</u>	<u>2,193,000</u>
	\$64,695,000	\$77,909,098

**General Obligation Debt Information for Overlapping Unit as of June 30, 2025**

Unit	2025 Population <sup>1</sup>	Assessed Valuation <sup>2</sup>	Tax Rate Per \$100	Debt Authorized And Unissued		Total GO Debt		Total GO Debt Per Capita
				Utility	Other	Utility	Other	
New Hanover County	246,612	\$52,114,837,747	\$0.4500	—	—	—	\$190,763,741	\$773.54

<sup>1</sup> Estimate of North Carolina Office of State Budget and Management

<sup>2</sup> Based on County's fiscal year ended June 30, 2025 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, 2025. 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 <sup>1</sup>	Enterprise Fund <sup>2</sup>	Amount Payable
2026	\$30,766,034	\$4,010,075	\$4,590,386	\$39,366,495
2027	19,202,440	4,007,675	4,548,283	27,998,708
2028	15,238,020	4,011,775	4,502,400	23,752,195
2029	13,916,016	4,011,275	4,082,709	22,010,000
2030	12,975,617	4,014,275	4,046,069	21,035,961
2031	10,985,874	4,015,275	4,020,713	19,021,862
2032	13,752,533	4,013,900	3,987,632	21,754,065
2033	12,005,025	4,013,300	3,956,426	19,974,751
2034	11,598,048	4,012,700	3,361,966	18,972,714
2035	9,316,007	4,016,900	4,823,794	18,156,701
2036	8,062,757	4,015,500	4,711,726	16,789,983
2037	7,787,980	4,010,250	4,593,266	16,391,496
2038	6,928,404	4,011,850	4,478,681	15,418,935
2039	6,678,002	-	4,360,571	11,038,573
2040	6,422,601	-	4,241,061	10,663,662
2041	4,607,449	-	1,800,151	6,407,600
2042	4,046,212	-	1,723,538	5,769,750
2043	3,863,681	-	1,644,444	5,508,125
2044	2,488,667	-	1,567,958	4,056,625
	<u>\$200,641,367</u>	<u>\$52,164,750</u>	<u>\$71,041,774</u>	<u>\$323,847,891</u>

<sup>1</sup> 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.

<sup>2</sup> 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, 2025, are listed below, reflecting principal and interest requirements with respect to the City’s Storm Water Fee Revenue and Revenue Refunding Bonds, Series 2015A (the “2015A Storm Water Bonds”). A portion of the proceeds of the 2026 Bonds is being used by the City to refund in advance of their maturities each maturity of the 2015A Storm Water Bonds maturing on June 1, 2027 through June 1, 2040, inclusive.

Fiscal Year Ending June 30	Annual P&I Requirements	Fiscal Year Ending June 30	Annual P&I Requirements
2026	\$1,549,450	2034	\$989,025
2027	1,551,200	2035	992,025
2028	1,551,725	2036	993,025
2029	1,551,125	2037	992,275
2030	1,548,625	2038	995,400
2031	1,553,625	2039	995,000
2032	1,552,225	2040	<u>993,200</u>
2033	1,549,025		\$19,356,950

**Debt Outlook.** The City’s future financing plans (after the execution and delivery of the 2026 Bonds and the City’s Limited Obligation Bonds, Series 2026) include already approved projects for installment financing in fiscal years ending June 30, 2028 and June 30, 2030 of approximately \$27.6 million and \$5 million, respectively. Projects expected to be financed in 2028 include street and sidewalk repairs, riverwalk improvements, pedestrian bike improvements, a bridge restoration on 4<sup>th</sup> Street, a bridge replacement on Pine Grove Drive, and repairs to the Greenfield Lake bridge and connecting structures. Projects expected to be financed in 2030 include access management improvements along Market Street and street and sidewalk repairs. The City also plans to issue storm water revenue bonds in 2027 and 2029, in each case in an approximate principal amount of \$11.5 million to finance capital improvements to the City’s storm water system. Future capital improvement and financing plans after 2030 are still under development, so the planned 2030 financing is the last one currently supported by an approved capital improvement plan. Currently, the City has no plans to issue additional general obligation bonds.

## Tax Information

### General Information

	Fiscal Year Ended June 30				As of January 31,
	2022	2023	2024	2025	2026 <sup>4</sup>
Assessed Valuation					
Assessment Ratio <sup>1</sup>	100%	100%	100%	100%	100%
Real Property	\$18,981,187,663	\$19,223,790,658	\$19,713,328,526	\$20,076,857,450	\$31,587,396,389 <sup>3</sup>
Personal Property	2,281,086,055	2,492,248,957	2,715,011,552	2,944,308,089	3,869,268,758
Public Service Companies <sup>2</sup>	172,037,551	179,080,149	210,352,868	200,098,720	215,035,715
Total Assessed Valuation	\$21,434,311,269	\$21,895,119,763	\$22,638,692,946	\$23,221,264,259	\$35,671,700,862 <sup>3</sup>
Rate per \$100 Levy	0.3808	0.395	0.395	0.420	0.2825
	\$82,286,366	\$86,628,169	\$89,630,935	\$97,847,366	\$100,165,079

<sup>1</sup> Percentage of appraised value has been established by statute.

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

<sup>3</sup> The most recent property revaluation was effective as of January 1, 2025 for the tax levy associated with fiscal year ended June 30, 2026.

<sup>4</sup> Estimated as of January 31, 2026.

*Tax Collections*

Year Ended June 30	Prior Years' Levies Collected <sup>1</sup>	Current Year's Levy Collected	Percentage of Current Year's Levy Collected
2021	\$350,504	\$79,520,111	99.48%
2022	281,342	82,156,281	99.84
2023	215,804	86,455,952	99.80
2024	174,487	89,433,072	99.78
2025	0	97,475,689	99.62

Source: New Hanover County Tax Office.

<sup>1</sup> Prior Years' Levies Collected as of June 30, 2025 for years 2021-2025.

For fiscal year ending June 30, 2026, the total levy collected through January 31, 2026, is \$94,419,188.

*Ten Largest Taxpayers for Fiscal Year 2025*

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Corning Inc.	Optical Fiber MFG	\$ 266,162,857	1.15%
Live Oak Banking Company	Banking	99,751,693	0.43
Duke Energy Progress	Utilities	94,748,735	0.41
Mayfaire Town Center LP	Real Estate	91,048,357	0.39
RPP Holdings LLC	Real Estate	73,781,600	0.32
CCS Sawmill Point LLC ETAL	Real Estate	63,303,000	0.27
Arboretum West Mixed Use LLC	Real Estate	62,103,900	0.27
Triangle Avalon Wilmington LLC	Real Estate	60,180,200	0.26
Wilmington Independent Living LLC	Health Care	58,964,200	0.25
CLPF Mill Creek LLC	Real Estate	54,240,771	0.23

Source: New Hanover County Tax Office.

**2025-2026 Budget Outlook**

The fiscal year ending June 30, 2026 (“FY26”) budget (the “2026 Budget”) as originally adopted totaled \$156,884,601. The 2026 Budget includes \$2,763,817 in appropriated General Fund balance, of which a total of \$2.5 million was appropriated for debt service, resulting from the anticipated sale of surplus properties, \$243,817 was appropriated for the November 2025 municipal election, and the remaining \$20,000 was appropriated from committed fund balance for special travel for councilmembers and managers. The 2026 Budget represents an increase of approximately 5.2% or \$7.8 million over the prior year’s adopted budget. During FY26, the City’s General Fund budget was increased by an additional \$8,294,701. This total includes supplemental appropriation of \$3,967,790 for prepayment of debt service and as well as \$103,880 for leaseback expenses, both resulting from the proceeds of sale of surplus property. The increase also includes appropriations of fund balance amounting to \$127,153 of parks committed revenue, \$906,725 for 800MHz radio subscriptions, \$1,000,000 for acquisition of park land, and funding to accommodate \$2,189,153 in encumbrances from the previous year. As of February 9, 2026, the amended budget totaled \$165,179,302.

The ad valorem tax rate has decreased for FY26 by 13.75 cents, following the recent property valuation, to bring the adopted rate to at \$0.2825. The 2026 Budget dedicates \$0.0577 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.

The 2026 Budget allocates \$46 million in sales tax representing \$800,000 of growth over the prior year's budget of \$45.2 million. Sales tax revenues received by the City through January 31, 2026 (which represent sales tax revenues collected through October 31, 2026 due to the typical delay in receiving this revenue from the North Carolina Department of Revenue) were at 36% of the full-year budget with 34% of collection days elapsed. Indicators show consumer spending and retail activity have largely remained unchanged. State forecasts are predicting slower growth, which has been tied to softening economic conditions and more cautious consumer behaviors. This implies that collections are stabilizing, but are not accelerating, which aligns with households adapting to higher borrowing costs and elevated prices. Forecasters continue to monitor the inflation rate and the uncertainty related to expected tariffs as both will impact growth.

### **2026-2027 Budget**

The budget for the Fiscal Year ended June 30, 2027 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 13.60% of eligible payroll for general employees and 15.04% of eligible payroll for law enforcement officers for the fiscal year ended June 30, 2025. 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, 2025 the City-wide total OPEB liability was \$42,100,754. The plan fiduciary net position was \$3,492,220, resulting in an OPEB liability of \$38,608,534.

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 2026 Bonds.

**APPENDIX B**

**CITY FINANCIAL STATEMENTS**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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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, 2025. 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.

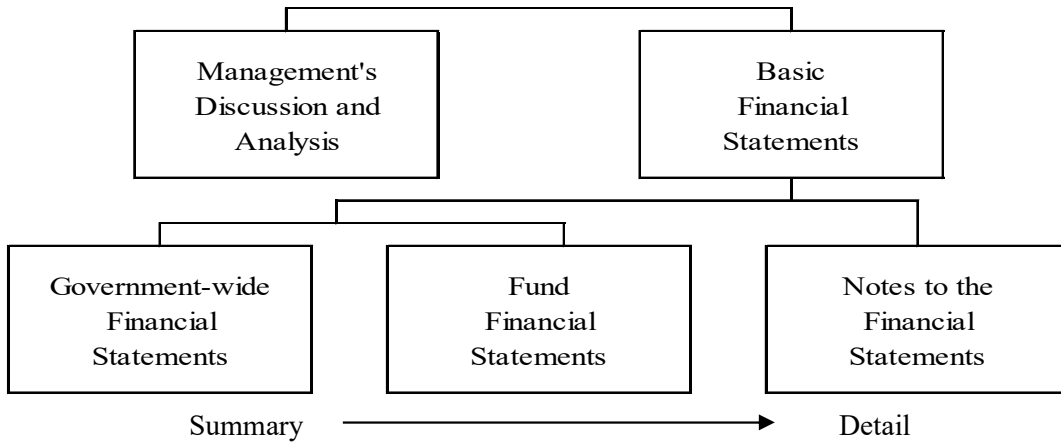
### **Financial Highlights**

- 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 \$618,166,436 (*net position*).
- The government's total net position increased by \$56,442,133. Included in this amount are increases in the net position of governmental activities and business-type activities of \$50,282,233 and \$5,140,303, respectively. Additionally, due to the implementation of GASB 101, *Compensated Absences* total net position increased by \$1,019,597, of which \$996,758 and \$22,839 related to governmental activities and business activities, respectively.
- As of the close of the current fiscal year, the City of Wilmington's governmental funds combined ending fund balances increased \$3,969,883 from the prior year to a total of \$278,796,483. Approximately 15.3% of this amount, or \$42,568,939, 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 \$42,799,048 or 31.3% of total general fund expenditures and 26.0% of total general fund expenditures, including transfers for the fiscal year.
- The City of Wilmington's total long-term liabilities decreased by \$23,482,815 or 4.8% during the current fiscal year. Total long-term liabilities decreased by \$20,714,635 and \$2,768,180 for governmental activities and business-type activities, respectively. This total includes a decrease related to the implementation of GASB 101, *Compensated Absences*, in the amount of \$996,758 for governmental activities and \$22,839 for business activities.
- The City of Wilmington's bond rating is AAA/Aaa, which has remained steady for Standard & Poor's and Moody's. The City did receive a one-notch downgrade from Fitch on its prior Fitch rated issuances to AA+ due to their change in rating methodology that became effective in April 2024.

### **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. Following the notes, the required supplementary information section includes funding details regarding the City’s pension plans and post-employment healthcare plan. Next, **supplemental information** is provided to show details about the City’s individual funds. Budgetary information required by the General Statutes can also 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 its change over time. 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 it is primarily fiscally dependent on the City.

The government-wide financial statements are on pages 19 - 21 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 be readily converted into cash flow, both 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 focus on short-term spending. 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, City management, and the Board's decisions about which services to provide and how to fund them. It also authorizes the City to obtain funds from identified sources to finance these current-period activities. The budgetary statement for the General Fund demonstrates how well the City complied with the budget ordinance and whether it 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 maintains 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, stormwater management, and parking facility operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *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 on behalf of 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 essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements are on pages 45 - 126 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 127 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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

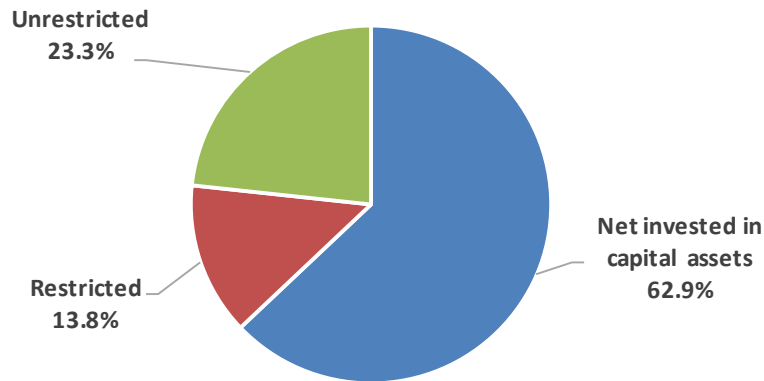
### **Government-Wide Financial Analysis**

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 \$618,166,436 as of June 30, 2025. The City’s net position increased by \$56,442,133 (of which \$1,019,597 was due to a restatement for an accounting change) for the fiscal year ended June 30, 2025. A significant portion of the City’s net position \$388,608,134 (62.9%) 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, \$85,415,388 (13.8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$144,142,914 (23.3%) 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 property tax revenue and charges for services of \$9,190,709 and \$4,098,344, respectively. Revenues related to property tax increased mainly as a result of growth; revenues for the Convention Center increased due to an increase in events, as well as food and beverage sales at those events. Capital grants and contributions increased \$8,229,041 from the prior year; this increase included an increase in easements donated to the City. In addition to revenue increases, the City also had expense increases over the prior year mainly due to the public safety pay increases and overtime hours worked as well as interest expenses related to increase in debt and arbitrage liabilities.
- **Business-type Activities:** Overall revenues increased from the prior year by \$1,670,352 mostly due to charges for services that were higher than the prior year by \$1,114,773. Stormwater rates, golf fees, and parking fees all increased slightly from FY24 to FY25.

### Total Net Position



**Net Position  
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2025	2024 (restated)	2025	2024 (restated)	2025	2024 (restated)
<b>ASSETS:</b>						
Current and other assets	\$352,733,227	\$353,162,346	\$ 69,550,251	\$ 64,669,806	\$ 422,283,478	\$ 417,832,152
Capital assets, net	581,428,578	558,592,924	109,704,990	113,436,397	691,133,568	672,029,321
Total assets	<u>934,161,805</u>	<u>911,755,270</u>	<u>179,255,241</u>	<u>178,106,203</u>	<u>1,113,417,046</u>	<u>1,089,861,473</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	<u>29,921,709</u>	<u>33,441,032</u>	<u>3,781,900</u>	<u>4,383,412</u>	<u>33,703,609</u>	<u>37,824,444</u>
<b>LIABILITIES:</b>						
Long-term liabilities	397,692,971	418,407,606	63,456,294	66,224,474	461,149,265	484,632,080
Other liabilities	23,986,767	29,357,270	2,118,052	3,333,297	26,104,819	32,690,567
Total liabilities	<u>421,679,738</u>	<u>447,764,876</u>	<u>65,574,346</u>	<u>69,557,771</u>	<u>487,254,084</u>	<u>517,322,647</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	<u>31,007,416</u>	<u>37,314,057</u>	<u>10,692,719</u>	<u>11,324,910</u>	<u>41,700,135</u>	<u>48,638,967</u>
<b>NET POSITION:</b>						
Net investment in capital assets	333,442,013	304,853,382	55,166,121	56,406,347	388,608,134	361,259,729
Restricted	84,570,421	76,305,186	844,967	761,722	85,415,388	77,066,908
Unrestricted	93,383,926	78,958,801	50,758,988	44,438,865	144,142,914	123,397,666
Total net position	<u>\$511,396,360</u>	<u>\$460,117,369</u>	<u>\$ 106,770,076</u>	<u>\$101,606,934</u>	<u>\$ 618,166,436</u>	<u>\$ 561,724,303</u>

**Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 15,483,706	\$ 11,385,362	\$ 35,135,579	\$ 34,020,806	\$ 50,619,285	\$ 45,406,168
Operating grants and contributions	23,310,627	12,739,005	1,051,808	718,932	24,362,435	13,457,937
Capital grants and contributions	17,106,033	8,876,992	269,687	435,458	17,375,720	9,312,450
General revenues:						
Property taxes	98,894,694	89,703,985	-	-	98,894,694	89,703,985
Other taxes	64,479,139	60,836,097	-	-	64,479,139	60,836,097
Investment earnings	11,587,449	12,860,837	2,311,145	2,088,129	13,898,594	14,948,966
Other	7,207,868	9,339,768	539,589	374,131	7,747,457	9,713,899
<b>Total revenues</b>	<u>238,069,516</u>	<u>205,742,046</u>	<u>39,307,808</u>	<u>37,637,456</u>	<u>277,377,324</u>	<u>243,379,502</u>
<b>Expenses:</b>						
General government	48,353,916	41,029,845	-	-	48,353,916	41,029,845
Public safety	73,936,817	70,287,947	-	-	73,936,817	70,287,947
Transportation	21,530,794	21,559,107	-	-	21,530,794	21,559,107
Economic and physical development	16,088,190	11,583,039	-	-	16,088,190	11,583,039
Culture and recreation	17,369,624	15,236,760	-	-	17,369,624	15,236,760
Transit system	2,003,447	1,976,979	-	-	2,003,447	1,976,979
Interest and other charges	10,866,088	11,659,541	-	-	10,866,088	11,659,541
Recycling and Trash Svcs	-	-	11,611,301	10,656,173	11,611,301	10,656,173
Storm water management	-	-	10,201,963	9,962,294	10,201,963	9,962,294
Parking facilities	-	-	7,844,621	7,378,819	7,844,621	7,378,819
Golf	-	-	2,148,027	1,988,989	2,148,027	1,988,989
<b>Total expenses</b>	<u>190,148,876</u>	<u>173,333,218</u>	<u>31,805,912</u>	<u>29,986,275</u>	<u>221,954,788</u>	<u>203,319,493</u>
Increase in net position before transfers	47,920,640	32,408,828	7,501,896	7,651,181	55,422,536	40,060,009
Transfers from (to) other funds	<u>2,361,593</u>	<u>(2,701,855)</u>	<u>(2,361,593)</u>	<u>2,701,855</u>	<u>-</u>	<u>-</u>
<b>Increase in net position</b>	<u>50,282,233</u>	<u>29,706,973</u>	<u>5,140,303</u>	<u>10,353,036</u>	<u>55,422,536</u>	<u>40,060,009</u>
Net position at beginning of year as previously stated	460,117,369	430,410,396	101,606,934	91,253,898	561,724,303	521,664,294
Restatement for accounting change (Note 8)	996,758	-	22,839	-	1,019,597	-
<b>Net assets at beginning of year as restated</b>	<u>461,114,127</u>	<u>430,410,396</u>	<u>101,629,773</u>	<u>91,253,898</u>	<u>562,743,900</u>	<u>521,664,294</u>
<b>Net position at end of year</b>	<u>\$511,396,360</u>	<u>\$460,117,369</u>	<u>\$106,770,076</u>	<u>\$101,606,934</u>	<u>\$618,166,436</u>	<u>\$ 561,724,303</u>

**Governmental activities.** Governmental activities increased the City's net position by \$51,278,991 (of which \$996,758 was due to a restatement for an accounting change). Key elements of this net increase are as follows:

- The increase in net position before transfers in the prior year and restatement for accounting change in the prior year was \$32,408,828 compared to this year of \$47,920,640, an increase of \$15,511,812.
  - Revenues increased by \$32,327,470 or 15.7% from the prior year. The increase in the current year over the prior year was predominantly due to a \$9,190,709 increase in property tax revenue, resulting from growth and the sale of City properties, a \$10,571,622 increase in operating grants and contributions substantially for affordable housing, a \$8,229,041 increase in capital grants and contributions mainly from acceptance of streets from completed developments, as well as an increase of \$3,643,042 in other taxes.
  - Expenses increased by \$16,815,658 or 9.7% over the prior year. The largest increases were \$7,324,071 and \$4,505,151 in general government as well as economic and physical development expenses, respectively. Increases were also seen in public safety, totaling \$3,648,870.
- Transfers from (to) the Business-type Activities in the prior year were (\$2,701,855) compared to this year of \$2,361,593.
  - In the current fiscal year, transfers were made from the debt service fund to the parking fund for \$2,134,128 to cover the Riverplace parking deck debt service.
  - In the current fiscal year, a \$2,000,000 transfer was made from the parking fund to the debt service fund to reimburse the debt service fund for prior years' debt service payments made on behalf of the parking fund for the Water Street parking deck.
  - A transfer of capital assets totaling \$3,025,448, which represented a portion of River Place land not directly underneath or providing access to the River Place parking deck, was made to the General Fund for economic development-related activities.

**Business-type activities.** Business activities increased the City's net position by \$5,163,142 (of which \$22,839 was due to a restatement for an accounting change). Key elements of the increase are as follows:

- The increase in net position before transfers in the prior year was \$7,651,181 compared to this year of \$7,501,896, a decrease of \$149,285.
  - The increase in charges for service of \$1,114,773 is mainly from the parking fund whose charges for services increased by \$673,096. This reflects the third year of a three-year fee increase. The next largest increase in revenue is in investment earnings due to market increases.
  - Expenses increased by \$1,819,637 or 6.1% from the prior year mainly due to recycling and trash services.

### **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, the unassigned fund balance of the General Fund was \$42,799,048, a 5.9% decrease from the prior year; while total fund balance was \$71,839,377, a 5.0% decrease 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 City's cash flow needs. This year, the City continued to see extended vacancies and staff turnover. The City maintained the minimum level of unassigned fund balance required by its policy. The City currently has an unassigned fund balance of 25.3% of the operating budget, while total fund balance represents 42.4% 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 31.3% of total General Fund expenditures, while total fund balance represents 52.5% of that same amount.

At June 30, 2025, the governmental funds of the City of Wilmington reported a combined fund balance of \$278,796,483, a 1.4% increase or \$3,969,883 more than the prior year. The General Fund, Convention Center Fund, Streets and Sidewalks Fund, Debt Service Fund, and non-major special revenue and capital project funds are included in this combined amount.

The General Fund realized a \$3,805,674 decrease to fund balance instead of a planned decrease of \$11,873,275 as a result of favorable revenues and expenditures as compared to the budget. Revenues exceeded the budget by \$3,904,176. ABC revenues came in lower than budget by \$997,619; however, other revenues exceeded their budgeted amounts. Interest earnings, sales of assets, utilities franchise tax and ad valorem taxes were higher than budget by \$1,055,577, \$1,235,752, \$1,220,122 and \$666,244, respectively. The General Fund expenditures were \$4,780,842 less than budgeted due to continued position vacancies experienced by several departments throughout the City as well as reduced operating expenses. The Streets and Sidewalks Fund saw a decrease of \$6,810,269 due to capital expenditures for street and sidewalk improvements utilizing existing bonds proceeds and pay-go funding. The Debt Service Fund saw an increase of \$4,049,834 primarily due to a transfer from the Parking Facilities Fund to reimburse for debt service payments made on behalf of the Parking Facilities Fund in prior years and a transfer from the streets and sidewalks capital projects fund to utilize funding from delayed capital projects to make pre-payments on existing debt service. The non-major funds saw an increase of \$9,943,461 primarily due to increased funding from the North Carolina Office of Recovery and Resiliency utilized to provide a loan for an affordable housing development.

**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 and appropriated fund balance) were above budget estimates in total by \$3,904,176 for the fiscal year. This increase was primarily due to miscellaneous revenue, franchise tax, and interest earnings exceeding the budget by \$1,635,959, \$1,220,122, and \$1,055,577, respectively. The general fund revenues continue to receive positive impacts from growth, albeit at a slower pace than in the previous year, as our sales tax revenue came in \$440,109 above budget. Expenditures (excluding transfers) in the General Fund were \$4,780,842 less than the \$140,972,492 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 amended budget was balanced using \$11,873,275 of appropriated fund balance for one-time expenses, only \$3,776,730 of which was ultimately needed.

**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 \$7,260,467, \$33,290,666, and \$9,455,506, respectively. Overall, the Recycling and Trash Services Fund had an increase of \$1,660,575 (of which \$8,211 was due to a restatement for an accounting change), compared to \$2,481,485 in the prior year. Revenue remained relatively flat; however, total operating expenses increased by \$954,085, or 9.0%, with larger increases in personnel costs and service costs. The Storm Water Management Fund experienced an increase in net position of \$6,246,618, (of which \$4,456) was due to a restatement for an accounting change), compared to \$5,561,761 in the prior year. Charges for services increased by \$466,261 from the prior year, in part due to a one percent rate increase per equivalent residential unit. There was also an increase of \$332,085 from the prior year in restricted intergovernmental revenue predominately due to FEMA reimbursements related to hurricane Florence. Expenses remained relatively flat. The Parking fund experienced a total decrease in net position of \$3,643,675 (of which \$981 was due to a restatement for an accounting change), from the prior year. The majority of this decrease is due to the disposal of land related to the River Place Parking deck. The total net position for the Golf fund increased by \$899,624 (of which \$11,153 was due to a restatement for an accounting change) over the prior year. A large part of this increase was a \$400,000 transfer from the Debt Service fund in connection with the irrigation system improvements.

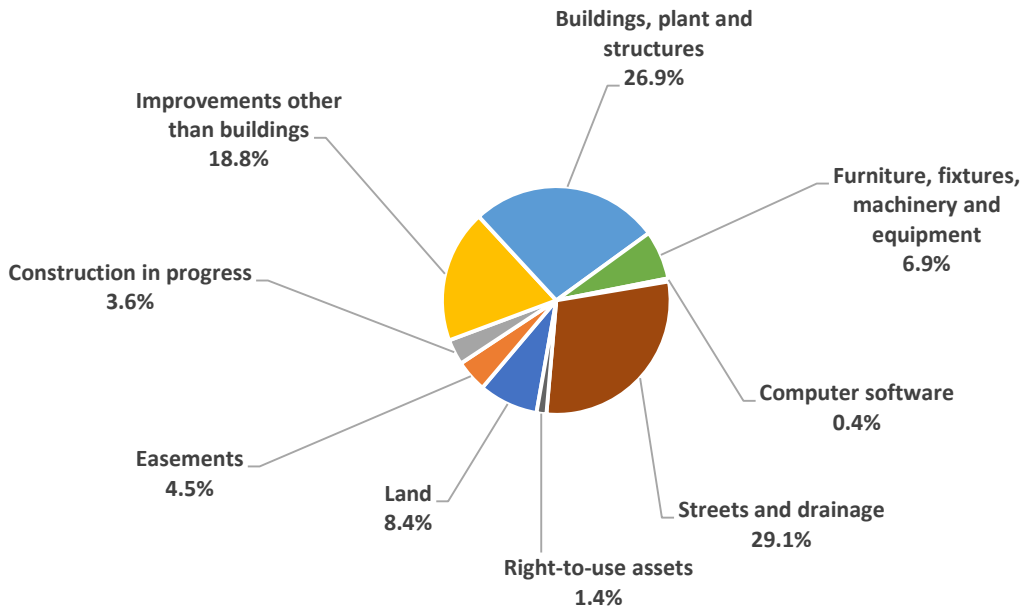
## Capital Assets, Leases, and Debt Administration

**Capital assets.** The City of Wilmington’s investment in capital assets for its governmental and business–type activities as of June 30, 2025, was \$691,133,568 (net of accumulated depreciation/amortization). 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 \$7,978,184 in streets and drainage assets for governmental activity capital assets (see Figure 4) represented the largest increase. This increase included \$6,778,268 of streets accepted by the City from various completed developments. The intangibles/easements assets increased by \$8,270,637, of which \$6,927,187 related to accepted easements.
- An increase of \$1,954,089 in improvements other than buildings for business-type activities represented the largest increase, most of which related to the golf irrigation system. This increase was offset by a decrease in land totaling \$3,025,448 for business-type activities related to the disposal of land related to the River Place Parking deck.

### Capital Assets



## Capital Assets

### Figure 4

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 79,540,788	\$ 78,982,788	\$ 8,900,874	\$ 11,926,322	\$ 88,441,662	\$ 90,909,110
Easements	42,483,755	34,213,118	5,174,830	4,404,994	47,658,585	38,618,112
Construction in progress	35,220,597	47,352,645	2,635,775	2,204,757	37,856,372	49,557,402
Total non-depreciable assets	<u>157,245,140</u>	<u>160,548,551</u>	<u>16,711,479</u>	<u>18,536,073</u>	<u>173,956,619</u>	<u>179,084,624</u>
Improvements other than buildings	109,583,259	89,621,227	88,351,560	86,385,471	197,934,819	176,006,698
Buildings, plant and structures	227,569,087	221,187,978	54,928,655	54,928,655	282,497,742	276,116,633
Furniture, fixtures, machinery and equipment	69,599,947	65,400,431	3,017,362	2,900,903	72,617,309	68,301,334
Computer software	4,456,496	3,111,790	76,596	76,596	4,533,092	3,188,386
Streets and drainage	304,611,868	295,338,876	-	-	304,611,868	295,338,876
Right-to-use leased land	84,270	84,270	1,815,439	1,815,439	1,899,709	1,899,709
Right-to-use leased equipment	1,361,497	1,107,846	-	-	1,361,497	1,107,846
Right-to-use leased buildings	394,156	394,156	-	-	394,156	394,156
Right-to-use subscription asset:	<u>10,728,124</u>	<u>8,454,986</u>	<u>152,772</u>	<u>-</u>	<u>10,880,896</u>	<u>8,454,986</u>
Total assets being depreciated and amortized	728,388,704	684,701,560	148,342,384	146,107,064	876,731,088	830,808,624
Accumulated depreciation/amortization	<u>(304,205,266)</u>	<u>(286,657,187)</u>	<u>(55,348,873)</u>	<u>(51,206,740)</u>	<u>(359,554,139)</u>	<u>(337,863,927)</u>
Total capital assets being depreciated and amortized, net	<u>424,183,438</u>	<u>398,044,373</u>	<u>92,993,511</u>	<u>94,900,324</u>	<u>517,176,949</u>	<u>492,944,697</u>
Total capital assets, net	<u>\$ 581,428,578</u>	<u>\$ 558,592,924</u>	<u>\$ 109,704,990</u>	<u>\$ 113,436,397</u>	<u>\$ 691,133,568</u>	<u>\$ 672,029,321</u>

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

**Long-term Debt.** As of June 30, 2025, the City does not have general obligation bonds authorized but unissued. The total bonded debt outstanding is \$79,365,000. Of the outstanding amount, \$64,695,000 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 \$5,995,000 during the past fiscal year. At June 30, 2025, the general obligation debt was rated AA+/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 \$1,857,701,141.

The City's total debt decreased by \$22,463,218 (4.6%) during the past fiscal year. Principal retirements for the year ended June 30, 2025, totaled \$23,962,977.

**Total Debt Outstanding**  
**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2025	2024 (restated)	2025	2024 (restated)	2025	2024 (restated)
General obligation bonds	\$ 64,695,000	\$ 69,765,000	\$ -	\$ -	\$ 64,695,000	\$ 69,765,000
Revenue bonds	-	-	14,670,000	15,595,000	14,670,000	15,595,000
Installment Obligations	188,206,390	203,483,266	36,446,110	38,269,234	224,652,500	241,752,500
Other Long term obligations	3,871,797	4,739,774	-	-	3,871,797	4,739,774
Plus deferred amounts for						
issuance premiums	28,975,313	30,822,783	1,898,431	1,940,329	30,873,744	32,763,112
Lease liability	906,563	1,083,456	1,181,359	1,343,956	2,087,922	2,427,412
Subscription liability	7,158,922	5,369,597	138,007	-	7,296,929	5,369,597
Compensated absences	7,984,943	7,917,123	614,808	625,366	8,599,751	8,542,489
Net OPEB Liability	35,384,445	32,977,060	3,224,089	3,082,562	38,608,534	36,059,622
Net pension liability (LGERS)	45,353,923	45,994,929	5,283,490	5,345,188	50,637,413	51,340,117
Total pension liability (Separation Allowance)	<u>15,155,675</u>	<u>15,257,860</u>	<u>-</u>	<u>-</u>	<u>15,155,675</u>	<u>15,257,860</u>
Total	<u>\$ 397,692,971</u>	<u>\$ 417,410,848</u>	<u>\$63,456,294</u>	<u>\$66,201,635</u>	<u>\$ 461,149,265</u>	<u>\$ 483,612,483</u>

Additional information on the City of Wilmington’s long-term debt can be found in note 3 on pages 96 - 116 of this report. See note 8 for restatement information related to compensated absences.

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

The following key economic indicators reflect the conservative growth projections:

- The national unemployment rate held steady at 4.2% in March 2025, indicating a resilient labor market despite the challenges posed by rising interest rates and sluggish economic growth. However, workforce participation remains in a state of recovery, influenced by the aging U.S. population. In North Carolina, the unemployment rate was slightly lower at 3.7% during the same month, suggesting a tight labor market within the state. The City of Wilmington reported an unemployment rate of 3.9%, highlighting ongoing demand for workers across various sectors.
- The forecast of sales and use tax, which constitutes 30% of the General Fund revenues, presents significant challenges due to its reliance on the economic climate and consumer confidence. Although this tax experienced substantial growth during the pandemic, that momentum has since diminished. By the end of FY23, the year-over-year growth rate had fallen to below 3%, prompting the City to revise its FY24 estimate to 3.1%, a notable decrease from the initially budgeted 8%. This downturn in sales tax revenue occurred after the FY24 budget was finalized, leading to a flat budget for FY25 totaling \$45,226,363. Given the current economic volatility, particularly with fluctuating global tariff programs, the FY26 budget has adopted a cautious growth factor of approximately 2% across all sales tax categories, resulting in a budget of \$46,000,982.

All of these factors were included in preparing the City of Wilmington’s budget for the 2026 fiscal year.

## Budget Highlights for the Fiscal Year Ending June 30, 2026

**Governmental Activities.** The FY26 budget reflects a real property revaluation year. The purpose of the revaluations is to fairly reflect the value of all property and to help ensure property owners pay equitable taxes based on the value of their property. The revenue-neutral tax rate for FY26, which includes a 2.51% growth rate, amounts to 28.15 cents per \$100 of assessed value. The FY26 budget includes a real property tax rate of 28.25 cents per \$100 of assess value, which is an adjustment of 0.10 cents or 0.4% above the calculated revenue-neutral tax rate. The value of one penny of the tax rate is equivalent to approximately \$3,515,464 based on a 99.5% collection rate for Property and a 100% collection rate for Motor Vehicles. Of the 28.25 cents, 5.77 cents 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. Additionally, 0.67 cents is dedicated to affordable housing, with the remaining property tax of 21.81 cents supporting 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. The FY26 budget reflects a reevaluation year. The net neutral tax rate changes from 6.47 cents per \$ 100 assessed value to 5 cents. The estimated assessed property tax value is \$1,389,800,000, with one cent totaling \$138,256, once adjusted for the collection rates.

The FY26 General Fund budgeted expenditures, excluding transfers, increased by \$6.7 million or 5.0% to \$139,222,231 from the adopted FY25 budget of \$132,564,563. The city-wide FY26 adopted budget reflects a net decrease of 10.65 positions.

**Business-type Activities.** Stormwater rates increased by 3.34% to \$8.97 per month per residence ERU. Recycling and Trash Services rates remained unchanged from FY25. Municipal golf course users will see a \$2 increase for golf cart rentals, along with a \$3 increase for riding punch cards, aimed at helping build a capital improvements fund. Additionally, there will be a \$1 increase for walking punch cards. Parking fees remained unchanged from FY 25, with the exception of residential parking permits, which increased slightly. 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](http://www.wilmingtonnc.gov) or send an email to [finance@wilmingtonnc.gov](mailto:finance@wilmingtonnc.gov).

## **BASIC FINANCIAL STATEMENTS**



**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Net Position**

**June 30, 2025**

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
Cash and cash equivalents/investments	\$ 194,396,951	\$ 55,097,311	\$ 249,494,262	\$ 434,738
Taxes receivable, net	609,478	-	609,478	-
Accounts receivable, net	1,330,151	2,610,131	3,940,282	31,807
Other receivables	1,152,461	315,983	1,468,444	-
Due from other governments	24,698,180	850,948	25,549,128	794,104
Due from management company	558,947	-	558,947	-
Leases receivable	25,401,360	10,363,423	35,764,783	-
Inventories	739,749	163,356	903,105	377,835
Assets held for resale	12,235,949	-	12,235,949	-
Notes receivable	40,327,649	-	40,327,649	-
Prepays	2,368,043	141,843	2,509,886	-
Restricted assets for capital outlay:				
Cash and cash equivalents/investments	48,914,309	7,256	48,921,565	-
Capital assets:				
Land, easements and construction in progress	157,245,140	16,711,479	173,956,619	4,371,323
Other capital assets, net of accumulated depreciation/amortization	424,183,438	92,993,511	517,176,949	21,934,726
<b>Total assets</b>	<b>934,161,805</b>	<b>179,255,241</b>	<b>1,113,417,046</b>	<b>27,944,533</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>29,921,709</b>	<b>3,781,900</b>	<b>33,703,609</b>	<b>596,953</b>
<b>LIABILITIES</b>				
Accounts payable	5,313,729	991,774	6,305,503	312,703
Due to other governments	3,215,631	7,969	3,223,600	-
Accrued liabilities	8,744,521	770,356	9,514,877	107,639
Customer and escrow deposits	1,367,832	119,105	1,486,937	-
Unearned revenues	70,321	228,848	299,169	-
Restricted liabilities:				
Accounts payable	2,556,900	-	2,556,900	-
Unearned revenues	2,717,833	-	2,717,833	-
Long-term liabilities:				
Due within one year	30,134,641	3,328,337	33,462,978	445,459
Due in more than one year	367,558,330	60,127,957	427,686,287	1,004,614
<b>Total liabilities</b>	<b>421,679,738</b>	<b>65,574,346</b>	<b>487,254,084</b>	<b>1,870,415</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>31,007,416</b>	<b>10,692,719</b>	<b>41,700,135</b>	<b>2,157</b>
<b>NET POSITION</b>				
Net investment in capital assets	333,442,013	55,166,121	388,608,134	26,306,049
Restricted for:				
Stabilization by State statute	34,890,629	-	34,890,629	-
Leases	874,245	301,475	1,175,720	-
Community development housing loans	29,806,801	-	29,806,801	-
Convention center facility	15,903,871	-	15,903,871	-
Capital projects	1,523,624	543,492	2,067,116	-
Public safety	1,175,469	-	1,175,469	-
Economic and physical development	297,583	-	297,583	-
Cultural and recreational	98,199	-	98,199	-
Unrestricted	93,383,926	50,758,988	144,142,914	362,865
<b>Net position</b>	<b>\$ 511,396,360</b>	<b>\$ 106,770,076</b>	<b>\$ 618,166,436</b>	<b>\$ 26,668,914</b>

See notes to financial statements.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Activities**

**Year Ended June 30, 2025**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 48,353,916	\$ 2,858,863	\$ 3,332,050	\$ 309,017
Public safety	73,936,817	1,616,052	922,504	540,526
Transportation	21,530,794	1,799,148	5,930,171	15,965,985
Economic and physical development	16,088,190	7,651,805	11,875,265	20,000
Cultural and recreational	17,369,624	1,557,838	1,266,783	270,505
Transit system	2,003,447	-	-	-
Hurricane disaster recovery	-	-	(16,146)	-
Interest	10,866,088	-	-	-
<b>Total governmental activities</b>	<u>190,148,876</u>	<u>15,483,706</u>	<u>23,310,627</u>	<u>17,106,033</u>
<b>Business-type activities:</b>				
Recycling and trash services	11,611,301	12,231,703	95,270	-
Storm water management	10,201,963	13,644,781	956,538	269,687
Parking facilities	7,844,621	6,808,195	-	-
Golf	2,148,027	2,450,900	-	-
<b>Total business-type activities</b>	<u>31,805,912</u>	<u>35,135,579</u>	<u>1,051,808</u>	<u>269,687</u>
<b>Total primary government</b>	<u>\$ 221,954,788</u>	<u>\$ 50,619,285</u>	<u>\$ 24,362,435</u>	<u>\$ 17,375,720</u>
<b>Component unit</b>	<u>\$ 14,143,085</u>	<u>\$ 2,221,319</u>	<u>\$ 5,963,943</u>	<u>\$ 3,995,985</u>

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Primary government:				
Governmental activities:				
General government	\$ (41,853,986)	\$ -	\$ (41,853,986)	\$ -
Public safety	(70,857,735)	-	(70,857,735)	-
Transportation	2,164,510	-	2,164,510	-
Economic and physical development	3,458,880	-	3,458,880	-
Cultural and recreational	(14,274,498)	-	(14,274,498)	-
Transit system	(2,003,447)	-	(2,003,447)	-
Hurricane disaster recovery	(16,146)	-	(16,146)	-
Interest and other charges	(10,866,088)	-	(10,866,088)	-
Total governmental activities	<u>(134,248,510)</u>	<u>-</u>	<u>(134,248,510)</u>	<u>-</u>
Business-type activities:				
Recycling and trash services	-	715,672	715,672	-
Storm water management	-	4,669,043	4,669,043	-
Parking facilities	-	(1,036,426)	(1,036,426)	-
Golf	-	302,873	302,873	-
Total business-type activities	<u>-</u>	<u>4,651,162</u>	<u>4,651,162</u>	<u>-</u>
Total primary government	<u>(134,248,510)</u>	<u>4,651,162</u>	<u>(129,597,348)</u>	<u>-</u>
Component unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,961,838)</u>
General revenues:				
Ad valorem taxes	98,894,694	-	98,894,694	-
Room occupancy tax	7,040,841	-	7,040,841	-
Grants and contributions not restricted to specific programs	2,915,291	-	2,915,291	-
Operating subsidy from primary government	-	-	-	1,827,444
Operating subsidy from other governments	-	-	-	1,172,800
Local option sales tax	45,953,719	-	45,953,719	-
Franchise tax	10,032,163	-	10,032,163	-
Video programming sales tax	935,774	-	935,774	-
Rental vehicle tax	516,642	-	516,642	-
Investment earnings	11,587,449	2,311,145	13,898,594	-
Miscellaneous	4,292,577	539,589	4,832,166	453,970
Total general revenues not including transfers	<u>182,169,150</u>	<u>2,850,734</u>	<u>185,019,884</u>	<u>3,454,214</u>
Transfers from (to) other funds	<u>2,361,593</u>	<u>(2,361,593)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>184,530,743</u>	<u>489,141</u>	<u>185,019,884</u>	<u>3,454,214</u>
Change in net position	<u>50,282,233</u>	<u>5,140,303</u>	<u>55,422,536</u>	<u>1,492,376</u>
Net position at beginning of year as previously stated	460,117,369	101,606,934	561,724,303	25,176,538
Restatement for accounting change (Note 8)	<u>996,758</u>	<u>22,839</u>	<u>1,019,597</u>	<u>-</u>
Net position at beginning of year as restated	<u>461,114,127</u>	<u>101,629,773</u>	<u>562,743,900</u>	<u>25,176,538</u>
Net position at end of year	<u>\$ 511,396,360</u>	<u>\$ 106,770,076</u>	<u>\$ 618,166,436</u>	<u>\$ 26,668,914</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Balance Sheet -  
Governmental Funds**

**June 30, 2025**

	General Fund	Special Purpose Fund	Convention Center Fund	Streets and Sidewalks Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and cash equivalents/investments	\$ 59,801,064	\$ -	\$ 12,553,534	\$ 32,635,172
Taxes receivable, net	480,789	-	-	-
Accounts receivable, net	1,277,336	-	-	39,751
Other receivables	427,458	-	71,131	92,903
Due from other funds	395,183	-	-	-
Due from management company	-	-	558,947	-
Due from other governments	18,844,456	-	2,610,478	95,262
Assets held for resale	-	-	-	-
Notes receivable, net	217,620	-	-	-
Leases receivable	10,281,683	-	9,803,136	-
Inventories	705,126	-	-	-
Prepays	315,695	-	-	1,082,715
Restricted assets:				
Cash and cash equivalents/investments	<u>-</u>	<u>-</u>	<u>1,856</u>	<u>42,275,922</u>
Total assets	<u>\$ 92,746,410</u>	<u>\$ -</u>	<u>\$ 25,599,082</u>	<u>\$ 76,221,725</u>
 <b>LIABILITIES</b>				
Accounts payable	\$ 1,013,870	\$ -	\$ 200,065	\$ 676,041
Due to other funds	-	-	-	-
Due to other governments	1,496	-	-	31
Accrued liabilities	7,223,169	-	-	-
Customer and escrow deposits	742,695	-	-	-
Unearned revenue	3,654	-	66,667	-
Restricted liabilities:				
Accounts payable	-	-	-	1,345,488
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,984,884</u>	<u>-</u>	<u>266,732</u>	<u>2,021,560</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes receivable, net	480,789	-	-	-
Accounts receivable	1,376,882	-	-	-
Notes receivable	217,620	-	-	-
Leases	<u>9,846,858</u>	<u>-</u>	<u>9,428,479</u>	<u>-</u>
Total deferred inflows of resources	<u>11,922,149</u>	<u>-</u>	<u>9,428,479</u>	<u>-</u>

	Building Improvements Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents/investments	\$ -	\$ 29,685,152	\$ 35,592,633	\$ 170,267,555
Taxes receivable, net	-	125,385	3,304	609,478
Accounts receivable, net	-	-	13,064	1,330,151
Other receivables	-	92,074	360,357	1,043,923
Due from other funds	-	-	-	395,183
Due from management company	-	-	-	558,947
Due from other governments	-	142,511	2,760,894	24,453,601
Assets held for resale	-	-	12,235,949	12,235,949
Notes receivable, net	-	-	40,110,029	40,327,649
Leases receivable	-	5,316,541	-	25,401,360
Inventories	-	-	-	705,126
Prepays	-	-	139,379	1,537,789
Restricted assets:				
Cash and cash equivalents/investments	-	93,965	6,542,566	48,914,309
Total assets	<u>\$ -</u>	<u>\$ 35,455,628</u>	<u>\$ 97,758,175</u>	<u>\$ 327,781,020</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 23,663	\$ 2,681,540	\$ 4,595,179
Due to other funds	-	-	395,183	395,183
Due to other governments	-	3,106,364	107,740	3,215,631
Accrued liabilities	-	-	89,876	7,313,045
Customer and escrow deposits	-	-	625,137	1,367,832
Unearned revenue	-	-	-	70,321
Restricted liabilities:				
Accounts payable	-	-	1,211,412	2,556,900
Unearned revenue	-	-	2,717,833	2,717,833
Total liabilities	<u>-</u>	<u>3,130,027</u>	<u>7,828,721</u>	<u>22,231,924</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes receivable, net	-	125,385	3,304	609,478
Accounts receivable	-	-	16,126	1,393,008
Notes receivable	-	-	5,392	223,012
Leases	-	5,251,778	-	24,527,115
Total deferred inflows of resources	<u>-</u>	<u>5,377,163</u>	<u>24,822</u>	<u>26,752,613</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Balance Sheet -  
Governmental Funds (Continued)**

**June 30, 2025**

	General Fund	Special Purpose Fund	Convention Center Fund	Streets and Sidewalks Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES</b>				
Non Spendable:				
Leases	\$ 434,825	\$ -	\$ -	\$ -
Inventories	705,126	-	-	-
Prepays	315,695	-	-	1,082,715
Restricted:				
Stabilization by State statute	21,757,296	-	-	-
Community development loans	-	-	-	-
Convention center	-	-	15,903,871	-
Capital projects	-	-	-	40,930,434
Debt service	-	-	-	-
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Cultural and recreational	-	-	-	-
Committed:				
Community development loans	-	-	-	-
Capital projects	-	-	-	32,187,016
Debt service	-	-	-	-
Public safety	826,233	-	-	-
Transportation	-	-	-	-
Economic and physical development	-	-	-	-
Cultural and recreational	617,337	-	-	-
Transit	400,000	-	-	-
General government	220,000	-	-	-
Municipal service district	-	-	-	-
Subsequent year's expenditures	-	-	-	-
Assigned:				
Self-insurance	1,000,000	-	-	-
Subsequent year's expenditures	2,763,817	-	-	-
Unassigned	42,799,048	-	-	-
Unassigned (deficit), reported in:				
Nonmajor special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>71,839,377</u>	<u>-</u>	<u>15,903,871</u>	<u>74,200,165</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 92,746,410</u>	<u>\$ -</u>	<u>\$ 25,599,082</u>	<u>\$ 76,221,725</u>

	Building Improvements Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
<b>FUND BALANCES</b>				
Non Spendable:				
Leases	\$ -	\$ -	\$ -	\$ 434,825
Inventories	-	-	-	705,126
Prepays	-	-	139,379	1,537,789
Restricted:				
Stabilization by State statute	-	325,143	12,808,190	34,890,629
Community development loans	-	-	29,806,801	29,806,801
Convention center	-	-	-	15,903,871
Capital projects	-	-	1,610,505	42,540,939
Debt service	-	93,965	-	93,965
Public safety	-	-	1,175,469	1,175,469
Economic and physical development	-	-	297,583	297,583
Cultural and recreational	-	-	98,199	98,199
Committed:				
Community development loans	-	-	9,330,087	9,330,087
Capital projects	-	-	32,510,253	64,697,269
Debt service	-	26,529,330	-	26,529,330
Public safety	-	-	845,915	1,672,148
Transportation	-	-	590,018	590,018
Economic and physical development	-	-	26,213	26,213
Cultural and recreational	-	-	-	617,337
Transit	-	-	-	400,000
General government	-	-	-	220,000
Municipal service district	-	-	745,485	745,485
Subsequent year's expenditures	-	-	150,644	150,644
Assigned:				
Self-insurance	-	-	-	1,000,000
Subsequent year's expenditures	-	-	-	2,763,817
Unassigned	-	-	-	42,799,048
Unassigned (deficit), reported in:				
Nonmajor special revenue funds	-	-	(230,109)	(230,109)
Total fund balances	<u>-</u>	<u>26,948,438</u>	<u>89,904,632</u>	<u>278,796,483</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 35,455,628</u>	<u>\$ 97,758,175</u>	<u>\$ 327,781,020</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

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

**June 30, 2025**

Total fund balances - governmental funds	\$ 278,796,483
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.	568,885,407
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.	(44,806,056)
This amount represents the City's total pension liability of the Law Enforcement Officers' Special Separation Allowance (Separation Allowance).	(15,155,675)
This amount represents the City's net other postemployment benefits liability relevant to governmental activities.	(34,915,930)
Contributions to the LGERS pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	9,369,497
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.	555,412
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.	35,160,006
Liabilities for unavailable revenues considered deferred inflows of resources in fund statements.	2,225,498
This amount represents pension related deferrals from the City's participation in the LGERS pension plan.	12,668,229
This amount represents pension related deferrals from the City's participation in the Separation Allowance pension plan.	(447,083)
This amount represents other postemployment benefits related deferrals.	34,115
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.	(300,991,548)
Other adjustment to net assets for investment income receivables not reported in the governmental funds.	<u>18,005</u>
Net position - governmental activities	<u>\$ 511,396,360</u>

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**CITY OF WILMINGTON, NORTH CAROLINA**

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

**Year Ended June 30, 2025**

	<u>General Fund</u>	<u>Special Purpose Fund</u>	<u>Convention Center Fund</u>	<u>Streets and Sidewalks Fund</u>
Revenues:				
Ad valorem taxes	\$ 75,963,991	\$ -	\$ -	\$ -
Room occupancy tax	-	-	7,040,841	-
Other taxes	57,151,051	-	-	-
Unrestricted intergovernmental	2,915,291	-	-	-
Restricted intergovernmental	4,028,004	-	-	535,833
Licenses and permits	2,180,582	-	-	-
Sales and services	3,600,303	-	7,551,165	-
Fines and forfeits	172,611	-	-	-
Investment earnings	3,237,179	-	575,127	3,462,325
Donations	-	-	-	1,480,628
Miscellaneous	3,151,753	-	254,687	-
Total revenues	<u>152,400,765</u>	<u>-</u>	<u>15,421,820</u>	<u>5,478,786</u>
Expenditures:				
Current:				
General government	38,192,386	-	-	-
Public safety	72,223,092	-	-	-
Transportation	9,695,137	-	-	11,764,355
Economic and physical development	1,457,081	-	9,052,358	-
Cultural and recreational	11,086,915	-	-	1,357,796
Transit system	1,827,444	-	-	95,121
Debt service:				
Principal retirement	1,994,352	-	2,340,000	-
Interest and other charges	253,056	-	1,671,315	-
Total expenditures	<u>136,729,463</u>	<u>-</u>	<u>13,063,673</u>	<u>13,217,272</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,671,302</u>	<u>-</u>	<u>2,358,147</u>	<u>(7,738,486)</u>
Other financing sources (uses):				
Transfers from other funds	4,099,311	-	-	4,516,937
Transfers to other funds	(27,874,765)	-	(1,765,616)	(3,588,720)
Issuance of lease	105,158	-	-	-
Issuance of subscription	4,222,264	-	-	-
Total other financing sources (uses), net	<u>(19,448,032)</u>	<u>-</u>	<u>(1,765,616)</u>	<u>928,217</u>
Net change in fund balances	<u>(3,776,730)</u>	<u>-</u>	<u>592,531</u>	<u>(6,810,269)</u>
Fund balances at beginning of year as previously stated	75,645,051	2,970,898	15,311,340	81,010,434
Change within reporting entity (Note 8)	<u>-</u>	<u>(2,970,898)</u>	<u>-</u>	<u>-</u>
Fund balance at beginning of year as restated	<u>75,645,051</u>	<u>-</u>	<u>15,311,340</u>	<u>81,010,434</u>
Change in reserve for inventories	<u>(28,944)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 71,839,377</u>	<u>\$ -</u>	<u>\$ 15,903,871</u>	<u>\$ 74,200,165</u>

	Building Improvements Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ -	\$ 22,114,963	\$ 559,668	\$ 98,638,622
Room occupancy tax	-	-	-	7,040,841
Other taxes	-	-	287,247	57,438,298
Unrestricted intergovernmental	-	-	-	2,915,291
Restricted intergovernmental	-	-	18,976,845	23,540,682
Licenses and permits	-	-	-	2,180,582
Sales and services	-	-	-	11,151,468
Fines and forfeits	-	-	-	172,611
Investment earnings	-	1,469,304	1,890,189	10,634,124
Donations	-	125,000	1,313,733	2,919,361
Miscellaneous	-	1,873,001	1,558,855	6,838,296
Total revenues	<u>-</u>	<u>25,582,268</u>	<u>24,586,537</u>	<u>223,470,176</u>
Expenditures:				
Current:				
General government	-	-	8,423,060	46,615,446
Public safety	-	-	6,648,441	78,871,533
Transportation	-	-	3,814,032	25,273,524
Economic and physical development	-	-	2,474,290	12,983,729
Cultural and recreational	-	-	7,887,674	20,332,385
Transit system	-	-	80,883	2,003,448
Debt service:				
Principal retirement	-	18,874,854	6,439	23,215,645
Interest and other charges	-	11,276,040	484	13,200,895
Total expenditures	<u>-</u>	<u>30,150,894</u>	<u>29,335,303</u>	<u>222,496,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(4,568,626)</u>	<u>(4,748,766)</u>	<u>973,571</u>
Other financing sources (uses):				
Transfers from other funds	-	16,611,637	28,819,876	54,047,761
Transfers to other funds	-	(7,993,177)	(14,127,649)	(55,349,927)
Issuance of lease	-	-	-	105,158
Issuance of subscription	-	-	-	4,222,264
Total other financing sources (uses), net	<u>-</u>	<u>8,618,460</u>	<u>14,692,227</u>	<u>3,025,256</u>
Net change in fund balances	<u>-</u>	<u>4,049,834</u>	<u>9,943,461</u>	<u>3,998,827</u>
Fund balances at beginning of year as previously stated	27,655,368	22,898,604	49,334,905	274,826,600
Change within reporting entity (Note 8)	<u>(27,655,368)</u>	<u>-</u>	<u>30,626,266</u>	<u>-</u>
Fund balance at beginning of year as restated	<u>-</u>	<u>22,898,604</u>	<u>79,961,171</u>	<u>274,826,600</u>
Change in reserve for inventories	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,944)</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 26,948,438</u>	<u>\$ 89,904,632</u>	<u>\$ 278,796,483</u>

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, 2025

Net change in fund balances - total governmental funds	\$ 3,998,827
Amounts reported for governmental activities in the statement of activities are different because:	
Change in fund balance due to change in reserve for inventory.	(28,944)
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.	23,329,606
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.	735,664
Contributions to the Local Governmental Retirement System (LGERS) pension plan in the current fiscal year are not included on the Statement of Activities.	9,369,497
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.	555,412
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.	20,642,263
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.	(10,709,618)
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.	<u>2,389,526</u>
Change in net position - governmental activities	<u>\$ 50,282,233</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

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

**Year Ended June 30, 2025**

	Budgeted Amounts *		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem tax	\$ 75,152,835	\$ 75,297,747	\$ 75,963,991	\$ 666,244
Local option sales tax	45,226,363	45,226,363	45,666,472	440,109
Franchise tax	8,812,041	8,812,041	10,032,163	1,220,122
Video programming tax	1,090,036	1,090,036	935,774	(154,262)
Rental vehicle tax	475,000	475,000	516,642	41,642
Unrestricted intergovernmental	3,953,700	3,953,700	2,915,291	(1,038,409)
Restricted intergovernmental	3,651,644	4,043,416	4,028,004	(15,412)
Licenses and permits	2,608,660	2,608,660	2,180,582	(428,078)
Sales and services	3,100,163	3,171,830	3,600,303	428,473
Fines and forfeits	120,400	120,400	172,611	52,211
Interest earnings	1,500,000	2,181,602	3,237,179	1,055,577
Miscellaneous	1,142,653	1,515,794	3,151,753	1,635,959
Total revenues	<u>146,833,495</u>	<u>148,496,589</u>	<u>152,400,765</u>	<u>3,904,176</u>
Expenditures:				
General Government			38,055,615	
Public Safety			72,223,092	
Transportation			9,695,137	
Economical and physical development			1,056,039	
Cultural and Recreational			11,086,915	
Transit System			1,827,444	
Debt Service:				
Principal retirement			1,994,352	
Interest and other charges			253,056	
Total expenditures	<u>134,488,586</u>	<u>140,972,492</u>	<u>136,191,650</u>	<u>4,780,842</u>
Excess of revenues over expenditures	<u>12,344,909</u>	<u>7,524,097</u>	<u>16,209,115</u>	<u>8,685,018</u>
Other financing sources (uses):				
Transfers from other funds	750,000	4,687,781	4,099,311	(588,470)
Transfers to other funds	(17,201,329)	(28,412,578)	(28,412,578)	-
Issuance of lease	-	105,159	105,158	(1)
Issuance of subscription	-	4,222,266	4,222,264	(2)
Appropriated fund balance	4,106,420	11,873,275	-	(11,873,275)
Total other financing uses	<u>(12,344,909)</u>	<u>(7,524,097)</u>	<u>(19,985,845)</u>	<u>(12,461,748)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	<u>(3,776,730)</u>	\$ <u>(3,776,730)</u>
Fund balance at beginning of year			75,645,051	
Change in reserve for inventories			(28,944)	
Fund balance at end of year			<u>71,839,377</u>	
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			537,813	
General government expenditures			(136,771)	
Economic and physical development expenditures			(401,042)	
Fund balance at end of year			<u>\$ 71,839,377</u>	

\* Budgetary expenditure amounts are presented at the legal level of control which is at the fund level, not the functional level.

See notes to financial statements.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Net Position -  
Proprietary Funds**

**June 30, 2025**

	<b>Enterprise Funds</b>		
	Recycling and Trash Services Fund	Storm Water Management Fund	Parking Facilities Fund
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents/investments	\$ 8,122,668	\$ 34,791,554	\$ 10,117,155
Accounts receivable:			
Customers, net	1,398,447	1,211,684	-
Other receivables	80,154	135,207	87,297
Due from other governments	380,077	378,171	14,498
Lease receivable	-	-	89,131
Inventory of materials and supplies	64,273	58,780	-
Prepays	9,101	103,700	21,952
Restricted assets:			
Cash and cash equivalents/investments	-	724	6,532
Total current assets	10,054,720	36,679,820	10,336,565
Noncurrent assets:			
Lease receivable	-	-	10,274,292
Capital assets:			
Land	-	1,533,071	7,258,410
Easements	-	4,983,078	191,752
Improvements other than buildings	-	83,390,429	231,282
Buildings, plant and structures	-	1,202,630	51,920,754
Intangible software	-	-	76,596
Furniture, fixtures, machinery and equipment	37,305	1,519,069	1,153,847
Construction in progress	-	2,635,775	-
Intangible right-to-use leased assets	-	-	1,815,439
Intangible right-to-use subscription assets	152,772	-	-
Less accumulated depreciation/amortization	(50,577)	(30,691,907)	(22,035,057)
Total capital assets, net of accumulated depreciation/ amortization	139,500	64,572,145	40,613,023
Total noncurrent assets	139,500	64,572,145	50,887,315
Total assets	10,194,220	101,251,965	61,223,880
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Other postemployment benefits deferrals	743,908	179,523	1,188
Pension deferrals	853,173	787,401	42,184
Contributions to pension plan in current fiscal year	465,517	322,657	11,248
Charge on refunding	-	82,583	11,682
Total deferred outflows of resources	2,062,598	1,372,164	66,302

	Nonmajor Golf Fund	Total	Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents/investments	\$ 2,065,934	\$ 55,097,311	\$ 24,129,396
Accounts receivable:			
Customers, net	-	2,610,131	-
Other receivables	13,325	315,983	90,533
Due from other governments	78,202	850,948	244,579
Lease receivable	-	89,131	-
Inventory of materials and supplies	40,303	163,356	34,623
Prepays	7,090	141,843	830,254
Restricted assets:			
Cash and cash equivalents/investments	-	7,256	-
Total current assets	<u>2,204,854</u>	<u>59,275,959</u>	<u>25,329,385</u>
Noncurrent assets:			
Lease receivable	-	10,274,292	-
Capital assets:			
Land	109,393	8,900,874	-
Easements	-	5,174,830	-
Improvements other than buildings	4,729,849	88,351,560	-
Buildings, plant and structures	1,805,271	54,928,655	-
Intangible software	-	76,596	130,305
Furniture, fixtures, machinery and equipment	307,141	3,017,362	39,425,221
Construction in progress	-	2,635,775	-
Intangible right-to-use leased assets	-	1,815,439	1,241,443
Intangible right-to-use subscription assets	-	152,772	1,668,427
Less accumulated depreciation/amortization	<u>(2,571,332)</u>	<u>(55,348,873)</u>	<u>(29,922,225)</u>
Total capital assets, net of accumulated depreciation/ amortization	<u>4,380,322</u>	<u>109,704,990</u>	<u>12,543,171</u>
Total noncurrent assets	<u>4,380,322</u>	<u>119,979,282</u>	<u>12,543,171</u>
Total assets	<u>6,585,176</u>	<u>179,255,241</u>	<u>37,872,556</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Other postemployment benefits deferrals	55,210	979,829	58,686
Pension deferrals	149,482	1,832,240	177,326
Contributions to pension plan in current fiscal year	76,144	875,566	94,691
Charge on refunding	-	94,265	-
Total deferred outflows of resources	<u>280,836</u>	<u>3,781,900</u>	<u>330,703</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Net Position -  
Proprietary Funds (Continued)**

**June 30, 2025**

	<b>Enterprise Funds</b>		
	Recycling and Trash Services Fund	Storm Water Management Fund	Parking Facilities Fund
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable:			
Trade	\$ 225,868	\$ 59,322	\$ 400,082
Contracts and retainage	-	156,483	150,000
Due to other governments	167	2,065	-
Accrued liabilities:			
Personnel costs	250,505	133,776	1,043
Interest	-	49,954	299,712
Current portion of long-term liabilities:			
Bonds payable	-	950,000	-
Installment obligations	-	-	1,742,015
Lease liability	-	-	165,224
Subscription liability	47,094	-	-
Accrued vacation and sick leave	164,528	174,870	-
Customer and escrow deposits	-	119,105	-
Unearned revenues	-	-	-
Total current liabilities	688,162	1,645,575	2,758,076
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities:			
Bonds payable	-	14,528,567	-
Installment obligations	-	-	35,793,959
Lease liability	-	-	1,016,135
Subscription liability	90,913	-	-
Accrued vacation and sick leave	76,513	81,886	-
Net other postemployment benefits liability	1,335,982	1,134,495	14,421
Net pension liability	2,594,576	2,135,445	115,357
Total noncurrent liabilities	4,097,984	17,880,393	36,939,872
Total liabilities	4,786,146	19,525,968	39,697,948
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases	-	-	10,061,948
Other postemployment benefits deferrals	135,401	188,322	5,978
Pension deferrals	73,311	55,279	3,423
Total deferred inflows of resources	208,712	243,601	10,071,349
<b>NET POSITION</b>			
Net investment in capital assets	1,493	49,020,402	1,763,904
Restricted for:			
Leases	-	-	301,475
Capital projects	-	543,492	-
Unrestricted	7,260,467	33,290,666	9,455,506
Net Position	\$ 7,261,960	\$ 82,854,560	\$ 11,520,885

See notes to financial statements.

	Nonmajor Golf Fund	Total	Internal Service Funds
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable:			
Trade	\$ 19	\$ 685,291	\$ 718,550
Contracts and retainage	-	306,483	-
Due to other governments	5,737	7,969	-
Accrued liabilities:			
Personnel costs	35,366	420,690	35,956
Interest	-	349,666	-
Current portion of long-term liabilities:			
Bonds payable	-	950,000	-
Installment obligations	-	1,742,015	-
Lease liability	-	165,224	278,491
Subscription liability	-	47,094	555,991
Accrued vacation and sick leave	84,606	424,004	76,720
Customer and escrow deposits	-	119,105	-
Unearned revenues	228,848	228,848	-
Total current liabilities	<u>354,576</u>	<u>5,446,389</u>	<u>1,665,708</u>
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities:			
Bonds payable	-	14,528,567	-
Installment obligations	-	35,793,959	-
Lease liability	-	1,016,135	227,081
Subscription liability	-	90,913	-
Accrued vacation and sick leave	32,405	190,804	34,249
Net other postemployment benefits liability	739,191	3,224,089	468,515
Net pension liability	438,112	5,283,490	547,867
Total noncurrent liabilities	<u>1,209,708</u>	<u>60,127,957</u>	<u>1,277,712</u>
Total liabilities	<u>1,564,284</u>	<u>65,574,346</u>	<u>2,943,420</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases	-	10,061,948	-
Other postemployment benefits deferrals	156,863	486,564	83,794
Pension deferrals	12,194	144,207	16,039
Total deferred inflows of resources	<u>169,057</u>	<u>10,692,719</u>	<u>99,833</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,380,322	55,166,121	10,959,100
Restricted for:			
Leases	-	301,475	-
Capital projects	-	543,492	-
Unrestricted	752,349	50,758,988	24,200,906
Net Position	<u>\$ 5,132,671</u>	<u>\$ 106,770,076</u>	<u>\$ 35,160,006</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

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

**Year Ended June 30, 2025**

	<b>Enterprise Funds</b>		
	Recycling and Trash Services Fund	Storm Water Management Fund	Parking Facilities Fund
Operating revenues:			
Charges for services	\$ 12,231,703	\$ 13,644,781	\$ 6,808,195
Other operating revenues	63,238	127,611	291,203
Total operating revenues	12,294,941	13,772,392	7,099,398
Operating expenses:			
Salaries, employee benefits and other personnel costs	5,126,112	3,776,776	145,063
Materials and fuels consumed	866,021	465,562	752
Landfill disposal fees	1,621,295	-	-
Services	2,141,923	1,130,360	2,551,227
Utilities	20,763	50,569	140,061
Depreciation	1,337	1,671,806	2,054,042
Amortization	15,277	-	178,567
Other operating expenses	1,817,530	2,508,505	1,421,933
Total operating expenses	11,610,258	9,603,578	6,491,645
Operating income	684,683	4,168,814	607,753
Nonoperating revenues (expenses):			
Investment earnings	335,088	1,354,147	493,849
Restricted intergovernmental	95,270	956,538	-
Interest and other charges	(1,043)	(598,385)	(1,352,976)
Gain (loss) on disposal of capital assets, net	-	-	(3,025,448)
Total nonoperating revenues (expenses), net	429,315	1,712,300	(3,884,575)
Income (loss) before capital contributions and transfers	1,113,998	5,881,114	(3,276,822)
Capital contributions	-	269,687	-
Transfers from other funds	538,366	91,361	2,134,128
Transfers to other funds	-	-	(2,500,000)
Change in net position	1,652,364	6,242,162	(3,642,694)
Net position at beginning of year as previously stated	5,601,385	76,607,942	15,164,560
Restatement for accounting change (Note 8)	8,211	4,456	(981)
Net position at beginning of year as restated	5,609,596	76,612,398	15,163,579
Net position at end of year	\$ 7,261,960	\$ 82,854,560	\$ 11,520,885

See notes to financial statements.

	Nonmajor Golf Fund	Total	Internal Service Funds
Operating revenues:			
Charges for services	\$ 2,450,900	\$ 35,135,579	\$ 9,913,115
Other operating revenues	57,537	539,589	19,366
Total operating revenues	<u>2,508,437</u>	<u>35,675,168</u>	<u>9,932,481</u>
Operating expenses:			
Salaries, employee benefits and other personnel costs	978,564	10,026,515	1,099,726
Materials and fuels consumed	510,055	1,842,390	18,786
Landfill disposal fees	-	1,621,295	-
Services	50,610	5,874,120	1,765,911
Utilities	56,054	267,447	26,980
Depreciation	221,104	3,948,289	4,045,850
Amortization	-	193,844	848,269
Other operating expenses	331,640	6,079,608	1,437,200
Total operating expenses	<u>2,148,027</u>	<u>29,853,508</u>	<u>9,242,722</u>
Operating income	<u>360,410</u>	<u>5,821,660</u>	<u>689,759</u>
Nonoperating revenues (expenses):			
Investment earnings	128,061	2,311,145	935,320
Restricted intergovernmental	-	1,051,808	-
Interest and other charges	-	(1,952,404)	(49,869)
Gain (loss) on disposal of capital assets, net	-	(3,025,448)	19,163
Total nonoperating revenues (expenses), net	<u>128,061</u>	<u>(1,614,899)</u>	<u>904,614</u>
Income (loss) before capital contributions and transfers	488,471	4,206,761	1,594,373
Capital contributions	-	269,687	156,842
Transfers from other funds	400,000	3,163,855	638,311
Transfers to other funds	-	(2,500,000)	-
Change in net position	<u>888,471</u>	<u>5,140,303</u>	<u>2,389,526</u>
Net position at beginning of year as previously stated	4,233,047	101,606,934	32,758,892
Restatement for accounting change (Note 8)	<u>11,153</u>	<u>22,839</u>	<u>11,588</u>
Net position at beginning of year as restated	<u>4,244,200</u>	<u>101,629,773</u>	<u>32,770,480</u>
Net position at end of year	<u>\$ 5,132,671</u>	<u>\$ 106,770,076</u>	<u>\$ 35,160,006</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Cash Flows -  
Proprietary Funds**

**Year Ended June 30, 2025**

	<b>Enterprise Funds</b>		
	<u>Recycling and Trash Services Fund</u>	<u>Storm Water Management Fund</u>	<u>Parking Facilities Fund</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 12,183,974	\$ 10,097,194	\$ 7,025,449
Receipts from interfund services provided	44,973	3,566,259	-
Payments to suppliers	(4,470,205)	(3,192,389)	(3,960,039)
Payments to or on behalf of employees	(5,306,323)	(3,545,980)	(136,503)
Payments for interfund services used	<u>(1,975,577)</u>	<u>(1,038,506)</u>	<u>(11,857)</u>
Net cash provided by operating activities	<u>476,842</u>	<u>5,886,578</u>	<u>2,917,050</u>
Cash flows from noncapital and related financing activities:			
Transfers from other funds	538,366	-	2,134,128
Transfers to other funds	-	-	(2,500,000)
Restricted intergovernmental	<u>95,270</u>	<u>4,578,357</u>	<u>-</u>
Net cash provided by (used in) noncapital and related financing activities	<u>633,636</u>	<u>4,578,357</u>	<u>(365,872)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(1,942,688)	(420,257)
Principal payments on bonds	-	(925,000)	-
Principal payments on installment obligations	-	(65,105)	(1,758,019)
Principal payments on leases	-	-	(162,597)
Principal payments on subscriptions	(14,765)	-	-
Interest and other charges	(1,043)	(636,415)	(1,348,297)
Capital contributions from governmental funds	-	91,361	-
Capital contributions from other governments	-	157,009	-
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(15,808)</u>	<u>(3,320,838)</u>	<u>(3,689,170)</u>
Cash flows from investing activities:			
Investment earnings	<u>346,159</u>	<u>1,385,906</u>	<u>511,745</u>
Net increase (decrease) in cash and cash equivalents/ investments	1,440,829	8,530,003	(626,247)
Cash and cash equivalents/investments at beginning of year	<u>6,681,839</u>	<u>26,262,275</u>	<u>10,749,934</u>
Cash and cash equivalents/investments at end of year	<u>\$ 8,122,668</u>	<u>\$ 34,792,278</u>	<u>\$ 10,123,687</u>

	Nonmajor Golf Fund	Total	Internal Service Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,478,105	\$ 31,784,722	\$ 588,151
Receipts from interfund services provided	-	3,611,232	9,281,707
Payments to suppliers	(915,900)	(12,538,533)	(3,319,743)
Payments to or on behalf of employees	(932,586)	(9,921,392)	(1,038,048)
Payments for interfund services used	(42,358)	(3,068,298)	(5,946)
Net cash provided by operating activities	<u>587,261</u>	<u>9,867,731</u>	<u>5,506,121</u>
Cash flows from noncapital and related financing activities:			
Transfers from other funds	400,000	3,072,494	638,311
Transfers to other funds	-	(2,500,000)	-
Restricted intergovernmental	-	4,673,627	-
Net cash provided by (used in) noncapital and related financing activities	<u>400,000</u>	<u>5,246,121</u>	<u>638,311</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,954,089)	(4,317,034)	(3,616,338)
Principal payments on bonds	-	(925,000)	-
Principal payments on installment obligations	-	(1,823,124)	-
Principal payments on leases	-	(162,597)	(304,200)
Principal payments on subscriptions	-	(14,765)	(540,316)
Interest and other charges	-	(1,985,755)	(49,869)
Capital contributions from governmental funds	-	91,361	-
Capital contributions from other governments	-	157,009	-
Proceeds from sale of capital assets	-	-	74,676
Net cash used in capital and related financing activities	<u>(1,954,089)</u>	<u>(8,979,905)</u>	<u>(4,436,047)</u>
Cash flows from investing activities:			
Investment earnings	<u>134,869</u>	<u>2,378,679</u>	<u>982,923</u>
Net increase (decrease) in cash and cash equivalents/ investments	(831,959)	8,512,626	2,691,308
Cash and cash equivalents/investments at beginning of year	<u>2,897,893</u>	<u>46,591,941</u>	<u>21,438,088</u>
Cash and cash equivalents/investments at end of year	<u>\$ 2,065,934</u>	<u>\$ 55,104,567</u>	<u>\$ 24,129,396</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Cash Flows -  
Proprietary Funds**

**Year Ended June 30, 2025**

	<b>Enterprise Funds</b>		
	Recycling and Trash Services Fund	Storm Water Management Fund	Parking Facilities Fund
Reconciliation to Statement of Net Position:			
Cash and cash equivalents/investments	\$ 8,122,668	\$ 34,791,554	\$ 10,117,155
Restricted cash and cash equivalents/investments	<u>-</u>	<u>724</u>	<u>6,532</u>
Total cash and cash equivalents	<u>\$ 8,122,668</u>	<u>\$ 34,792,278</u>	<u>\$ 10,123,687</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 684,683	\$ 4,168,814	\$ 607,753
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	16,614	1,671,806	2,232,609
Changes in assets, liabilities and deferred items:			
Accounts receivable	136,657	12,184	22,600
Other receivables	(45,741)	-	-
Due from other governments	(156,910)	(121,123)	7,993
Lease receivable	-	-	(83,245)
Lease interest receivable	-	-	(21,297)
Inventory of materials and supplies	(21,086)	(4,573)	-
Prepays	5,220	(74,502)	18,676
Deferred outflows of resources for pensions	230,672	157,690	13,482
Deferred outflows of resources for other postemployment benefits	53,775	116,586	(741)
Net pension liability	(32,636)	(22,517)	(1,159)
Net other postemployment benefits liability	(56,839)	87,596	5,500
Deferred inflows of resources for pensions	5,993	4,134	213
Deferred inflows of resources for other postemployment benefits	(259,313)	(142,657)	1,610
Accounts payable and accrued liabilities	(80,497)	(56,400)	118,711
Due to other governments	-	(2,332)	-
Accrued vacation and sick leave	(3,750)	(390)	(5,655)
CIP expensed	-	92,262	-
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 476,842</u>	<u>\$ 5,886,578</u>	<u>\$ 2,917,050</u>
Noncash investing, capital and financing activities:			
Issuance of leases	\$ -	\$ -	\$ -
Issuance of subscriptions	152,772	-	-
Capital assets acquired on account	-	(790,800)	(420,257)
Capital contributions from developers	-	269,687	-
Capital contributions from other governments receivable	-	157,009	-
Capital contributions from governmental funds	-	-	-
Donation of capital assets to governmental funds	<u>-</u>	<u>-</u>	<u>(3,025,448)</u>
Net effect of noncash activities	<u>\$ 152,772</u>	<u>\$ (364,104)</u>	<u>\$ (3,445,705)</u>

See notes to financial statements.

	Nonmajor Golf Fund	Total	Internal Service Funds
Reconciliation to Statement of Net Position:			
Cash and cash equivalents/investments	\$ 2,065,934	\$ 55,097,311	\$ 24,129,396
Restricted cash and cash equivalents/investments	-	7,256	-
Total cash and cash equivalents	<u>\$ 2,065,934</u>	<u>\$ 55,104,567</u>	<u>\$ 24,129,396</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 360,410	\$ 5,821,660	\$ 689,759
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	221,104	4,142,133	4,894,119
Changes in assets, liabilities and deferred items:			
Accounts receivable	-	171,441	-
Other receivables	-	(45,741)	-
Due from other governments	(55,412)	(325,452)	(62,623)
Lease receivable	-	(83,245)	-
Lease interest receivable	-	(21,297)	-
Inventory of materials and supplies	(5,167)	(30,826)	14,540
Prepays	1,354	(49,252)	(38,027)
Deferred outflows of resources for pensions	38,754	440,598	42,511
Deferred outflows of resources for other postemployment benefits	(34,045)	135,575	(8,097)
Net pension liability	(5,386)	(61,698)	(6,432)
Net other postemployment benefits liability	105,270	141,527	54,784
Deferred inflows of resources for pensions	989	11,329	1,181
Deferred inflows of resources for other postemployment benefits	(61,133)	(461,493)	(35,936)
Accounts payable and accrued liabilities	(4,130)	(22,316)	(52,968)
Due to other governments	336	(1,996)	-
Accrued vacation and sick leave	(763)	(10,558)	13,310
CIP expensed	-	92,262	-
Unearned revenues	25,080	25,080	-
Net cash provided by operating activities	<u>\$ 587,261</u>	<u>\$ 9,867,731</u>	<u>\$ 5,506,121</u>
Noncash investing, capital and financing activities:			
Issuance of leases	\$ -	\$ -	\$ 148,494
Issuance of subscriptions	-	152,772	-
Capital assets acquired on account	-	(1,211,057)	534,006
Capital contributions from developers	-	269,687	-
Capital contributions from other governments receivable	-	157,009	-
Capital contributions from governmental funds	-	-	156,842
Donation of capital assets to governmental funds	-	(3,025,448)	(44,890)
Net effect of noncash activities	<u>\$ -</u>	<u>\$ (3,657,037)</u>	<u>\$ 794,452</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Fiduciary Net Position -  
Fiduciary Funds**

**June 30, 2025**

	Other Postemployment Benefits Trust Fund	Custodial Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 531,786
Investments:		
North Carolina Capital Management Trust, Government Portfolio	3,480,103	976
U.S. Treasuries	-	2,114
Commercial Paper	-	2,057
U.S. Government Agencies	-	1,192
Other receivables	<u>12,117</u>	<u>41</u>
Total assets	<u>3,492,220</u>	<u>538,166</u>
 <b>NET POSITION</b>		
Restricted for postemployment benefits other than pensions	3,492,220	-
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>538,166</u>
Total fiduciary net position	<u>\$ 3,492,220</u>	<u>\$ 538,166</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Changes in Fiduciary Net Position -  
Fiduciary Funds**

**Year Ended June 30, 2025**

	Other Postemployment Benefits Trust Fund	Custodial Funds
	<u>                    </u>	<u>                    </u>
Additions:		
Contributions:		
Employer	\$ 3,534,213	\$ -
Law enforcement seizures	-	32,143
Investment earnings	<u>155,740</u>	<u>706</u>
Total additions	<u>3,689,953</u>	<u>32,849</u>
Deductions:		
Benefit payments	3,334,117	-
Payments by court order	-	2,556
Community housing administration reimbursements	-	14,571
Administrative expense	<u>203,346</u>	<u>-</u>
Total deductions	<u>3,537,463</u>	<u>17,127</u>
Change in fiduciary net position	152,490	15,722
Net position at beginning of year	<u>3,339,730</u>	<u>522,444</u>
Net position at end of year	<u>\$ 3,492,220</u>	<u>\$ 538,166</u>

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# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements June 30, 2025

### 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 126,164. 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.

#### BLENDDED 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2025 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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.

**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. The Debt Service Fund also accumulates resources to pay maturing principal and interest on certain installment obligations issued for the construction of the Skyline parking deck 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.

The City reports the following major enterprise funds:

**Recycling and Trash Services Fund.** Although the Recycling and Trash Services Fund does not meet criteria to be a major fund, the City has determined that the fund is qualitatively material to the users of the financial statements. 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. BASIS OF PRESENTATION (continued)

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.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Activity occurs during the year involving transfers of resources between funds, which are reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made for the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only net amounts are included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only net amounts are included as transfers in the business-type activities column.

#### 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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 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.

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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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.

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 fund level for funds except the Parking Facilities and the Storm Water Management annually appropriated funds, and the Convention Center multi-year fund, which are at the function level; and the Special Purpose multi-year fund, which is at the grant level.

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 OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE

##### 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), which is currently certified by the Local Government Commission under the provision of G.S. 159-30(c)(8) and the North Carolina Administrative Code.

The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund which invests in treasuries, government agencies and repurchase agreements collateralized by treasuries, 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. The City's investments with a maturity of more than one year at acquisition are reported at fair value. 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, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (continued)

##### DEPOSITS AND INVESTMENTS (continued)

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 short-term investments with maturities of three months or less are treated as 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:

	Convention Center Fund	Streets and Sidewalks Fund	Debt Service Fund	Nonmajor Governmental Funds	Governmental Activities
Debt proceeds and related interest earnings	\$ 1,856	\$ 40,983,337	\$ 93,965	\$ 2,821,917	\$ 43,901,075
Federal forfeiture	-	-	-	995,556	995,556
ARPA funds	-	-	-	2,249,043	2,249,043
Opioid settlement funds	-	-	-	7,062	7,062
Opioid pilot program	-	-	-	195,386	195,386
Grants received in advance	-	-	-	265,862	265,862
Donations	-	1,292,585	-	-	1,292,585
Other	-	-	-	7,740	7,740
	<u>\$ 1,856</u>	<u>\$ 42,275,922</u>	<u>\$ 93,965</u>	<u>\$ 6,542,566</u>	<u>\$ 48,914,309</u>

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	<u>\$ 724</u>	<u>\$ 6,532</u>	<u>\$ 7,256</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (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, 2023. 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, parking decks 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (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 \$25,000; furniture, equipment and computer software \$10,000; buildings and improvements, plant structures \$50,000; infrastructure and certain improvements other than buildings \$250,000. 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.

The City is a party to noncancellable leases as a lessee for land, a parking lot, buildings, vehicles 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (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.

Prior to the implementation of GASB 89 in FY 2021, interest costs incurred before the end of a construction period were capitalized and included in the historical cost of capital assets reported in business-type activities. Subsequent to GASB 89, interest is no longer capitalized but recognized as expense in the period in which the cost is incurred.

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

<u>Asset class</u>	<u>Estimated useful lives</u>
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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (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 31<sup>st</sup> 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (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.

The City recognizes a liability for compensated absence for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled in payment to the employee during or upon separation of employment. The liability for compensated absences, including earned vacation and sick leave, is reported as the leave is earned in the government-wide and proprietary financial statements. The liability for compensated absences includes salary-related benefits, where applicable. The City determined that the last-in-first-out (LIFO) method of accumulation of compensated absences most closely approximates compensated absence time usage by the City's employees. 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, Mallinckrodt, Endo, Purdue, Publicis, 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 recognized revenue of \$334,910 as part of this settlement in fiscal year 2025 bringing the total received to date to \$429,140. Additionally, the City recognized \$20,526 of related interest earnings to date. 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. Funds of \$449,666, including interest earned, have been expended as of June 30, 2025. The MOA offered the City two options of expending the funds. The City opted for Option A, which allows the City to fund one or more high-impact opioid abatement strategies.

In September 2024, drug manufacturer McKinsey finalized a \$573 million-dollar nationwide settlement related to the opioid lawsuit. These funds are intended for opioid abatement and the distribution of funds were front loaded. The City received \$7,062 as part of this settlement in fiscal year 2025, in addition to interest in the amount of \$284. These funds are also to be used for opioid abatement and remediation activities. Funds are restricted until expended.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (continued)

##### 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 \$12.97 million was received in June 2021. The second installment was received in June 2022. City staff and the City Council have elected to use \$11.76 million of the ARPA funds for Economic and Community Assistance, \$3.01 million for City/Community Infrastructure and \$11.16 million for City Response and Recovery. Revenue replacement funds are transferred to the appropriate funds once the disbursement has occurred for the intended use.

##### 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 nonspendable fund balances as of June 30, 2025:

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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (continued)

##### FUND BALANCES (continued)

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, 2025:

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.

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 and unspent donations.

Restricted for debt service - portion of fund balance that is restricted by loan documents for 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 federal forfeiture funds 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (continued)

##### FUND BALANCES (continued)

Restricted for culture and recreation – portion of fund balance that is restricted by revenue source for the Empire 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, 2025:

Committed for community development loans - portion of fund balance that is committed by City Council for affordable housing initiatives and providing community development loans or is not an available resource because it represents the year-end balance of notes receivable where related amounts to be collected are committed for affordable housing initiatives and providing community development loans.

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.

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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (continued)

##### FUND BALANCES (continued)

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

Committed 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. The City Council approves the appropriation as part of the adoption of the annual budget.

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, 2025:

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.

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, 2025. 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, 2025, the portion of fund balance that is available for appropriation equates to unassigned fund balance.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE (continued)

##### 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.

#### 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."

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

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

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

The details of that item are as follows:

Lease liability	\$ (400,991)
Subscription liability	(6,602,931)
Bonds payable	(64,695,000)
Installment obligations	(188,206,390)
Other long-term obligations	(3,871,797)
Unamortized premiums	(28,975,313)
Unamortized deferred outflows of resources - loss on refunding	1,736,821
Unamortized deferred inflows of resources - gain on refunding	(706,453)
Accrued interest payable	(1,395,520)
Accrued vacation and sick leave	(7,873,974)
	<u>\$ (300,991,548)</u>

#### 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.”

The details of those items are as follows:

Capital outlay	\$ 33,675,635
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.	13,705,455
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.	2,913,496
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.	(6,895,301)
Amortization expense	(2,201,026)
Depreciation expense	(17,868,653)
	<u>\$ 23,329,606</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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 element of the 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	\$ (105,157)
Issuance of subscriptions	(4,222,264)
Principal payments:	
Leases	126,344
Subscriptions	1,874,446
Bonds payable	5,070,000
Installment obligations	15,276,876
Other long-term obligations	867,977
Subscription termination	18,177
Amortization of premiums and gains/losses on refundings	<u>1,735,864</u>
	<u>\$ 20,642,263</u>

Another item of the 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	\$ 18,005
Tax and other receipts deferred in funds	<u>717,659</u>
	<u>\$ 735,664</u>

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	\$ (54,510)
Other postemployment benefits	2,960,569
Pension expense - Local Governmental Employees' Retirement System	(13,018,814)
Pension expense - Law Enforcement Special Separation Allowance	(773,855)
Accrued interest payable	<u>176,992</u>
	<u>\$ (10,709,618)</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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.

At June 30, 2025, the City's deposits had a carrying amount of \$88,414,545 and a bank balance of \$89,528,429. Of the bank balance, \$37,226,283 was covered by federal depository insurance (FDIC) and the remainder was covered by collateral held under the pooling method. Of the amount covered by FDIC, \$36,259,431 represented the balance in an insured cash sweep that was deposited among numerous banks in amounts under the \$250,000 FDIC limit per bank. Cash on hand at June 30, 2025, was \$22,780.

At June 30, 2025, 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	More Than 12 Months
North Carolina Capital Management Trust - Government Portfolio	Fair Value-Level 1	\$ 92,553,665	\$ 92,553,665	\$ -	\$ -
U.S. Treasuries	Fair Value-Level 1	47,869,507	-	32,782,207	15,087,300
Commercial paper	Fair Value-Level 2	46,586,142	11,950,635	34,635,507	-
U.S. Government Agencies	Fair Value-Level 2	<u>26,987,416</u>	<u>-</u>	<u>16,943,666</u>	<u>10,043,750</u>
Total investments		<u>\$ 213,996,730</u>	<u>\$ 104,504,300</u>	<u>\$ 84,361,380</u>	<u>\$ 25,131,050</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

##### DEPOSITS AND INVESTMENTS (continued)

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, 2025 is 5.3 months.

##### Credit Risk

The City has no formal policy on managing credit risk. As of June 30, 2025, 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) are rated AA+ by Standard & Poor's and Aa1 by Moody's Investors Service.

##### 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, with the exception of U.S. Treasuries and the NCCMT Government Portfolio. More than 5% of the City's investments are in Federal Farm Credit Bank, Royal Bank of Canada and Toyota Credit Corporation. These investments are 6.5%, 5.1%, and 7.9% of the City's total investments.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**A. ASSETS (continued)**

**RECEIVABLES**

Current receivables for governmental activities at the government-wide level at June 30, 2025, were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Other</u>	<u>Other Governments</u>	<u>Notes</u>	<u>Management Company</u>	<u>Leases</u>	<u>Total</u>
General Fund	\$ 2,000,252	\$ 2,010,790	\$ 431,852	\$ 18,844,456	\$ 217,620	\$ -	\$ 10,281,683	\$ 33,786,653
Convention Center Fund	-	-	72,616	2,610,478	-	558,947	9,803,136	13,045,177
Streets and Sidewalks Fund	-	39,751	96,873	95,262	-	-	-	231,886
Debt Service Fund	465,284	-	95,586	142,511	-	-	5,316,541	6,019,922
Nonmajor Governmental Funds	11,568	13,064	365,001	2,760,894	40,798,959	-	-	43,949,486
Internal Service Funds	-	-	90,533	244,579	-	-	-	335,112
Total receivable	2,477,104	2,063,605	1,152,461	24,698,180	41,016,579	558,947	25,401,360	97,368,236
Allowance for doubtful accounts	<u>(1,867,626)</u>	<u>(733,454)</u>	-	-	<u>(688,930)</u>	-	-	<u>(3,290,010)</u>
Total governmental funds	<u>\$ 609,478</u>	<u>\$ 1,330,151</u>	<u>\$ 1,152,461</u>	<u>\$ 24,698,180</u>	<u>\$ 40,327,649</u>	<u>\$ 558,947</u>	<u>\$ 25,401,360</u>	<u>\$ 94,078,226</u>

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

Local government sales and use taxes	\$ 12,648,934
Franchise tax	2,183,796
Video programming sales tax	203,094
PEG channel support	6,250
Room occupancy tax	1,616,477
Refund of sales and use tax paid	1,173,034
Community Development Block Grant entitlement	182,273
Home Investment Partnership entitlement	669,250
ABC revenues	389,748
FEMA/Hurricane disaster assistance	3,302,569
Other grants and reimbursements	<u>2,322,755</u>
	<u>\$ 24,698,180</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

##### RECEIVABLES (continued)

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, 2025, the value of the lease receivable is \$216,915 and the value of the short-term lease receivable is \$23,751. The lessee is required to make monthly fixed payments of \$2,281. The lease has an interest rate of 1.76%. The value of the deferred inflow of resources as of June 30, 2025 was \$199,287, and the City recognized lease revenue of \$25,715 and interest revenue of \$4,038 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, 2025, the value of the lease receivable is \$259,657 and the value of the short-term lease receivable is \$39,368. The lessee is required to make quarterly fixed payments of \$10,612. The lease has an interest rate of 1.60%. The value of the deferred inflow of resources as of June 30, 2025 was \$242,599, and the City recognized lease revenue of \$40,471 and interest revenue of \$4,546 during the fiscal year. In addition, the City recognized \$121,090 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, 2025, the value of the lease receivable is \$1,141,885 and the value of the short-term lease receivable is \$182,780. 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, 2025 was \$1,111,099, and the City recognized lease revenue of \$185,183 and interest revenue of \$20,123 during the fiscal year. In addition, the City recognized \$360,588 in variable lease revenue for concession and ticket sales for the fiscal year.

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; however, during the fiscal year, this lease was terminated. Prior to termination, the lessee was required to make monthly fixed payments of \$4,046. The lease had an interest rate of 2.58%. The City recognized lease revenue of \$18,041 and interest revenue of \$44,045 during the fiscal year. At the time of the termination, the value of the lease receivable (\$1,702,737) and the related deferred inflow of resources (\$1,651,627) were removed leaving no value as of June 30, 2025.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2025, the value of the lease receivable is \$7,735,118 and the value of the short-term lease receivable is \$101,397. 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, 2025 was \$7,433,383, and the City recognized lease revenue of \$174,903 and interest revenue of \$201,186 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, 2025, the value of the lease receivable is \$2,068,018 and the value of the short-term lease receivable is \$24,876. 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, 2025 was \$1,995,096, and the City recognized lease revenue of \$44,583 and interest revenue of \$53,757 during the fiscal year. The lessee has 2 extension options, each for 120 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 Brooks, Pierce, McLendon, Humphrey & Leonard, LLP. An initial lease receivable was recorded in the amount of \$2,129,488. As of June 30, 2025, the value of the lease receivable is \$1,815,619 and the value of the short-term lease receivable is \$112,090. The lessee is required to make monthly fixed payments of \$13,575. The lease has an interest rate of 2.99%. The value of the deferred inflow of resources as of June 30, 2025 was \$1,674,309, and the City recognized lease revenue of \$145,592 and interest revenue of \$56,082 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, 2025, the value of the lease receivable is \$1,123,799 and the value of the short-term lease receivable is \$63,827. 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, 2025 was \$1,039,083, and the City recognized lease revenue of \$90,355 and interest revenue of \$34,020 during the fiscal year. The lessee has 2 extension options, each for 60 months.

On July 13, 2023, the City entered into a 60 month lease as Lessor for the use of space in the Skyline Center by Thermo Fisher. An initial lease receivable was recorded in the amount of \$8,601,561. As of June 30, 2025, the value of the lease receivable is \$5,316,541 and the value of the short-term lease receivable is \$1,675,446. The lessee is required to make monthly fixed payments of \$150,000. The lease has an interest rate of 2.74%. The value of the deferred inflow of resources as of June 30, 2025 was \$5,251,778, and the City recognized lease revenue of \$1,703,279 and interest revenue of \$169,722 during the fiscal year. The lessee has 2 extension options, each for 12 months.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

##### RECEIVABLES (continued)

On March 1, 2024, the City entered into a 108 month lease as Lessor for the use of space in the Skyline Center by CIVIC, a Local Government Credit Union. An initial lease receivable was recorded in the amount of \$1,206,341. As of June 30, 2025, the value of the lease receivable is \$1,062,190 and the value of the short-term lease receivable is \$113,697. The lessee is required to make monthly fixed payments of \$11,360. The lease has an interest rate of 2.37%. The value of the deferred inflow of resources as of June 30, 2025 was \$1,027,624, and the City recognized lease revenue of \$134,038 and interest revenue of \$26,598 during the fiscal year. The lessee has 1 extension option for 48 months.

On April 1, 2024, the City entered into a 71 month lease as Lessor for the use of space in the Skyline Center by LINC, Inc. An initial lease receivable was recorded in the amount of \$138,954. As of June 30, 2025, the value of the lease receivable is \$114,428 and the value of the short-term lease receivable is \$21,562. The lessee is required to make monthly fixed payments of \$2,008. The lease has an interest rate of 2.60%. The value of the deferred inflow of resources as of June 30, 2025 was \$110,005, and the City recognized lease revenue of \$23,159 and interest revenue of \$3,264 during the fiscal year. The lessee has 1 extension option for 36 months.

On April 15, 2024, the City entered into a 238 month lease as Lessor for the use of space in the Skyline Center by Wilmington and Beaches Convention & Visitors Bureau. An initial lease receivable was recorded in the amount of \$2,119,932. As of June 30, 2025, the value of the lease receivable is \$2,071,105 and the value of the short-term lease receivable is \$45,441. The lessee is required to make monthly fixed payments of \$9,332. The lease has an interest rate of 3.31%. The value of the deferred inflow of resources as of June 30, 2025 was \$1,990,769, and the City recognized lease revenue of \$106,649 and interest revenue of \$69,332 during the fiscal year.

On May 1, 2024, the City entered into a 24 month lease as Lessor for the use of space in the Harrelson Building by the New Hanover Community Endowment. An initial lease receivable was recorded in the amount of \$328,560; however, during the fiscal year, this lease was terminated. Prior to termination, the lessee was required to make monthly fixed payments of \$13,100. The lease had an interest rate of 3.06%. The City recognized lease revenue of \$95,830 and interest revenue of \$4,747. At the time of the termination, the value of the lease receivable (\$216,212) and the related deferred inflow of resources (\$205,350) were removed leaving no value as of June 30, 2025.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

#### RECEIVABLES (continued)

On September 1, 2024, the City entered into a 108 month lease as Lessor for the use of space in the Skyline Center by Tova Wealth Management. An initial lease receivable was recorded in the amount of \$287,431; however, during the fiscal year, the square footage being leased was expanded which increased the lease receivable and deferred inflow of resources each by \$90,977. As of June 30, 2025, the value of the lease receivable is \$355,381 and the value of the short-term lease receivable is \$34,051. The lessee is required to make monthly fixed payments of \$3,607. The lease has an interest rate of 3.04%. The value of the deferred inflow of resources as of June 30, 2025 was \$349,975, and the City recognized lease revenue of \$28,433 and interest revenue of \$5,841 during the fiscal year. The lessee has 1 extension option for 48 months.

On February 1, 2025, the City entered into a 119 month lease as Lessor for the use of space in the Harrelson Building by the New Hanover Community Endowment. An initial lease receivable was recorded in the amount of \$2,194,306. As of June 30, 2025, the value of the lease receivable is \$2,120,704 and the value of the short-term lease receivable is \$168,767. The lessee is required to make monthly fixed payments of \$19,330. The lease has an interest rate of 3.21%. The value of the deferred inflow of resources as of June 30, 2025 was \$2,102,108, and the City recognized lease revenue of \$92,198 and interest revenue of \$23,048 during the fiscal year. The lessee has 1 extension option for 59 months.

Receivables for business-type activities at the government-wide level at June 30, 2025, were as follows:

	Accounts	Other	Other Governments	Leases	Total
Recycling and Trash Services Fund	\$ 1,705,167	\$ 80,154	\$ 380,077	\$ -	\$ 2,165,398
Storm Water Management Fund	1,660,480	135,207	378,171	-	2,173,858
Parking Facilities Fund	-	87,297	14,498	10,363,423	10,465,218
Nonmajor Golf Fund	-	13,325	78,202	-	91,527
Total receivables	3,365,647	315,983	850,948	10,363,423	14,896,001
Allowance for doubtful accounts	(755,516)	-	-	-	(755,516)
Total business-type activities	<u>\$ 2,610,131</u>	<u>\$ 315,983</u>	<u>\$ 850,948</u>	<u>\$ 10,363,423</u>	<u>\$ 14,140,485</u>

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

Refund of sales and use tax paid	\$ 161,553
Solid waste disposal tax	22,699
Cape Fear Public Utility Authority	616,757
Other grants and reimbursements	49,939
	<u>\$ 850,948</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

##### RECEIVABLES (continued)

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, 2025, the value of the lease receivable is \$9,947,810 and the value of the short-term lease receivable is \$25,347. 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, 2025 was \$9,653,024, and the City recognized lease revenue of \$102,874 and interest revenue of \$257,299 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; however, during fiscal year 2024, the lease term was extended for an additional 60 months which increased the lease receivable and deferred inflow of resources each by \$279,523. As of June 30, 2025, the value of the lease receivable is \$199,028 and the value of the short-term lease receivable is \$55,233. The lessee is required to make monthly fixed payments of \$4,938. The lease has an interest rate of 2.31%. The value of the deferred inflow of resources as of June 30, 2025 was \$195,612, and the City recognized lease revenue of \$55,889 and interest revenue of \$5,280 during the fiscal year.

On April 15, 2024, the City entered into a 238 month lease as Lessor for parking in the Northern Downtown Parking Deck adjacent to the Skyline Center by Wilmington and Beaches Convention & Visitors Bureau. An initial lease receivable was recorded in the amount of \$227,152. As of June 30, 2025, the value of the lease receivable is \$216,585 and the value of the short-term lease receivable is \$8,551. The lessee is required to make monthly fixed payments of \$1,300. The lease has an interest rate of 3.31%. The value of the deferred inflow of resources as of June 30, 2025 was \$213,312, and the City recognized lease revenue of \$11,427 and interest revenue of \$7,327 during the fiscal year.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2025, was as follows:

	July 1, 2024	Increases	Decreases	Transfers	June 30, 2025
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 78,982,788	\$ 558,000	\$ (3,025,448)	\$ 3,025,448	\$ 79,540,788
Easements	34,213,118	8,282,029	(11,392)	-	42,483,755
Construction in progress	<u>47,352,645</u>	<u>18,210,315</u>	<u>(968,675)</u>	<u>(29,373,688)</u>	<u>35,220,597</u>
Total capital assets not being depreciated	<u>160,548,551</u>	<u>27,050,344</u>	<u>(4,005,515)</u>	<u>(26,348,240)</u>	<u>157,245,140</u>
Capital assets being depreciated and amortized:					
Improvements other than buildings	89,621,227	989,535	(53,050)	19,025,547	109,583,259
Buildings, plant and structures	221,187,978	5,680,900	(6,859,854)	7,560,063	227,569,087
Furniture, fixtures, machinery and equipment	65,400,431	5,498,120	(1,447,168)	148,564	69,599,947
Computer software	3,111,790	-	-	1,344,706	4,456,496
Streets and drainage	295,338,876	7,978,184	-	1,294,808	304,611,868
Right-to-use leased land	84,270	-	-	-	84,270
Right-to-use leased equipment	1,107,846	253,651	-	-	1,361,497
Right-to-use leased buildings	394,156	-	-	-	394,156
Right-to-use subscription assets	<u>8,454,986</u>	<u>4,229,194</u>	<u>(1,956,056)</u>	<u>-</u>	<u>10,728,124</u>
Total capital assets being depreciated and amortized	<u>684,701,560</u>	<u>24,629,584</u>	<u>(10,316,128)</u>	<u>29,373,688</u>	<u>728,388,704</u>
Less accumulated depreciation and amortization for:					
Improvements other than buildings	47,519,741	4,409,588	(53,050)	-	51,876,279
Buildings, plant and structures	69,071,746	5,804,352	(3,999,580)	-	70,876,518
Furniture, fixtures, machinery and equipment	50,827,074	5,582,595	(1,421,762)	-	54,987,907
Computer software	2,800,462	294,009	-	-	3,094,471
Streets and drainage	113,154,720	5,823,959	-	-	118,978,679
Right-to-use leased land	25,281	16,854	-	-	42,135
Right-to-use leased equipment	288,268	329,374	-	-	617,642
Right-to-use leased buildings	45,985	78,831	-	-	124,816
Right-to-use subscription assets	<u>2,923,910</u>	<u>2,624,236</u>	<u>(1,941,327)</u>	<u>-</u>	<u>3,606,819</u>
Total accumulated depreciation and amortization	<u>286,657,187</u>	<u>\$ 24,963,798</u>	<u>\$ (7,415,719)</u>	<u>\$ -</u>	<u>304,205,266</u>
Total capital assets being depreciated and amortized, net	<u>398,044,373</u>				<u>424,183,438</u>
Governmental activities capital assets, net	<u>\$ 558,592,924</u>				<u>\$ 581,428,578</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**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	\$ 3,366,982
Public safety	4,080,059
Transportation	6,382,813
Economic and physical development	1,330,912
Cultural and recreational	4,908,913
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	4,894,119
	\$ 24,963,798

Capital asset activity for each of the business-type activities for the year ended June 30, 2025, was as follows:

	July 1, 2024	Increases	Decreases	Transfers	June 30, 2025
Recycling and Trash Services:					
Capital assets being depreciated and amortized:					
Furniture, fixtures, machinery and equipment	\$ 37,305	\$ -	\$ -	\$ -	\$ 37,305
Right-to-use subscription assets	-	152,772	-	-	152,772
Total capital assets being depreciated and amortized	37,305	152,772	-	-	190,077
Less accumulated depreciation and amortization for:					
Furniture, fixtures, machinery and equipment	33,963	1,337	-	-	35,300
Right-to-use subscription assets	-	15,277	-	-	15,277
Total accumulated depreciation and amortization	33,963	\$ 16,614	\$ -	\$ -	50,577
Total capital assets being depreciated and amortized, net	3,342				139,500
Recycling and Trash Services capital assets, net	3,342				139,500

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

#### CAPITAL ASSETS (continued)

	July 1, 2024	Increases	Decreases	Transfers	June 30, 2025
Storm water management:					
Capital assets not being depreciated:					
Land	\$ 1,533,071	\$ -	\$ -	\$ -	\$ 1,533,071
Easements	4,213,242	769,836	-	-	4,983,078
Construction in progress	<u>2,192,757</u>	<u>535,280</u>	<u>(92,262)</u>	<u>-</u>	<u>2,635,775</u>
Total capital assets not being depreciated	<u>7,939,070</u>	<u>1,305,116</u>	<u>(92,262)</u>	<u>-</u>	<u>9,151,924</u>
Capital assets being depreciated:					
Improvements other than buildings	83,390,429	-	-	-	83,390,429
Buildings, plant and structures	1,202,630	-	-	-	1,202,630
Furniture, fixtures, machinery and equipment	<u>1,402,610</u>	<u>116,459</u>	<u>-</u>	<u>-</u>	<u>1,519,069</u>
Total capital assets being depreciated	<u>85,995,669</u>	<u>116,459</u>	<u>-</u>	<u>-</u>	<u>86,112,128</u>
Less accumulated depreciation for:					
Improvements other than buildings	27,564,135	1,461,557	-	-	29,025,692
Buildings, plant and structures	465,699	30,065	-	-	495,764
Furniture, fixtures, machinery and equipment	<u>990,267</u>	<u>180,184</u>	<u>-</u>	<u>-</u>	<u>1,170,451</u>
Total accumulated depreciation	<u>29,020,101</u>	<u>\$ 1,671,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>30,691,907</u>
Total capital assets being depreciated, net	<u>56,975,568</u>				<u>55,420,221</u>
Storm water capital assets, net	<u>64,914,638</u>				<u>64,572,145</u>
Parking facilities:					
Capital assets not being depreciated:					
Land	10,283,858	\$ -	\$ -	\$ (3,025,448)	7,258,410
Easements	<u>191,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,752</u>
Total capital assets not being depreciated	<u>10,475,610</u>	<u>-</u>	<u>-</u>	<u>(3,025,448)</u>	<u>7,450,162</u>
Capital assets being depreciated and amortized:					
Improvements other than buildings	231,282	-	-	-	231,282
Buildings, plant and structures	51,920,754	-	-	-	51,920,754
Furniture, fixtures, machinery and equipment	1,153,847	-	-	-	1,153,847
Computer Software	76,596	-	-	-	76,596
Right-to-use leased land	<u>1,815,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,815,439</u>
Total capital assets being depreciated and amortized	<u>55,197,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,197,918</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**A. ASSETS (continued)**

**CAPITAL ASSETS (continued)**

	July 1, 2024	Increases	Decreases	Transfers	June 30, 2025
Parking facilities: (continued)					
Less accumulated depreciation and amortization for:					
Improvements other than buildings	\$ 109,764	\$ 11,564	\$ -	\$ -	\$ 121,328
Buildings, plant and structures	18,104,481	1,917,817	-	-	20,022,298
Furniture, fixtures, machinery and equipment	989,285	115,740	-	-	1,105,025
Computer Software	63,214	8,921	-	-	72,135
Right-to-use leased land	535,704	178,567	-	-	714,271
Total accumulated depreciation and amortization	<u>19,802,448</u>	<u>\$ 2,232,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>22,035,057</u>
Total capital assets being depreciated and amortized, net	<u>35,395,470</u>				<u>33,162,861</u>
Parking facilities capital assets, net	<u>45,871,080</u>				<u>40,613,023</u>
Golf:					
Capital assets not being depreciated:					
Land	109,393	\$ -	\$ -	\$ -	109,393
Construction in progress	12,000	-	-	(12,000)	-
Total capital assets not being depreciated	<u>121,393</u>	<u>-</u>	<u>-</u>	<u>(12,000)</u>	<u>109,393</u>
Capital assets being depreciated:					
Improvements other than buildings	2,763,760	1,954,089	-	12,000	4,729,849
Buildings, plant and structures	1,805,271	-	-	-	1,805,271
Furniture, fixtures, machinery and equipment	307,141	-	-	-	307,141
Total capital assets being depreciated	<u>4,876,172</u>	<u>1,954,089</u>	<u>-</u>	<u>12,000</u>	<u>6,842,261</u>
Less accumulated depreciation for:					
Improvements other than buildings	1,531,459	150,361	-	-	1,681,820
Buildings, plant and structures	579,353	43,132	-	-	622,485
Furniture, fixtures, machinery and equipment	239,416	27,611	-	-	267,027
Total accumulated depreciation	<u>2,350,228</u>	<u>\$ 221,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,571,332</u>
Total capital assets being depreciated, net	<u>2,525,944</u>				<u>4,270,929</u>
Golf capital assets, net	<u>2,647,337</u>				<u>4,380,322</u>
Business-type activities capital assets, net	<u>\$ 113,436,397</u>				<u>\$ 109,704,990</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

#### COMMITMENTS FOR CAPITAL PROJECTS

At June 30, 2025, the City has commitments for active projects as follows:

	<u>Spent to date</u>	<u>Remaining commitment</u>
Governmental funds:		
Capital projects	<u>\$ 83,630,136</u>	<u>\$ 22,164,315</u>
Enterprise funds:		
Storm Water capital projects	\$ 2,871,038	\$ 1,600,742
Parking Facilities capital projects	67,960	40,978
Nonmajor Golf capital projects	<u>43,000</u>	<u>2,000</u>
Total enterprise funds	<u>\$ 2,981,998</u>	<u>\$ 1,643,720</u>

#### 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](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2025, was 15.04% of compensation for law enforcement officers and 13.60% 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 \$10,339,754 for the year ended June 30, 2025.

*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, 2025, the City reported a liability of \$50,637,413 for its proportionate share of the LGERS net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. 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, 2024, the City's proportion was 0.751%, which was a decrease of 0.024% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the City recognized pension expense of \$14,416,560. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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	\$ 8,873,592	\$ 59,662
Net difference between projected and actual earnings on pension plan investments	6,884,126	-
Changes in proportion and differences between City contributions and proportionate share of contributions	244,893	1,425,400
City contributions subsequent to the measurement date	10,339,754	-
Total	\$ 26,342,365	\$ 1,485,062

The \$10,339,754 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, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2026	\$ 4,432,279
2027	9,448,423
2028	1,415,246
2029	(778,399)
	\$ 14,517,549

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

Inflation	2.50 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2023 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, 2024 are summarized in the following table:

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

*Actuarial Assumptions.* The information above is based on 30-year expectations developed with an investment consulting firm and is part of the asset liability and investment policy study of 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 2.38%. 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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	\$ 89,730,979	\$ 50,637,413	\$ 18,477,579

*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 June 30, 2024, the date of the latest actuarial valuation, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	62
Active plan members	245
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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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 June 30, 2024 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 percent, including inflation and productivity factor
Discount rate	4.28 percent

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate index as of December 31, 2024.

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 \$1,068,805 as benefits came due for the reporting period. Of which \$555,412 was paid subsequent to the measurement date of December 31, 2024.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2025, the City reported a total pension liability of \$15,155,675. The total pension liability was measured as of December 31, 2024 based on a June 30, 2024 actuarial valuation. For the year ended June 30, 2025 the City recognized pension expense of \$1,321,987.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 402,416	\$ 268,354
Changes of assumptions	789,810	1,370,955
City benefit payments and plan administrative expense made subsequent to the measurement date	555,412	-
Total	\$ 1,747,638	\$ 1,639,309

The \$555,412 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, 2026. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)  
June 30, 2025**

**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:	
2026	\$ 91,065
2027	(538,831)
2028	13,590
2029	<u>(12,907)</u>
	<u>\$ (447,083)</u>

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 4.28 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 (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	1% Decrease <u>(3.28%)</u>	Discount Rate <u>(4.28%)</u>	1% Increase <u>(5.28%)</u>
Total pension liability	\$ 16,223,711	\$ 15,155,675	\$ 14,175,073

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

	<u>2025</u>
Beginning balance	\$ 15,257,860
Service cost	476,278
Interest on total pension liability	554,873
Differences between expected and actual experience in the measurement of the total pension liability	463,229
Changes of assumptions or other inputs	(527,760)
Benefit payments	<u>(1,068,805)</u>
Ending balance of the total pension liability	<u>\$ 15,155,675</u>

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

The actuarial assumptions used in the June 30, 2024 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability for LEOSSA was measured as of December 31, 2024, with an actuarial valuation date of June 30, 2024. 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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability	\$ 50,637,413	\$ -	\$ 50,637,413
Proportion of the Net Pension Liability	0.751%	n/a	
Total Pension Liability	-	15,155,675	15,155,675
Pension Expense	14,416,560	1,321,987	15,738,547

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 8,873,592	\$ 402,416	\$ 9,276,008
Changes of assumptions	-	789,810	789,810
Net difference between projected and actual earnings on pension plan investments	6,884,126	-	6,884,126
Changes in proportion and differences between City contributions and proportionate share of contributions	244,893	-	244,893
City contributions (LGERS)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	10,339,754	555,412	10,895,166
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 59,662	\$ 268,354	\$ 328,016
Changes of assumptions	-	1,370,955	1,370,955
Changes in proportion and differences between City contributions and proportionate share of contributions	1,425,400	-	1,425,400

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2025, the City's required contribution was \$926,339 for the law enforcement officers.

The City has elected to make contributions on behalf of all employees to the Supplemental Retirement Income Plan. The City's contribution is 4.5% of covered payroll and contributions are made to the plan. The City Council established the contribution and can amend or discontinue it at any time. Employees can also make voluntary contributions to the plan.

Employer contributions to the Supplemental Retirement Income Plan, excluding required contributions for law enforcement officers, totaled \$2,662,806 for the year ended June 30, 2025. Employee contributions to this plan, including law enforcement officers, included in salary expense for the year ended June 30, 2025, were \$1,879,773.

##### 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.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**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, 2024, the date of the latest actuarial valuation:

	General Employees	Firefighters	Law Enforcement Officers
Inactive plan members and dependents receiving benefits	33	69	84
Inactive plan members entitled to but not yet receiving benefits	-	-	-
Active plan members*	<u>150</u>	<u>76</u>	<u>89</u>
Total	<u><u>183</u></u>	<u><u>145</u></u>	<u><u>173</u></u>

\* Excludes 723 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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 to continue to receive benefits under the City’s healthcare plan until they become 65 years of age or Medicare eligible, whichever comes first, and can no longer participate in the plan. Of these employees, 26 opted to receive benefits under the City’s healthcare plan on a noncontributory basis. The remaining 13 employees opted to continue to make the required retiree contributions until no longer eligible to participate in the plan and then additionally receive \$10,500 over each of the succeeding five years funded by the City into a Health Reimbursement Account on behalf of the employee. As of June 30, 2005, two plan members have not reached age 65 and are still receiving benefits on a noncontributory basis. All required contributions by the City to a Health Reimbursement Account on behalf of the employees have been made. The effects of these termination benefits were included in the actuarial valuation as of June 30, 2024.

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, 2025 active employee contribution requirements range from \$145 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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 \$3,534,213 or 13.8% of annual covered payroll for current premiums. The City is self-insured.

##### *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, 2025, the annual money weighted rate of return on investments, net of investment expense, was 4.57%. 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, 2025 were as follows:

Total OPEB liability	\$ 42,100,754
Plan fiduciary net position	3,492,220
City's net OPEB liability	\$ 38,608,534
 Plan fiduciary net position as a percentage of the total OPEB liability	 8.29%

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2024 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	4.57 percent, net of OPEB plan investment expense, including price inflation
Healthcare cost trend rates	8.00 percent for 2024 decreasing to an ultimate rate of 4.50 percent by 2033

The total OPEB liabilities were rolled forward to June 30, 2025 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, 2024 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 4.81 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 4.81 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 (3.81 percent) or 1-percentage-point higher (5.81 percent) than the current discount rate:

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)**

**5. Other Postemployment Benefits (continued)**

	1% Decrease (3.81%)	Discount Rate (4.81%)	1% Increase (5.81%)
Net OPEB liability	\$ 41,695,024	\$ 38,608,534	\$ 35,782,773

*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 (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current healthcare cost trend rate:

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Net OPEB liability	\$ 35,472,828	\$ 38,608,534	\$ 42,094,013

*Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At June 30, 2025, the City reported a net OPEB liability of \$38,608,534. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024. The total OPEB liability was then rolled forward to the measurement date of June 30, 2025 utilizing update procedures incorporating the actuarial assumptions.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)**

**5. Other Postemployment Benefits (continued)**

At June 30, 2025 the components of the net OPEB liability of the City, measured as of June 30, 2025 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2024	\$ 39,399,352	\$ 3,339,730	\$ 36,059,622
Changes for the year:			
Service cost	823,597	-	823,597
Interest	1,516,800	-	1,516,800
Differences between expected and actual experience	3,428,788	-	3,428,788
Changes of assumptions	466,430	-	466,430
Contributions	-	3,534,213	(3,534,213)
Net investment income	-	155,740	(155,740)
Benefit payments	(3,534,213)	(3,534,213)	-
Administrative expenses	-	(3,250)	3,250
Net changes	2,701,402	152,490	2,548,912
Balances at June 30, 2025	\$ 42,100,754	\$ 3,492,220	\$ 38,608,534

*Changes of Assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.97 percent in 2024 to 4.81 percent in 2025 on the measurement date and the projected measurement asset depletion date.

For the year ended June 30, 2025, the City recognized OPEB expense of \$400,004. At June 30, 2025, 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	\$ 2,487,038	\$ 1,082,688
Changes of assumptions	396,643	1,249,416
Net difference between projected and actual earnings on plan investments	-	49,305
Total	\$ 2,883,681	\$ 2,381,409

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**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:	
2026	\$ (700,238)
2027	612,821
2028	597,471
2029	<u>(7,782)</u>
	<u>\$ 502,272</u>

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

	<u>Per Actuary</u>	<u>Change in Fund Allocation</u>	<u>Total Deferred Outflows</u>
<b>Deferred Outflows Reconciliation - OPEB</b>			
Governmental activities	\$ 2,642,873	\$ 159,818	\$ 2,802,691
Recycling and Trash Services Fund	99,785	644,123	743,908
Storm Water Management Fund	84,736	94,787	179,523
Parking Facilities Fund	1,077	111	1,188
Nonmajor Golf Fund	<u>55,210</u>	<u>-</u>	<u>55,210</u>
Total deferred outflows	<u>\$ 2,883,681</u>	<u>\$ 898,839</u>	<u>\$ 3,782,520</u>

	<u>Per Actuary</u>	<u>Change in Fund Allocation</u>	<u>Total Deferred Inflows</u>
<b>Deferred Inflows Reconciliation - OPEB</b>			
Governmental activities	\$ 2,182,544	\$ 611,140	\$ 2,793,684
Recycling and Trash Services Fund	82,405	52,996	135,401
Storm Water Management Fund	69,977	118,345	188,322
Parking Facilities Fund	889	5,089	5,978
Nonmajor Golf Fund	<u>45,594</u>	<u>111,269</u>	<u>156,863</u>
Total deferred inflows	<u>\$ 2,381,409</u>	<u>\$ 898,839</u>	<u>\$ 3,280,248</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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:

	<u>Governmental Activities</u>	<u>Recycling and Trash Services Fund</u>	<u>Storm Water Management Fund</u>	<u>Parking Facilities Fund</u>	<u>Nonmajor Golf Fund</u>	<u>Total</u>
Year ending June 30:						
2026	\$ (212,007)	\$ 207,331	\$ 54,101	\$ (1,662)	\$ (47,763)	\$ -
2027	(188,594)	260,326	(40,687)	(1,431)	(29,614)	-
2028	(35,645)	92,816	(34,290)	(924)	(21,957)	-
2029	<u>(15,076)</u>	<u>30,654</u>	<u>(2,682)</u>	<u>(961)</u>	<u>(11,935)</u>	<u>-</u>
Total	<u>\$ (451,322)</u>	<u>\$ 591,127</u>	<u>\$ (23,558)</u>	<u>\$ (4,978)</u>	<u>\$ (111,269)</u>	<u>\$ -</u>

#### 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, 2025, were \$406,113 that was matched by the City.

Employer contributions to the 457 Deferred Compensation Plan totaled \$1,442,652 for the year ended June 30, 2025. This amount included the 3% contribution and matching contributions for fire fighters. Employee contributions to the plan, excluding the fire fighter's matched deferral, included in salary expense for the year ended June 30, 2025, were \$1,069,699.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2025, the City made contributions to the State for death benefits of \$25,937.

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, 2025, the City paid \$94,008 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2025 is summarized as follows:

	Governmental Activities	Business-type Activities
Deferred amount for loss on refunded debt	\$ 1,736,821	\$ 94,265
Contributions to pension plan in current year for the Local Governmental Employees' Retirement System (LGERS)	9,464,188	875,566
Benefit payments/administration costs paid subsequent to the measurement date for the Law Enforcement Officers' Special Separation Allowance (Separation Allowance)	555,412	-
Pension deferrals - LGERS	14,170,371	1,832,240
Pension deferrals - Separation Allowance	1,192,226	-
Pension deferrals for other postemployment benefits	2,802,691	979,829
	\$ 29,921,709	\$ 3,781,900

The balance in deferred inflows of resources at the government-wide level of the City at June 30, 2025 is summarized as follows:

	Governmental Activities	Business-type Activities
Deferred amount for gain on refunded debt	\$ 706,453	\$ -
Leases	24,527,115	10,061,948
Pension deferrals - LGERS	1,340,855	144,207
Pension deferrals - Separation Allowance	1,639,309	-
Pension deferrals for other postemployment benefits	2,793,684	486,564
	\$ 31,007,416	\$ 10,692,719

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### UNEARNED REVENUES

The balance in unearned revenues at June 30, 2025 is summarized as follows:

	General Fund	Convention Center Fund	Nonmajor Governmental Funds	Nonmajor Golf Fund	Governmental Activities	Business- type Activities
Unrestricted:						
Prepaid parks and recreation pass cards	\$ 3,654	\$ -	\$ -	\$ -	\$ 3,654	\$ -
Prepaid capital contribution - management company	-	66,667	-	-	66,667	-
Prepaid golf course green fees	-	-	-	228,848	-	228,848
Restricted:						
ARPA funds unspent	-	-	2,249,043	-	2,249,043	-
Opioid pilot program	-	-	195,386	-	195,386	-
Opioid settlement	-	-	7,062	-	7,062	-
Grants received in advance	-	-	265,862	-	265,862	-
Other	-	-	480	-	480	-
	<u>\$ 3,654</u>	<u>\$ 66,667</u>	<u>\$ 2,717,833</u>	<u>\$ 228,848</u>	<u>\$ 2,788,154</u>	<u>\$ 228,848</u>

#### 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, 2025 were as follows:

On dates ranging from December 1, 2021 to December 1, 2024, the City entered into sixteen 48 month leases as Lessee for deployment of computers under a PC as a service agreement. In total, initial lease liabilities were recorded in the amount of \$1,274,633; however, in fiscal year 2023, 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, 2025, the total value of the lease liabilities is \$505,572, and the value of the short-term lease liability is \$278,491. The City is required to make annual fixed payments of \$332,861. The leases have interest rates ranging from 1.03% to 3.53%. The value of the right to use asset as of June 30, 2025 is \$1,241,443 with accumulated amortization of \$573,944.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

##### Leases (continued)

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, 2025, the value of the lease liability is \$5,692, and the value of the short-term lease liability is \$3,071. 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 asset as of June 30, 2025 is \$14,896 with accumulated amortization of \$9,434.

On January 1, 2023, the City entered into a 60 month lease as lessee for the use of horse stables at Jerry Maurice Meyers Estate. An initial lease liability was recorded in the amount of \$84,270. As of June 30, 2025, the value of the lease liability is \$43,449, and the value of the short-term lease liability is \$17,031. 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, 2025 is \$84,270 with accumulated amortization of \$42,135.

On December 1, 2023, the City entered into a 60 month lease as lessee for the use of warehouse space. An initial lease liability was recorded in the amount of \$394,156. As of June 30, 2025, the value of the lease liability is \$282,345, and the value of the short-term lease liability is \$76,171. The City is required to make monthly fixed payments of \$6,749. The lease has an interest rate of 3.51%. The value of the right to use asset as of June 30, 2025 is \$394,156 with accumulated amortization of \$124,816.

On July 1, 2024, the City entered into a 24 month lease as Lessee for the use of iNet gas detection equipment. An initial lease liability was recorded in the amount of \$22,739. As of June 30, 2025, the value of the lease liability is \$12,080 and is reported as short-term. The City is required to make monthly fixed payments of \$936. The lease has an interest rate of 3.22%. The value of the right to use asset as of June 30, 2025 of \$22,739 with accumulated amortization of \$11,370.

On September 1, 2024, the City entered into four 36 month leases as Lessee for the use of 2024 vehicles. In total, initial lease liabilities were recorded in the amount of \$82,419. As of June 30, 2025, the total value of the lease liabilities is \$57,425, and the value of the short-term lease liability is \$26,025. The City is required to make monthly fixed payments of \$2,287. The leases carry an interest rates of 3.11%. The value of the right to use assets as of June 30, 2025 is \$82,419 with accumulated amortization of \$22,894.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**Leases (continued)**

The future principal and interest lease payments as of June 30, 2025, were as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 412,869	\$ 25,070	\$ 437,939
2027	317,969	13,078	331,047
2028	138,076	3,975	142,051
2029	37,649	331	37,980
	<u>\$ 906,563</u>	<u>\$ 42,454</u>	<u>\$ 949,017</u>

Business-type activities lease agreement as of June 30, 2025, was as follows:

On July 1, 2021, the City entered into a 122 month lease as lessee for the use of 2nd Street lot for parking. An initial lease liability was recorded in the amount of \$1,815,439. As of June 30, 2025, the value of the lease liability is \$1,181,359, and the value of the short-term lease liability is \$165,224. The City is required to make monthly fixed payments of \$15,247. The lease has an interest rate of 1.60%. The value of the right to use asset as of June 30, 2025 is \$1,815,439 with accumulated amortization of \$714,271.

The future principal and interest lease payments as of June 30, 2025, were as follows:

Year(s) Ending June 30	Principal	Interest	Total
2026	\$ 165,224	\$ 17,738	\$ 182,962
2027	187,068	14,953	202,021
2028	193,956	11,876	205,832
2029	197,090	8,742	205,832
2030	200,274	5,558	205,832
2031-2032	237,747	2,390	240,137
	<u>\$ 1,181,359</u>	<u>\$ 61,257</u>	<u>\$ 1,242,616</u>

**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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

##### Subscriptions (continued)

Governmental activities subscription agreements as of June 30, 2025 were as follows:

On July 1, 2022, the City entered into four 30 month subscriptions for the use of Tyler MUNIS accounting software applications. In total, initial subscription liabilities were recorded in the amount of \$1,710,626. During the fiscal year, the subscriptions terms ended; therefore, there are no subscriptions liabilities or right-to-use subscription assets as of June 30, 2025. The City was required to make quarterly fixed payments of \$170,735. The subscriptions had an interest rate of 2.18%.

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. During the fiscal year, the subscription term ended; therefore, there is no subscription liability or right-to-use subscription asset as of June 30, 2025. The City was required to make monthly fixed payments of \$7,500. The subscription had an interest rate of 2.18%.

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. During the fiscal year, the subscription term ended; therefore, there is no subscription liability or right-to-use subscription asset as of June 30, 2025. The City was required to make monthly fixed payments of \$82,500. The subscription had an interest rate of 2.02%.

On July 1, 2022, the City entered into a 24 month subscription for the use of SpartanTec for UnitTrends Enterprise Plus Recovery software. An initial subscription liability was recorded in the amount of \$40,313. During the fiscal year, the subscription term ended; therefore, there is no subscription liability or right-to-use subscription asset as of June 30, 2025. The City was required to make annual fixed payments of \$21,000. The subscription had an interest rate of 2.02%.

On July 1, 2022, the City entered into a 29 month subscription for the use of TeleMessage Incorporated for Mobile Archiver Messaging. An initial subscription liability was recorded in the amount of \$18,851. During the fiscal year, the subscription term ended; therefore, there is no subscription liability or right-to-use subscription asset as of June 30, 2025. The City was required to make annual fixed payments of \$9,600. The subscription had an interest rate of 2.02%.

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, 2025, the subscription liability had no value. 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, 2025 is \$13,460 with accumulated amortization of \$11,537.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

##### Subscriptions (continued)

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, 2025, the value of the subscription liability is \$4,121 and is reported as short-term. 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, 2025 is \$15,965 with accumulated amortization of \$11,974.

On August 1st, 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, 2025, the value of the subscription liability is \$13,974, and the value of the short-term subscription liability is \$6,799. The City is required to make annual fixed payments of \$6,922. The subscription has an interest rate of 2.37%. The value of the right-to-use asset as of June 30, 2025 is \$33,032 with accumulated amortization of \$19,268.

On February 11, 2023, the City entered into a 36 month subscription for the use of SpartanTec for Checkpoint CloudGuard software. An initial subscription liability was recorded in the amount of \$42,069. As of June 30, 2025, the subscription liability had no value. The City was 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, 2025 is \$42,069 with accumulated amortization of \$33,499.

On July 1, 2023, the City entered into a 36 month subscription with Microsoft Enterprise for the use of office professional software. An initial subscription liability was recorded in the amount of \$1,668,427. As of June 30, 2025, the value of the subscription liability is \$555,991 and is reported as short-term. The City is required to make annual fixed payments of \$572,120. The subscription has an interest rate of 2.90%. The value of the right-to-use asset as of June 30, 2024 is \$1,668,427 with accumulated amortization of \$1,112,285.

On July 1, 2023, the City entered into a 60 month subscription for the use of Granicus Software. An initial subscription liability was recorded in the amount of \$480,036. As of June 30, 2025, the value of the subscription liability is \$328,158, and the value of the short-term subscription liability is \$100,918. The City is required to make annual fixed payments of \$104,625. The subscription has an interest rate of 2.74%. The value of the right-to-use asset as of June 30, 2025 is \$480,036 with accumulated amortization of \$192,015.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

##### Subscriptions (continued)

On July 27, 2023, the City entered into a 24 month subscription with NeoGov for the use of an onboarding software services. An initial subscription liability was recorded in the amount of \$27,540; however, during the fiscal year, this subscription was terminated. Prior to termination, the City was required to make annual fixed payments of \$9,363. The subscription had an interest rate of 3.02%. The City recognized no subscription principal payments or interest expense during the fiscal year. At the time of termination, the value of the subscription liability (\$18,177) and the right to use lease asset, net of accumulated amortization (\$14,727) were removed leaving no value as of June 30, 2025.

On September 1, 2023, the City entered into a 36 month subscription for the use of Alert Media. An initial subscription liability was recorded in the amount of \$39,283. As of June 30, 2025, the value of the subscription liability is \$13,863 and is reported as short-term. The City is required to make annual fixed payments of \$13,470. The subscription has an interest rate of 2.90%. The value of the right-to-use asset as of June 30, 2025 is \$39,283 with accumulated amortization of \$24,006.

On September 1, 2023, the City entered into a 60 month subscription with Axon Enterprise that supports police operations. An initial subscription liability was recorded in the amount of \$3,650,840. As of June 30, 2025, the value of the subscription liability is \$2,262,120, and the value of the short-term subscription liability is \$700,275. The City is required to make annual fixed payments of \$742,935. The subscription has an interest rate of 2.734%. The value of the right-to-use asset as of June 30, 2025 is \$3,650,840 with accumulated amortization of \$1,338,641.

On February 1, 2024, the City entered into a 60 month subscription with Pitney Bowes for the use of shipping software. An initial subscription liability was recorded in the amount of \$30,469. As of June 30, 2025, the value of the subscription liability is \$21,611, and the value of the short-term subscription liability is \$5,967. The City is required to make quarterly fixed payments of \$1,624. The subscription has an interest rate of 2.72%. The value of the right-to-use asset as of June 30, 2025 is \$30,469 with accumulated amortization of \$8,633.

On June 1, 2024, the City entered into a 60 month subscription with Ultimate Kronos Group for the use of time tracking software. An initial subscription liability was recorded in the amount of \$470,049. As of June 30, 2025, the value of the subscription liability is \$372,572, and the value of the short-term subscription liability is \$91,503. The City is required to make monthly fixed payments of \$8,352. The subscription has an interest rate of 2.64%. The value of the right-to-use asset as of June 30, 2025 is \$525,349 with accumulated amortization of \$113,826.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

##### Subscriptions (continued)

On July 1, 2024, the City entered into a 36 month subscription for the use of Evidence IQ software. An initial subscription liability was recorded in the amount of \$43,653. As of June 30, 2025, the value of the subscription liability is \$28,654, and the value of the short-term subscription liability is \$14,108. The City is required to make annual fixed payments of \$14,999. The subscription has an interest rate of 3.11%. The value of the right to use asset as of June 30, 2025 is \$43,653 with accumulated amortization of \$14,551.

On July 1, 2024, the City entered into a 36 month subscription for the use of Lexis Nexis - Relx software. An initial subscription liability was recorded in the amount of \$32,570. As of June 30, 2025, the value of the subscription liability is \$22,386, and the value of the short-term subscription liability is \$10,846. The City is required to make monthly fixed payments of \$921. The subscription has an interest rate of 3.11%. The value of the right to use asset as of June 30, 2025 is \$32,570 with accumulated amortization of \$10,857.

On July 1, 2024, the City entered into a 36 month subscription for the use of NEOGOV-eForms software. An initial subscription liability was recorded in the amount of \$79,398. As of June 30, 2025, the value of the subscription liability is \$54,919, and the value of the short-term subscription liability is \$26,381. The City is required to make annual fixed payments of \$24,479. The subscription has an interest rate of 3.11%. The value of the right to use asset as of June 30, 2025 is \$86,328 with accumulated amortization of \$28,776.

On July 1, 2024, the City entered into a 48 month subscription for the use of software in connection with a NeoGov multiple services agreement. An initial subscription liability was recorded in the amount of \$335,182. As of June 30, 2025, the value of the subscription liability is \$254,340, and the value of the short-term subscription liability is \$76,024. The City is required to make annual fixed payments of \$80,842. The subscription has an interest rate of 3.07%. The value of the right to use asset as of June 30, 2025 is \$335,182 with accumulated amortization of \$83,796.

On July 15, 2024, the City entered into a 36 month subscription for the use of ESRI Geographic Information Software software. An initial subscription liability was recorded in the amount of \$254,953. As of June 30, 2025, the value of the subscription liability is \$167,353, and the value of the short-term subscription liability is \$82,395. The City is required to make annual fixed payments of \$87,600. The subscription has an interest rate of 3.11%. The value of the right to use asset as of June 30, 2025 is \$254,953 with accumulated amortization of \$81,679.

On October 1, 2024, the City entered into a 60 month subscription with Axon Enterprise in connection with an in car camera bundle. An initial subscription liability was recorded in the amount of \$3,476,508. As of June 30, 2025, the value of the subscription liability is \$3,058,860, and the value of the short-term subscription liability is \$726,887. The City is required to make annual fixed payments of \$417,648. The subscription has an interest rate of 2.38%. The value of the right to use asset as of June 30, 2025 is \$3,476,508 with accumulated amortization of \$521,476.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**Subscriptions (continued)**

The future principal and interest subscription payments as of June 30, 2025, were as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 2,416,078	\$ 186,027	\$ 2,602,105
2027	1,931,216	120,945	2,052,161
2028	1,891,877	70,193	1,962,070
2029	919,751	20,896	940,647
	<u>\$ 7,158,922</u>	<u>\$ 398,061</u>	<u>\$ 7,556,983</u>

Business-type activities lease agreement as of June 30, 2025, was as follows:

On March 1, 2025, the City entered into a 40 month subscription for the use of Routeware software. An initial subscription liability was recorded in the amount of \$152,772. As of June 30, 2025, the value of the subscription liability is \$138,007, and the value of the short-term subscription liability is \$47,094. The City is required to make monthly fixed payments of \$3,952. The subscription has an interest rate of 2.87%. The value of the right to use asset as of June 30, 2025 is \$152,772 with accumulated amortization of \$15,277.

The future principal and interest subscription payments as of June 30, 2025, were as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 47,094	\$ 330	\$ 47,424
2027	44,813	2,611	47,424
2028	46,100	1,324	47,424
	<u>\$ 138,007</u>	<u>\$ 4,265</u>	<u>\$ 142,272</u>

**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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES (continued)

#### General Obligation Bonds (continued)

General obligation bonds outstanding at June 30, 2025 are comprised of the following issues:

	<u>Governmental activities</u>
<p>\$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 through June 1, 2034; semiannual interest payments due June 1 and December 1 with rates from 3.55 to 4.20 percent.</p>	\$ 1,350,000
<p>\$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.</p>	1,595,000
<p>\$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 ranging from \$650,000 to \$670,000, through September 1, 2028; semiannual interest payments due on September 1 and March 1 at rates from 3.00 to 4.00 percent.</p>	2,645,000
<p>\$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.</p>	9,945,000
<p>\$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 1.49 to 2.40 percent.</p>	12,115,000
<p>\$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 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.</p>	32,950,000

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**LONG-TERM LIABILITIES (continued)**

**General Obligation Bonds (continued)**

	<u>Governmental activities</u>
\$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 payment due in an installment of \$1,450,000 on May 1, 2026; semiannual interest payments due on May 1 and November 1 at a rate 0.93 percent.	\$ 1,450,000
\$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 Improvement 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.	<u>2,645,000</u>
Serviced by Debt Service Fund	<u>\$ 64,695,000</u>

Annual debt service requirements to maturity for general obligation bonds at June 30, 2025 are as follows:

<u>Year(s) Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 5,065,000	\$ 1,978,257
2027	5,060,000	1,824,328
2028	5,055,000	1,613,849
2029	5,050,000	1,405,893
2030	4,400,000	1,223,722
2031-2035	20,700,000	3,829,009
2036-2040	17,215,000	1,296,040
2041	2,150,000	43,000
	<u>\$ 64,695,000</u>	<u>\$ 13,214,098</u>

**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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES (continued)

#### Revenue Bonds (continued)

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 \$1,552,200 or 19% of available net revenues of \$8,151,305. 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.

Revenue bonds outstanding at June 30, 2025 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 installments ranging from \$740,000 to \$1,250,000, through June 1, 2040; semiannual interest payments due June 1 and December 1, with rates from 3.5 to 5.0 percent.	\$ 14,670,000
Serviced by Storm Water Management Fund	\$ 14,670,000

Annual debt service requirements to maturity for revenue bonds at June 30, 2025 are as follows:

Year(s) Ending June 30	Business-type Activities	
	Principal	Interest
2026	\$ 950,000	\$ 599,450
2027	985,000	566,200
2028	1,020,000	531,725
2029	1,050,000	501,125
2030	1,100,000	448,625
2031-2035	5,135,000	1,500,925
2036-2040	4,430,000	538,900
	\$ 14,670,000	\$ 4,686,950

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2025. The revenue coverage calculation as of June 30, 2025 is as follows:

Revenues (1)		
Operating revenues	\$ 13,644,781	
Other operating revenue	1,084,149	
Investment earnings	<u>1,354,147</u>	<u>\$ 16,083,077</u>
Current Expenses (2)		
Operating expenses	9,603,578	
Less depreciation	<u>(1,671,806)</u>	<u>7,931,772</u>
Revenues available for debt service		<u>8,151,305</u>
Principal and interest requirements (3)		
Revenue bonds (at 120%)		<u>1,859,340</u>
Revenues in excess of principal and interest requirements		<u>\$ 6,291,965</u>

(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, 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, Limited Obligation Bonds, Series 2023B, issued to finance a portion of the acquisition of the Skyline Center and associated development tract B, and to finance the acquisition of associated development tract A, and Limited Obligation Bonds, Series 2023C, issued to finance a portion of the acquisition of the Skyline Center.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES (continued)

#### Installment Obligations (continued)

The 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, 2023A, 2023B, 2023C, 2023D and 2024 Limited Obligation Bonds are secured by assets being financed including the Operations 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, the Skyline Center and the Skyline Parking Deck. 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.

Installment obligations outstanding at June 30, 2025 are comprised of the following individual issues:

	Governmental activities	Business-type activities
<p>\$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.</p> <p style="margin-left: 40px;">Serviced by Debt Service Fund</p>	<p>\$ 9,740,000</p>	<p>\$ -</p>
<p>\$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 \$2,435,000 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.</p> <p style="margin-left: 40px;">Serviced by Convention Center Fund</p>	<p>40,905,000</p>	<p>-</p>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)  
June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**LONG-TERM LIABILITIES (continued)**

**Installment Obligations (continued)**

	<u>Governmental</u> activities	<u>Business-type</u> activities
<p>\$11,835,000 Limited Obligation Bonds, Series 2017, for improvements to streets, sidewalks, streetscapes, Riverwalk, riverfront, Thalian Hall, Greenfield 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 of \$590,000 through June 1, 2037; semiannual interest payments due June 1 and December 1 at rates from 3.00 to 4.00 percent.</p> <p>Serviced by Debt Service Fund</p>	<p>\$ 7,080,000</p>	<p>\$ -</p>
<p>\$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.</p> <p>Serviced by Debt Service Fund</p>	<p>16,265,000</p>	<p>-</p>
<p>\$9,470,000 Limited Obligation Bonds, Series 2020B issued to construct and equip the police and fire training 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.</p> <p>Serviced by Debt Service Fund</p>	<p>7,105,000</p>	<p>-</p>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**LONG-TERM LIABILITIES (continued)**

**Installment Obligations (continued)**

	<u>Governmental</u> activities	<u>Business-type</u> activities
<p>\$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 1.85 to 3.09 percent.</p>		
Serviced by Debt Service Fund	\$ 6,110,000	\$ -
Serviced by the Parking Facilities Fund	-	19,935,000
<p>\$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 \$370,000 to \$375,000 through June 1, 2041; semiannual interest payments due June 1 and December 1 at rates from 3.0 to 4.0 percent.</p>		
Serviced by Debt Service Fund	5,955,000	-
<p>\$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 \$1,695,000 through June 1, 2030; semiannual interest payments due June 1 and December 1 at rates from 1.13 to 2.03 percent.</p>		
Serviced by Debt Service Fund	4,586,400	-
Serviced by the Parking Facilities Fund	-	1,193,600

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**LONG-TERM LIABILITIES (continued)**

**Installment Obligations (continued)**

	<u>Governmental</u> activities	<u>Business-type</u> activities
<p>\$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 through June 1, 2043; semiannually interest payments due June 1 and December 1 at a rate of 5.0 percent.</p> <p>Serviced by Debt Service Fund</p>	<p>\$ 21,580,000</p>	<p>\$ -</p>
<p>\$23,800,000 direct borrowing, taxable variable rate Limited Obligation Bond, Series 2023B executed with Truist Bank to partially finance the acquisition of the Skyline Center and associated development tract B, and to finance the acquisition of associated development tract A; principal payments due annually on September 1, in installments ranging from \$277,500 to \$3,400,000 through September 1, 2030; monthly interest payments due on the first at 1-month term SOFR plus 0.64 percent.</p> <p>Serviced by Debt Service Fund</p>	<p>17,277,500</p>	<p>-</p>
<p>\$10,200,000 Taxable Limited Obligation Bonds, Series 2023C to partially finance the acquisition of the Skyline Center for the purpose of consolidating administrative offices; principal payments due annually on September 1, in installments of \$3,400,000 beginning September 1, 2031 through September 1, 2033; semiannual interest payments due September 1 and March 1 at rates from 4.74 to 4.84 percent.</p> <p>Serviced by Debt Service Fund</p>	<p>10,200,000</p>	<p>-</p>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**LONG-TERM LIABILITIES (continued)**

**Installment Obligations (continued)**

	Governmental activities	Business-type activities
<p>\$30,090,000 Limited Obligation Bonds, Series 2023D to partially finance the acquisition of the Skyline Center and associated development tract B, and to finance the acquisition of the Skyline parking deck; principal payments due annually on September 1, in installments ranging from \$3,005,000 to \$3,010,000 beginning September 1, 2034 through September 1, 2043; semiannual interest payments due September 1 and March 1 at 5 percent.</p>		
Serviced by Debt Service Fund	\$ 14,772,490	\$ -
Serviced by the Parking Facilities Fund	-	15,317,510
<p>\$28,890,000 Limited Obligation Bonds, Series 2024 for improvements to streets, sidewalks, streetscapes, Riverwalk, and riverfront bulkhead, construction and equipping a portion of the sports complex, acquisition of two blocks of riverfront property and to refund \$11,065,000 of outstanding Refunding Limited Obligation Bonds, Series 2014A maturing on and after June 1, 2025; principal payments due annually on June 1, in installments ranging from \$930,000 to \$2,215,000 through June 1, 2044; semiannually interest payments due June 1 and December 1 at a rate of 5.0 percent.</p>		
Serviced by Debt Service Fund	<u>26,630,000</u>	<u>-</u>
	<u>\$ 188,206,390</u>	<u>\$ 36,446,110</u>
<p>Installment Obligations Serviced By:</p>		
Debt Service Fund	\$ 147,301,390	\$ -
Convention Center Fund	40,905,000	-
Parking Facilities Fund	<u>-</u>	<u>36,446,110</u>
	<u>\$ 188,206,390</u>	<u>\$ 36,446,110</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)  
June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**LONG-TERM LIABILITIES (continued)**

**Installment Obligations (continued)**

Annual debt service requirements to maturity for installment obligations at June 30, 2025 are as follows:

Year(s) Ending June 30	Governmental Activities				Business-type Activities	
	Installment Agreements		Direct Borrowings		Installment Agreements	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 11,952,985	\$ 7,349,504	\$ 3,400,000	\$ 870,924	\$ 1,742,015	\$ 1,298,921
2027	11,927,577	6,852,171	3,400,000	687,566	1,727,423	1,269,660
2028	11,910,838	6,375,627	3,400,000	482,493	1,714,162	1,236,513
2029	11,265,000	5,862,119	3,400,000	275,068	1,330,000	1,201,584
2030	11,385,000	5,350,320	3,400,000	68,819	1,325,000	1,172,444
2031-2035	58,662,740	18,824,152	277,500	4,243	8,172,260	5,342,347
2036-2040	40,243,700	7,673,643	-	-	14,311,300	3,105,105
2041-2045	13,581,050	1,424,960	-	-	6,123,950	612,140
	<u>\$170,928,890</u>	<u>\$59,712,496</u>	<u>\$17,277,500</u>	<u>\$ 2,389,113</u>	<u>\$36,446,110</u>	<u>\$15,238,714</u>

**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, 2025 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.

\$ 2,387,607

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**LONG-TERM LIABILITIES (continued)**

**Other Long-Term Obligations (continued)**

\$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.

\$ 1,484,190

Debt Service Fund

\$ 3,871,797

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

Year Ending June 30	Governmental Activities	
	Installment Agreements	
	Principal	Interest
2026	\$ 871,239	\$ 145,720
2027	874,501	102,077
2028	872,948	62,755
2029	770,281	29,890
2030	243,743	10,829
2031	239,085	3,586
	<u>\$ 3,871,797</u>	<u>\$ 354,857</u>

**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, 2025 amounts to \$1,857,701,141 resulting in an available legal debt margin of \$1,564,481,844.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B. LIABILITIES (continued)**

**LONG-TERM LIABILITIES (continued)**

**Other long-term liabilities disclosures (continued)**

Changes in long-term liabilities for governmental activities during fiscal year 2025 were as follows:

	Balance July 1, 2024 (Restated) <sup>1</sup>	Additions	Reductions	Balance June 30, 2025	Due Within One Year
General obligation bonds	\$ 69,765,000	\$ -	\$ (5,070,000)	\$ 64,695,000	\$ 5,065,000
Installment obligations	182,805,766	-	(11,876,876)	170,928,890	11,952,985
Installment obligations- direct borrowings	20,677,500	-	(3,400,000)	17,277,500	3,400,000
Other long-term obligations	4,739,774	-	(867,977)	3,871,797	871,239
Plus deferred amounts for issuance premiums	30,822,783	-	(1,847,470)	28,975,313	-
Lease liability	1,083,456	253,651	(430,544)	906,563	412,869
Subscription liability	5,369,597	4,222,264	(2,432,939)	7,158,922	2,416,078
Compensated absences	7,917,123	67,820 <sup>2</sup>	-	7,984,943	4,856,920
Net OPEB Liability	32,977,060	2,407,385	-	35,384,445	-
Net pension liability (LGERS)	45,994,929	-	(641,006)	45,353,923	-
Total pension liability (Separation Allowance)	<u>15,257,860</u>	<u>-</u>	<u>(102,185)</u>	<u>15,155,675</u>	<u>1,159,550</u>
Governmental activity long-term liabilities	<u>\$ 417,410,848</u>	<u>\$ 6,951,120</u>	<u>\$ (26,668,997)</u>	<u>\$ 397,692,971</u>	<u>\$ 30,134,641</u>

<sup>1</sup> See Note 8

<sup>2</sup> Amount presented is a net change.

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, \$110,969 of compensated absences, \$468,515 of other postemployment benefits and \$547,867 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES (continued)

#### Other long-term liabilities disclosures (continued)

Changes in long-term liabilities for business-type activities during fiscal year 2025 were as follows:

	Balance July 1, 2024 (Restated) <sup>1</sup>	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Revenue bonds	\$ 15,595,000	\$ -	\$ (925,000)	\$ 14,670,000	\$ 950,000
Installment obligations	38,269,234	-	(1,823,124)	36,446,110	1,742,015
Plus deferred amounts for issuance premiums	1,940,329	-	(41,898)	1,898,431	-
Lease liability	1,343,956	-	(162,597)	1,181,359	165,224
Subscription liability	-	152,772	(14,765)	138,007	47,094
Compensated absences	625,366	-	(10,558) <sup>2</sup>	614,808	424,004
Net OPEB Liability	3,082,562	141,527	-	3,224,089	-
Net pension liability (LGERS)	<u>5,345,188</u>	<u>-</u>	<u>(61,698)</u>	<u>5,283,490</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 66,201,635</u>	<u>\$ 294,299</u>	<u>\$ (3,039,640)</u>	<u>\$ 63,456,294</u>	<u>\$ 3,328,337</u>

<sup>1</sup> See Note 8

<sup>2</sup> Amount presented is a net change.

#### 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. During the term of this agreement, SMG merged with AEG Facilities to form a new, combined company known as ASM Global (ASM). 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. Pursuant 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 ASM as if they are held in trust for the City. Additionally, the contract specifies that the cash and related assets held by ASM 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, 2025, the City paid \$143,998 for this service. The City’s obligation for the year ending June 30, 2026, is \$147,024 as the fee is adjusted based on the CPI-U-South Region index.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### COMMITMENTS AND CONTINGENCIES (continued)

The City's Second Street, Market Street, Convention Center, Riverplace and Skyline parking decks, and the Second Street and Hannah Block parking lots as well as special event parking at the Skyline Center south lot are managed under a contract through June 2026 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, 2025, the City paid \$2,922,204 for these services. The contract costs are expected to be \$3,652,091 for the year ending June 30, 2026.

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. Three payments of \$40,000 each have been paid for fiscal years 2023, 2024 and 2025.

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 incentive payments have been made as of fiscal year 2025.

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. Three of the five annual payments have been made: Fiscal year 2023 \$38,800, fiscal year 2024 \$35,385 and fiscal year 2025 \$34,000.

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. Three of the five annual payments have been made: Fiscal year 2023 \$50,000, fiscal year 2024 \$38,103 and fiscal year 2025 \$32,184.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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. Three of the five annual payments have been made: Fiscal year 2023 \$16,000, fiscal year 2024 \$10,449 and fiscal year 2025 \$14,806.

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 2025.

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, 2025 are as follows:

General Fund	\$ 2,189,153
Debt Service Fund	25,795
Convention Center Fund	511,434
Streets and Sidewalks Fund	14,724,753
Recycling and Trash Services Fund	2,364
Storm Water Management Fund	1,692,646
Parking Facilities Fund	102,866
Nonmajor Governmental Funds	10,909,225
Nonmajor Golf Fund	2,000
Internal Service Funds	<u>5,171,282</u>
Total encumbrances	<u>\$ 35,331,518</u>

#### 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 \$22,136 to the Council during the fiscal year ended June 30, 2025.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### COMMITMENTS AND CONTINGENCIES (continued)

##### Related Organization

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

The 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 fiscal year 2023. During fiscal year 2024, a disbursement of \$200,000 was made. In July 2024, \$186,997 was returned to the City with notification that the remediation has been completed and no further disbursements would be needed. An outstanding loan amount due to the City on or before September 9, 2027 remains at \$1,046,337.

The Authority acquired Robert S. Jervay Place – Phase II, an 82-unit affordable housing property from Telesis. The property was severely distressed due to damage from Hurricane Florence, with a number of units continuing to remain uninhabitable and vacant. During the sale process, the Authority was made aware that they failed to provide the correct operating subsidy to the group, in the amount of \$660,000. The Authority has been addressing numerous critical issues, including extensive mold remediation, which required the Authority to deplete its cash flow and therefore ask the City for support. In May 2025, the Wilmington City Council authorized a funding agreement in the amount of \$660,000 as a one-year 0% loan. In June 2025, the loan agreement was executed and \$660,000 was disbursed to the Authority. The loan is due in full June 2026.

#### C. INTERFUND BALANCES AND ACTIVITY

The compositions of interfund and intra-entity balances as of June 30, 2025, are as follows:

	General Fund
Receivable Fund	\$ 395,183
Payable Fund:	
Nonmajor Governmental Funds	\$ 395,183

**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**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, 2025 were as follows:

	<u>General Fund</u>	<u>Convention Center Fund</u>	<u>Streets &amp; Sidewalk Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Parking Facilities Fund</u>	<u>Total</u>
Transfers out	<u>\$ 27,874,765</u>	<u>\$ 1,765,616</u>	<u>\$ 3,588,720</u>	<u>\$ 7,993,177</u>	<u>\$ 14,127,649</u>	<u>\$ 2,500,000</u>	<u>\$ 57,849,927</u>
Transfers in:							
General Fund	\$ -	\$ 1,765,616	\$ 251,915	\$ -	\$ 1,831,780	\$ 250,000	\$ 4,099,311
Streets and Sidewalks Fund	1,672,936	-	-	2,844,001	-	-	4,516,937
Debt Service Fund	11,334,832	-	3,276,805	-	-	2,000,000	16,611,637
Nonmajor Governmental Funds	13,940,320	-	60,000	2,615,048	12,204,508	-	28,819,876
Recycling and Trash Service Fund	288,366	-	-	-	-	250,000	538,366
Storm Water Capital Projects Fund	-	-	-	-	91,361	-	91,361
Parking Facilities Fund	-	-	-	2,134,128	-	-	2,134,128
Nonmajor Golf Fund	-	-	-	400,000	-	-	400,000
Internal Service Funds	<u>638,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,311</u>
Total	<u>\$ 27,874,765</u>	<u>\$ 1,765,616</u>	<u>\$ 3,588,720</u>	<u>\$ 7,993,177</u>	<u>\$ 14,127,649</u>	<u>\$ 2,500,000</u>	<u>\$ 57,849,927</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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 General Fund and 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 and Debt Service Fund as capital projects are cancelled in accordance with budgetary authorizations, 6) move \$471,211 from the American Rescue Plan Act Fund to the Parks and Recreation Fund for infrastructure investments, 7) move \$1,765,616 from the Convention Center Fund to the General Fund to reimburse the General Fund for the acquisition cost of the land for the convention center site, and 8) move \$2,000,000 from the Parking Facilities Fund to the Debt Service Fund to reimburse for prior years' parking debt service paid by the Debt Service Fund.

### 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, 2025, 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, 2025, the City has recorded a liability of \$1,084,692 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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:

	<u>2025</u>	<u>2024</u>
Medical Self-Insurance Program:		
Unpaid claims, beginning	\$ 946,070	\$ 1,165,317
Incurred claims (including IBNRs)	15,768,497	12,094,968
Claim payments	<u>(15,629,875)</u>	<u>(12,314,215)</u>
Unpaid claims, ending, due within one year	<u>\$ 1,084,692</u>	<u>\$ 946,070</u>

#### DENTAL SELF-INSURANCE PROGRAM

As of June 30, 2025, 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, 2025, the City has recorded a liability of \$12,475 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:

	<u>2025</u>	<u>2024</u>
Dental Self-Insurance Program:		
Unpaid claims, beginning	\$ 14,851	\$ 17,536
Incurred claims (including IBNRs)	511,409	504,948
Claim payments	<u>(513,785)</u>	<u>(507,633)</u>
Unpaid claims, ending, due within one year	<u>\$ 12,475</u>	<u>\$ 14,851</u>

#### 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, 2025, the City has recorded a liability of \$938,702 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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:	<u>2025</u>	<u>2024</u>
Unpaid claims, beginning	\$ 807,966	\$ 720,733
Incurred claims (including IBNRs)	1,486,741	1,445,130
Claim payments	<u>(1,356,005)</u>	<u>(1,357,897)</u>
Unpaid claims, ending, due within one year	<u>\$ 938,702</u>	<u>\$ 807,966</u>

#### 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 \$1,000,000. 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. The City has been served with a personal injury lawsuit in which the City has been in negotiations with the plaintiff's regarding a settlement and will proceed with mediation. Should the City be unable to reach a settlement agreement during mediation, the lawsuit may go to trial. 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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, 2025, the City recognized \$7,040,841 in tax revenue as a result of the tax levy with a total of \$76,537,584 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 nine 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], 8) 5029 Carolina Beach Road [1.87 acres] and 9) 904, 912 and 1000 North Kerr Avenue [8.265 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.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### 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 September 2, 2025, the City prepaid \$5,200,000, a portion of outstanding taxable Limited Obligation Bonds Series 2023B.

On December 4, 2025, the City sold 1702 Burnett Boulevard, the existing parks maintenance facility, to the Department of Transportation for \$4,259,950. The City will lease back the property for up to 22 months while construction is underway on a new parks maintenance facility.

### NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) Statement Number 101, “Compensated Absences”, in the fiscal year ended June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Accounting changes adopted to conform to the provisions of the Statement are to be applied retroactively and reported as a restatement of beginning net position. During the fiscal year 2025, the implementation of GASB 101 and changes within the reporting entity resulted in restatement of beginning fund balance/net position as follows:

	Reporting Units Affected by Restatements of Beginning Balances				
	Special Purpose Fund	Building Improvements Fund	Nonmajor Governmental Funds	Governmental Activities	Business-Type Activities
6/30/24, as previously reported	\$2,970,898	\$ 27,655,368	\$ 49,334,905	\$460,117,369	\$101,606,934
Change from major to nonmajor fund	(2,970,898)	(27,655,368)	30,626,266	-	-
Change in accounting principle (GASB 101)	-	-	-	996,758	22,839
6/30/24, as restated	\$ -	\$ -	\$ 79,961,171	\$461,114,127	\$101,629,773

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2025

### NOTE 9 – PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The GASB has issued pronouncements prior to June 30, 2025 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 103, “Financial Reporting Model Improvements”, was issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of the Statement will be effective for the City beginning with its year ending June 30, 2026.
- GASB Statement Number 104 “Disclosure of Certain Capital Assets”, was issued to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement will be effective for the City beginning with its year ending June 30, 2026.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(unaudited)**

**CITY OF WILMINGTON, NORTH CAROLINA**

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

**Schedule of Changes in Total Pension Liability**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 15,257,860	\$ 15,021,562	\$ 17,159,226	\$ 17,513,179
Service costs	476,278	437,269	778,203	753,707
Interest on the total pension liability	554,873	586,595	375,573	329,738
Difference between expected and actual experience	463,229	(155,441)	(320,660)	(150,305)
Changes of assumptions and other inputs	(527,760)	287,921	(2,036,598)	(430,481)
Benefit payments	<u>(1,068,805)</u>	<u>(920,046)</u>	<u>(934,182)</u>	<u>(856,612)</u>
Ending balance of the total pension liability	<u>\$ 15,155,675</u>	<u>\$ 15,257,860</u>	<u>\$ 15,021,562</u>	<u>\$ 17,159,226</u>

**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 Nine Fiscal Years**

**Schedule of Changes in Total Pension Liability**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 12,877,207	\$ 12,157,366	\$ 12,120,460	\$ 11,041,905	\$ 10,964,122
Service costs	474,620	444,374	471,491	389,212	426,020
Interest on the total pension liability	406,705	429,245	373,210	415,527	382,911
Difference between expected and actual experience	223,583	209,000	261,415	168,953	-
Changes of assumptions and other inputs	4,334,262	367,075	(449,152)	658,802	(254,516)
Benefit payments	<u>(803,198)</u>	<u>(729,853)</u>	<u>(620,058)</u>	<u>(553,939)</u>	<u>(476,632)</u>
Ending balance of the total pension liability	<u>\$ 17,513,179</u>	<u>\$ 12,877,207</u>	<u>\$ 12,157,366</u>	<u>\$ 12,120,460</u>	<u>\$ 11,041,905</u>

**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 Nine Fiscal Years**

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total pension liability	\$ 15,155,675	\$ 15,257,860	\$ 15,021,562	\$ 17,159,226
Covered employee payroll	\$ 15,326,627	\$ 14,920,644	\$ 14,920,644	\$ 16,038,277
Total pension liability as a percentage of its covered employee payroll	98.88%	102.26%	100.68%	106.99%

**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, 2024 Measurement Date: There was an experience outflow due to less turnover than expected and several retirements earlier than expected. The discount rate changed from 3.77% to 4.28% resulting in an inflow due to an assumption change.

December 31, 2023 Measurement Date: There was an experience inflow due to fewer benefit payments than expected. The discount rate changed from 4.05% to 3.77% resulting in an outflow due to an assumption change.

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%.

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 Nine Fiscal Years**

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

	2021	2020	2019	2018	2017
Total pension liability	\$17,513,179	\$12,877,207	\$12,157,366	\$12,120,460	\$11,041,905
Covered employee payroll	\$16,238,727	\$16,413,865	\$15,816,969	\$14,924,613	\$15,426,775
Total pension liability as a percentage of its covered employee payroll	107.85%	78.45%	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, 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%.

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 Nine Fiscal Years**

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total OPEB liability				
Service costs	\$ 823,597	\$ 815,140	\$ 1,098,759	\$ 1,361,229
Interest on the total OPEB liability	1,516,800	1,486,746	1,431,847	975,939
Difference between expected and actual experience	3,428,788	19,243	(2,062,697)	(16,715)
Changes of assumptions and other inputs	466,430	(308,269)	(82,449)	(4,673,672)
Benefit payments**	<u>(3,534,213)</u>	<u>(2,241,254)</u>	<u>(2,410,715)</u>	<u>(1,925,541)</u>
Net change in total OPEB liability	2,701,402	(228,394)	(2,025,255)	(4,278,760)
Total OPEB liability - beginning	<u>39,399,352</u>	<u>39,627,746</u>	<u>41,653,001</u>	<u>45,931,761</u>
Total OPEB liability - ending (a)	<u>\$42,100,754</u>	<u>\$39,399,352</u>	<u>\$39,627,746</u>	<u>\$41,653,001</u>
Plan fiduciary net position				
Contributions - employer***	\$ 3,534,213	\$ 2,241,254	\$ 2,410,715	\$ 1,925,541
Net investment income	155,740	170,169	114,826	4,906
Benefit payments**	<u>(3,534,213)</u>	<u>(2,241,254)</u>	<u>(2,410,715)</u>	<u>(1,925,541)</u>
Administrative expense	<u>(3,250)</u>	<u>(3,250)</u>	<u>(3,250)</u>	<u>(3,250)</u>
Net change in plan fiduciary net position	152,490	166,919	111,576	1,656
Plan fiduciary net position - beginning	<u>3,339,730</u>	<u>3,172,811</u>	<u>3,061,235</u>	<u>3,059,579</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,492,220</u>	<u>\$ 3,339,730</u>	<u>\$ 3,172,811</u>	<u>\$ 3,061,235</u>
City's net OPEB liability - ending (a) - (b)	<u>\$ 38,608,534</u>	<u>\$ 36,059,622</u>	<u>\$ 36,454,935</u>	<u>\$ 38,591,766</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.29%	8.48%	8.01%	7.35%
Covered-employee payroll ****	\$ 25,569,000	\$ 26,512,023	\$ 26,512,023	\$ 28,097,222
City's net OPEB liability as a percentage of covered-employee payroll	151.00%	136.01%	137.50%	137.35%

\* 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 Nine Fiscal Years**

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

	2021	2020	2019	2018	2017
Total OPEB liability					
Service costs	\$ 1,899,113	\$ 1,442,050	\$ 1,573,456	\$ 1,619,641	\$ 1,735,746
Interest on the total OPEB liability	1,219,349	1,697,747	1,876,455	1,720,460	1,480,650
Difference between expected and actual experience	(12,621,498)	(1,093,804)	(5,698,585)	(378,659)	-
Changes of assumptions and other inputs	1,927,752	5,347,232	3,911,453	(1,377,963)	(2,419,235)
Benefit payments**	<u>(1,846,174)</u>	<u>(1,084,789)</u>	<u>(1,695,649)</u>	<u>(1,652,234)</u>	<u>(1,683,538)</u>
Net change in total OPEB liability	(9,421,458)	6,308,436	(32,870)	(68,755)	(886,377)
Total OPEB liability - beginning	<u>55,353,219</u>	<u>49,044,783</u>	<u>49,077,653</u>	<u>49,146,408</u>	<u>50,032,785</u>
Total OPEB liability - ending (a)	<u>\$45,931,761</u>	<u>\$55,353,219</u>	<u>\$49,044,783</u>	<u>\$49,077,653</u>	<u>\$49,146,408</u>
Plan fiduciary net position					
Contributions - employer***	\$ 1,846,174	\$ 1,084,789	\$ 1,695,649	\$ 1,652,234	\$ 2,558,413
Net investment income	694	46,287	61,751	31,906	7,628
Benefit payments**	(1,846,174)	(1,084,789)	(1,695,649)	(1,652,234)	(1,683,538)
Administrative expense	<u>(3,250)</u>	<u>(2,934)</u>	<u>(2,700)</u>	<u>(2,700)</u>	<u>(2,700)</u>
Net change in plan fiduciary net position	(2,556)	43,353	59,051	29,206	879,803
Plan fiduciary net position - beginning	<u>3,062,135</u>	<u>3,018,782</u>	<u>2,959,731</u>	<u>2,930,525</u>	<u>2,050,722</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,059,579</u>	<u>\$ 3,062,135</u>	<u>\$ 3,018,782</u>	<u>\$ 2,959,731</u>	<u>\$ 2,930,525</u>
City's net OPEB liability - ending (a) - (b)	<u>\$42,872,182</u>	<u>\$52,291,084</u>	<u>\$46,026,001</u>	<u>\$46,117,922</u>	<u>\$46,215,883</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.66%	5.53%	6.16%	6.03%	5.96%
Covered-employee payroll ****	\$28,097,222	\$29,959,407	\$29,959,407	\$34,820,821	\$34,820,821
City's net OPEB liability as a percentage of covered-employee payroll	152.59%	174.54%	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 Ten Fiscal Years**

**Schedule of City Contributions**

	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 2,916,147	\$ 2,991,144	\$ 3,078,676	\$ 3,140,752	\$ 3,810,631
Contributions in relation to the actuarially determined contribution	3,534,213	2,241,254	2,410,715	1,925,541	1,846,174
Contribution deficiency (excess)	<u>\$ (618,066)</u>	<u>\$ 749,890</u>	<u>\$ 667,961</u>	<u>\$ 1,215,211</u>	<u>\$ 1,964,457</u>
Covered-employee payroll*	\$ 25,569,000	\$ 26,512,023	\$ 26,512,023	\$ 28,097,222	\$ 28,097,222
Contributions as a percentage of covered-employee payroll	13.82%	8.45%	9.09%	6.85%	6.57%

\* 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 June 30, 2024

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	23 Years
Asset valuation method	Fair value
Inflation	2.5 percent. In the 2024 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.
Healthcare cost trend rates	8.00 percent for 2024 decreasing to an ultimate rate of 4.50 percent by 2033
Salary increases	3.25 percent, including wage inflation. In the 2024 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	4.57 percent, net of OPEB plan investment expense, including price inflation
Retirement age	In the 2024 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 2024 actuarial valuation, life expectancies were based on Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019

**CITY OF WILMINGTON, NORTH CAROLINA**

**Other Postemployment Benefits  
Required Supplementary Information  
Last Ten Fiscal Years**

**Schedule of City Contributions**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 3,810,631	\$ 3,934,874	\$ 3,934,874	\$ 4,216,794	\$ 4,713,266
Contributions in relation to the actuarially determined contribution	1,084,789	1,695,649	1,652,234	2,558,413	3,089,486
Contribution deficiency (excess)	<u>\$ 2,725,842</u>	<u>\$ 2,239,225</u>	<u>\$ 2,282,640</u>	<u>\$ 1,658,381</u>	<u>\$ 1,623,780</u>
Covered-employee payroll*	\$ 29,959,407	\$ 29,959,407	\$ 34,820,821	\$ 34,820,821	\$ 34,820,821
Contributions as a percentage of covered-employee payroll	3.62%	5.66%	4.74%	7.35%	8.87%

**CITY OF WILMINGTON, NORTH CAROLINA**

**Other Postemployment Benefits  
Required Supplementary Information  
Last Nine Fiscal Years \***

**Schedule of Investment Returns**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Annual money-weighted rate of return, net of investment expense	4.57%	5.26%	3.75%	0.08%

\* 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 Nine Fiscal Years \***

**Schedule of Investment Returns**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	0.03%	1.53%	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**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Wilmington's proportion of the net pension liability (%)	0.75113%	0.77517%	0.82185%	0.79558%	0.82659%
Wilmington's proportion of the net pension liability (\$)	\$ 50,637,413	\$ 51,340,117	\$ 46,364,076	\$ 12,200,983	\$ 29,537,582
Wilmington's covered payroll *	\$ 68,743,010	\$ 67,590,458	\$ 60,225,442	\$ 57,098,725	\$ 56,303,103
Wilmington's proportionate share of the net pension liability as a percentage of its covered payroll	73.66%	75.96%	76.98%	21.37%	52.46%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%

\* 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**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Wilmington's proportion of the net pension liability (%)	0.86106%	0.87174%	0.85845%	0.86089%	0.91912%
Wilmington's proportion of the net pension liability (\$)	\$23,514,877	\$20,683,026	\$13,114,738	\$18,270,970	\$4,124,955
Wilmington's covered payroll *	\$55,802,965	\$52,630,129	\$52,150,017	\$51,780,213	\$48,520,316
Wilmington's proportionate share of the net pension liability as a percentage of its covered payroll	42.14%	39.30%	25.15%	35.29%	8.50%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%

\* 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**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 10,339,754	\$ 9,050,927	\$ 8,346,281	\$ 6,949,241	\$ 5,905,226
Contributions in relation to the contractually required contribution	10,339,754	9,050,927	8,346,281	6,949,241	5,905,226
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Wilmington's covered payroll	\$ 72,220,664	\$ 68,743,010	\$ 67,590,458	\$ 60,225,442	\$ 57,098,725
Contributions as a percentage of covered payroll	14.32%	13.17%	12.35%	11.54%	10.34%

**CITY OF WILMINGTON, NORTH CAROLINA**

**Local Governmental Employees' Retirement System  
Required Supplementary Information  
Last Ten Fiscal Years**

**Schedule of City Contributions**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 5,114,837	\$ 4,446,150	\$ 4,062,901	\$ 3,805,576	\$ 3,531,195
Contributions in relation to the contractually required contribution	5,114,837	4,446,150	4,062,901	3,805,576	3,531,195
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Wilmington's covered payroll	\$ 56,303,103	\$ 55,802,965	\$ 52,630,129	\$ 52,150,017	\$ 51,780,213
Contributions as a percentage of covered payroll	9.08%	7.97%	7.72%	7.30%	6.82%

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**APPENDIX C**  
**SUMMARY OF INDENTURE**

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## APPENDIX C

### SUMMARY OF INDENTURE

In addition to summaries of the provisions of the General Indenture and Series Indenture, Number 3 contained under the captions “**THE 2026 BONDS,**” “**SECURITY AND SOURCES OF PAYMENT**” and elsewhere in this Official Statement, the following is a brief summary of certain provisions of the General Indenture and the Series Indenture, Number 3 applicable to the 2026 Bonds. This summary is not intended to be definitive and is qualified in its entirety by express reference to the General Indenture and Series Indenture, Number 3 for the complete terms thereof.

#### DEFINITIONS OF CERTAIN TERMS

“*Account*” or “*Fund*” means one of the special funds or accounts created and established under the General Indenture.

“*Accountant*” means a firm of independent certified public accountants as may be selected by the City and not unacceptable to the Trustee.

“*Accreted Value*” means (1) on a Compounding Date with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond at the date of delivery to the original purchasers thereof plus the interest accrued on such Capital Appreciation Bond from such date to that Compounding Date as shown in the Series Indenture under which it is issued, or (2) as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond at the date of delivery to the original purchasers thereof plus the interest accrued on such Capital Appreciation Bond from such date to the date of computation, calculated based on the assumption that Accreted Value as shown in the Series Indenture under which it is issued accrues during any period in equal daily amounts on the basis of a year of 360 days consisting of twelve months of thirty days each.

“*Act*” means The State and Local Government Revenue Bond Act, General Statutes of North Carolina Section 159-80 *et seq.*, and as the same may hereafter be amended.

“*Annual Budget*” means the annual budget approved by the City concerning the operation of the Storm Water Facilities for each Fiscal Year.

“*Authenticating Agent*” means with respect to any given Series of Bonds, the Registrar or any other entity appointed in the related Series Indenture to act as an authenticating agent for such Series of Bonds or a portion thereof.

“*Authorized Denomination*” means \$5,000 or any integral multiple thereof.

“*Bond*” means one of the obligations delivered pursuant to the General Indenture, including all Series of Bonds issued pursuant to a Series Indenture.

“*Bond Counsel*” means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the City and not unacceptable to the Trustee.

“*Bond Fund*” means the Fund so designated and established by the General Indenture.

“*Business Day*” means any day other than (a) a day on which banking institutions in New York, New York, or in the State or in the cities in which the Trustee or the Paying Agent have their respective principal offices are authorized to close or (b) a day on which the New York Stock Exchange is closed.

“*Capital Appreciation Bonds*” means any Bonds, however denominated in the related Series Indenture, as to which interest is compounded periodically on each Compounding Date and which are payable in an amount equal to the then-current Accreted Value only at maturity, earlier redemption or other payment date therefor.

“*Capital Improvement Fund*” means the Fund so designated and established by the General Indenture.

“*Certificate*” means (1) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the General Indenture or (2) the report of an accountant as to audit or other procedures called for by the General Indenture.

“*City*” means the City of Wilmington, North Carolina.

“*City Representative*” means the City Manager or the Finance Officer of the City and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the City then authorized to perform such act or discharge such duty.

“*Code*” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code is deemed to include the United States Treasury Regulations in effect with respect thereto.

“*Compounding Date*” means, with respect to any Capital Appreciation Bond, the dates set forth in the Series Indenture under which it is issued.

“*Construction Fund*” means the Fund so designated and established under the General Indenture.

“*Consulting Engineer*” means a City professional engineer or a firm of engineers or utilities consultants with recognized expertise for advising governmental entities with respect to the construction, maintenance and use of Storm Water Facilities from time to time employed by the City and not unacceptable to the Trustee.

“*Costs of Construction*” means the costs reasonably incurred in connection with the Storm Water Facilities, including but not limited to the costs of (1) acquisition of all property, real or personal, tangible or intangible, and all interests in connection therewith including all rights-of-way and easements therefor, (2) physical construction, installation and testing, including the costs of labor, services, materials, supplies and utility services used in connection therewith, (3) architectural, engineering, legal, financial advisory and other professional services, (4) premiums for insurance policies taken out and maintained during construction, to the extent not paid for by a contractor for construction and installation, (5) any taxes, assessments or other charges which become due during construction, (6) expenses incurred by the City or on its behalf with its approval in seeking to enforce any remedy against any contractor or sub-contractor in respect of any default under a contract relating to construction, (7) Costs of Issuance being financed, (8) Interest on the Bonds during the construction of any portion of the Storm Water Facilities, (9) miscellaneous expenses incidental thereto and (10) reimbursements of such Cost of Construction properly incurred prior to the issuance of the Bonds.

“*Costs of Issuance*” means all items of expense, directly or indirectly payable by or reimbursable to the City, related to the authorization, sale and issuance of Bonds.

“*Current Expenses*” means the current expenses of operation, maintenance and current repair of the Storm Water Facilities, as calculated in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture, which may include, without limiting the generality of the foregoing: insurance premiums; any rebate required to be paid to the United States Government; fees and expenses of the Trustee and any Paying Agent; fees and expenses of any entity providing credit support or liquidity for any Series of the Bonds; administrative and engineering expenses of the City relating solely to the Storm Water Facilities; labor; executive compensation; the cost of materials and supplies used for current operations; and charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred as determined by the City in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture. “*Current Expenses*” will not include (i) any allowance for depreciation or replacements of capital assets related to the Storm Water Facilities, (ii) moneys payable as Interest and as interest on General Obligation Indebtedness, Subordinate Indebtedness or Other Indebtedness, (iii) moneys deposited or transferred to the Reserve Fund pursuant to the applicable Series Indenture, and (iv) unrealized losses.

“*Derivative Agreement*” means an interest rate swap, cap, collar, floor, forward, option, put, call or other agreement however denominated, relating to the Bonds.

“*Event of Default*” means any of the events specified as such in the General Indenture and a Series Indenture.

“*Federal Securities*” means (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 is pledged; (b) obligations issued by any agency controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully guaranteed as full faith and credit obligations of the United States of America (including any securities described in (a) or (b) issued or held in the name of the Trustee in book entry form on the books of the Department of Treasury of the United States of America), which obligations, in either case, are held in the name of the Trustee and are not subject to redemption or purchase prior to maturity at the option of anyone other than the Owner; (c) any bonds or other obligations of the State or of any agency, instrumentality or local governmental unit of the State which are (i) not callable prior to maturity or (ii) 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, if the Bonds are rated by Moody’s and S&P, if the Bonds are rated by S&P, within the 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) or (b) hereof 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 redemption date or dates pursuant to such irrevocable instructions, as appropriate; or (d) direct evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (a) 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 (a), 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.

“*Finance Officer*” means the Director of Finance of the City or any successor to her functions.

*“Financial Consultant”* means an independent person or firm with recognized expertise for advising governmental entities with respect to financial forecasting and analysis of municipal utilities from time to time employed by the City and not unacceptable to the Trustee.

*“Fiscal Year”* means a twelve-month period commencing on the first day of July of any year, or such other twelve-month period adopted as the Fiscal Year of the City.

*“General Indenture”* means the General Trust Indenture dated as of October 1, 2007, between the City and the Trustee, and any amendments and supplements thereto.

*“General Obligation Indebtedness”* means (i) general obligation indebtedness incurred by the City which is payable from Net Revenues and the proceeds of which were or are to be used to provide for capital costs of the Storm Water Facilities and (ii) general obligation indebtedness of another governmental unit, the payment on which is assumed by the City in connection with acquisition of assets for the Storm Water Facilities.

*“Independent Insurance Consultant”* means a person or firm, appointed by the City and not unacceptable to the Trustee, qualified to survey risks and to recommend insurance coverage for facilities of the type operated by the City and having a favorable reputation for skill and experience in such surveys and such recommendations, which insurance consultant, in the case of an individual, must not be an officer or employee of the City and, in the case of a firm, must not have a partner, director, member, officer or employee who is an officer or employee of the City.

*“Interest”* means (1) the amount designated as interest on any Bonds and (2) payments due from the City under a Derivative Agreement other than for the termination thereof.

*“Interest Payment Date”* means each June 1 and December 1, beginning December 1, 2026.

*“Investment Securities”* means (1) Federal Securities or (2) any other investments (a) which at the time of investment are authorized investments under the investment policy of the City, (b) which are legal investments under Sections 159-30 of the General Statutes of North Carolina, as amended.

*“LGC”* means the North Carolina Local Government Commission or any successor to its functions under the laws of the State, or its authorized representative.

*“Mail”* means first-class United States mail, postage prepaid.

*“Moody’s”* means Moody’s Investors Service, 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, *“Moody’s”* will be deemed to refer to any other nationally recognized rating agency approved by the LGC and designated by the Finance Officer of the City by notice to the Trustee.

*“Net Revenues”* means the excess of Revenues over Current Expenses.

*“Other Indebtedness”* means capital leases, installment financing agreements or other contracts used to provide capital improvements for the Storm Water Facilities, the payments under which are payable from Net Revenues after payment of the Principal of and Interest on the Bonds.

*“Outstanding”* means all Bonds which have been authenticated and delivered by the Trustee under the General Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment (it being understood that a payment to an Owner of the purchase price of a Bond, as prescribed in the related Series Indenture, is not payment of a Bond) at or redemption prior to maturity or on acceleration;

(b) Bonds deemed paid under the General Indenture;

(c) Bonds for the payment of the Principal of, redemption premium, if any, and Interest on which Federal Securities have been irrevocably set aside; and

(d) Bonds in lieu of which other Bonds have been authenticated under the General Indenture.

“*Owner*” means, with respect to any 2026 Bond, a registered owner of a 2026 Bond.

“*Paying Agent*” means any entity appointed in a Series Indenture to act as a paying agent for a Series of Bonds.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“*Principal*” means the principal amount of an Outstanding Bond (including as to Capital Appreciation Bonds, the Accreted Value thereof except with respect to the order of priority of payment of Bonds after an event of default under the General Indenture, in which case, “*Principal*” means the principal amount of such Capital Appreciation Bonds on their date of delivery and the balance of the Accreted Value will be “*Interest*”) payable as a Sinking Fund Payment or at maturity.

“*Principal and Interest Requirements on the Bonds*” means, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all Interest payable on the Outstanding Bonds during such Fiscal Year excluding any capitalized Interest payable from the proceeds of a Series of the Bonds, plus (ii) any Principal Installments of the Outstanding Bonds during such Fiscal Year.

(a) For purposes of computing “*Principal and Interest Requirements on the Bonds*,” the rate of interest used to determine (i) above will be a rate per annum equal to (1) with respect to Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (2) with respect to Bonds which bear interest at a variable or periodically determined rate of interest, the rate which is equal to the greater of (A) the average of all the interest rates in effect on the Bonds (or, as certified by a financial institution or investment banking firm acceptable to the Finance Officer, which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding twelve-month period plus 100 basis points or (B) the average of all the interest rates in effect on the Bonds (or, as certified by a financial institution or investment banking firm acceptable to the Finance Officer, which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding one-month period plus 100 basis points. If the City has entered into a Derivative Agreement under which it will receive payments calculated on a notional amount equal to all or a portion of the aggregate Principal amount of a Series of the Bonds and will make payments calculated on the same notional amount, the interest used to calculate (1) above will be the amount to be paid by the City, and the amount to be received will be deducted; payments on a variable or periodic basis under such an agreement will be calculated in accordance with clause (2) above.

(b) For purposes of computing “*Principal and Interest Requirements on the Bonds*,” the Principal Installments for each Series of Bonds used to determine (ii) above will be the actual planned Principal Installments, except as follows:

(1) for a Series of Bonds, the Principal Installments of which are payable in consecutive annual periods and the Principal Installment for one Fiscal Year of which is at least 10% but not more than 25% of the original principal amount of the Series of Bonds, the Principal Installment for any Fiscal Year in which no Principal is due will be assumed to be the largest required annual Principal Installment with respect to the Series of Bonds multiplied by a fraction whose numerator is the number of Fiscal Years the Series of Bonds has been Outstanding and whose denominator is the number of Fiscal Years after issuance of the Series of Bonds in which no Principal is due;

(2) for a Series of Bonds, 25% or more of the Principal Installments of which are payable in a single Fiscal Year, the Principal Installment in any Fiscal Year will be assumed to be the result derived by dividing (A) the outstanding aggregate Principal amount of such Series of Bonds by (B) the number of full years in the remaining term of such Series of Bonds, but if the date of calculation is within 12 months of the final maturity date of such Series of Bonds and a binding commitment by an institutional lender or municipal underwriting firm exists to provide moneys to refinance the aggregate Principal of such Series of Bonds then Outstanding, then the payment terms contained in the commitment are to be used for purposes of calculating Principal for such Series of Bonds; and

(3) for a Series of Bonds issued as notes or other obligations with a term of less than two years which are issued in anticipation of the issuance of a Series of Bonds (“*Take Out Obligations*”), result derived by dividing (A) the outstanding principal amount of such notes or other obligations by (B) the number of full years expected to be in the term of the Take Out Obligation as certified to the Trustee by the Finance Officer.

“*Principal and Interest Requirements for General Obligation Indebtedness*” means, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on the General Obligation Indebtedness during such Fiscal Year excluding any capitalized interest, plus (ii) any principal of the General Obligation Indebtedness during such Fiscal Year. Principal and interest for purposes of this definition will be computed in the manner in which the Principal of and Interest on the Bonds is calculated under the definition of “*Principal and Interest Requirements on the Bonds*.”

“*Principal and Interest Requirements for Other Indebtedness*” means, with respect to any particular Fiscal Year, an amount equal to the sum of (1) all interest payable on the Other Indebtedness during such Fiscal Year excluding any capitalized interest, plus (2) any principal of the Other Indebtedness during such Fiscal Year. If the payment obligation under any Other Indebtedness is stated in terms of principal and interest, such principal and interest will be computed for purposes of this definition in the manner in which the Principal of and Interest on the Bonds is calculated under the definition of “*Principal and Interest Requirements on the Bonds*.”

“*Principal and Interest Requirements for Subordinate Indebtedness*” means, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on Subordinate Indebtedness during such Fiscal Year excluding any capitalized interest, plus (ii) any principal of Subordinate Indebtedness during such Fiscal Year. Principal and interest for purposes of this definition will be computed in the manner in which the Principal of and Interest on the Bonds is calculated under the definition of “*Principal and Interest Requirements on the Bonds*.”

*“Principal Installment”* means, as of any date of calculation, (i) the aggregate Principal amount of Outstanding Bonds (including as to Capital Appreciation Bonds, the Accreted Value thereof) due on a certain future date, reduced by the aggregate Principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the General Indenture of Sinking Fund Payments payable before such future date, plus (ii) any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such Sinking Fund Payments.

*“Principal Payment Date”* means any date upon which Principal is due and payable.

*“Qualified Reserve Fund Substitute”* means (i) an irrevocable letter of credit, naming the Trustee as beneficiary, issued by any domestic or foreign bank, or any branch or agency thereof, whose long-term debt obligations are rated by Moody’s and S&P in one of the two highest rating categories without regard to gradation within category or (ii) a surety bond issued by a financial institution whose long-term rating is in one of the two highest rating categories of Moody’s and S&P without regard to gradation within category or (iii) a policy of reserve fund insurance issued by an insurance company whose claims-paying ability is rated by Moody’s and S&P in one of the two highest rating categories without regard to gradation within category.

*“Rate Covenant”* means the City’s covenant in the General Indenture as described under the caption **“COVENANTS OF THE CITY--Rate Covenant”** below.

*“Record Date”* means the 15<sup>th</sup> day of the month next preceding the Interest Payment Date.

*“Redemption Date”* means the date on which 2026 Bonds have been called for redemption or are to be redeemed pursuant to Series Indenture, Number 3.

*“Redemption Price”* means, with respect to any 2026 Bond, the principal amount thereof plus the applicable premium, if any, payable on redemption thereof plus accrued interest to the Redemption Date.

*“Registrar”* means any entity appointed in a Series Indenture to act as the Registrar for a Series of Bonds or a portion thereof.

*“Reserve Fund”* means the Fund so designated and established pursuant to the General Indenture.

*“Reserve Requirement”* means, as of any date of calculation, the collective amount required to be on deposit in the Reserve Fund as determined by the Series Indentures under which all Series of Bonds secured by an account in the Reserve Fund are issued.

*“Revenues”* means all rents, rates, fees, charges, assessments or other charges or other income received by the City as authorized by Section 160A-314 of the General Statutes of North Carolina, as amended, or imposed directly by the City in connection with the management and operation of the Storm Water Facilities, and all parts thereof, including amounts received from the investment or deposit of moneys in any Fund or Account (but not including amounts received from interest or other investment income earned in (a) the Construction Fund and (b) during the construction period, if the related Series Indenture directs that such earnings be deposited in the Construction Fund, the Reserve Fund), all as calculated in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture, but shall not include (i) net proceeds of insurance or condemnation awards or other extraordinary items, (ii) any amounts received by the City representing sales or use taxes which may be required by law or agreement to be paid to the State or a governmental unit thereof, (iii) any refundable moneys attributable to the Storm Water Facilities or (iv) any unrealized gains.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency approved by the LGC and designated by the Finance Officer of the City by notice to the Trustee.

“*Series of Bonds*” or “*Series*” means any series of Bonds issued under the General Indenture and pursuant to a Series Indenture.

“*Series Indenture*” means any indenture or other document supplementing the General Indenture, executed by the City and effective in accordance with the General Indenture, providing for the issuance of a Series of Bonds.

“*Series Indenture, Number 3*” means Series Indenture, Number 3 dated as of May 1, 2026, between the City and the Trustee and any amendments or supplements adopted in accordance therewith.

“*Sinking Fund Payment*” means, as of any particular date of calculation, the amount required to be paid by the City on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by the City by reason of the maturity of a Bond or by call for redemption at the election of the City.

“*State*” means the State of North Carolina.

“*Storm Water Facilities*” means those facilities used in the provision of services relating to the management of storm water within the jurisdiction of the City which the City has responsibility to operate and maintain, including any and all additions, modifications, replacements and parts thereto.

“*Storm Water Management Fund*” means the Fund so designated and established pursuant to General Indenture.

“*Subordinate Indebtedness*” means debt, other than General Obligation Indebtedness, the payment of the principal and interest on which is secured by Net Revenues after payment of the Principal of and Interest on the Bonds.

“*Supplemental Indenture*” means any indenture supplemental to the General Indenture delivered pursuant to the General Indenture amending or supplementing the General Indenture.

“*Surplus Fund*” means the fund so designated and established by the General Indenture.

“*Trustee*” means the Trustee with respect to the Bonds and any other person at any time substituted in its place as provided in the General Indenture.

“*Trust Estate*” means all property and rights conveyed by the City under the Granting Clauses of the General Indenture.

“*2026 Bonds*” means the City of Wilmington, North Carolina Storm Water Fee Revenue Refunding Bonds, Series 2026.

## PLEDGE UNDER THE GENERAL INDENTURE

The City has assigned and pledged to the Trustee, to the extent provided in the General Indenture (1) all Net Revenues, (2) all moneys and securities held by the Trustee, the City or any other depositaries in any and all of the funds and accounts established under the General Indenture, except the Storm Water Management Fund, the Capital Improvement Fund and the Surplus Fund and (3) any additional property that may, by delivery or by writing of any kind, be subjected to the lien of the General Indenture, by the City or by anyone on its behalf, and the Trustee is authorized to receive the same at any time as additional security under the General Indenture. The General Indenture does not convey, mortgage, pledge or create any lien on any real estate or tangible personal property owned by the City or on any revenues of the City other than the Net Revenues.

## FUNDS AND ACCOUNTS

Under the General Indenture, the City has established the following special funds:

- (1) Storm Water Management Fund;
- (2) Bond Fund;
- (3) Capital Improvement Fund;
- (4) Construction Fund;
- (5) Reserve Fund; and
- (6) Surplus Fund.

The Trustee or the City may also create such other Funds or Accounts as it deems necessary or desirable in the administration of the General Indenture. The Bond Fund, the Construction Fund and the Reserve Fund will be held by the Trustee. The Storm Water Management Fund, the Capital Improvement Fund and the Surplus Fund will be held by one or more financial institutions from time to time determined by the City.

**Construction Fund.** The City will create a 2026 Cost of Issuance Account within the Construction Fund. The City will deposit into these accounts (1) that portion of the proceeds of the 2026 Bonds set forth in Series Indenture, Number 3 and (2) all other moneys received by the Trustee under Series Indenture, Number 3 and the General Indenture accompanied by directions from the City that such moneys are to be deposited into these accounts of the Construction Fund. Earnings on investments of funds held in the Construction Fund will remain within the applicable account of the Construction Fund. Money will be disbursed from the 2026 Cost of Issuance Account in accordance with the procedures outlined in Series Indenture, Number 3.

**Storm Water Management Fund.** The City will cause all Revenues to be deposited in the Storm Water Management Fund. There will also be deposited in the Storm Water Management Fund any other amounts required to be deposited therein pursuant to the General Indenture or any Supplemental Indenture and any other amounts available therefor and determined by the City to be deposited therein. All amounts collected by the City as (i) sales and use taxes and (ii) any refundable moneys attributable to the Storm Water Facilities, which have been deposited in the Storm Water Management Fund, may be paid out of the Storm Water Management Fund in the amounts and at the times determined by the City Representative.

Except as provided in the preceding paragraph, the City will cause disbursements to be made from the Storm Water Management Fund as follows:

FIRST: Directly to the Persons entitled thereto at any time as may be required, the amount required to pay the Current Expenses for the current Fiscal Year;

SECOND: To the Trustee for deposit in the Bond Fund, on or before the 5th day of the month preceding an Interest Payment Date, an amount such that (after taking into consideration amounts then on deposit in the Bond Fund allocated to pay Interest due with respect to the Bonds), there will be in the Bond Fund an amount equal to the Interest due on the next Interest Payment Date;

THIRD: To the Trustee for deposit in the Bond Fund, on or before the 5th day of the month preceding an Interest Payment Date, an amount such that (after taking into consideration amounts then on deposit in the Bond Fund allocated to pay Principal due with respect to the Bonds), if the same amount is transferred thereto on each succeeding Interest Payment Date, there will be in the Bond Fund an amount equal to the Principal due on the next Principal Payment Date;

FOURTH: At any time as may be required, to the provider of any Qualified Reserve Fund Substitute in satisfaction of the then current obligations of the City incurred in connection therewith;

FIFTH: At any time as may be required, to the Trustee for deposit in the Reserve Fund (i) the amount necessary for the balance therein to equal the Reserve Requirement, but if the Revenues are insufficient therefor, to each Account of the Reserve Fund *pro rata* on the basis of the Reserve Requirement for each Series of Bonds secured by an Account of the Reserve Fund or (ii) if the Reserve Fund is less than 90% of the Reserve Requirement as a result of a valuation of investments therein, the amount necessary for the balance therein to equal the Reserve Requirement; but the City is not required to transfer on any Interest Payment Date more than an amount such that if the same amount were deposited on the next Interest Payment Date, the Reserve Fund would equal the Reserve Requirement;

SIXTH: At any time as may be required, to the Trustee for deposit in the Bond Fund, the amount necessary to make up any deficiency therein in accordance with the priorities described under “FUNDS AND ACCOUNTS--*Bond Fund*” below;

SEVENTH: At any time as may be required, to the Persons entitled to payment of any principal, premium, if any, or interest on any Subordinate Indebtedness, an amount equal to the principal, premium or interest then due and owing;

EIGHTH: At any time as may be required, to the paying agent or directly to the registered owners of General Obligation Indebtedness, if any, in an amount necessary to pay when due the principal of, premium, if any, and interest on the General Obligation Indebtedness;

NINTH: At any time as may be required, to the Persons entitled to payment with respect to any Other Indebtedness, if any, an amount equal to the payment then due and owing;

TENTH: At any time as may be required, to the Capital Improvement Fund, the amount, if any, shown in the Annual Budget as needed for capital improvements related to the Storm Water Facilities; provided, however, no disbursements will be made to the Capital Improvement Fund unless an amount equal to two months of Current Expenses would be maintained in the Storm Water Management Fund after any such disbursement to the Capital Improvement Fund; and

ELEVENTH: On the first day of each Fiscal Year, to the Surplus Fund, the balance remaining in the Storm Water Management Fund as of the last day of the preceding Fiscal Year after reserving therein an amount sufficient to pay the Current Expenses for the first two months of that Fiscal Year as shown in the Annual Budget.

**Bond Fund.** The Trustee will disburse amounts deposited in the Bond Fund as follows:

- (1) On each Interest Payment Date, to the Persons entitled thereto, Interest due on such date.
- (2) Subject to the provisions below requiring the application thereof to the payment or redemption of any particular Bond, on each Principal Payment Date, to the Owners, the amounts required for the payment of the Principal due on such date.
- (3) On each Redemption Date, to the Owners, the amount required for redemption of Bonds called for redemption.

If on an Interest Payment Date or a Principal Payment Date, the amounts in the Bond Fund, following transfers required below from the Bond Fund, are insufficient to pay in full the Interest or Principal, the amounts in the Bond Fund will be applied *pro rata* first to the Persons entitled to Interest and then to the Persons entitled to Principal.

If on any Interest Payment Date or Principal Payment Date, there is a deficiency in the Bond Fund, the amount of such deficiency will be made up from the following Funds and in the order or priority set forth below:

- (1) Storm Water Management Fund;
- (2) Surplus Fund;
- (3) Capital Improvement Fund;
- (4) the Account of the Reserve Fund securing a Series of Bonds to pay the Principal of and Interest on such Series of the Bonds, to the extent such deficiency is attributable to the Series of the Bonds secured by that Account of the Reserve Fund; and
- (5) Construction Fund.

**Capital Improvement Fund.** The Capital Improvement Fund may be applied for the following purposes:

- (1) paying the cost of additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment related to the Storm Water Facilities, or paying any extraordinary maintenance and repair or any expenses which are not Current Expenses;
- (2) transfer to the Bond Fund to make up any deficiency therein in accordance with the order of priorities described under the caption “**FUNDS AND ACCOUNTS--*Bond Fund*”** above; and
- (3) repayment of Subordinate Indebtedness, General Obligation Indebtedness or Other Indebtedness.

**Reserve Fund.** The City will not fund the Reserve Fund in connection with the issuance of the 2026 Bonds.

**Surplus Fund.** Moneys held in the Surplus Fund will be applied in the following order of priority: (1) first, to the Bond Fund, if such moneys are required to make up such deficiencies as described under the caption “**FUNDS AND ACCOUNTS--Bond Fund**” above; (2) second, to pay the Person entitled thereto a termination payment under a Derivative Agreement; (3) third, to the Persons entitled to payment of any principal, premium, if any, or interest on any Subordinate Indebtedness, an amount equal to the principal, premium or interest then due and owing; (4) fourth, to the paying agent or directly to the registered owners of General Obligation Indebtedness in an amount necessary to pay when due the principal of, premium, if any, and interest on the General Obligation Indebtedness; (5) fifth, to the Persons entitled to payment with respect to any Other Indebtedness, an amount equal to the payment then due and owing; and (6) sixth, for any lawful purpose related to the Storm Water Facilities from time to time authorized by the City.

## INVESTMENTS

The Trustee will invest moneys held in the Bond Fund, the Construction Fund and the Reserve Fund, at the written direction of the City, in Investment Securities. The City will invest all Funds and Accounts held by it pursuant to the General Indenture in such Investment Securities as it determines in its sole discretion. The proceeds of any remarketing of a Series of the Bonds will be held uninvested or will be invested in Federal Securities maturing not later than the earlier of 30 days or the date needed for payment. The City will invest, and as to the Bond Fund, the Reserve Fund and the Construction Fund, will direct the Trustee (in writing or orally with subsequent confirmation in writing) to invest, all moneys pursuant to the investment instructions as provided in connection with a Series of Bonds. Whenever the Trustee has not received written direction from the City and moneys in a Fund or Account created under the General Indenture or a Series Indenture are therefore uninvested, the Trustee shall invest the moneys in Federal Securities maturing the earlier of (i) the date such moneys are needed to meet an obligation under the General Indenture or a Series Indenture or (ii) 30 days after such investment.

All other earnings from the investment of moneys held in any other Fund or Account under the General Indenture will be credited to the Storm Water Management Fund.

## COVENANTS OF THE CITY

The City has agreed to comply with certain covenants in the General Indenture. The following is a summary of a few of such covenants:

**Payment of Bonds.** The City will duly and punctually pay or cause to be paid, as provided in the General Indenture, the Principal of and the Interest on every Bond or the Redemption Price thereof, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and will duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds and all other payments of Interest required under the General Indenture.

**Accounts and Reports.** The City will keep, or cause to be kept, proper books of record and account in which complete and accurate entries will be made relating to the Storm Water Facilities, which will at all reasonable times be subject to the inspection of the Trustee and the Owners or their representatives duly authorized in writing.

The City will file with the Trustee and the LGC, within 180 days after the close of each Fiscal Year, a copy of an audited annual financial report as to the obligations and activities related to the Storm Water Facilities during such Fiscal Year. The financial statements for each Fiscal Year, shall set forth in

reasonable detail: (1) a balance sheet related to the Storm Water Facilities at the end of such Fiscal Year; (2) a statement of revenues and expenses related to the Storm Water Facilities in accordance with the categories or classifications established by the City for its operating and program purposes and showing the Revenues and Current Expenses during such Fiscal Year; and (3) a statement of cash flows related to the Storm Water Facilities as of the end of such Fiscal Year.

In addition, the City will file with the Trustee and the LGC an audited calculation demonstrating its compliance with the Rate Covenant which may be contained (i) in the audited annual financial report or (ii) in a separate document that has been certified by the Accountant which prepares such calculation. The contents of the financial statements may vary from that set forth in clauses (1) through (3) of the preceding paragraph if the Accountant certifies that they conform to then-existing generally accepted accounting principles. The financial statements must be accompanied by an Accountant's Certificate stating whether the financial statements examined fairly present the financial position of the City, including the Storm Water Facilities, at the end of the Fiscal Year, and whether the results of its operations and the changes in financial position for the period examined are in conformity with generally accepted accounting principles. The Trustee will make a copy of the financial statements available to any Owner of a Bond on written request therefor.

The City may employ Consulting Engineers to inspect the operation and maintenance of the Storm Water Facilities or to review the performance by the City of the duties relating thereto provided for in the General Indenture. The City will file any report of the Consulting Engineers regarding their inspection or review with the Trustee and the LGC.

Within 60 days after the close of each Fiscal Year, the City will file or cause to be filed with the Trustee and the LGC (1) a certificate that no event of default under the General Indenture has occurred or (2) if an event of default has occurred, a special report, accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Fund under the General Indenture.

Any financial statements required as set forth in this caption "**COVENANTS OF THE CITY--*Accounts and Reports***" may be presented on a consolidated or combined basis with other reports of the City, so long as the information relating to the Storm Water Facilities is separately identified and only to the extent that such basis of reporting will be consistent with that required above.

***Annual Budgets.*** The City will approve by July 1 of each year an Annual Budget covering the fiscal operations of the Storm Water Facilities for the Fiscal Year and will file the same with the Trustee. Such budget need not necessarily be the budget prepared by the City for budgeting purposes. The Annual Budget will set forth for such Fiscal Year the estimated Revenues; the Principal and Interest Requirements on the Bonds, the Principal and Interest Requirements on Subordinate Indebtedness, the Principal and Interest Requirements on General Obligation Indebtedness and the Principal and Interest Requirements on Other Indebtedness, due and payable or estimated to become due and payable during such Fiscal Year; estimated Current Expenses; and, unless capital expenditures for the Storm Water Facilities are included in the City's capital investment plan or similar document, the estimated amounts, if any, to be expended for extension, improvement, enlargement, renewal or replacement of the Storm Water Facilities, whether begun, continued or completed during such Fiscal Year. The City may at any time adopt and file with the Trustee an amended Annual Budget in the manner provided in the General Indenture for the adoption of the Annual Budget. Copies of the Annual Budget as then amended and in effect will be made available by the Trustee at normal business hours in the Trustee's designated corporate trust office for inspection by any Owner. If the City does not approve or adopt an Annual Budget for a Fiscal Year on or before the first day of such Fiscal Year, the Annual Budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year has been adopted as

above provided. The City will not expend for Current Expenses in any Fiscal Year sums in excess of the reasonable or necessary amount thereof.

**Rate Covenant.** Before the commencement of each Fiscal Year, the City will fix, establish or maintain or cause to be fixed, established and maintained such fees, rates and charges for the provision of storm water services in the City, and revise or cause to be revised the same, as necessary, as will produce (a) Revenues which together with 50% of the balance in the Surplus Fund at the end of the preceding Fiscal Year at least equal in such Fiscal Year to the total of (i) the Current Expenses for such Fiscal Year, as may be amended from time to time, plus (ii) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year plus (iii) 100% of (1.00 times) the Principal and Interest Requirements on Subordinate Indebtedness to become due in such Fiscal Year plus (iv) 100% of (1.00 times) the Principal and Interest Requirements on General Obligation Indebtedness to become due in such Fiscal Year plus (v) 100% of (1.00 times) the Principal and Interest Requirements on Other Indebtedness to become due in such Fiscal Year plus (vi) 100% of (1.00 times) the amount required to reimburse the provider of a Qualified Reserve Fund Substitute, if any, for any amounts owing thereunder and (b) Revenues at least equal in such Fiscal Year to the total of (i) the Current Expenses for such Fiscal Year, as may be amended from time to time, plus (ii) 110% of (1.10 times) the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year plus (iii) 100% of (1.00 times) the Principal and Interest Requirements on Subordinate Indebtedness to become due in such Fiscal Year plus (iv) 100% of (1.00 times) the Principal and Interest Requirements on General Obligation Indebtedness to become due in such Fiscal Year plus (v) 100% of (1.00 times) the Principal and Interest Requirements on Other Indebtedness to become due in such Fiscal Year plus (vi) 100% of (1.00 times) the amount required to reimburse the provider of a Qualified Reserve Fund Substitute, if any, for any amounts owing thereunder. All users, including political subdivisions and public bodies (State or federal) who receive services from the Storm Water Facilities will pay therefor at the established rates, fees and charges, but the City may adopt specific policies with respect to use by persons of low income and the rates, fees and charges need not be uniform.

**Issuance of Additional Bonds.** (a) The City will not issue any other obligations, except on the conditions and in the manner provided in (b), (c) or (d) below, payable from the Net Revenues, having priority to or being on a parity with the lien of the Bonds issued pursuant to the General Indenture, nor voluntarily create or cause to be or suffer to be created any debt, lien, pledge, assignment, encumbrance or any other charge having priority to or being on a parity with the lien of the Bonds issued pursuant to the General Indenture.

(b) The City may issue Bonds to refund all or any Principal amount of the Bonds; if, however, the debt service in any Fiscal Year on the Outstanding Bonds remaining Outstanding after the issuance of the refunding Bonds will increase as a result of such refunding or if the maximum annual Principal and Interest Requirements on the Bonds after the issuance of the refunding Bonds exceeds the maximum annual Principal and Interest Requirements on the Bonds before the issuance of the refunding Bonds, then the City must satisfy the requirements in paragraph (d) below.

(c) If the City has issued Bonds, the proceeds of which were used to acquire or construct any portion of the Storm Water Facilities and such proceeds are insufficient to pay the Costs of Construction for which such Bonds were issued, the City may issue a Series of Bonds in an amount equal to (1) the insufficiency, (2) any required deposit to the Reserve Fund with respect to such Series and (3) the Costs of Issuance related thereto. Before the issuance of any Series of Bonds under this paragraph, the City shall deliver to the Trustee a Certificate of a Consulting Engineer stating that the proceeds from the Series of Bonds together with other available funds will be sufficient to pay the Costs of Construction of the portion of the Storm Water Facilities for which such Series of Bonds are being issued.

(d) No Series of Bonds, other than the 2026 Bonds and the Bonds described in paragraph (b) and (c) above, will be issued under the General Indenture unless either:

(1) the Net Revenues for any 12 consecutive months of the 18 months preceding the issuance of the Series of Bonds, as certified by the Finance Officer, adjusted in the manner hereinafter provided, were at least equal to (a) 120% of (1.20 times) the maximum Principal and Interest Requirements on the Bonds, including the Series of Bonds to be issued, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in that Fiscal Year, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in that Fiscal Year and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in that Fiscal Year; or

(2) (A) the Net Revenues for any 12 consecutive months of the 18 months preceding the issuance of the Series of Bonds, as certified by the Finance Officer, were at least equal to (a) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Year, excluding the Series of Bonds to be issued, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in such Fiscal Year, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in such Fiscal Year and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in such Fiscal Year; and

(B) the Net Revenues, as projected by a report of a Financial Consultant filed with the Trustee, for the first two Fiscal Years following (I) the date capitalized interest, if any, provided from the proceeds of the proposed Series of Bonds is expended in the case of the acquisition of assets for or construction of improvements related to the Storm Water Facilities or (II) the date the proposed Series of Bonds is issued in any other case, are at least equal to (a) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds, including the Series of Bonds to be issued, for such Fiscal Years, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness to become due in such Fiscal Years, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness to become due in such Fiscal Years and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness to become due in such Fiscal Years; and

(3) no Event of Default under the General Indenture has occurred and is continuing.

(e) For purposes of calculating Net Revenues in paragraph (d)(1) or paragraph (d)(2)(A), (1) if any rates, fees or charges related to the Storm Water Facilities have been increased since the date of such audited financial statements or will be increased on or before the date the proposed Series of Bonds is issued, the Finance Officer may add to the Net Revenues her estimate of the additional Revenues that would have been included in the calculation of Net Revenues if such rates, fees and charges had been in effect in such Fiscal Year and (2) if sources of revenues have been added related to the Storm Water Facilities, the Finance Officer may add to the Net Revenues her estimate of the additional Net Revenues that would have been included in the calculation of Net Revenues if such revenues had been collected with respect to the Storm Water Facilities as of the beginning of such Fiscal Year.

***Issuance of Subordinate Indebtedness.*** The City may issue Subordinate Indebtedness if:

(1) the Net Revenues for any 12 consecutive months of the 18 months preceding the issuance of the Subordinate Indebtedness, as certified by the Finance Officer, adjusted in the manner described in “**COVENANTS OF THE CITY--*Issuance of Additional Bonds***” above, were at least equal to (a) 120% of (1.20 times) the maximum Principal and Interest Requirements on the Bonds, (b) 100% of (1.00 times) the

Principal and Interest Requirements for Subordinate Indebtedness in that Fiscal Year, including the Subordinate Indebtedness to be issued, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in that Fiscal Year and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in that Fiscal Year; or

(2) (A) the Net Revenues for any 12 consecutive months of the 18 months preceding the issuance of the Subordinate Indebtedness, as certified by the Finance Officer, were at least equal to (a) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Year, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in such Fiscal Year, excluding the Subordinate Indebtedness to be issued, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in such Fiscal Year and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in such Fiscal Year; and

(B) the Net Revenues, as projected by a report of a Financial Consultant filed with the Trustee, for the first two Fiscal Years following (I) the date capitalized interest, if any, provided from the proceeds of the proposed Subordinate Indebtedness is expended in the case of the acquisition of assets for or construction of improvements to the Storm Water Facilities or (II) the date the proposed Subordinate Indebtedness is incurred in any other case, are at least equal to (a) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Years, (b) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness, including the Subordinate Indebtedness to be issued, to become due in such Fiscal Years, (c) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness to become due in such Fiscal Years and (d) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness to become due in such Fiscal Years; and

(3) no Event of Default under the General Indenture or under the agreement securing the Subordinate Indebtedness has occurred and is continuing.

***Construction of Storm Water Facilities.*** The City will complete or cause to be completed the additions, extensions and improvements of the Storm Water System provided for in the General Indenture in accordance with plans and specifications approved by a Consulting Engineer and in an economical and efficient manner with all practicable dispatch.

#### **SUPPLEMENTAL INDENTURES**

***Supplemental Indentures Effective On Filing With the Trustee.*** For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture of the City may be executed and delivered, which, on the filing with the Trustee of a copy thereof certified by a City Representative and execution by the Trustee, will be fully effective in accordance with its terms:

(a) to close the General Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the General Indenture on, the delivery of Bonds or the issuance of other evidences of indebtedness;

(b) to add to the covenants and agreements of and the limitations and restrictions on the City in the General Indenture other covenants and agreements or limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the General Indenture as theretofore in effect;

(c) to surrender any right, power or privilege reserved to or conferred on the City by the terms of the General Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in the General Indenture;

(d) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the General Indenture of the Trust Estate, including the Net Revenues or any other revenues or assets;

(e) to modify any of the provisions of the General Indenture in any respect whatsoever, but only if (1) such modification will be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Indenture cease to be Outstanding and (2) such Supplemental Indenture will be specifically referred to in the text of all Bonds delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(f) to provide for the delivery of a Qualified Reserve Fund Substitute; or

(g) to include additional facilities, property or equipment within the definition of “*Storm Water Facilities*” and the revenues therefrom within the definition of “*Revenues*”; provided that any changes do not, in the opinion of Bond Counsel, adversely affect the interests of the owners of the Bonds.

***Supplemental Indentures Effective On Consent of Trustee.*** For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be executed and delivered, which, on (i) the filing with the Trustee of a copy thereof certified by a City Representative, and (ii) the filing with the Trustee and the City of an instrument in writing, made by the Trustee consenting thereto, will be fully effective in accordance with its terms: (1) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in the General Indenture; (2) to insert such provisions clarifying matters or questions arising under the General Indenture as are necessary or desirable and are not contrary to or inconsistent with the General Indenture as theretofore in effect; or (3) to effectuate such changes which do not adversely affect the interests of the Owners.

Any such Supplemental Indenture may also contain one or more of the purposes specified under the caption “**SUPPLEMENTAL INDENTURES--*Effective On Filing With the Trustee***” above and, in that event, the consent of the Trustee required by the General Indenture will be applicable only to those provisions of such Supplemental Indenture as contain one or more of the purposes set forth in the preceding paragraph.

***Supplemental Indentures Effective On Consent of Owners.*** Exclusive of Supplemental Indentures covered under the preceding two captions, the written consent of the Owners of not less than a majority in aggregate Principal amount of the Bonds Outstanding, will be required for the execution by the City and the Trustee of any indenture or indentures supplemental to the General Indenture; provided, however, that without the consent of the Owners of all the Bonds Outstanding nothing in the General Indenture contained will permit, or be construed as permitting: (a) a change in the terms of redemption or maturity of the Principal amount of or the Interest on any Outstanding Bond, or a reduction in the Principal amount of or premium payable on any redemption of any outstanding Bond or the rate of interest thereon; (b) the deprivation of the Owner of any Bond Outstanding of the lien created by the General Indenture (other than as originally permitted by the General Indenture); (c) a privilege or priority of any Bond over any other Bond; or (d) a reduction in the aggregate Principal amount of the Bonds required for consent to such Supplemental Indenture.

If at any time the City requests the Trustee to enter into a Supplemental Indenture for any of the purposes set forth in the preceding paragraph, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given by mail to the Owners of the Bonds Outstanding at the address shown on the registration books maintained by the Registrar. 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 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 Outstanding (and in the case of Supplemental Indentures involving (a) through (d) above, the Owners of all of the Bonds Outstanding) at the time of the execution of any such Supplemental Indenture have consented to and approved the execution thereof as provided in the General 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 City from executing the same or from taking any action pursuant to the provisions thereof.

## **DEFAULTS AND REMEDIES**

***Events of Default.*** If any of the following events occur, it is defined and deemed an “*Event of Default*” under the General Indenture:

- (a) A failure to pay the Principal of or premium, if any, on any Bond when the same becomes due and payable, whether at the stated maturity thereof or on proceedings for redemption including sinking fund redemptions;
- (b) A failure to pay any installment of Interest when the same becomes due and payable; and
- (c) A failure by the City to observe and perform any covenant, condition, agreement or provision (other than as described in subsections (a) and (b) above) contained in the Bonds or in the General Indenture on the part of the City to be observed or performed, which failure continues 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, which may give such notice in its discretion and must give such notice at the written request of Owners of not less than 25% of the aggregate Principal amount of the Bonds, unless the Trustee, or the Trustee and Owners of a Principal amount of Bonds not less than the Principal amount of Bonds the Owners of which requested such notice, as the case may be, agrees in writing to an extension of such period prior to its expiration.

***Remedies on Default.*** On the occurrence and continuance of an Event of Default, the Trustee may, or if required by a majority of the registered Owners of the Bonds Outstanding, must, declare the Bonds to be immediately due and payable, whereupon they will, without further action, become due and payable, anything in the General Indenture or in the Bonds to the contrary notwithstanding.

The provisions of the preceding paragraph are subject to the condition that if, after the Principal of any of the Bonds has been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered as provided in the General Indenture, the City causes to be deposited with the Trustee a sum sufficient to pay all matured installments of the Principal of and Interest on all Bonds which will have become due otherwise than by reason of such declaration (with interest on such overdue installments of Interest, at the rate per annum borne by the respective 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 General Indenture other than nonpayment of the Principal of 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 City and will give notice thereof by 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.

On the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and on the written direction of registered owners of not less than a majority in aggregate Principal amount of the Bonds Outstanding and receipt of indemnity to its satisfaction, must, in its own name and as the trustee of an express trust: (i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the City to carry out any agreements with or for the benefit of the Owners and to perform its duties under the General Indenture; (ii) take custody of the Storm Water Management Fund, the Capital Improvement Fund and the Surplus Fund; or (iii) take whatever action at law or in equity may appear necessary or desirable to enforce its rights against the City.

If the Trustee takes possession of the Storm Water Management Fund, the Trustee will make the payments therefrom in accordance with the General Indenture and shall appoint a consultant satisfactory to the Trustee with experience in the operation and maintenance of a storm water facilities to assist the Trustee in evaluating the Annual Budget, the cost of which will be paid from the Storm Water Management Fund.

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 General Indenture or thereafter 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 Outstanding and indemnified as provided in the General Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the General Indenture as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners.

***Priority of Payments After Default.*** If, on the happening and continuance of any Event of Default, the funds held by the Trustee are insufficient for the payment of the Principal or Redemption Price then due of and Interest then due on the Bonds, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by redemption) and any other amounts received or collected by the Trustee acting pursuant to the General Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the General Indenture, will be applied, subject to the restrictions contained under the caption “**DEFAULTS AND REMEDIES--*Subordination of Claims for Interest***” below, as follows:

- (1) Unless the Principal of all of the Bonds has become or has been declared due and payable:

FIRST: To the payment to the Persons entitled thereto of all installments of Interest then due in the order of the maturity of such installments, and, if the amounts available are not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the Persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds which have become due and, if the amounts available are not sufficient to pay in full all the Bonds due, then to the payment thereof ratably, according to the amounts of Principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

THIRD: To be held for the payment to the Persons entitled thereto, as the same become due, of the Principal or Redemption Price of and Interest on the Bonds which thereafter become due and, if the amounts available are not sufficient to pay in full all the Bonds due on any date, together with such Interest, payment will be made ratably according to the

amount of Principal due on such date to the Persons entitled thereto, without any discrimination or preference.

(2) If the Principal of all of the Bonds has become or has been declared due and payable, to the payment of the Principal and Interest then due and unpaid on 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 collectively for Principal and Interest, to the Persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

The setting aside of such moneys in trust for the proper purpose, will constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the City, to any Owner or to any other person for any delay in applying such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the General Indenture. Whenever the Trustee will exercise discretion in applying such moneys, it will fix the date (which must be an Interest Payment Date unless the Trustee deems another date more suitable) on which such application is to be made. The Trustee will not be required to make payment to any Owner unless its Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

***Owners' Right to Direct Proceedings.*** Anything in the General Indenture to the contrary notwithstanding, the Owners of a majority in aggregate Principal amount of the Bonds Outstanding will have the right, at any time, to the extent permitted by law, by instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the General Indenture, or for the appointment of a receiver, and any other proceedings under the General Indenture; provided that such direction may not be otherwise than in accordance with the provisions of the General Indenture. The Trustee will not be required to act on any direction given to it until the indemnity described in the General Indenture is furnished to it by such Owners.

***Limitation on Rights of Owners.*** No Owner will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Indenture, for the protection or enforcement of any right under the General Indenture unless such Owner has given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than 25% in aggregate Principal amount of the Bonds Outstanding have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the General Indenture granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there has been offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the General Indenture declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the General Indenture or for any other remedy under the General Indenture or by law. It is understood and intended that no one or more Owners will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the General Indenture, or to enforce any right under the General Indenture or under law with respect to the Bonds or the General Indenture, except in the manner in the General Indenture provided, and that all proceedings at law or in equity must be instituted, had and maintained in the manner in the General Indenture provided and for the benefit of all Owners.

Each Owner by its acceptance of a Bond will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Indenture

or any Series Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant. The provisions of this paragraph will not apply to any suit instituted by the Trustee, to any suit instituted by Owners of at least 25% in aggregate Principal amount of the Bonds Outstanding, or to any suit instituted by any Owner for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

***Notice of Event of Default.*** The Trustee will give to the Owners and the LGC notice of each Event of Default under the General Indenture known to the Trustee within 90 days after actual knowledge of the occurrence thereof, unless such Event of Default has been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the Principal or Redemption Price of or Interest on any of the Bonds, or in the making of any payment required to be made into the Bond Fund, notice will be given immediately after its occurrence.

***Subordination of Claims for Interest.*** No claim for interest appertaining to any of the Bonds which in any way at or after maturity has been transferred or pledged separate and apart from the Bond to which it appertains will, unless accompanied by such Bond, be entitled, in case of an Event of Default under the General Indenture, to any benefit by or from the General Indenture, except after the prior payment in full of the Principal of all of the Bonds then due and of all claims for interest then due not so transferred or pledged.

## **DEFEASANCE**

If the City pays or causes to be paid or is deemed to have paid to the Owner of any Bond the Principal of and Interest due and payable, and thereafter to become due and payable on such Bond, or any portion of such Bond in any integral multiple of the authorized denomination thereof, such Bond or portion thereof will cease to be entitled to any lien, benefit or security under the General Indenture. If the City pays or causes to be paid the Principal of, premium, if any, and Interest due and payable on all Outstanding Bonds, pays or causes to be paid all other sums payable by the City, including all fees, expenses and other amounts payable to the Trustee and any Paying Agent and all amounts owing to the provider of a Qualified Reserve Fund Substitute, then the right, title and interest of the Trustee in and to the Trust Estate will thereupon cease, terminate and become void.

Any Bond will be deemed to be paid within the meaning of the General Indenture and for all purposes of the General Indenture when (a) payment of the Principal and premium, if any, of such Bond plus Interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee in trust and irrevocably set aside exclusively for such payment and, in either case, the Trustee has received verification from an independent certified public accounting firm or other bona fide arbitrage rebate calculating and reporting agent acceptable to the Trustee that the moneys or Federal Securities, within the meaning of clauses (a) or (d) of the definition hereof unless the LGC otherwise consents, deposited with the Trustee, together with investment earnings thereon, will be sufficient to pay when due the Principal and premium, if any, of and Interest due and to become due on the Bond on and before the redemption date or maturity date thereof, (1) moneys, sufficient to make such payment or (2) non-callable Federal Securities, within the meaning of clauses (a) or (d) of the definition hereof unless the LGC otherwise consents, maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agent pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof provided for

to the satisfaction of the Trustee. At such times as a Bond is deemed to be paid under the General Indenture, as aforesaid, such Bond will no longer be secured by or entitled to the benefits of the General Indenture, except for the purposes of any such payment from such moneys or Federal Securities, within the meaning of clauses (a) or (d) of the definition hereof unless the LGC otherwise consents.

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph will be deemed a payment of such Bonds as aforesaid until (a) proper notice of redemption of such Bonds has been previously given in accordance with the applicable Series Indenture, or if said Bonds are not to be redeemed within the next 35 days, until the City has given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Owners of such Bonds in accordance with the applicable Series Indenture, that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the requirements set forth under this caption “**DEFEASANCE**” and stating the maturity or redemption date on which moneys are to be available for the payment of the Principal and premium, if any, of said Bonds plus Interest thereon to the due date thereof, or (b) the maturity of such Bonds.

**APPENDIX D**

**THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION**

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## APPENDIX D

### THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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

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

Before any unit of local government can incur bonded indebtedness, the Local Government Commission must approve the proposed bond issue. In determining whether to give such approval the Local Government Commission may consider, among other things, the unit's debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act, and its ability to service the proposed debt. The Local Government Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of their debt service through a system of monthly reports.

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

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

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

**APPENDIX E**

**PROPOSED FORM OF BOND COUNSEL'S OPINION**

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**APPENDIX E**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

[Letterhead of Parker Poe Adams & Bernstein LLP]

May \_\_, 2026

City of Wilmington, North Carolina  
Wilmington, North Carolina

U.S. Bank Trust Company, National Association  
Charlotte, North Carolina

\$ \_\_\_\_\_  
***City of Wilmington, North Carolina,  
Storm Water Fee Revenue Refunding Bonds,  
Series 2026***

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and delivery by the City of Wilmington, North Carolina (the “City”) of \$ \_\_\_\_\_ aggregate principal amount of its Storm Water Fee Revenue Refunding Bonds, Series 2026 (the “Bonds”). The City is a municipal corporation, validly organized and existing under and by the virtue of the laws of the State of North Carolina (the “State”) and is empowered to issue the Bonds pursuant to the State and Local Government Revenue Bond Act, General Statutes of North Carolina, Section 159-80 *et seq.*, as amended (the “Act”), subject to the approval of the North Carolina Local Government Commission.

The Bonds are issuable only as fully registered bonds and will be numbered, will bear interest payable at the rates and at the times, and will be subject to redemption, all as provided in the General Trust Indenture dated as of October 1, 2007 (the “General Indenture”), and Series Indenture, Number 3, dated as of May 1, 2026, each between the City and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”).

All capitalized terms not defined herein have the meanings given to such terms in the General Indenture and the Series Indenture.

The Bonds are being issued to (1) refund in advance of their maturities the City’s Storm Water Fee Revenue and Revenue Refunding Bonds, Series 2015A maturing on and after June 1, 20\_\_, and (2) pay the costs of issuing the Bonds.

In connection with the issuance of the Bonds, we have examined the following: (a) the Act; (b) certified copies of the General Indenture and Series Indenture; and (c) such other laws, documents, instruments, proceedings and opinions as we have deemed relevant in rendering this opinion. We have also examined a specimen Bond.

From such examination, we are of the opinion that, under existing law:

1. The City is a municipal corporation duly organized under the laws of the State. Pursuant to the Act, the City is empowered to issue the Bonds for the purposes set forth in the General Indenture and to execute, deliver, and perform its obligations under the General Indenture and the Series Indenture.

2. The General Indenture and the Series Indenture have been duly authorized, executed, and delivered by the City and, assuming due authorization and execution by the Trustee, are valid and binding on, and enforceable against, the City. All right, title and interest of the City in and to the Net Revenues have been validly pledged and assigned to the Trustee, and the General Indenture creates a valid pledge which it purports to create of the Net Revenues for the purposes and on the conditions permitted by the General Indenture.

3. The Bonds have been duly and validly authorized and issued in accordance with the General Indenture and the Series Indenture and represent valid, binding and enforceable special obligations of the City. The Bonds are entitled to the benefits and security of the General Indenture and the Series Indenture for the payment thereof in accordance with the terms of the General Indenture and the Series Indenture.

4. The principal of and interest on the Bonds are special obligations payable by the City solely from the sources described in the General Indenture and the Series Indenture. The principal of, premium, if any, and interest on the Bonds are not payable from the general funds of the City, nor do they constitute a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the funds which are pledged under the General Indenture and the Series Indenture. Neither the credit nor the taxing power of the State or the City are pledged for the payment of the principal of, premium, if any, or interest on the Bonds, and no owner of the Bonds has the right to compel the exercise of the taxing power by the State or the City or the forfeiture of any of its property in connection with any default thereon.

5. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of the issuance of the Bonds. We express no opinion regarding other federal tax consequences of the ownership of or the receipt, accrual or amount of interest with respect to, the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds, the General Indenture and the Series Indenture 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 issuance of the 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 Bonds and the tax-exempt status of interest thereon. In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records and certifications, documents and other proceedings.

We express no opinion relating to the accuracy, completeness or sufficiency of the Preliminary Official Statement or the Official Statement (collectively, the “*Official Statement*”), or any other offering material relating to the Bonds (excepting only the matters set forth as our opinion in the Official Statement and the section entitled “**TAX TREATMENT**”) or as to the financial resources of the City, or the ability of the City to make the payments required under the General Indenture and the Series Indenture, that may have been relied on by anyone in making the decision to purchase 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**

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**APPENDIX F**  
**BOOK-ENTRY SYSTEM**

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The Depository Trust Company (“DTC”), a New York corporation, will act as securities depository for the 2026 Bonds. The 2026 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 2026 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 2026 BONDS, AS DTC’S PARTNERSHIP NOMINEE, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE 2026 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2026 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2026 Bonds on DTC’s records. The ownership interest of each actual purchaser of 2026 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 2026 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 2026 Bonds, except in the event that use of the book-entry system for the 2026 Bonds is discontinued.

To facilitate subsequent transfers, all 2026 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 2026 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 2026 Bonds; DTC’s records reflect only the identities of the Direct Participants to whose accounts the 2026 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 2026 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 2026 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2026 Bonds, such as redemption, tenders, defaults and proposed amendments to the security documents.

Redemption notices shall be sent to DTC. If less than all of the 2026 Bonds are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2026 Bonds to be prepaid.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2026 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 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2026 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 2026 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, 2026 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, 2026 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 take no responsibility for the accuracy thereof.

The City 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 2026 Bonds (a) payments of principal and interest with respect to the 2026 Bonds, (b) confirmations of their ownership interests in the 2026 Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the 2026 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 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 REDEMPTION PRICE OR INTEREST WITH RESPECT TO THE 2026 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 2026 BONDS UNDER THE TERMS OF THE INDENTURE; AND (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2026 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.

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