

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 10, 2025

**NEW ISSUE
FULL BOOK-ENTRY - ONLY**

**RATINGS: S&P: AAA
Moody's: Aa1**
(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 2025 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 2025 Bonds is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.



\$64,050,000*
CITY OF WINSTON-SALEM, NORTH CAROLINA
WATER AND SEWER SYSTEM
REVENUE BONDS
SERIES 2025

Dated: Date of Delivery

Due: As shown on the inside cover

The City of Winston-Salem, North Carolina Water and Sewer System Revenue Bonds, Series 2025 (the "2025 Bonds") are issuable as fully registered bonds.

The 2025 Bonds are being issued for the purpose of (1) financing the costs of extensions, additions and certain improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for the System, as further described herein, and (2) paying the costs of issuing the 2025 Bonds.

The 2025 Bonds will bear interest from their date payable on June 1, 2026, and semiannually thereafter on each June 1 and December 1.

The 2025 Bonds are subject to optional and mandatory redemption before their stated maturities as described herein.

THE 2025 BONDS ARE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE TRUST ESTATE DESCRIBED HEREIN, INCLUDING REVENUES OF THE CITY'S WATER AND SEWER UTILITIES SYSTEM. NEITHER THE GENERAL CREDIT NOR THE TAXING POWER OF THE CITY OR THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE 2025 BONDS, NOR WILL THE 2025 BONDS BE OR BE DEEMED TO BE AN OBLIGATION OF THE CITY OR THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN OF THE CITY TO THE EXTENT OF THE AFOREMENTIONED TRUST ESTATE.

The 2025 Bonds are offered when, as and if executed, delivered and issued by the City, subject to prior sale, modification or withdrawal of the offer without sale, and subject to the approval of validity and certain other matters by Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, as Bond Counsel, and certain other conditions. First Tryon Advisors, LLC, Annapolis, Maryland, serves as the City's municipal advisor. Certain legal matters will be passed upon for the City by its City Attorney, Camille French, Esq., Winston-Salem, North Carolina.

The 2025 Bonds will be sold on November 18, 2025 pursuant to sealed bids in accordance with the Notice of Sale. It is expected that the 2025 Bonds will be available for delivery through the facilities of DTC on or about December 3, 2025 against payment therefor.

Dated: November __, 2025

* Preliminary, subject to change.

MATURITY SCHEDULE*

DUE JUNE 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP ⁽¹⁾	DUE JUNE 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP ⁽¹⁾
2026	\$ 1,390,000				2036	\$ 3,185,000			
2027	2,055,000				2037	3,345,000			
2028	2,155,000				2038	3,510,000			
2029	2,265,000				2039	3,690,000			
2030	2,375,000				2040	3,870,000			
2031	2,495,000				2041	4,065,000			
2032	2,620,000				2042	4,270,000			
2033	2,750,000				2043	4,485,000			
2034	2,890,000				2044	4,705,000			
2035	3,035,000				2045	4,895,000			

* Preliminary, subject to change.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright ©2025 CUSIP Global Services. All rights reserved. The City and the Commission do not take responsibility for the accuracy of such data. Also, investors should be aware that under certain circumstances the CUSIP identification number assigned to a maturity of the 2025 Bonds may be changed to a new replacement number.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the 2025 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the 2025 Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the 2025 Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

The information contained herein has been obtained from the City and other sources believed to be reliable. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

The Bank of New York Mellon Trust Company, N.A., as Trustee, has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement, and The Bank of New York Mellon Trust Company, N.A., as Trustee, makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the 2025 Bonds; or (iii) the tax-exempt status of the interest on the 2025 Bonds.

References to website 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 websites 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 ("*Rule 15c2-12*") promulgated by the Securities and Exchange Commission.

This Official Statement is deemed to be a final official statement with respect to the 2025 Bonds within the meaning of Rule 15c2-12, except, when it is in preliminary form, for the omission of certain pricing and other information authorized to be omitted by Rule 15c2-12.

This Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward looking statements. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

The 2025 Bonds have not 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. The registration or qualification of the 2025 Bonds in accordance with applicable provisions of securities laws of the States in which the 2025 Bonds have been registered or qualified, if any, 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 2025 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION
LOCAL GOVERNMENT COMMISSION

**OFFICIAL STATEMENT
OF THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION
CONCERNING**

\$64,050,000*
CITY OF WINSTON-SALEM, NORTH CAROLINA
WATER AND SEWER SYSTEM
REVENUE BONDS
SERIES 2025

INTRODUCTION

This Official Statement, which includes the cover and the appendices, provides certain information relating to the \$64,050,000* Water and Sewer System Revenue Bonds, Series 2025 (the “2025 Bonds”) of the City of Winston-Salem, 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.

The City has previously issued Bonds (as hereinafter defined) under an Amended and Restated General Trust Indenture, dated as of March 1, 2020 (the “*General Indenture*”), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”), which amended and restated the General Trust Indenture, dated as of October 1, 1988, between the City and NCNB National Bank of North Carolina, the successor to which is the Trustee. The 2025 Bonds will be issued under the General Indenture and Series Indenture, Number 20, dated as of December 1, 2025 (the “*Series Indenture*” and together with the General Indenture, the “*Indenture*”), between the City and the Trustee.

The descriptions of the 2025 Bonds, the Indenture, and the other documents described in this Official Statement do not purport to be definitive or comprehensive. All references to those documents are qualified in their entirety by reference to the approved forms of those documents. Capitalized, undefined terms used herein will have the meanings given them in the Indenture. Certain terms used herein are defined in **Appendix G** to this Official Statement.

PURPOSE

The proceeds of the 2025 Bonds will be used to (1) finance the costs of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for the System, as further described herein, and (2) paying the costs of issuing the 2025 Bonds. See “**THE PLAN OF FINANCE**” herein.

* Preliminary, subject to change.

THE 2025 BONDS

The 2025 Bonds will be dated the date of their delivery and will bear interest from their date payable on June 1, 2026, and semiannually thereafter on each June 1 and December 1, at the rates shown on the inside cover. Principal on the 2025 Bonds will be payable on June 1 in the years and amounts shown on the inside cover subject to redemption as described herein. The 2025 Bonds are offered in denominations of \$5,000 and integral multiples thereof (“*Authorized Denominations*”). The 2025 Bonds are subject to optional redemption before their stated maturities. See “**THE 2025 Bonds**” herein.

THE CITY

See the caption “**THE CITY**” herein and **Appendices A** and **B** hereto for certain information regarding the City.

THE SYSTEM

The City operates a water and sewer utilities system (as defined in the General Indenture, the “*System*”) which has the primary responsibility to collect, treat, and distribute water and wastewater. See “**THE SYSTEM**” herein.

SECURITY

The 2025 Bonds are special obligations of the City, payable solely from the Trust Estate pledged under the General Indenture and described under the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS - The Trust Estate; Pledge of Revenues**” herein. The principal of, premium, if any, and interest on the 2025 Bonds are not payable from the City’s general funds, nor do the 2025 Bonds 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 Trust Estate pledged under the General Indenture. Neither the credit nor the taxing power of the City, the State of North Carolina, or any political subdivision thereof is pledged for the payment of the principal of, premium, if any, or interest on the 2025 Bonds. No Owner of 2025 Bonds has the right to compel the City to exercise its taxing power or to forfeit any of its property in connection with any default on the 2025 Bonds.

The 2025 Bonds will be payable solely from the Trust Estate on parity with all other Outstanding Bonds issued under the General Indenture. Upon issuance of the 2025 Bonds, there will be \$403,835,000[†] aggregate principal amount of Outstanding Bonds under the General Indenture (including the 2025 Bonds), all secured equally and ratably.

ADDITIONAL BONDS

Under the circumstances described herein and in the General Indenture, the City may issue Additional Bonds payable from Revenues on parity with the 2025 Bonds and other Outstanding Bonds. See “**SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS - Additional Bonds.**” The 2025 Bonds, other Outstanding Bonds, and any Additional Bonds are referred to collectively herein as the “*Bonds*.”

[†] Preliminary, subject to change.

TAX TREATMENT

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law assuming compliance by the City with certain requirements of the Internal Revenue Code of 1986, as amended (the “*Code*”), interest on the 2025 Bonds (a) is excludable from gross income for federal income tax purposes, (b) and is not an item of tax preference for purposes of the federal 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. Interest on the 2025 Bonds is exempt from State of North Carolina income taxation. See “**TAX TREATMENT**” herein.

PROFESSIONALS

Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, is serving as Bond Counsel to the City. First Tryon Advisors, LLC, Annapolis, Maryland, serves as the City’s municipal advisor. Camille French, Esq., Winston-Salem, North Carolina, is City Attorney. The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, is serving as the Trustee, the Registrar, and the Paying Agent for the 2025 Bonds. Raftelis Financial Consultants, Inc., Charlotte, North Carolina, has prepared the financial feasibility report included in **Appendix D** hereto.

CONTINUING DISCLOSURE

The City has undertaken in the Series Indenture to provide continuing disclosure of annual financial information and operating data and material events. See “**CONTINUING DISCLOSURE.**”

THE 2025 BONDS

AUTHORIZATIONS

The 2025 Bonds are authorized by The State and Local Government Revenue Bond Act, Article 5 of Chapter 159, as amended, of the General Statutes of North Carolina (the “*Act*”), the General Indenture, a bond order adopted by the City Council of the City on October 6, 2025 and the Series Indenture.

The City’s issuance of the 2025 Bonds was considered and approved by the North Carolina Local Government Commission (the “*Commission*”) at its November 4, 2025 meeting. The Commission is a division of the North Carolina State Treasurer’s office charged with the general oversight of local government finance in the State of North Carolina (the “*State*”). Its approval is required for all local government bond issues and substantially all other local government financing arrangements in North Carolina. In determining whether to allow bonds to be issued under the Act, the Commission has been given wide statutory 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 Commission is also responsible, with the issuing unit’s approval, for selling bonds issued pursuant to the Act. See **Appendix E** hereto for further information about the Commission.

GENERAL

The 2025 Bonds are issuable solely as fully registered bonds without coupons in Authorized Denominations. The 2025 Bonds will mature on June 1 of the years and in the amounts and will bear interest (computed on the basis of a 360-day year of twelve 30-day months) as shown on the inside cover

page of this Official Statement. The 2025 Bonds will be dated the date of their issuance. The initial Paying Agent for the 2025 Bonds will be The Bank of New York Mellon Trust Company, N.A.

BOOK-ENTRY ONLY SYSTEM

The 2025 Bonds will be issued initially in book-entry form, without physical delivery of the 2025 Bonds to beneficial owners of the 2025 Bonds (the “*Beneficial Owners*”). The Depository Trust Company (“*DTC*”), Jersey City, New Jersey, will act as securities depository for the 2025 Bonds. The 2025 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as an authorized representative of DTC may request. One fully registered 2025 Bond will be issued for each maturity of the 2025 Bonds in the aggregate principal amount of such maturity of such 2025 Bond and will be deposited with DTC. The Trustee will make principal and interest payments to DTC, which will in turn remit such payments to its participants for subsequent distribution to Beneficial Owners. See **Appendix H** hereto.

REDEMPTION PROVISIONS

Optional Redemption. The 2025 Bonds maturing on or before June 1, 2035, are not subject to call and redemption before their stated maturities. The 2025 Bonds maturing on or after June 1, 2036 may be redeemed prior to their stated 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, 2035 at the Redemption Price of 100% of the principal amount of the 2025 Bonds to be redeemed plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Redemption. The 2025 Bonds maturing June 1, 20__ (the “*Term Bonds*”) are subject to mandatory sinking fund redemption before their scheduled maturity, without premium, at a Redemption Price equal to 100% of the principal amount so to be redeemed in the principal amounts and in the years as follows:

<u>JUNE 1</u>	<u>PRINCIPAL AMOUNT</u>
---------------	-----------------------------

*

*Maturity

At its option, to be exercised on or before the 45th day next preceding any mandatory redemption date, the City may (a) deliver to the Trustee for cancellation, Term Bonds or portions thereof (in Authorized Denominations) in any aggregate principal amount desired, or (b) receive a credit in respect of its mandatory redemption obligation for the Term Bonds (in Authorized Denominations) which prior to said date have been purchased or redeemed (otherwise than through mandatory redemption pursuant to this paragraph) and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each such Term Bond or portion thereof so delivered or previously purchased or redeemed and cancelled by the Trustee shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the City to redeem the Term Bonds on such mandatory redemption date, and any excess over such amount shall be credited against future mandatory redemption obligations in chronological order,

unless otherwise designated by the City, and the principal amount of the Term Bonds so to be redeemed shall be accordingly reduced.

The City will on or before the 45th day next preceding each such mandatory redemption date furnish the Trustee with its certificate indicating whether or not and to what extent the provisions of (a) and (b) of the preceding paragraph are to be availed of with respect to such mandatory redemption payment.

Notice of Redemption. The Trustee will provide notice of redemption not less than 30 days nor more than 60 days before the Redemption Date (1) to the Commission by Mail or Electronic Means, (2)(a) to DTC or its nominee by registered or certified mail at the address provided to the Trustee by DTC or as otherwise permitted by DTC's rules and procedures or (b) if DTC or its nominee is no longer the Owner of the 2025 Bonds, by Mail or Electronic Means to the then-registered Owners of 2025 Bonds to be redeemed at the last address shown on the registration books kept by the Registrar, and (3) to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB.

Such notice must (1) specify the 2025 Bonds to be redeemed, the Redemption Date, the Redemption Price and the place or places where amounts due on such redemption must be payable (which must be the principal office of the Paying Agent) and if less than all of the 2025 Bonds are to be redeemed, the portions of 2025 Bonds to be redeemed, and (2) state that on the Redemption Date, the 2025 Bonds to be redeemed will cease to bear interest.

In the case of an optional redemption of the 2025 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 scheduled Redemption Date, and such notice and optional redemption shall be of no effect if such money is not so deposited or if the notice is rescinded as described below.

Notwithstanding the foregoing, (1) if notice is properly given, the failure to receive an appropriate notice shall not affect the validity of the proceedings for such redemption, (2) the failure to give any such notice or any defect therein shall not affect the validity of the proceedings for the redemption of the 2025 Bonds or portions thereof with respect to which notice was correctly given, and (3) 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 2025 Bonds.

Notwithstanding anything herein to the contrary, the only remedy for failure by the Trustee to post any notice with the MSRB via its electronic format is an action by the holders of the 2025 Bonds in mandamus for specific performance or similar remedy to compel performance.

General Redemption Provisions. If less than all of the 2025 Bonds are called for optional redemption, the City shall determine the maturities and amounts thereof to be redeemed. If a book-entry system through DTC is used for determining beneficial ownership of the 2025 Bonds and less than all the 2025 Bonds of any maturity are called for redemption, DTC shall select the 2025 Bonds to be redeemed pursuant to its rules and procedures or, if the book-entry system through DTC or any other securities depository for determining beneficial ownership of the 2025 Bonds has been discontinued, the Trustee shall select the 2025 Bonds to be redeemed by lot in such manner as the Trustee in its discretion may deem proper, but, in any event, the portion of any 2025 Bond to be redeemed must be in an Authorized Denomination.

Any scheduled redemption of 2025 Bonds or portions thereof may be rescinded in whole or in part at any time prior to the Redemption Date if the City delivers written notice to the Trustee instructing the

Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Owners of the 2025 Bonds. Any 2025 Bonds where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, the failure of the City to make funds available in part or in whole on or before the Redemption Date shall not constitute an Event of Default, and the Trustee shall give immediate notice to the affected Owners of the 2025 Bonds that the redemption did not occur and that the 2025 Bonds called for redemption and not so paid remain Outstanding.

If money is on deposit in the Debt Service Fund to pay the Redemption Price of the 2025 Bonds called for redemption and premium, if any, thereon on a Redemption Date, 2025 Bonds or portions thereof thus called and provided for as hereinabove specified will not bear interest after such Redemption Date and will not be considered to be Outstanding or to have any other rights under the General Indenture other than the right to receive payment. No payment of principal will be made by the Paying Agent on any 2025 Bonds or portions thereof called for redemption until such 2025 Bonds or portions thereof have been delivered for payment or cancellation or the Paying Agent has received the items required by the General Indenture with respect to any mutilated, lost, stolen or destroyed 2025 Bonds.

THE PLAN OF FINANCE

A portion of the proceeds of the 2025 Bonds will be used to finance the costs of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for the System (as defined in the General Indenture) including, but not limited to, the following:

PROJECT	ESTIMATED COST
1. Upgrades and enhancements to its Advanced Metering Infrastructure (AMI) system	\$ 16,756,000
2. Modernization of the R.W. Nielson Water Treatment Plant (Phase II)	11,044,000
3. Water Distribution System Improvements	12,100,000
4. Repairs to a lagoon at the Archie Elledge Wastewater Treatment Plant	10,000,000
5. Replacement and capacity upgrades of sewer lines along Peters Creek Outfall within the Elledge Basin	7,000,000
6. Repairs and rehabilitation of sewer lines and manholes under the Collection System Improvement Program (CSIP)	4,000,000
7. Replacement of a force main near Tanglewood Park	4,000,000
8. Upgrades to the 15 th Street Pump Station	3,100,000
9. Repairs biosolids dryer facility at the Archie Elledge Wastewater Treatment Plant	2,000,000
TOTAL	\$ 70,000,000

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the 2025 Bonds are estimated below.

SOURCES:

Principal Amount of 2025 Bonds

[Plus/Less] [Net] Original Issue [Premium/Discount]

Total Sources of Funds

USES:

2025 Project Costs

Costs of Issuance ¹

Total Uses of Funds

¹ Includes underwriter's discount, legal fees, printing costs, rating agency fees, fees and expenses of the municipal advisor, the Trustee, the financial feasibility consultant, and miscellaneous fees and expenses.

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HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

HISTORICAL FINANCIAL INFORMATION

The following table presents historical financial information on the System including Net Revenues available for debt service and historical debt service coverage ratios for the four fiscal years from 2021 through 2024 and the same information on an unaudited basis for the fiscal year ended June 30, 2025. For more detailed financial information, see **Appendix C** and **Appendix D** hereto. For a discussion on the calculation of the Rate Covenant, see “**SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS – The Rate Covenant**” herein.

HISTORICAL DEBT SERVICE COVERAGE FOR THE SYSTEM (THOUSANDS OF DOLLARS)

	FISCAL YEARS ENDED JUNE 30 (AUDITED)				
	2021	2022	2023	2024	UNAUDITED 2025
Net Revenues Available for Debt Service	\$70,426	\$78,985	\$76,355	\$79,027	\$85,785
12% of Liquid Assets	14,845	15,725	18,531	18,415	20,081
Net Revenues Available for Debt Service and 12% of Liquid Assets	<u>\$85,272</u>	<u>\$94,710</u>	<u>\$94,886</u>	<u>\$97,443</u>	<u>\$105,865</u>
Debt Service on Revenue Bonds	\$33,100	\$33,994	\$36,069	\$35,262	\$34,165
Debt Service on General Obligation Indebtedness, Subordinate Indebtedness, and Other Indebtedness	<u>8,900</u>	<u>7,928</u>	<u>8,347</u>	<u>7,900</u>	<u>7,500</u>
Total Debt Service on Revenue Bonds, Subordinate Indebtedness, General Obligation Indebtedness, and Other Indebtedness	<u>\$42,000</u>	<u>\$41,922</u>	<u>\$44,416</u>	<u>\$43,162</u>	<u>\$41,665</u>
Debt Service Coverage of Revenue Bonds <u>Excluding</u> any Liquid Assets	2.13x	2.32x	2.12x	2.24x	2.51x
Debt Service Coverage on Revenue Bonds, <u>Including</u> 12% Liquid Assets	2.58x	2.79x	2.63x	2.76x	3.10x
Debt Service Coverage on Revenue Bonds, Subordinate Indebtedness, General Obligation Indebtedness, and Other Indebtedness, <u>Including</u> 12% of Liquid Assets	2.03x	2.26x	2.14x	2.26x	2.54x
Debt Service Coverage of Revenue Bonds, Subordinate Indebtedness, General Obligation Indebtedness, and Other Indebtedness, Based on Net Revenues, <u>Excluding</u> any Liquid Assets	1.68x	1.88x	1.72x	1.83x	2.06x

PROJECTED FINANCIAL INFORMATION

The Financial Feasibility Report, which has been prepared by Raftelis Financial Consultants, Inc. is included in Appendix D hereto and should be read in its entirety. The forecasted operating results for the Fiscal Years ending June 30, 2026 through 2030 contained therein are based on certain assumptions discussed in the Financial Feasibility Report. Certain of these assumptions may not materialize and unforeseen events and circumstances may occur subsequent to the date of the Financial Feasibility Report. Therefore, there will usually be differences between the forecasted operating results and the actual operating results and these differences may be material.

The following table, derived from the Financial Feasibility Report included as Appendix D, shows the projected debt service coverage ratios for the Fiscal Years ending June 30, 2026 to 2030, inclusive. **See the Financial Feasibility Report included as Appendix C for the assumptions, adjustments and notes related to the information provided in the table below.**

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City of Winston-Salem, North Carolina
Water and Sewer Utility System
Forecast Statement of Income, Expenses, Debt, & Debt Service Coverage
Fiscal Year Ending June 30

	FY 2026 Projected	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
System Revenues					
Sales (1)					
Water	\$ 70,329,020	\$ 73,008,787	\$ 75,793,322	\$ 78,697,040	\$ 81,762,519
Sewer	71,397,407	75,737,972	80,437,359	85,490,657	90,853,367
Industrial Waste Surcharges	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
<i>Subtotal: Sales</i>	<u>\$ 145,226,427</u>	<u>\$ 152,246,759</u>	<u>\$ 159,730,681</u>	<u>\$ 167,687,697</u>	<u>\$ 176,115,886</u>
Other Operating Revenues					
Other Charges for Services & Revenues (2)	\$ 10,417,367	\$ 10,417,367	\$ 8,543,000	\$ 8,543,000	\$ 8,543,000
<i>Total: Operating Revenues</i>	<u>\$ 155,643,794</u>	<u>\$ 162,664,126</u>	<u>\$ 168,273,681</u>	<u>\$ 176,230,697</u>	<u>\$ 184,658,886</u>
Non-Operating Revenues (Expenses) (3)					
Other Non-Operating Revenues (3)	120,720	120,720	120,720	120,720	120,720
<i>Total: System Revenues</i>	<u>\$ 155,764,514</u>	<u>\$ 162,784,846</u>	<u>\$ 168,394,401</u>	<u>\$ 176,351,417</u>	<u>\$ 184,779,606</u>
Operating Expenses (4)					
Water	\$ (31,980,910)	\$ (33,579,956)	\$ (35,258,954)	\$ (37,021,902)	\$ (38,872,997)
Sewer	(39,357,157)	(41,325,016)	(43,391,266)	(45,560,830)	(47,838,872)
Transfer to Other City Funds (5)	(535,740)	(551,812)	(568,367)	(585,418)	(602,980)
<i>Subtotal: Operating Expenses</i>	<u>\$ (71,873,807)</u>	<u>\$ (75,456,783)</u>	<u>\$ (79,218,587)</u>	<u>\$ (83,168,149)</u>	<u>\$ (87,314,848)</u>
A Net Revenues Available for Debt Service	<u>\$ 83,890,706</u>	<u>\$ 87,328,063</u>	<u>\$ 89,175,814</u>	<u>\$ 93,183,268</u>	<u>\$ 97,464,758</u>
Plus: 12% of Liquid Assets (6)	20,069,112	18,112,157	15,684,542	15,198,593	16,751,788
B Net Revenues plus 12% of Liquid Assets	<u>\$ 103,959,818</u>	<u>\$ 105,440,220</u>	<u>\$ 104,860,356</u>	<u>\$ 108,381,860</u>	<u>\$ 114,216,546</u>
Parity Bond Debt Service					
Existing Parity Indebtedness	\$ (35,272,710)	\$ (35,212,286)	\$ (35,006,826)	\$ (33,829,222)	\$ (33,782,529)
Proposed Series 2025 (7)	(2,996,122)	(5,207,750)	(5,209,750)	(5,211,500)	(5,207,750)
Proposed Series 2030 (8)	-	-	-	-	(1,930,897)
C <i>Subtotal: Parity Indebtedness</i>	<u>\$ (38,268,832)</u>	<u>\$ (40,420,036)</u>	<u>\$ (40,216,576)</u>	<u>\$ (39,040,722)</u>	<u>\$ (40,921,176)</u>
Debt Service Coverage - Parity Indebtedness					
Calculated Using Net Revenues (A/C)	2.19	2.16	2.22	2.39	2.38
Calculated Using Net Revenues plus 12% of Liquid Assets (B/C)	2.72	2.61	2.61	2.78	2.79
Subordinated, General Obligation, and Other Indebtedness					
Existing SRF Loans	\$ (12,598,121)	\$ (12,481,770)	\$ (12,343,063)	\$ (12,204,357)	\$ (12,065,650)
Proposed SRF Loans (9)	-	-	(200,000)	(500,000)	(500,000)
Other Indebtedness (10)	-	-	-	-	-
D <i>Subtotal: Subordinated and Other Indebtedness</i>	<u>\$ (12,598,121)</u>	<u>\$ (12,481,770)</u>	<u>\$ (12,543,063)</u>	<u>\$ (12,704,357)</u>	<u>\$ (12,565,650)</u>
E Total Debt Service: Parity, Subordinated, GO, & Other Indebtedness (C+D)	<u>\$ (50,866,952)</u>	<u>\$ (52,901,806)</u>	<u>\$ (52,759,639)</u>	<u>\$ (51,745,078)</u>	<u>\$ (53,486,826)</u>
Debt Service Coverage - Total Debt					
Calculated Using Net Revenues (A/E)	1.65	1.65	1.69	1.80	1.82
Calculated Using Net Revenues plus 12% of Liquid Assets (B/E)	2.04	1.99	1.99	2.09	2.14
Net Revenues After Total Debt Service	<u>\$ 33,023,754</u>	<u>\$ 34,426,257</u>	<u>\$ 36,416,175</u>	<u>\$ 41,438,190</u>	<u>\$ 43,977,932</u>
Other Revenues, Expenditures, & Transfers					
Rate Funded Capital (PAYGO) (10)	\$ (45,933,537)	\$ (53,550,000)	\$ (43,250,000)	\$ (31,410,000)	\$ (28,050,000)
Capital Outlay (11)	(2,600,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Capital Lease Payoff (12)	(2,532,300)	-	-	-	-
Other Non-Operating Expenses (13)	(18,000)	(18,540)	(19,096)	(19,669)	(20,259)
Transfers (to)/from Reserves (14)	18,000,000	21,000,000	7,000,000	-	-
<i>Subtotal: Other Expenditures and Transfers</i>	<u>\$ (33,083,837)</u>	<u>\$ (33,568,540)</u>	<u>\$ (37,269,096)</u>	<u>\$ (32,429,669)</u>	<u>\$ (29,070,259)</u>
Surplus Revenues After Expenditures	<u>\$ (60,083)</u>	<u>\$ 857,717</u>	<u>\$ (852,921)</u>	<u>\$ 9,008,521</u>	<u>\$ 14,907,673</u>

Notes to the Forecast Statement:

- (1) User charge revenues in FY 2026-2030 are calculated using projected customer information and demand and approved or recommended increases in the user rates and charges.
- (2) Other operating revenues and other charges for services include late payment penalties, service fees, system development fees, and other revenues for ancillary services.
- (3) Other non-operating revenues includes an annual transfer from the City's stormwater fund and investment income. Since investment income is excluded from Revenues for calculating debt service coverage, per the Indenture, it is reported as a fund balance transaction.
- (4) Includes all water and sewer O&M expenses associated with the existing utility system. FY 2026 costs have been projected from FY 2025 actuals.
- (5) Transfer to City funds include transfers to the general fund and the solid waste fund for services rendered, including: vector control program, safety inspector, household hazardous waste, and financial contributions to resurface roadways adversely affected by utility or stormwater projects). This transfer is operating and recurring in nature and is included as an expense for the purpose of calculating debt service coverage.
- (6) The inclusion of 12% of Liquid Assets in the calculations of debt service coverage, per the Rate Covenant in the General Indenture, is intended to account for the City's substantial reserves and provide a more accurate picture of the City's financial strength. Liquid Assets are defined as unencumbered cash or marketable securities of the System, as shown in the audited financial statements of the City, and available for the payment of the Bonds issued under the General Indenture or other obligations. Current unaudited actuals from the City indicate that as of June 30, 2025, the City has approximately \$167 million in Liquid Assets.
- (7) Information provided by First Tryon Advisors on October 3, 2025, as Municipal Advisor for the 2025C Bonds, is preliminary and subject to change, and assumes proceeds of \$70 million, an all-in true interest cost of approximately 4.01%, and a 20-year final maturity in 2045.
- (8) Preliminary and subject to change. Series 2030 Revenue Bonds are anticipated to be issued to fund capital project needs. The projected assumptions for the Series 2030 Bonds assume an issuance of \$47.7 million at a rate of 5.0% and a term of 20 years. The cost of issuance is assumed to be 1.0% of the issuance amount. Debt service payments are assumed to begin in FY 2030.
- (9) Preliminary and subject to change. The City has approval for State Revolving Fund (SRF) financing for projects listed in the CIP. The payment amounts remain subject to amounts drawn from the fund on an annual basis to fund the City's capital plan.
- (10) Represents capital projects funded with cash from user rates and charges. See Section 5 for more information.
- (11) Capital outlays represent capital equipment and other asset purchases that are included in the hat are included in the operating budget but ultimately capitalized for accounting purposes.
- (12) Other Indebtedness includes capital lease payments made to the North Carolina Municipal Leasing Corporation. The City intends to pay off these leases in FY 2026 and fund capital equipment with cash going forward.
- (13) Other non-operating expenses include fiscal expenses and other non-operating expenses.
- (14) Represents annual contributions to/from the System reserve funds to meet capital needs.

DEBT SERVICE REQUIREMENTS

The following table shows the debt service requirements with respect to the 2025 Bonds and other Outstanding Bonds. For purposes of calculating the principal payable in any year, the relevant maturity or mandatory redemption amount is used. In some cases, totals in the following table may not foot due to rounding.

FISCAL YEAR ENDED JUNE 30	DEBT SERVICE ON OTHER OUTSTANDING BONDS ¹	DEBT SERVICE ON 2025 BONDS		COMBINED PRINCIPAL AND INTEREST REQUIREMENTS
		PRINCIPAL	INTEREST	
2026	\$ 35,272,710			
2027	35,212,286			
2028	35,006,825			
2029	33,829,222			
2030	33,782,529			
2031	25,477,481			
2032	25,468,839			
2033	25,452,981			
2034	21,803,681			
2035	22,613,281			
2036	22,580,908			
2037	22,583,281			
2038	18,403,075			
2039	18,406,331			
2040	11,911,988			
2041	6,438,481			
2042	6,441,381			
2043	6,440,475			
2044	6,437,175			
2045	6,437,625			
2046	6,441,425			
2047	6,438,225			
2048	3,269,975			
2049	3,271,463			
2050	3,270,750			
2051	3,272,838			
2052	3,272,588			
2053	-			
2054	-			
2055	-			
TOTAL	\$449,237,819	\$	\$	\$

¹ Does not include Subordinate Indebtedness, General Obligation Indebtedness, and Other Indebtedness as defined in the General Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS -- Subordinate Indebtedness, General Obligation Indebtedness, and Other Indebtedness."

SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS

THE TRUST ESTATE; PLEDGE OF REVENUES

Pursuant to the General Indenture, the City pledges the Revenues and certain other moneys held under the Indenture (the “*Trust Estate*”) to the Trustee for the equal and ratable benefit, protection, and security of all Owners of Bonds.

“*Revenues*” are defined in the General Indenture as all rates, fees, rentals or other charges or other income received by the City in connection with the ownership, management and operation of the System, and all parts thereof, including any amounts contributed by the City, all as calculated in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture, but excluding (1) amounts received from the investment of money in any Fund or Account, (2) assessments restricted by their terms to capital improvements, (3) net proceeds of insurance or condemnation awards or other extraordinary items, (4) any amounts collected by the City representing sales or use taxes that may be required by law or agreement to be paid to the State or a governmental unit thereof, (5) refundable deposits made by customers of the System or (6) any interest rate subsidy received by the City from the United States Treasury pursuant to Section 54AA, 1400U-2 or 6431 of the Code (as such sections were added by the Recovery Act, pertaining to “*Recovery Zone Economic Development Bonds*” or “*Build America Bonds*”) or any other section of the Code.

The “*System*” is defined in the General Indenture as the complete water and sewer system of the City now operated by the Winston-Salem/Forsyth County Utility Commission (the “*Utility Commission*”), or subsequently constructed and acquired either from the proceeds of the Bonds or from any other sources at any time, and includes (1) all wells, pumping stations, purification plants and other sources of supply of water and all pipes, mains, and other parts of the facilities for the distribution of water and all equipment and property used in connection therewith, (2) all sanitary sewers, all waste water disposal and purification plants, and all equipment used in connection therewith, all facilities for the collection, treatment, and disposal of sewage and waste matter, including industrial wastes, and (3) all other facilities of any nature or description, real or personal, now or hereafter owned or used by the Utility Commission in the supply, distribution, and treatment of water or sewage by its municipally owned water and sewer system.

No real or personal property of the City will be mortgaged, assigned, or pledged for the benefit of the Owners of the Bonds, but under the General Indenture, the City has covenanted that the System will be transferred only under certain circumstances.

THE RATE COVENANT

The General Indenture provides that, before the commencement of each Fiscal Year, the City will fix, establish, and maintain or cause to be fixed, established, and maintained such rates and charges for the provision of services of the System, and revise or cause to be revised the same, as necessary, as will produce (1) Revenues, plus 12% of the Liquid Assets as shown in the most recent audited financial statements, at least equal in such Fiscal Year to the total of (a) the Operating Expenses budgeted for such Fiscal Year, as may be amended from time to time, plus (b) 125% of (1.25 times) the Debt Service on the Bonds to become due during that Fiscal Year, plus (c) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness to become due in such Fiscal Year, plus (d) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness to become due in such Fiscal Year, plus (e) 100% of (1.00 times) the Debt Service for Other Indebtedness to become due in such Fiscal Year, plus (f) 100% of (1.00 times) the amount required to reimburse the provider of a Qualified Reserve Fund Substitute for any amounts owing thereunder; and (2) Revenues at least equal in such Fiscal Year to the total of 110% of (1.10 times) the requirements therefor

established in the General Indenture as described in the FIRST through NINTH paragraphs under “**FUNDS AND ACCOUNTS-Revenue Fund**” in **Appendix G**.

“*Operating Expenses*” is defined in the General Indenture as the current expenses, paid or accrued, of operation, maintenance, and current repair of the System, as calculated in accordance with sound accounting practice, and includes, without limiting the generality of the foregoing, insurance premiums, any Rebate Deposit, administrative expenses of the City relating solely to the System, 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 in accordance with sound accounting practice. “*Operating Expenses*” do not include any allowance for depreciation or replacements of capital assets of the System or contractual obligations relating to the System with a term greater than one year.

“*Debt Service*” is defined in the General Indenture as, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on the Bonds during such Fiscal Year, excluding (a) any capitalized interest payable from the proceeds of a Series of Bonds and (b) any interest rate subsidy receivable by the City from the United States Treasury pursuant to Section 54AA, 1400U-2 or 6431 of the Code (as such Sections were added by the Recovery Act, pertaining to Recovery Zone Economic Development Bonds or Build America Bonds) or any other section of the Code, plus (ii) any Principal Installments of the Bonds during such Fiscal Year.

For purposes of computing “*Debt Service*,” the rate of interest used to determine (i) above will be a rate per annum, after taking into account the exclusions in (i) above, 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 is equal to the greater of (A) the average of all the interest rates in effect on the Bonds (or which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding twelve-month period or (B) the average of all interest rates in effect on the Bonds (or which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding one month period.

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.

For purposes of computing “*Debt Service*,” the Principal Installments used to compute (ii) above will be: (1) with respect to Bonds or other obligations with a term in excess of one year, the amount equal to $(A - B) \div C$, where A is the outstanding principal amount of such Bonds or other obligations, B is the amount of unencumbered cash or other assets of the System on hand and available for the payment of such Bonds or other obligations, and C is the number of full years in the remaining term of such Bonds or other obligations; and (2) with respect to notes or other obligations with a term of less than one year which are issued in anticipation of the issuance of Bonds or other obligations described in (1) above (the “*Take Out Obligations*”), the amount equal to $(X - Y) \div Z$, where X is the outstanding principal amount of such notes or other obligations, Y is the amount of unencumbered cash or other assets of the System on hand and available for the payment of such notes or other obligations, and Z is the number of full years expected to be in the term of the Take Out Obligation as certified to the Trustee by the Chief Financial Officer.

“*Debt Service for General Obligation Indebtedness*” is defined in the General Indenture as, with respect to any particular Fiscal Year, an amount equal to the sum of (1) all interest payable on the General Obligation Indebtedness during such Fiscal Year excluding any capitalized interest payable from the

proceeds of such General Obligation Indebtedness, plus (2) 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 “*Debt Service*.”

“*Debt Service for Other Indebtedness*” is defined in the General Indenture as, with respect to any particular Fiscal Year, an amount equal to the sum of all payment obligations with respect to Other Indebtedness during such Fiscal Year excluding any capitalized interest payable from the proceeds of such Other Indebtedness. 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 “*Debt Service*.”

“*Debt Service for Subordinate Indebtedness*” is defined in the General Indenture as, with respect to any particular Fiscal Year, an amount equal to the sum of (1) all interest payable on Subordinate Indebtedness during such Fiscal Year excluding any capitalized interest payable from the proceeds of such Subordinate Indebtedness, plus (2) 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 “*Debt Service*.”

See **Appendix G** for definitions of other capitalized terms used above and not defined under this caption.

ADDITIONAL BONDS

After issuance of the 2025 Bonds, the City will have approximately \$403,835,000[‡] aggregate principal amount of Bonds Outstanding under the General Indenture payable from the Revenues of the System. The City may issue Additional Bonds on parity with the 2025 Bonds and such other Outstanding Bonds payable from the Trust Estate under the conditions set forth in the General Indenture and described below.

(a) The City will not issue any other obligations, except on the conditions and in the manner provided in the General Indenture, payable from the 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 Debt Service on the Bonds after the issuance of the refunding Bonds exceeds the maximum annual Debt Service 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 System and such proceeds are insufficient to pay the Costs of Construction, the City may issue a Series of Bonds in an amount equal to (1) the

[‡]Preliminary, subject to change.

insufficiency, (2) any required deposit to the Reserve Fund with respect to such Series and (3) the Costs of Issuance related thereto.

(d) No Series of Bonds, other than the Bonds described in paragraph (b) and (c) above, will be issued under the General Indenture unless:

EITHER:

(1) the Net Revenues, plus amounts received from the investment of money in any Fund or Account, as shown in the most recent audited financial statements, adjusted in the manner hereinafter provided, were at least equal to (A) 125% of (1.25 times) the maximum Debt Service on the Bonds, including the Series of Bonds to be issued, (B) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness in that Fiscal Year, (C) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness in that Fiscal Year, and (D) 100% of (1.00 times) the Debt Service for Other Indebtedness in that Fiscal Year;

OR

(2) (A) the Net Revenues, plus amounts received from the investment of money in any Fund or Account, as shown in the most recent audited financial statements, were at least equal to (a) 125% of (1.25 times) the Debt Service on the Bonds for such Fiscal Year, excluding the Series of Bonds to be issued, (b) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness in such Fiscal Year, (c) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness in such Fiscal Year and (d) 100% of (1.00 times) the Debt Service for Other Indebtedness in such Fiscal Year; and

(B) (i) the Net Revenues, plus amounts received from the investment of money in any Fund or Account, as projected by a report of a 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 to the System or (II) the date the proposed Series of Bonds is issued in any other case, are at least equal to (a) 125% of (1.25 times) the Debt Service on the Bonds, including the Series of Bonds to be issued, for such Fiscal Years, (b) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness to become due in such Fiscal Years, (c) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness to become due in such Fiscal Years and (d) 100% of (1.00 times) the Debt Service for Other Indebtedness to become due in such Fiscal Years and (ii) Revenues, as projected by a Consultant to be filed with the Trustee, for the 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 to the System or (II) the date the proposed Series of Bonds is issued in any other case, are at least equal in such Fiscal Years to the total of 110% (1.10 times) the requirements therefor

established as described in the FIRST through NINTH paragraphs under
“**FUNDS AND ACCOUNTS-*Revenue Fund*” in Appendix G;**

AND

(3) no Event of Default under the General Indenture has occurred and is continuing.

(e) For purposes of calculating Net Revenues in subparagraph (d)(1) above, (1) if any rates, fees or charges of the System 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 Chief Financial Officer may add to the Net Revenues his 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 users of the System have been added as a result of an acquisition of assets from another provider of water or sewer services or as a result of a contract with another governmental unit, the Chief Financial Officer may add to the Net Revenues his estimate of the additional Revenues that would have been included in the calculation of Net Revenues if such users had been a part of the System as of the beginning of such Fiscal Year.

(f) An additional Series of Bonds issued after May 1, 2001, may be issued (1) with its own Account in the Reserve Fund, (2) without any right in the Reserve Fund or (3) with rights in the Parity Account of the Reserve Fund.

“*Consultant*” means a firm of engineers, accountants, or water and sewer consultants with recognized expertise for advising municipalities with respect to the setting of rates and charges for the use of water and sewer systems selected by the City.

“*Liquid Assets*” means unencumbered cash or marketable securities of the System, as shown in the audited financial statements of the City, and available for the payment of the Bonds or other obligations.

See **Appendix G** hereto for definitions of other capitalized terms used above and not defined under this caption.

SUBORDINATE INDEBTEDNESS, GENERAL OBLIGATION INDEBTEDNESS, AND OTHER INDEBTEDNESS

The City has incurred multiple loans from the State through the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund payable from Net Revenues. The revolving loans constitute “Subordinate Indebtedness” under the General Indenture and are secured by Net Revenues on a basis subordinate to the Bonds after payment of the principal of and interest on the Bonds. These loans carry fixed interest rates of 0% to 2% and are payable over 20 years. The total approved loan amounts are approximately \$211 million. Final amounts for each loan will be determined when the project is completed. Principal payments of \$5,547,996 were made in the fiscal year ended June 30, 2024. At June 30, 2024, the City had \$139,462,574 outstanding on its revolving loans.

THE RESERVE FUND

None of the Bonds are secured by the Reserve Fund.

LIMITED LIABILITY

Neither the general credit nor the taxing power of the City, the State of North Carolina, or any political subdivision thereof is pledged to the payment of the 2025 Bonds. The 2025 Bonds are special obligations of the City payable solely from the Trust Estate.

THE UTILITY SYSTEM

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

THE CITY

The City is a municipal corporation of the State located in the County of Forsyth (the “*County*”). The City, located in the northwestern section of North Carolina, is the fifth largest city in the State. Information about the City is presented in **Appendices B** and **C** hereto.

CONTINUING DISCLOSURE

In the Series Indenture, the City will undertake, in accordance with Rule 15c2-12 (“*Rule 15c2-12*”) promulgated by the Securities and Exchange Commission (the “*SEC*”) for the benefit of the Owners and Beneficial Owners of the 2025 Bonds, to provide to the Municipal Securities Rulemaking Board (the “*MSRB*”):

(a) by not later than seven months after the end of each fiscal year, beginning with the Fiscal Year ended June 30, 2025, 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 ended June 30, 2025, the financial and statistical data as of a date not earlier than the end of such Fiscal Year for the type of information included in this Official Statement (i) under “**HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE**” in the table entitled “**HISTORICAL DEBT SERVICE COVERAGE FOR THE SYSTEM,**” and (ii) under “**THE SYSTEM,**” the information shown under “**MAJOR USERS**” in the tables entitled “**TEN LARGEST WATER CUSTOMERS**” and “**TEN LARGEST SEWER CUSTOMERS,**” and a description of water and sewer rates as set forth under “**RATES AND CHARGES,**” 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, notice of the occurrence of any of the following events with respect to the 2025 Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on the 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 2025 Bonds or other material events affecting the tax status of the 2025 Bonds;
 - (7) modification of the rights of the Beneficial Owners of the 2025 Bonds, if material;
 - (8) call of any of the 2025 Bonds for redemption, other than mandatory sinking fund redemption, if material, and tender offers;
 - (9) defeasance of any of the 2025 Bonds;
 - (10) release, substitution or sale of any property securing repayment of the 2025 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 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 securities holders, if material; and
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.
- (d) in a timely manner, notice of a failure of the City to provide required annual financial information described in (a) or (b) above on or before the date specified.

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

The City agreed to provide all the documents described above in an electronic format as prescribed by the MSRB and accompanied by all identifying information as prescribed by the MSRB.

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

The Series Indenture also provides that if the City fails to comply with its Rule 15c2-12 undertakings described above, the Trustee or any Owner or beneficial owner may take action to protect and enforce the rights of all Owners and beneficial owners with respect to such undertaking, including an action for specific performance of the City's obligations, but a failure by the City to comply with its Rule 15c2-12 undertakings will not be an event of default under the General Indenture and will not result in acceleration of the payment of the 2025 Bonds.

Pursuant to the Series Indenture, the City reserved the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the City, provided that:

(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 Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(3) any such modification does not materially impair the interests of the Owners or the Beneficial Owners of the 2025 Bonds, as determined by Bond Counsel or by approving vote of the Owners of a majority in principal amount of the 2025 Bonds pursuant to the General Indenture.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal and interest on all of the 2025 Bonds.

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

LEGAL MATTERS

LITIGATION

There is no litigation pending against the City or the System or, to the knowledge of its officers, threatened that in any way questions or affects the validity of the 2025 Bonds or any proceedings or transactions relating to its authorization, issuance, sale, or delivery. There is no litigation pending against the City or the System or, to the knowledge of its officers or counsel, threatened that, if successful, would,

in the opinion of counsel to the City and the System, materially adversely affect the operation or financial condition of the City or the System.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, execution, sale and delivery of the 2025 Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, Bond Counsel. The form of Bond Counsel's approving legal opinion is included in **Appendix F**. Certain legal matters will be passed upon for the City by its City Attorney, Camille French, Esq., Winston-Salem, North Carolina.

TAX TREATMENT

GENERAL

On the date of issuance of the 2025 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 2025 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.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the 2025 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 2025 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 2025 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 2025 Bonds to maintain the excludability of the interest on the 2025 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 2025 Bonds in order that the interest on the 2025 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 2025 Bonds. Failure to comply with certain of such requirements may cause the interest on the 2025 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2025 Bonds. 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 2025 Bonds.

If the interest on the 2025 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 2025 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 2025 Bonds. Prospective purchasers and owners of the 2025 Bonds are advised that, if the Internal Revenue Service does audit the 2025 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 2025 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 2025 Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the 2025 Bonds should be aware that ownership of the 2025 Bonds and the accrual or receipt of the interest on the 2025 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 2025 Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers of the 2025 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 2025 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 2025 Bonds to be subject directly or indirectly to federal, state or local income taxation, adversely affect the market price or marketability of the 2025 Bonds or otherwise prevent the owners of the 2025 Bonds from realizing the full current benefit of the status of the interest on the 2025 Bonds.

Bond Counsel is further of the opinion that under existing law, the interest on the 2025 Bonds is exempt from State of North Carolina income taxation.

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

ORIGINAL ISSUE DISCOUNT

As indicated on the inside cover page, the 2025 Bonds maturing on June 1, 20__ to 20__, inclusive (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 and brokers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

In the case of an owner of an OID Bond, the amount of original issue discount on such OID Bond is treated as having accrued daily over the term of such OID Bond on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such OID Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an OID Bond which are attributable to accrued original issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal individual alternative minimum tax. 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 2025 Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state income tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

ORIGINAL ISSUE PREMIUM

As indicated on the inside cover page, the 2025 Bonds maturing on June 1, 20__ to 20__, inclusive (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 and brokers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

MISCELLANEOUS

RATINGS

Moody's and S&P have assigned the 2025 Bonds the ratings shown on the cover. Such ratings reflect only the opinions of the rating agencies and are not recommendations to buy, sell, or hold the 2025 Bonds. Any explanation of the significance of such ratings may only be obtained from Moody's or S&P. There is no assurance that any rating will remain the same for any given period of time or that any rating will not be revised downward or withdrawn entirely by the relevant rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the 2025 Bonds.

UNDERWRITING OF 2025 BONDS

The underwriters for the 2025 Bonds are _____ (the "Underwriters").* Such underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all the 2025 Bonds. If all of the 2025 Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters anticipate total underwriters' discount of \$_____.* The public offering prices or yields of the 2025 Bonds may be changed from time to time by such underwriters.

MUNICIPAL ADVISOR

First Tryon Advisors, LLC has served as municipal advisor (the "*Municipal Advisor*") to the City with respect to the sale of the 2025 Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the 2025 Bonds is contingent on the issuance and delivery of the 2025 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices thereto.

AMENDMENTS

Notwithstanding anything in the General Indenture or the Series Indenture to the contrary, (1) any initial purchaser, underwriter or remarketing agent holding any 2025 Bonds or another series of the Bonds issued after the issuance of the 2025 Bonds may, regardless of its intent to sell or distribute such Bonds in the future, consent as the Owner of such Bonds to any amendment or supplemental indenture as required or permitted by the General Indenture, including any amendment or supplemental indenture that adversely affects the interests of other Owners, and (2) any such holder providing its consent is not entitled to receive, nor is the City required to provide, any prior notice or other documentation regarding such amendment or supplemental indenture.

CITY FINANCIAL STATEMENTS

The City's basic financial statements have been audited by independent certified public accountants for each fiscal year through June 30, 2024. 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, 2024, are included as **Appendix C**. The City has not requested nor obtained the consent of its auditor to the inclusion of these financial statements in this Official Statement.

* Information provided by the underwriters of the 2025 Bonds.

APPENDIX A
THE UTILITY SYSTEM

APPENDIX A

THE SYSTEM

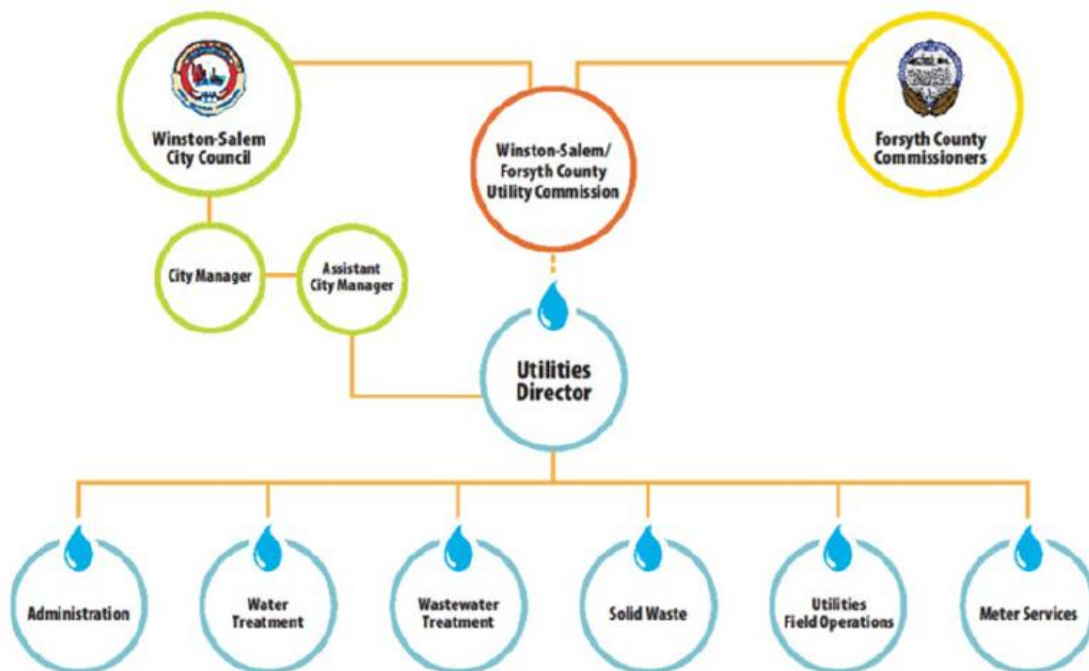
MANAGEMENT

In 1976, the City of Winston-Salem (the “City”) and Forsyth County (the “County”) consolidated their separate water and sewer systems and established the Winston-Salem/Forsyth County Utility Commission (the “Utility Commission”). The System functions as a department of the City under the supervision of the City Manager’s office and is operated as a consolidated water and sewer system by the Utility Commission. The System provides water and sewer service to the City, the County and some areas outside the County. The City owns all property of the System, approves the annual budget and capital improvement plan, and issues debt for the benefit of the System.

The Utility Commission sets the rates, charges, and assessments for the System that are incorporated into a System budget that proceeds to City Council for approval. The Utility Commission consists of 11 members, with five appointed by the City Council and five appointed by the County Commissioners. The Chair is appointed jointly by the Mayor of the City and the Chairman of the Board of County Commissioners. City appointees must be residents of the City and County appointees must reside in the County. The ten non-Chair members serve staggered five-year terms and may serve no more than two consecutive terms. This ensures there is always a majority of the membership with experience and knowledge of the Commission’s affairs. The Chair serves a two-year term and may be reappointed for up to five terms. The City Manager, appointed by the City Council, appoints the Assistant City Manager, who serves as the administrative director of the System.

The Water and Sewer Utility Division of the City is organized as shown below. All System workers are employed by the City.

ORGANIZATIONAL CHART



The professional background of the highest management officials of the System follows:

William “Pat” Pate has served as City Manager of the City since November 2023. In this capacity, he reports to and is accountable to the Mayor and the City Council for the operation of City government, overseeing a comprehensive range of municipal services. Before his appointment in the City, Pate served as City Manager for Manassas, Virginia, and previously held positions in the City, High Point, and Greensboro. He began his public service career as an intern for the City and has held roles such as budget analyst and Assistant City Manager. Pate holds both a bachelor’s degree in Political Science and Religion and a master’s degree in Public Administration from the University of North Carolina at Chapel Hill.

Aaron King has administrative responsibility for the System. He has served as Assistant City Manager since November 2021 and has worked for the City since 2005. Mr. King started in the City-County Planning Department and in 2013 he became the Land Use Coordinator, working in both the Planning and Inspection divisions. He holds a bachelor’s degree in Urban and Regional Planning from East Carolina University and a master’s degree in Public Administration from Appalachian State University.

Courtney L. Driver has served as Utilities Director for the System since 2016. She has administrative responsibility for the water, sewer and solid waste disposal programs of the City with more than 380 employees. After joining the System on July 28, 2008, Ms. Driver held positions of progressive responsibility in the Utilities Division including the Deputy Utilities Director position. She holds a bachelor’s degree in Civil Engineering from North Carolina State University and is a registered professional engineer in the State of North Carolina.

OVERVIEW OF CITY SERVICE AREA

General. In 1776, the Town of Salem established one of the first water distribution systems in the United States. Today the water utility has grown into a regional utility serving residents of the City, the Village of Clemmons (“*Clemmons*”), the Town of Kernersville (“*Kernersville*”), the Town of Lewisville (“*Lewisville*”), the Town of Rural Hall (“*Rural Hall*”), the Town of Walkertown (“*Walkertown*”), and a significant portion of the unincorporated areas of the County.

Water Service. The System currently serves approximately 140,000 customer accounts in areas inside and outside the City’s limits. Water for the System comes from two sources, the Yadkin River and Salem Lake. The Yadkin River is capable of supplying all of the area’s water needs for the foreseeable future. The Yadkin River is currently flowing on average at 27 times the average demand, and the water supply exceeds the projected demand of the 2050 planning year by 20 times. The R.W. Neilson Plant (“*Neilson Plant*”) and the P.W. Swann Plant (“*Swann Plant*”) are supplied raw water via raw water pump stations on the Yadkin River. The Neilson Plant is supplied by the Idol’s Dam pumping facility and the Swann Plant is supplied by a dam and intake located on the Yadkin River, one mile north of the old US 421 bridge. The R.A. Thomas Plant (“*Thomas Plant*”) can be supplied by either the Yadkin River via a pipeline from the raw water storage facilities at the Neilson Plant or a gravity fed pipeline from Salem Lake, which has a capacity of approximately 1.0 billion gallons. The property surrounding Salem Lake has been restricted under a watershed protection program to ensure the quality of the supply for the future.

Currently, the three plants have a capacity of 91 million gallons per day (“*MGD*”), comprised of 48 MGD at the Neilson Plant, 25 MGD at the Swann Plant, and 18 MGD at the Thomas Plant, and treat an average of 37.2 MGD. The water distribution system includes 14 water tanks, seven pumping stations and 2,330 miles of water lines.

In addition, through agreements with the U.S. Army Corps of Engineers and Wilkes County, North Carolina, the System can draw up to 30 feet of water from the Kerr Scott Reservoir, which amounts to

approximately 11 billion gallons. Assuming the System required 60 MGD, this reserved storage would last over 183 days.

All three of the System's water treatment plants employ conventional treatment consisting of coagulation, flocculation, sedimentation, filtration, and disinfection, with raw water supplied from impoundments/reservoirs prior to treatment. Chemical treatment at each facility consists of chlorination to kill harmful bacteria, corrosion control, pH adjustment and fluoridation to prevent dental caries.

The Neilson Plant, the largest water treatment plant in the System, was constructed in 1964 with an initial capacity of 24 MGD. The plant has been expanded twice, in 1984 and 1988, increasing the capacity by 12 MGD each time for a total current capacity of 48 MGD. The facility was designed to have an ultimate capacity of 72 MGD. The plant has undergone several upgrades throughout the years. Currently, a comprehensive modernization project is underway to upgrade nearly every major process area of the facility—including new pumps, updated treatment basins, chemical storage, and administrative spaces—to address aging infrastructure and enhance long-term reliability. The modernization of the plant is expected to be completed in late spring of 2027.

The Yadkin River water is delivered to the Neilson Plant's storage reservoirs by the Idol's Dam Raw Water Pump Station. Water is pumped through two raw water pipelines (48-inch diameter) by three 2,100-horsepower pumps. The water is stored in two reservoirs with a total capacity of 30 million gallons ("MG"), which feed the Neilson and Thomas Plants by gravity.

The Thomas Plant site was originally developed for water treatment in 1901. The site was chosen because it could receive water by gravity from Salem Lake. In the early 1950s, a supply main was installed to convey water from the Yadkin River to the site. In 2008, the existing plant was demolished and a new, modern 18 MGD plant was built in its place. The replacement Thomas Plant began operations in 2011. The plant has the same treatment processes as the Swann Plant except for the raw water storage. Since the plant is gravity fed by Salem Lake and the reservoirs at the Neilson Plant, no onsite storage is necessary.

The Swann Plant was commissioned in 2004. The Swann Plant, as well as the Thomas Plant, are the most automated facilities in the System and could be operated by one person at each site. The plant has six days of raw water storage on-site and has a rated capacity of 25 MGD. The Swann Plant was designed to include the infrastructure such that it could be easily expanded to double its current capacity with minimal additional expense. The only requirements would be to construct a new filter complex and to add pumps and chemical feed equipment.

Once treated, water is pumped by pumping stations located at the plants to a network of ground storage tanks, elevated storage tanks, and booster stations to supply customers located in five primary pressure zones within the County. The System includes ten elevated tanks with a combined capacity of approximately 7.15 MG, and four ground storage tanks with a combined total capacity of approximately 27 MG. In addition to the pump stations at each water treatment plant, there are seven booster stations within the System that help maintain water pressure and ensure reliable service throughout the distribution system.

The water distribution system consists of 2,324 miles of distribution and transmission mains. The Utility Commission utilizes a comprehensive computer hydraulic model of the distribution system, including storage tanks and pump stations, to guide operational decisions and long-term planning. Consultants are periodically engaged to calibrate the model and prepare a 20-year master plan based on projected population and industrial growth. The most recent master plan and model calibration were completed in 2024. This ongoing planning process enables staff to prioritize and plan capital investments for future treatment and distribution system expansion.

Sewer Service. The sewer system currently serves approximately 98,000 billing locations. Sanitary sewer treatment is provided by two wastewater treatment plants, the Archie Elledge Wastewater Treatment Plant and the Lower Muddy Creek Wastewater Treatment Plant (together, the “*WWTPs*”). Both *WWTPs* are staffed 24 hours a day and operate under National Pollution Discharge Elimination System (“*NPDES*”) Permits. The *WWTPs* have a combined capacity of 51 MGD and currently treat an average daily flow of 35.7 MGD.

The Elledge *WWTP* is rated for 30 MGD and is the larger of the two plants. The plant was originally commissioned in 1959 and was most recently upgraded in 2011. That upgrade included four new primary clarifying basins, a new control building, a new influent pumping station to allow the sewage to flow through the plant by gravity, and upgrades to the plant’s electrical system. The treatment process at the plant includes pretreatment basins for the processing of high strength industrial waste, primary treatment, activated sludge basins, clarification, chlorination, and dechlorination. Anaerobic digestion is used to treat the sludge that is produced by the plants. After digestion the sludge is dewatered and then pumped to a thermal drying facility that began operations in 2008. The dewatered sludge is transformed into a 92% solid pellet that is then land applied at agronomic rates to farmland. Chemical feed systems have been upgraded to replace chlorine gas disinfection with sodium hypochlorite.

The Lower Muddy Creek *WWTP* was completed and placed into service in 1986 and is rated for 21 MGD. The plant process is similar to the Elledge *WWTP* except for not having industrial pretreatment capabilities. The Lower Muddy Creek *WWTP* can pump liquid digested sludge to the Elledge Plant where it is blended with the liquid sludge at Elledge *WWTP* and then processed in the thermal drying facility.

Both plants can utilize digester-produced methane gas to offset energy costs associated with plant operations. The Elledge *WWTP* uses the digester gas to fuel the thermal drying facility. The Lower Muddy Creek *WWTP* uses the digester gas to operate plant process equipment that allows it to reduce electrical power costs by peak shaving during daily demand periods.

The collection system consists of approximately 1,800 miles of pipe ranging from 6-inch to 78-inch diameters. There are 49 pump stations that are monitored by a cellular-based telemetry system or wireless SCADA that monitors equipment and operational problems so that preventive maintenance can be performed before major problems arise. Resources available to maintain forces include television inspection equipment, hydraulic and mechanical cleaning equipment, a full range of construction equipment including trucks, backhoes, excavators, cranes, and heavy equipment.

In 2016, the City launched the multi-year Collection System Improvement Program (“*CSIP*”) to reduce sanitary sewer overflows and enhance the overall condition of the wastewater collection system. The *CSIP* focuses on targeted rehabilitation and replacement of aging or inadequate infrastructure in areas of need, while also expanding proactive sewer cleaning and inspection efforts. The program leverages advanced data collection, system modeling, and key performance indicators to optimize maintenance processes and guide resource allocation. These improvements enable staff to proactively address issues, extend the service life of system assets, and better manage the long-term performance and reliability of the collection system.

REGULATIONS

General. The operation of the System is regulated by the United States Environmental Protection Agency (“EPA”) and the North Carolina Department of Environmental Quality (“DEQ”). The water and sewer projects identified in the capital improvement plan have been designed by the City to be in compliance with all appropriate regulations and to address the water and sewer requirements of the City’s service area. The City is currently in compliance with all federal and State environmental legislation and regulations. A capital improvement plan has been developed in an effort to prepare the System to comply with all currently anticipated changes in regulation.

PFAS.

Water System. Per- and polyfluoroalkyl substances (“PFAS”) are a large family of synthetic chemicals widely recognized for their persistence in the environment and resistance to breakdown. These compounds are highly water soluble and can be found in air, water, and soil, often remaining in the environment for decades. PFAS are used extensively in manufacturing and in a broad array of industrial and consumer products, including nonstick cookware, water-repellent fabrics, fire extinguishing foams, and food packaging. According to the EPA, peer-reviewed laboratory studies and human epidemiological research indicate that exposure to certain levels of two well-studied PFAS compounds—perfluorooctanoic acid (“PFOA”) and perfluorooctanesulfonic acid (“PFOS”)—may result in a range of adverse health effects, including impacts on the liver, immune system, and development, as well as increased risk of certain cancers.

In response to these health concerns, the EPA finalized the National Primary Drinking Water Regulations (the “PFAS Regulations”) on April 10, 2024, specifically targeting six PFAS compounds. The regulations establish federal maximum contaminant levels (“MCL”) of 4 parts per trillion (“ppt”) each for PFOA and PFOS. The rules also set a health hazard index for four additional PFAS compounds: perfluorononanoic acid (“PFNA”), hexafluoropropylene oxide dimer acid (“HFPO-DA”), perfluorohexane sulfonic acid (“PFHxS”), and perfluorobutane sulfonic acid (“PFBS”).

These regulations establish a phased implementation timeline with specific compliance requirements. All public water systems must complete initial PFAS monitoring by 2027, followed by ongoing compliance monitoring in accordance with EPA guidelines. Water systems must also inform the public about PFAS levels detected in drinking water by 2027, including through Consumer Confidence Reports and other public notifications. Finally, by 2029, any water system with PFAS concentrations exceeding the MCL must implement solutions to reduce these levels and promptly notify the public, providing both the extent of the exceedance and information regarding potential health effects.

The Utility Commission has implemented comprehensive monitoring and preparedness measures to ensure compliance with the PFAS Regulations, positioning itself well ahead of required deadlines. As part of its regular testing protocols, the Utility Commission already monitors water supplies for PFAS compounds through more than 850 daily water quality tests conducted by state-certified operators who staff treatment facilities around the clock. Current PFAS levels in the utility’s drinking water already meet the new regulatory standards, with PFOA levels averaging 0.83 ppt and PFOS levels averaging 1.68 ppt—both well below the 4 ppt MCL set forth in the PFAS Regulations. The water system maintains a comprehensive testing program that monitors over 100 regulated and emerging contaminants, creating a robust framework for adapting to evolving PFAS regulations. Moving forward, the Utility Commission will maintain ongoing compliance monitoring as required by federal regulations and will meet the 2027 initial monitoring and public disclosure requirements. Infrastructure improvements and treatment capabilities are already in place to implement additional mitigation measures should future monitoring results require intervention to maintain federal compliance standards.

Sewer System. Sanitary sewer systems present another pathway for PFAS contamination. There is growing concern that these systems could discharge PFAS compounds through their effluent, further spreading contamination into receiving waters. Currently, no North Carolina or federal regulations establish maximum effluent limits for PFAS in wastewater discharge. However, regulatory developments are progressing. In January 2024, DEQ initiated a stakeholder process to gather feedback on proposed PFAS surface water standards for eight compounds. DEQ expects to begin incorporating PFAS effluent limits into National Pollutant Discharge Elimination System permits by 2028, following established compliance schedules. The City's sewer system permits remain subject to potential future regulatory or permit actions.

Compliance with any new PFAS regulations or permit requirements could significantly increase capital expenditures and maintenance costs for both the City and the System.

Lead and Copper. The EPA issued revisions to the Lead and Copper Rule on January 15, 2021 to further limit potential lead exposure from public water systems. The revisions require each water system to complete a system-wide inventory of service-line materials, prepare a lead service line replacement plan, adopt a sampling and monitoring plan for compliance, provide public education and outreach, and maintain corrosion control. Key provisions took effect on October 16, 2024.

On October 30, 2024, the EPA finalized the Lead and Copper Rule Improvements (LCRI). The LCRI set a compliance date of November 1, 2027, lower the lead action level to 10 parts per billion, require paired first- and fifth-liter tap samples at sites served by lead service lines with the higher value used for compliance, and mandate full replacement of all lead and galvanized-requiring-replacement service lines under system control within ten years from the compliance date. Partial service line replacements generally are not credited toward that mandate and trigger additional consumer protections. Water systems must continue to meet the 2021 revisions, including completion of service-line inventories and public notification duties, until the LCRI take effect.

To meet the requirements of the Lead and Copper Rule, as revised, and ensure compliance prior to the deadline, the Utility Commission engaged consultants to implement a comprehensive Lead Compliance Program. The scope included a system-wide service-line inventory, a lead service line replacement plan, a tap-sampling and monitoring plan, public education materials, logistics for providing filters and required customer notices, and a review of corrosion-control treatment. A public, address-searchable service-line inventory dashboard and a self-reporting portal were also launched. By November 2024, it had completed the initial inventory and mailed notices to roughly 3,800 customers identified as lead, galvanized requiring replacement, or unknown. Those addresses represent less than three percent of nearly 160,000 private service lines.

DEMAND FOR SERVICES

Due to its location in the Piedmont Triad area of North Carolina, the City has experienced substantial growth, especially in unincorporated areas of the County. Since consolidating in 1976 to form the Utility Commission, the City and the County have experienced substantial organic growth as well as growth by acquisition. The City acquired the water and sewer facilities of Kernersville in 1995, Clemmons in 1996, Rural Hall in 1996, and Walkertown in 2002.

The water system has grown into a regional utility serving residents of the City, Clemmons, Kernersville, Lewisville, Rural Hall, Walkertown, and unincorporated portions of the County. The Utility Commission has entered into interlocal agreements that provide potable drinking water via metered connections to Yadkin County, the Town of Stokesdale, Davidson Water, Inc., and the City of Greensboro. These wholesale arrangements are regularly updated to serve regional needs, and all supplied water meets state and federal quality standards. The Utility Commission continues to receive and review numerous

internal and external requests for further expansion of its service area, with growth occurring both through annexations and infrastructure extensions to new customers.

The following charts present information on the number of active water and sanitary sewer service accounts at the end of each of the last five fiscal years:

HISTORICAL WATER CUSTOMER STATISTICS¹				
FISCAL YEAR JUNE 30	BILLED ACCOUNTS	PERCENT GROWTH	BILLED CONSUMPTION (CCF)	PERCENT GROWTH
2021	123,142	1.02	15,129,391	1.92
2022	124,574	1.16	15,470,823	2.26
2023	125,775	0.96	15,332,561	-0.89
2024	126,766	0.79	14,934,887	-2.59
2025	128,164	1.10	15,391,127	3.05

HISTORICAL SEWER CUSTOMER STATISTICS¹				
FISCAL YEAR JUNE 30	BILLED ACCOUNTS	PERCENT GROWTH	BILLED CONSUMPTION (CCF)	PERCENT GROWTH
2021	94,897	1.27	11,670,601	1.95
2022	96,134	1.30	12,125,639	3.90
2023	97,169	1.08	12,270,717	1.20
2024	98,011	0.87	12,089,945	-1.47
2025	99,215	1.23	12,495,601	3.36

¹ Billing system information provided by the City.

MAJOR USERS

Set forth below is information concerning the ten largest water customers and the ten largest sewer customers of the System for the Fiscal Year ended June 30, 2025. No independent investigation has been made of, and consequently no representation can be made as to, the stability or financial condition of any of the customers listed below or that such customers will continue to maintain their status as major customers of the System. There has been no substantial new user added to the System since the end of Fiscal Year 2025

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TEN LARGEST WATER CUSTOMERS FOR FISCAL YEAR 2025

NAME OF CUSTOMER	TYPE OF ENTERPRISE	SALES REVENUES ¹	PERCENTAGE OF TOTAL WATER REVENUES ²
Ingredion Inc.	Manufacturer	\$1,839,538	2.70%
RJ Reynolds Tobacco Co.	Manufacturer	1,070,174	1.57
Winston-Salem/Forsyth County Schools	Education	775,882	1.14
Novant Health, Inc.	Health Care	571,891	0.84
Wake Forest University Baptist Medical Center	Health Care	497,854	0.73
Wake Forest University	Education	474,620	0.70
Pepsi Cola Co.	Manufacturer	456,863	0.67
Hanes Dye & Finishing	Manufacturer	417,848	0.61
Ardagh Metal Packaging USA Inc.	Manufacturer	385,694	0.57
Winston-Salem State University Foundation	Education	313,598	0.46
Totals		<u>\$6,803,962</u>	<u>9.99%</u>

¹ Totals may not foot due to rounding.

² Based on total water billed amounts of \$68,056,465 in Fiscal Year 2025.

TEN LARGEST SEWER CUSTOMERS FOR FISCAL YEAR 2025

NAME OF CUSTOMER	TYPE OF ENTERPRISE	SALES REVENUES ¹	PERCENTAGE OF TOTAL SEWER REVENUES ²
Ingredion Inc.	Manufacturer	\$ 3,261,748	4.70%
Wake Forest University Baptist Medical Center	Health Care	1,560,194	2.25
RJ Reynolds Tobacco Co.	Manufacturer	1,362,506	1.96
City of King	Local Government	1,258,973	1.81
Davie County Water Inc.	Local Government	1,186,824	1.71
Dairy Farmers of America	Manufacturer	969,389	1.40
Pepsi Cola Co.	Manufacturer	932,875	1.34
Hanes Dye & Finishing	Manufacturer	842,746	1.21
Davidson County	Local Government	683,197	0.98
Ardagh Metal Packaging USA Inc.	Manufacturer	651,754	0.94
Totals		<u>\$ 12,710,205</u>	<u>18.30%</u>

NOTE: Treated volumes are based on metered water flows for each customer with the exception of the City of King, Davie County Water, Inc. and Davidson County.

¹ Totals may not foot due to rounding.

² Based on billed sewer amounts of \$69,495,794 in Fiscal Year 2025.

RATES AND CHARGES

General. As an enterprise fund, water and sewer operations are financed and operated as a distinct business, which is intended to operate on a self-sustaining basis. The Utility Commission's user charge structure for water and sewer service consists of the following components, which together determine each customer's total charges:

- 1. Base Charge Fees (by Meter Size)**

Separate base charge fees are assessed for both water and sewer accounts that vary depending on the size of the customer's meter. When setting these fees, the Utility Commission takes into account the costs associated with meter maintenance, repair, and replacement, as well as meter reading, billing, and ensuring the system is ready to provide service.

- 2. Water Usage - Hybrid Increasing Block Rate Structure**

Water usage is billed using a hybrid increasing block rate structure, where most customers pay higher rates as their consumption increases through the tiered pricing system. For large industrial and wholesale users, a discounted (decreasing) fourth block applies to very high volumes of water. Water volume rates may also differ based on the customer's location, such as being inside or outside City limits; and

- 3. Sewer Usage - Uniform Volumetric Charges**

Sewer usage is billed through a uniform volumetric charge that applies a flat rate per unit of use. However, the actual per-unit rate varies depending on factors such as the customer's location or service area.

Rate Setting Process. The City maintains a financial model to project the rate increases necessary to ensure the financial stability of the System and to generate sufficient revenues to meet required rate covenants. The Utility Commission is responsible for adopting appropriate rates, charges, assessments, and other customer fees for water and sewer services, according to the relevant class or area of service. These rates must provide enough revenue to cover all operating and maintenance costs, debt service obligations, operating capital needs, a reasonable reserve for future improvements, and any other expenses necessary for delivering water and sewer services.

This authority is granted by the City-County Agreement that established the Utility Commission in 1976. Guided by the financial model, the Utility Commission reviews and approves any necessary rate increases annually. The approved rates are incorporated into the System's budget, which is then submitted to the City Council for final approval. Any rate increases take effect on July 1 of each year.

Base Charge and Volumetric Rates. The City's water rate structure consists of two components: a fixed base charge and a volumetric charge for water consumption, which includes both domestic and irrigation use. The structure provides distinct fixed charges for customers billed on a bi-monthly versus a monthly basis. Base charges increase with meter size. For non-irrigation accounts, the volumetric rate follows a four-tier block structure that increases with higher usage, except for the fourth block, which offers a discounted rate for large-volume users regardless of customer class. While the per-thousand-gallon rate is the same for both billing cycles, the tier thresholds differ between bi-monthly and monthly customers. Customers with separate irrigation meters pay a uniform volumetric rate that is different from the domestic water rate.

The City also employs a sewer rate structure with two components: a fixed base charge and a volumetric rate for all sewer flows (which is based on 100% of a customer's water consumption). The monthly base charges increase based on a customer's meter size, while the volumetric rate is assessed as a uniform rate for all customers, regardless of customer class.

CURRENT CITY MONTHLY WATER AND SEWER BASE CHARGES (PER CCF)

METER SIZE	EFFECTIVE 7/1/2024		EFFECTIVE 7/1/2025	
	WATER	SEWER	WATER	SEWER
5/8" or 3/4"	\$ 7.52	\$ 9.42	\$ 7.82	\$ 9.99
1"	10.53	13.21	10.95	14.00
1-1/2"	15.22	19.56	15.83	20.73
2"	21.60	27.14	22.46	28.77
3"	185.26	47.34	192.67	50.18
4"	242.31	70.10	252.00	74.31
6"	382.22	133.29	397.51	141.29
8"	544.49	209.11	566.27	221.66
10"	715.18	297.58	743.79	315.43
12"	995.29	550.35	1035.10	583.37

MONTHLY VOLUMETRIC RATES (CITY)

CONSUMPTION CHARGES¹

TIERS	CONS LEVELS	EFFECTIVE 7/1/2024 RATE	EFFECTIVE 7/1/2025 RATE
WATER			
Tier 1	0-400	\$2.25	\$2.69
Tier 2	401-900	3.35	4.16
Tier 3	901-20,000	3.72	4.61
Tier 4	Above 20,000	2.26	2.69
IRRIGATION			
Tier 1	0-400	\$4.43	\$4.61
Tier 2	401-900	4.43	4.61
Tier 3	901-20,000	4.43	4.61
Tier 4	Above 20,000	4.43	4.61

¹ Charges applied per hundred cubic feet (ccf).

Rate Differentials. In addition to rates for customers residing inside the City, rate differentials were previously developed for each service area on a contract-to-contract basis.

CURRENT WATER/SEWER VOLUMETRIC RATE INDICES FOR OTHER SERVICE AREAS

MUNICIPALITY/UNINCORPORATED AREA	SERVICE	BASE RATE MULTIPLIER
Inside City, Rural Hall, Walkerton	Water/Sewer	1.00
Village of Clemmons	Water	1.00
Village of Clemmons	Sewer	1.20
Outside City	Water/Sewer	1.50
Town of Kernersville	Water	1.00
Town of Kernersville	Sewer	1.20
Town of Lewisville	Water/Sewer	1.50
Outside County	Water/Sewer	1.50
Wholesale	Water	1.10
Wholesale	Sewer	1.50

REGIONAL RETAIL RATE COMPARISON

The table below shows a comparison of water and sewer bills with other representative communities as of July 1, 2025. Each city's projected bill is based on a residential customer using 5,000 gallons (668 cubic feet) of water per month. Although the majority of the City's residential customers are billed bi-monthly, for comparison purposes, the bills presented below are shown on a monthly basis.

WATER AND SEWER BILL COMPARISON AS OF JULY 1, 2025

	<u>TOTAL BILL</u>
High Point	\$93.90
Cape Fear Public Utility Authority	85.18
Durham	77.55
Charlotte	76.80
Raleigh	73.59
Greensboro	66.39
Winston-Salem/Forsyth County	65.57

CAPITAL EXPENDITURES

Each year the City updates a multi-year capital improvement program for the System as part of the annual budget process. Management of the City currently estimates that approximately \$353.9 million will be spent on System improvements from the current fiscal year through the 2031 fiscal year; however, such estimates are preliminary and likely to change. The City continually evaluates how to fund such capital expenditures. The 2026-2031 Capital Plan for the City, which is subject to change and revision in the future, can be found on the City's website.

BILLING AND COLLECTIONS

The City is responsible for all billing and collections. Residential customers are billed on a bimonthly basis, while larger industrial/commercial customers which consume large quantities of water are billed monthly. The System serves approximately 128,000 metered locations and generates about 720,000 bills annually. A request for new service requires an evaluation of the customer's credit score through a collection agency. If the score returned is low, a deposit is required to establish service.

When a water or sewer bill remains unpaid 28 days after it is issued, the utility applies a 10% late charge. If the bill is still unpaid by the 35th day, the utility mails a service termination notice. Should payment not be received by the 49th day, the utility imposes an additional \$20 fee and terminates service by locking or removing the meter. For service to be restored after nonpayment termination, the customer must pay the full outstanding balance plus a penalty deposit equal to one and one-half times the average usage billed over the prior six months (rounded to the nearest \$10). This deposit is applied to the next billing cycle and is refundable after two years without further penalties; otherwise, it stays with the account until final closure and bill resolution.

Several methods are used to collect accounts that become delinquent when termination of service has not been effective, or the account is in final status. The account may be turned over to a collection analyst who sends out a higher level of collection correspondence and makes telephone calls in an attempt to work with the customer to get delinquent balances paid. If payment is not received, the water meter may be removed from the location. Accounts may also be sent to an outside collection agency or submitted to the North Carolina Debt Service Program where delinquent balances will be garnished from any State income tax refund or State lottery winning. The City annually analyzes and records a bad debt reserve for accounts that may be uncollectable. Customers who have delinquent account balances from prior locations are not given service at a new location without payment in full of the delinquent accounts.

APPENDIX B

INFORMATION CONCERNING THE CITY

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GENERAL DESCRIPTION

The merger of Salem, founded in 1766, and Winston, founded in 1849, formed the City in 1913. It is the fifth most populous city in the State of North Carolina. The City has an area of approximately 131.9 square miles and is located approximately 210 miles from the Atlantic shore, 250 miles southwest of Washington, D.C., and 290 miles northeast of Atlanta, Georgia. Local business activity includes health care, biotechnology, financial services, manufacturing, apparel, textiles, transportation, computer-related services, electrical/industrial equipment, tobacco products, education and tourism.

The City, the county seat of Forsyth County (the “County”), is part of a larger region known as the “Piedmont Triad” that includes Greensboro to the east and High Point to the south. The region’s growth is actively promoted through the Piedmont Triad Partnership, a nonprofit organization chartered specifically for regional business recruitment, leadership development, and regional strategic planning throughout the 12-county region. The City is a part of the Greensboro-Winston-Salem-High Point, North Carolina Combined Statistical Area (“CSA”), a region with approximately 1,760,496 residents as of 2024 (latest data available).

The City has received national recognition for its livability and is receiving increasing attention for its attractiveness as a retirement destination. In its 2025 rankings, *U.S. News and World Report* ranked the City as 60th for Best Places to Live and 64th for Best Places to Retire. In 2024, *Forbes* magazine ranked the City 20th among Best Cities for Young Professionals to live. Other national rankings have included *Livability.com*’s 100 Best Places to Live and WalletHub ranking the City second best for business costs.

DEMOGRAPHIC CHARACTERISTICS

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

1990	2000	2010	2020
143,485	185,776	235,705	247,945

The estimated population of the City is as follows:

2020	2021	2022	2023	2024
247,945	249,545	250,337	251,343	255,417

Personal per capita income for the City and the State as of June 30 is presented in the following table:

Year	City ¹	State ²
2020	\$47,803	\$51,779
2021	50,305	57,023
2022	54,228	58,871
2023	54,195	61,579
2024	57,101	64,855

¹ Source: The City's 2024 Annual Comprehensive Financial Report.

² Source: United States Department of Commerce, Bureau of Economic Analysis.

COMMERCE AND INDUSTRY

General. The City has a diversified economic profile drawing from health care, biotechnology, financial services, manufacturing, apparel, textiles, transportation, computer-related services, electrical/industrial equipment, tobacco products, education and tourism. While in the past, manufacturing was the major economic sector, the service sector has surpassed it, currently accounting for approximately 40% of the work force. The City is home to Fortune 500 company Hanesbrands Inc. Other major private employers in the City include Atrium Health Wake Forest Baptist, Novant Health, Inc., Truist Financial Corp., Wells Fargo Bank and Wake Forest University (Reynolda Campus).

Health Care. The dynamic growth of the health care industry has provided the area with significant economic gains in recent years, surpassing traditional tobacco, textile and furniture industries. The health care sector has become the City's largest industry. Novant Health, Inc. ("*Novant Health*"), one of the State's largest regional health systems, has its headquarters in the City. In October 2020, Wake Forest Baptist Health, another of the State's largest regional health systems located in the City, merged with Charlotte-based regional health system Atrium Health, which then combined with Advocate Aurora Health. The combined system is the fifth-largest nonprofit integrated health system in the United States with 67 hospitals and more than 1,000 care sites.

Atrium Health Wake Forest Baptist ("*AHWFB*"), which composes an array of hospitals, emergency departments, clinics and primary care facilities, is the largest employer in the City. Recognized as one of the nation's Best Hospitals by *U.S. News & World Report* for over 30 consecutive years, AHWFB is an integrated clinical, research and academic enterprise headquartered in the City. It operates Atrium Health Wake Forest Baptist Medical Center ("*WFBMC*"), an internationally respected, fully integrated academic medical center and health system, with nationally recognized Cancer, Neurology, and Neuroscience specialists, that includes an 885-bed tertiary care teaching facility in the City, four acute care hospitals located outside the City and an ambulatory network with over 300 sites of patient care.

WFBMC includes the 144-bed Brenner's Children's Hospital, the region's only pediatric hospital, and the Comprehensive Cancer Center, which is one of only 51 in the nation designated as comprehensive by the National Cancer Institute. Anchored by WFBMC, the Atrium system also includes Wake Forest School of Medicine, a leading center for medical education and research that serves approximately 1,900 students; Wake Forest Innovations, which promotes the commercialization of research discoveries and operates the Innovation Quarter, an urban research and technology park, and Wake Downtown, a satellite campus of Wake Forest University with three new undergraduate academic programs in Biochemistry & Molecular Biology, Medicinal Chemistry & Drug Discovery and Engineering.

The City is also home to Novant Health, a private, not-for-profit integrated system with more than 2,000 physicians in nearly 850 provider locations throughout the Southeast, including 19 hospitals. The largest hospital in the Novant Health system, Forsyth Medical Center, is a 859-bed tertiary care hospital located in the City. In January 2025, Novant completed a new five-story \$222 million critical care tower at Forsyth Medical Center that features 59 critical care rooms and 36 patient rooms. Novant's Medical Park Hospital is also located in the City and specializes in short-stay surgeries, performing about 10,000 surgeries each year.

Biotechnology. The Piedmont Triad is a major biotechnology cluster. In 1994, Wake Forest University helped form what is now known as Innovation Quarter (the "*Innovation Quarter*"). It is an urban innovation district located downtown that provides office and laboratory facilities for research, business and education in biomedical science, information technology, digital media, clinical services and advanced materials. As one of the fastest-growing urban innovation districts in the United States, it is now home to 115 companies, five leading academic institutions and more than 3,880 full-time employees. The Innovation Quarter covers 2.1 million square feet of office, laboratory, classroom and mixed-use space on more than 330 acres. Over 1,000 residential units are in, or within walking distance of, the Innovation Quarter.

Biotech companies with a presence in Innovation Quarter include Asinex an international full-service chemistry provider, which has established its North American headquarters in Innovation Quarter. A number of start-up companies can be found in Innovation Quarter including Fluree, a data platform company, and OnceLogix, a software development company.

The RegenMed Hub represents another specialized ecosystem within the Innovation Quarter focused on regenerative medicine innovation. At its foundation is the Wake Forest Institute for Regenerative Medicine, a global leader in tissue engineering that has pioneered numerous breakthrough therapies, working alongside the RegenMed Development Organization, which focuses on solving critical manufacturing challenges in the field. The RegeneratOR Innovation Accelerator provides startups access to cutting-edge biomanufacturing equipment, specialized expertise and a collaborative environment where promising regenerative technologies can be developed and refined.

In June 2021, the Innovation Quarter announced a new master plan for the second major phase of development. With 10 proposed buildings, including a new Atrium Health Wake Forest Baptist Eye Institute, the new phase of development will feature the same mixed-use, ground-level activation found in the existing district on a 28-acre site. Upon completion, it is anticipated that the development will provide an additional 1 million square feet of clinical, lab, retail and office space. The master plan is anticipated to create 15 acres of new, programmable green space, an additional 450 residential units and 30,000 square feet of new ground-level activation space. As part of Phase II, the Innovation Quarter is working with community leaders to increase and strengthen physical links between the district and neighborhoods through improved streetscapes, and bridge enhancements.

Financial Services. The City was headquarters to BB&T Corporation ("*BB&T*"), a Fortune 500 company and one of the largest financial services holding companies in the United States. On December 7, 2019, BB&T merged with SunTrust Banks Inc. The combined bank, known as Truist Financial Corp., is the nation's eighth largest financial services holding company with over \$523 billion in assets as of December 31, 2024. Although Truist Financial Corp. has its headquarters in Charlotte, North Carolina, its community banking division remains in the City. After the merger, Truist Financial Corp. continued its charitable and community support in the City, including sponsorships of the Wake Forest University football team (Truist Field) and Truist Stadium (formerly BB&T Ball Park).

In addition, Wells Fargo Bank, National Association, which is part of Wells Fargo & Company, maintains a major operation of its wealth, brokerage and retirement division in the City with approximately 3,500 employees. Wells Fargo & Company is the fourth largest financial holding company in the United States.

There are more than three dozen other state and nationally chartered banks, savings and loans, and credit unions located in the County. Piedmont Federal Savings Bank, founded in the City in 1903, continues to be one of the nation's soundest banks. As a mutual savings bank, Piedmont Federal is FDIC-insured with its customers as its only stakeholders. It operates 11 branches in the region.

The City is also headquarters to two of the State's largest credit unions. Allegacy Federal Credit Union was founded in the City in 1967 to serve the employees of R.J. Reynolds Tobacco Co. It currently has more than 162,000 members nationwide. Truliant Federal Credit Union, chartered in 1952 to serve employees of Western Electric, now has more than 280,000 members.

Manufacturing and Industry. Although manufacturing is no longer the largest employment sector in the City and the County, it continues to be a substantial contributor to the area's economy.

Hanesbrand, Inc., headquartered in the City, employs over 48,000 associates in approximately 30 countries. It is the world's largest marketer of basic apparel, selling bras, panties, shapewear, sheer hosiery, men's underwear, children's underwear, socks, t-shirts and other activewear. Hanesbrand includes well-known brands such as Hanes, Playtex, Maidenform and Bali. In 2024, Hanesbrand completed the sale of its Champion brand. On August 13, 2025, Gildan Activewear Inc. ("*Gildan*") and Hanesbrand announced a definitive merger agreement under which Gildan will acquire Hanesbrands. The transaction implies an equity value of approximately \$2.2 billion for Hanesbrand and an enterprise value of approximately \$4.4 billion, based on the value of Gildan's common stock on August 11, 2025. The transaction is subject to Hanesbrand shareholder approval and is expected to close in late 2025 or early 2026. Post closing, Gildan's headquarters will continue to be located in Montreal, Quebec. In its announcement, Gildan's Chief Executive Officer referenced Gildan's intent to maintain Hanesbrands' strong presence in the City.

Reynolds American, Inc. is a long-time corporate citizen of the City. In June 2015, Reynolds American purchased Lorillard, Inc. for \$29.25 billion, making it one of the largest acquisitions in the history of the tobacco industry and giving Reynolds American the number 2, 3, and 4 cigarette brands in the nation: Newport (from Lorillard), Camel and Pall Mall. Reynolds American kept Newport but sold the rest of Lorillard's operations to Imperial Tobacco Group PLC. In 2017, Reynolds American became an indirect, wholly owned subsidiary of British American Tobacco p.l.c. The company's stated goal is to migrate adult smokers from cigarettes to smokeless alternatives and become a predominantly smokeless business by 2035.

In 2011, Caterpillar Inc., the world's leading manufacturer of construction and mining equipment, opened a 850,000 square-foot facility in the City. In 2016, Progress Rail Services Co., a subsidiary of Caterpillar Inc., took over the facility and shifted it from the manufacturing of axles to the manufacturing of railroad equipment.

Krispy Kreme Doughnuts Inc. ("*Krispy Kreme*") was founded in the City in 1937. The company is a branded specialty retailer and wholesaler of sweet treats and complementary products. In May 2016, Krispy Kreme agreed to be taken private and be acquired for approximately \$1.35 billion by J.A.B. Holding Co., a European investment fund with brands including Caribou Coffee, Panera Bread and Keurig Green Mountain. In December 2017, Krispy Kreme moved its corporate operations to Charlotte while the world headquarters and Krispy Kreme Support Center remain in the City.

Ardagh Group, a global supplier of sustainable and recyclable metal and glass packaging, manufactures beverage cans at its facility in the City. In 2021, the company announced a \$195.5 million investment to expand its two production lines at its facility in the City. Other manufacturers in the City include Collins Aerospace Interiors, a division of Raytheon Technologies; Herbalife, a manufacturer of healthcare supplements; Smurfit WestRock, a manufacturer of packaging materials; and Cook Medical, a manufacturer of medical devices.

In June 2025, JetZero announced plans to build a new factory for manufacturing aircraft in Greensboro at Piedmont Triad International Airport, which is in neighboring Guilford County. The company's blended-wing-body plane, known as Z4, aims to provide 50% better fuel efficiency over traditional commercial jets while delivering lower carbon emissions. JetZero expects to create approximately 14,500 jobs from 2027-2036.

Business Parks. The industrial site market in the City and County represents a substantial economic development resource for the area. The City works with local economic development organizations to ensure that there is an inventory of attractive space available in business parks for prospective companies looking to relocate or expand.

The Union Cross Business Park ("*Union Cross*"), a 403-acre public-private partnership established for light industrial uses, is nearly filled and is home to manufacturing, distribution and corporate facilities. Approximately 70 acres of Union Cross remains natural with sidewalks, ponds and woods. Union Cross is home to several companies, including Bekaert Textiles, a Belgian mattress ticking manufacturer; Atlantic Coast Toyotalift, a manufacturer of materials handling equipment; Liberty Hardware, a leader in decorative and effective home hardware products; Clearing House Payments Company, a New York-based financial services data center and operations facility; Polyvlies, a German fabric maker; and Pepsi Bottling Ventures.

Pepsi Bottling Ventures ("*PBV*") leases a 526,000 square-foot building in Union Cross that cost \$82 million to upfit. The facility streamlined its operations and vertical integration of production. PBV is the largest privately held bottler of Pepsi-Cola products in North America, operating 17 bottling and distribution facilities that serve consumers in North Carolina, South Carolina, Virginia, Maryland and Delaware.

Another 99.4-acre site known as Union Cross Industrial Center (the "*Industrial Center*") is adjacent to Progress Rail Services Co. and Herbalife. In 2024, Ziehl-Abegg, Inc., a German manufacturer of ventilation systems, generators and other equipment, began production at its new \$100 million, 522,000-square-foot plant in the Industrial Center. The plant serves as the base of the company's North American operations. The City provided approximately \$630,000 in incentives while the County provided an additional \$430,000. Nelipak Healthcare Packaging opened a 117,000-square-foot production facility at the Industrial Center in 2024, its first in the Americas. The City provided \$295,207 in incentives with the County contributing another \$196,209.

Just north of downtown Winston-Salem, Whitaker Park consists of approximately 220 acres and 1.7 million square feet that was donated by RJ Reynolds to Whitaker Park Development Authority, a non-profit entity created by Winston-Salem Business Inc., the Winston-Salem Alliance and Wake Forest University. It is a key link between the Innovation Quarter, the Smith Reynolds Airport and Wake Forest University. In 2021, Nature's Value Inc., a global vitamin and dietary supplements manufacturer, consolidated its headquarters, manufacturing and distribution operations to a 426,000 square-foot site in Whitaker Park. In 2024, Purple Crow, a local producer of Hispanic foods, moved its headquarters from a smaller facility in the City and opened in Whitaker Park. In April 2025, the Lofts at Whitaker Park, a \$60 million luxury apartment community by Frye Properties, opened. The project converted two historic R.J. Reynolds Tobacco Company Buildings into 163 apartment units.

Brookwood Business Park (formerly Airport Business Park) consists of approximately 45 acres of City-owned property located near the Smith Reynolds Airport that was assembled to provide space for businesses interested in smaller parcels of land. Occupants include Precision for Medicine's Biospecimen Solutions, a clinical research organization, and Combs Wholesale Project Company, a fruit and vegetable distributor in North Carolina, South Carolina and Virginia with a 40,000 square-foot cold distribution facility located in Brookwood Business Park.

Tourism. Tourism is another growing industry in the City, generated in part by Wake Forest University sports, the biennial International Black Theatre Festival, the Carolina Classic Fair, Old Salem Museums & Gardens and Reynolda House. According to *VisitNC*, visitors in the County spent more than \$1 billion in 2023, representing a 6.9% increase from 2022.

The M.C. Benton, Jr. Convention Center and Civic Center (*"The Benton"*), located in downtown Winston-Salem, offers 150,000 square feet of flexible meeting space and 319 guest rooms and suites. The Benton is connected to the Marriott Winston-Salem, which has an additional 12,600 square feet of meeting space. It is within walking distance of more than 100 restaurants, shops, breweries and bars.

Graylyn International Conference Center of Wake Forest University has hosted presidents of the United States, as well as Fortune 500 boards and government groups. The 55-acre estate was originally the home of Bowman Gray, a leading southern industrialist who was president and chairman of R.J. Reynolds Tobacco Company from 1924-1935. The family later gifted the estate to Wake Forest University for educational purposes.

Each year an estimated 500,000 people visit Old Salem Museum & Gardens (*"Old Salem"*), one of the most authentic historic restorations in the country, covering about 100 buildings over 90 acres. Costumed interpreters re-create daily life during the late 18th and early 19th centuries in the former German-speaking trading center and Moravian Church town known as Salem. The Museum of Early Southern Decorative Arts is also part of Old Salem. Old Salem also includes the Single Brothers' Gardens, an award-winning restoration project.

See also "**ARTS AND CULTURE**" and "**SPORTS AND RECREATION**" below.

DOWNTOWN DEVELOPMENT

An estimated 5,000 people reside in downtown Winston-Salem where additional residential development continues to occur. Downtown Winston-Salem's living, shopping, food and entertainment options continue to grow in number and variety. Downtown development, as well as recruitment of new business to the City as a whole, has largely resulted from the leadership and strategic moves of the City Council and the Winston-Salem Alliance, a non-profit alliance with membership that includes some of Winston-Salem's most influential companies and organizations. The Winston-Salem Alliance merged with Greater Winston-Salem, Inc. (formerly the Winston-Salem Chamber and Winston-Salem Business, Inc.) in 2024. The Downtown Winston-Salem Partnership is another organization that supports downtown initiatives, projects and advocacy. Spearheaded by the Downtown Winston-Salem Partnership, the most recent downtown plan was adopted by City Council in 2023.

Eight unique districts comprise the downtown core, four of which offer residents and visitors a variety of options for dining, shopping and entertainment. Six outer districts surround the downtown core.



A notable example of downtown revitalization is the iconic Reynolds Building, a 314-foot Art Deco skyscraper constructed in 1929, which famously inspired the Empire State Building. A \$60 million renovation transformed the building, converting its upper floors into luxury apartments and introducing the Kimpton Cardinal Hotel on the lower floors, while maintaining historic elements in the lobby.

Another important project involved the revitalization of the historic Pepper Building, an Art Deco structure built in 1928 and repurposed as Hotel Indigo. Developers preserved original terrazzo floors and period-specific details while addressing structural repairs and restoring over 300 damaged windows. In 2019, the project was touted as being the most thoughtful repositioning of abandoned space in the nation.

Another example of revitalization is the 21-story former GMAC Building, now known as 500 W. 5th, which was acquired in 2017 by local business leader Don Flow and developed as an entrepreneurial center for young companies. Flow Automotive Group relocated all of its corporate services from locations throughout North Carolina and Virginia to 90,000 square feet of the 340,613 square-foot building. About 35,000 square feet of the building is occupied by Winston Starts, a new business accelerator organization. On the adjacent site, Grubb Properties developed a \$48 million residential and retail project along Fourth Street, which includes the 240-unit Link Apartments® Brookstown. The residential project involved removing an existing six-story building. The City assisted with the cost of removing the building by agreeing to return 75% of the annual new taxes paid on the residential project for a period of 10 years.

A new 250,000 square-foot courthouse opened downtown in October 2023. It includes six floors with 18 courtrooms. The first floor provides space for most of the services of the Clerk of Court. A secure bridge to the Government Center allows staff quick access.

Other projects downtown include Kaleideum, a Children's Museum created from the July 2016 merger of the Children's Museum of Winston-Salem and SciWorks, the Science Center and Environmental Park of Forsyth County. The museum previously operated in two locations in the City — Kaleideum Downtown (formerly, The Children's Museum of Winston-Salem) and Kaleideum North (formerly, SciWorks). In February 2024, Kaleideum opened in a new five-story building in downtown with four floors of exhibits, a digital dome and a rooftop adventure playground.

Arts and entertainment continue to play an important part in the continued growth of downtown. Several venues such as The Milton Rhodes Center for the Arts and the Stevens Center are located downtown. See “ARTS AND CULTURE” below.

Several live music clubs can be found downtown, featuring jazz, rhythm and blues, and alternative music, along with coffeehouses featuring folk, bluegrass, and acoustic music. Free outdoor concerts continue on Thursday, Friday and Saturday nights from May through September.

As a result of a \$30 million Choice Neighborhood Initiative (“CNI”) 2020 grant from the U.S. Department of Housing and Urban Development, the City and the Housing Authority of Winston-Salem commenced a multi-year program to revitalize and transform the Cleveland Avenue Homes public housing apartments. The grant will allow the Housing Authority to replace 244 aging apartments with 406 new units. The first phase is complete, with completion of all phases currently expected in the last quarter of 2027.

RESIDENTIAL AND NON-RESIDENTIAL CONSTRUCTION

The following table summarizes the number and value of new building permits issued in the City for the fiscal years indicated below:

Year	Non-Residential Number	Non-Residential Value	Residential Number	Residential Value	Rehabilitation Value	Total Value
2021	331	\$215,943,161	778	\$150,102,004	\$255,074,257	\$621,199,422
2022	338	110,336,431	855	196,908,863	229,598,553	536,843,847
2023	307	329,358,694	646	146,580,588	346,322,117	822,261,399
2024	477	100,867,493	887	187,578,561	317,475,224	605,921,278
2025	301	129,555,227	860	160,898,721	393,764,542	684,218,490

Source: Winston-Salem/Forsyth County Building Inspection Division.

TAXABLE SALES

Taxable sales figures are not available for the City. The taxable sales for the County for the fiscal years ended June 30, 2020 through 2024 and part of the 2025 fiscal year are shown in the following table:

Fiscal Year Ended June 30	Total Taxable Sales	Percentage Increase (Decrease) Over Previous Year
2020	\$5,724,710,125	(0.3)%
2021 ¹	6,968,752,208	21.7
2022 ¹	7,862,160,614	12.8
2023	8,328,159,601	5.9
2024	8,525,950,986	2.4
2025	8,639,140,958	1.3

¹ For fiscal years 2021 and 2022, sales tax collections in North Carolina exceeded expectations with shifts in consumer spending and the direct stimulus support given to households during the COVID-19 pandemic. Inflation also led to higher sales tax collections.

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

EMPLOYMENT

Ten Largest Employers in the County 2024

Employer	Type	Approximate Number of Employees
Atrium Health Wake Forest Baptist	Health Care	18,570
Novant Health Inc.	Health Care	11,010
Winston-Salem/Forsyth County Schools (WS/FCS)	Education	5,500 ¹
Truist Bank	Financial Services	4,000
Wells Fargo Bank	Financial Services	3,500 ²
Reynolds American Inc.	Manufacturing	2,500
Hanesbrands Inc.	Apparel	2,400
City of Winston-Salem	Government	2,287
Wake Forest University	Education	2,270
Forsyth County	Government	<u>2,116</u>
Total Employees		54,153

Source: County of Forsyth, North Carolina 2024 Annual Comprehensive Financial Report

¹ In August and September 2025, WS/FCS eliminated over 340 positions.

² In June 2025, Wells Fargo Bank filed a document with the State noting the elimination of 194 jobs in the City effective August 23, 2025.

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

<u>Year</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2020	3.9%	3.7%	4.6*%	14.2*%	13.1%	11.3%	10.7%	7.8%	7.2%	6.0%	6.0%	6.0%
2021	6.6	6.5	5.9	5.8	5.9	6.2	5.9	5.6	4.8	4.8	4.2	3.6
2022	4.1	4.0	3.9	3.8	4.0	4.5	4.3	4.4	3.8	4.3	4.1	3.5
2023	4.1	4.0	3.8	3.3	3.8	4.2	4.2	4.3	3.7	3.8	3.8	3.7
2024	4.0	4.1	4.0	3.5	3.9	4.4	4.7	4.4	3.6	3.6	3.9	3.6
2025	4.1	3.9	4.0	3.7	4.0	4.5	4.4	4.6				

*Onset of the COVID-19 pandemic.

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

For comparison, the City's unemployment rate averaged 4.0% for 2024, as compared to 3.8% for the County, 3.6% for the State and 4.0% for the United States.

GOVERNMENT STRUCTURE

The City operates under a council-manager form of government. The City Council is composed of eight members who are elected by voters of eight districts. The Mayor is elected at-large, presides over all City Council meetings, and votes only in the event of a tie. The City Council enacts resolutions, ordinances, sets general policies, and appoints a professional city manager who directs daily operations of the City through appointed department heads.

Consolidated programs of the City and County, administered by the City, include purchasing, community planning and zoning, inspections, emergency management, water and sewer utilities, and solid-waste management. Consolidated programs of the City and County, administered by the County, include elections and tax collections.

EDUCATION

Winston-Salem/Forsyth County Schools (“WS/FCS”), the fourth largest school system in the State, serves over 50,000 students enrolled in 81 schools. Elementary and middle school parents may choose the neighborhood school or other schools within their residential assignment zone. Each of the WS/FCS’s elementary and middle schools has a special theme and resources to enhance its educational program. The WS/FCS Career Center offers about 30 Advanced Placement (college-level) courses to high school students. All schools in the system have guidance counselors, curriculum coordinators, programs for academically gifted students, as well as art, music, foreign language and physical education teachers.

The Board of Education offers the “Schools of Choice” process, giving parents options on choosing schools. Elementary schools are divided into 11 zones, and middle schools are divided into seven zones. Parents may choose from their neighborhood school, another school within their zone, or from 21 magnet programs.

The WS/FCS is operated and administered by an elected Board of Education, which appoints a school superintendent. State law provides a basic minimum educational program for each school administrative unit or district, which is supplemented by the County and federal governments. The minimum program provides funds for operational costs only, but the building of public school facilities has also been a joint state/county effort. The County provides local financial support for capital and additional operating expenses. The City has no responsibility to finance operating expenses or capital needs of the WS/FCS.

The following table shows WS/FCS average daily membership (“ADM”) for the last five school years:

School Year	2020-21	2021-22	2022-23	2023-24	2024-25
ADM	51,822	52,022	51,936	51,304	50,713

Source: North Carolina Department of Public Instruction. ADM (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. ADM figures are used for both teacher allotments and per capita distribution of local funds if there is more than one school administrative unit within a county.

Forsyth Technical Community College or FTCC is one of the largest community colleges in North Carolina. It has an enrollment of over 11,450 credit students and over 10,450 continuing education students. FTCC offers 69 associate degree programs and six college transfer degree programs. Some of the credit programs offered at FTCC include nursing, web technologies, automotive systems technology, racecar technology, electronics engineering technology, business administration, early childhood education, architectural technology, interior design, biotechnology, nanotechnology, dental hygiene, basic law enforcement, e-commerce, cybersecurity and global logistics technology. It offers 66 certificates in such fields as health care, engineering technologies, criminal justice, automotive technology, logistics management, nanotechnology and biotechnology. Students in the college transfer degree programs can begin their first two years of a four-year college or university program at FTCC.

Through its Corporate & Continuing Education Division, FTCC provides customized training in a variety of areas for local businesses and industries. FTCC works with local industry to assess training needs in order to make appropriate training available. It also provides outplacement counseling for those who are laid off or are looking for a different career. In addition, through this division, FTCC provides courses for personal enrichment such as financial planning and creative arts.

The Early and Middle Colleges of Forsyth County are joint programs of FTCC and WS/FCS. The Early College provides 9th grade students with the opportunity to earn their high school diploma and get college credit at the same time, and with one more year after high school, to receive a two-year degree tuition-free. The Middle College allows juniors and seniors in high school an opportunity to continue their studies on the main campus of FTCC while also earning college credit. Dual enrollment classes allow students to earn college credits tuition free on their own high school campus.

Founded in 1834, Wake Forest University is a private liberal arts university with a nationwide reputation for challenging academics, individualized teaching, small classes and state-of-the-art resources. It has an undergraduate enrollment of approximately 5,490 students and a graduate enrollment of approximately 3,830. All 50 states are represented and 39 countries. The university ranked 51st overall in the 2026 *U.S. News and World Report* rankings.

Winston-Salem State University (“WSSU”), one of the 17 constituent institutions of The University of North Carolina, is a leading regional institution providing learning opportunities for a diverse student population. WSSU offers degrees in areas of high job demand such as nursing, computer science, biotechnology, education and information management. Utilizing state-of-the-art facilities and technologies, including wireless access and networking, the university offers educational opportunities in numerous formats: evening-weekend, summer, distance learning, continuing education and online education. WSSU has an enrollment of over 4,775 students and offers over 39 undergraduate degree programs, 50 undergraduate minors, seven graduate degree programs, two professional doctoral programs and six post-baccalaureate certifications. WSSU was ranked the top nursing program in the nation at an historically black college and university (HBCU) by NursingProcess.org and the best masters of healthcare administration online program in the nation by BestColleges.org.

The University of North Carolina School of the Arts (“UNCSA”) is also one of the 17 constituent institutions of The University of North Carolina. It is an arts conservatory of international renown, training talented students for professional careers in the arts. The first state-supported residential school of its kind in the nation, UNCSA opened in 1965 on 67 acres in the City and became part of the University of North Carolina System in 1972. High school and college students are enrolled annually in its five professional schools: Dance, Design & Production (including a Visual Arts Program), Drama, Filmmaking and Music. The school is accredited by the Southern Association of Colleges and Schools and awards the high school diploma, the College Arts Diploma, the Professional Artist Certificate, and bachelor and master’s degrees. The State of North Carolina pays the full cost of attending UNCSA (tuition, fees, and room and board) for all in-state students who are accepted into the high school program. Students must audition/interview for admission and study with master teachers who have had successful careers in the arts as well as with guest artists. UNCSA alumni have performed in or behind the scenes of Broadway shows, film television and regional theatre, and are members of the world’s finest symphony orchestras and opera and dance companies.

UNCSA’s School of Filmmaking trains talented students for professional careers in the film and television industries. Seniors’ films are screened in the City and Los Angeles each year. The joint efforts of the film school and the area’s Film Commission have made the City an attractive site for location shooting of feature films and television movies. UNCSA’s School of Filmmaking ranked eighth on The *Hollywood Reporter*’s 2024 list of the 25 best film schools in the world.

Founded in 1772, Salem College is the nation’s 13th oldest institution of higher education and the oldest continuously operating women’s educational institution according to the American Council on Education. With approximately 470 students, Salem College is that nation’s only liberal arts college exclusively focused on health leadership. It has 26 undergraduate majors and 32 minors. Salem College

shares a 57-acre campus with Salem Academy, a college preparatory boarding school for girls in grades 9 through 12. Salem Academy and College are located in the Old Salem historical district.

ARTS AND CULTURE

The City has a rich diversity of arts and culture available for its residents' enjoyment. The community is known for its support of the arts and for many years has had one of the highest per capita contributions to the arts of any city in the United States. The arts are a major driver of the local economy.

The Arts Council of Winston-Salem and Forsyth County, established in 1949, was the first Arts Council in the country. Today, the Arts Council supports a broad range of arts and cultural organizations through the process of grant funding through its Operational Support, Arts in Education, Project Assistance and Regional Artists grants. The grants support organizations such as the Sawtooth Center for Visual Arts, Associated Artists of Winston-Salem, Facilities for the Arts on Spruce, the Winston-Salem Symphony, the North Carolina Black Repertory Company, the Little Symphony, Winston-Salem Delta Fine Arts, Piedmont Craftsmen, Piedmont Opera Theater, Associated Artists, the Children's Theatre, the Little Theatre of Winston-Salem and the Southeastern Center for Contemporary Art. The Arts Council Community Support Program assists with the planning and organizing of many community projects including festivals, concerts, workshops and educational programs.

The Downtown Arts District consists of working studios, galleries, locally-owned retail shops, restaurants, residences and businesses. The Arts District is located along Trade and Liberty Streets and features many restored historic buildings that characterize the City's past. The Downtown Arts District Association (DADA) celebrates its 40th anniversary in 2025 and is the neighborhood organization that transformed the district into the vibrant area it is today. The organization continues to promote art and the arts district through events such as First Friday Gallery Hops, held the first Friday of each month.

The Arts District includes a public park known as ARTivity on the Green that is located in the heart of the district on Liberty Street between Sixth and Seventh Streets. The half-acre urban park features towering faux smokestacks that release clouds of water vapor to pay tribute to the City's industrial past. It also features plenty of green space with areas for sitting and picnicking, a mural wall and a performance shelter.

The AFAS (Art for Art's Sake) group is a volunteer-based 501(c)(3) nonprofit volunteer organization whose mission is to build, educate and celebrate community through art. Through student scholarships and artist mentoring, the AFAS group encourages the development of new and emerging artists in the community. It operates the AFAS Center for the Arts, which houses the group's operations as well as galleries and arts space.

The Milton Rhodes Center for the Arts is comprised of two galleries, multi-purpose performing arts spaces, meeting and event spaces, a café and terrace, Associated Artists of Winston-Salem and the Sawtooth School for Visual Art. Located adjacent to the Milton Rhodes Center, the Hanesbrands Theatre is a 300-seat black-box theatre, affording a variety of stage and seating configurations for dance, theatre, music and film productions.

The Stevens Center in downtown Winston-Salem is one of the City's principal performance venues. Originally a 1929 silent movie theatre, the two-story, 1,364-seat neoclassical theatre is the primary performance space for UNCSA, the Winston-Salem Symphony, the Piedmont Opera and other local, national and international performers. The Stevens Center is currently closed and undergoing a major \$81 million renovation that is estimated to be complete in 2026. UNCSA, which owns the Stevens Center,

typically presents more than 400 public performances and screenings annually, including dance and symphony orchestra concerts, plays, musicals, operas, and film screenings.

The International Black Theatre Festival, held every other year, is the nation's largest and most celebrated exposition of Black theatre groups. Since its inception in 1989 by Producer and Artistic Director Larry Leon Hamlin, the festival has been hosted in the City by the North Carolina Black Repertory Company, which celebrated 45 Marvtastic Years in 2024. The six-day event in August 2024 was the 17th biennial event and attracted more than 65,000 patrons to performances by black theatre groups from across the country.

Reynolda House, open to the public since 1967 as a museum, is home to a widely praised art collection and is one of a small number of early-twentieth-century American country houses still standing in its original form. Reynolda House features outstanding paintings and prints dating from the colonial period to the present, while retaining the architectural features, home furnishings, and memorabilia of the family of R.J. Reynolds, founder of the Reynolds Tobacco Company. Originally the home of R.J. and Katharine Smith Reynolds, the home was completed in 1917 and has been named to the National Register of Historic Places. The museum is situated on the original 1,000-acre estate alongside Reynolda Gardens of Wake Forest University and the historic Reynolda Village.

The Southeastern Center for Contemporary Art is a series of cascading galleries housed in the 1929 English-style home of the late industrialist James G. Hanes. The original structure has been enhanced with 20,000 square feet of exhibit space where exhibits change several times a year and represent the finest contemporary art, both regionally and nationally. Educational programming, which accompanies each exhibition, includes gallery walks, artist lectures, family community days, hands on workshops, film series, and many more activities designed to engage and entertain restless minds with contemporary art.

The Diggs Gallery, a major cultural center at Winston-Salem State University, is one of the nation's best regional, contemporary African-American art galleries. The gallery also houses an impressive collection of works on paper by well-known European and American artists such as Jean Francois Millet, Joan Miro and Robert Rauchenberg. Exhibitions and programs address a broad range of artistic expression, with special concentration on African-American and regional art.

The Piedmont Opera opened for its first production in September 1978 and is the second largest opera company in the State. The Piedmont Opera produces high quality opera productions using international, national, regional and local professional singers and technicians. In addition to its regularly scheduled productions each year, the Piedmont Opera also conducts a wide variety of educational and outreach programs, as well as presentations at UNCSA, Wake Forest University and WSSU.

The Winston-Salem Symphony was founded in 1946 and currently performs 35-40 concerts per year. It employs 75 professional musicians on a per service basis and also boasts a 120-voice volunteer chorus. Its music education programs produce over 28,000 student encounters annually.

SPORTS AND RECREATION

The Winston-Salem Recreation and Parks Department has 87 public parks, 17 recreation centers, which are tied into WinstonNet (a high-speed computer network that was created to ensure that all citizens have access to the opportunities that computers provide), 43 soccer fields, 29 softball/baseball fields, eight outdoor pools, nine spray grounds, 52 picnic shelters, 48 playgrounds, a football field, over 25 miles of greenway, 45 playgrounds, 23 fitness trails, 83 tennis courts, five volleyball courts, 25 basketball courts, two public golf courses (Reynolds Park and Winston Lake), three dog parks and a hobby park for remote-controlled cars and planes, and soapbox derby cars.

The most attended professional sport in the City is stock car racing. Thousands of fans come to 17,000-seat Bowman Gray Stadium for NASCAR racing on spring and summer nights. Bowman Gray Stadium, which is owned by the City, is also used for WSSU football as well as high school athletic events and the annual Carolina Drum Classic Marching Band Competition. The stadium can hold up to 28,000 for concerts and special events. The City recently completed various improvements including a new LED lighting system.

The City is home to the Winston-Salem Dash, a Class A minor league professional baseball team affiliated with the Chicago White Sox. The Dash play over 70 home games each season. In 2010 the Dash started their first season in the 5,500-seat Truist Stadium (formerly BB&T Ballpark) in downtown Winston-Salem off Business 40 and Peters Creek Parkway. Truist Stadium is now owned fully by the City.

The Wake Forest University Demon Deacons participate in Division I of the NCAA, including intercollegiate teams in football, basketball, baseball, cross-country, tennis, soccer, volleyball, field hockey and golf. WSSU students participate in Division II of the NCAA and may participate in football, basketball, track and field, cross-country, tennis, softball and volleyball.

First held in 2011, the Winston-Salem Open Tennis Tournament takes place in the tennis stadium next to Truist Field on the campus of Wake Forest University. The 3,800-seat tennis stadium includes 13 courts, making it eligible to host future NCAA tournament events. An ATP World Tour 250 event, the Winston-Salem Open is the final men's tournament on the Emirates Airline US Open Series prior to the US Open, and it draws an international field of competition.

The Carolina Classic Fair (the "*Fair*") is held annually for 10 days each October at the Fairgrounds. The City owns the 4,500-seat Fairgrounds Arena as well as the adjacent fairgrounds. With approximately 325,000 visitors each year, it is second in agriculture fair size to the North Carolina State Fair. The Fair brings national as well as state entertainers to the City.

TRANSPORTATION

Ground, air, and water transportation routes are readily accessible to local commerce and industry. People and products move smoothly throughout the Piedmont Triad region, in part due to an efficient transportation network and the nation's largest State-maintained highway system that conveniently links to major east coast interstates. US Highway 421 (Salem Parkway, formerly Interstate 40 (Business)) passes through the approximate center of the County and connects with Interstate 85 to the east and Interstate 77 to the west. Interstate 40 (Bypass) encircles the southern section of the City, connecting US Highway 421 east of Clemmons to the west and east of Kernersville in the western part of Guilford County. US Highway 52 runs north-south through the center of the County, intersecting Salem Parkway near downtown Winston-Salem.

The Winston-Salem Northern Beltway is a transformative 34.5-mile multi-lane freeway loop designed to significantly reduce traffic congestion around the City. The project, divided into Eastern (future I-74) and Western (future I-274) segments, has progressed in phases since construction commenced in December 2014, with the initial section opening in September 2020. Currently, the Eastern Loop is partially operational and is expected to be fully completed by the end of 2026. Meanwhile, development on the Western Loop is scheduled to begin in 2030 and continue for about ten years. Upon full completion, the beltway is expected to deliver numerous benefits, including a 20% reduction in traffic volume on US 52, enhanced safety and mobility across the Winston-Salem region, commuter travel time savings of 15-20 minutes in specific areas, and expanded economic development opportunities. With the completion of the beltway, the City will also become the seventh city in the State to feature a complete or partially completed Interstate loop.

Smith Reynolds Airport, owned by the County and located minutes from downtown Winston-Salem, serves as a strategic hub for corporate aircraft, air charter services, general aviation and air cargo operations. Major air carrier service is provided at Piedmont Triad International Airport (“PTIA”) located just off Interstate 40 approximately 20 miles east of downtown Winston-Salem. Scheduled passenger service is provided by five major airlines with over 65 non-stop flights daily to 16 destinations.

The Piedmont Authority for Regional Transportation (“PART”) provides shuttle service in a ten-county area, including the County. Its operations are primarily funded by a five-percent tax levied on the short-term rental of private vehicles in Forsyth and Guilford Counties. PART provides 30-minute service, five days a week, between the City, Greensboro and High Point during peak travel periods with hourly service at other times of the day. Shuttle services are also available to PTIA and to any other destination within a range of three to four miles of the Regional Terminal.

AMTRAK Connector Service, which provides three daily round trips between the City and the High Point Rail Station, has developed into a valued service for passengers traveling on the Piedmont and Carolinian passenger trains. Rail systems include Norfolk Southern Corporation, Yadkin Valley Railroad and the intrastate Winston-Salem Southbound Railway.

Winston-Salem Area Transportation Planning Organization (the “TPO”) is responsible for coordinating transportation planning within the Winston-Salem Urbanized Area according to the most recent U.S. census. The TPO provides a forum for local decision making regarding federal, state and local transportation funds for urbanized areas. The TPO is responsible for maintaining and updating the Metropolitan Transportation Plan (the “MTP”) every five years.

In 2019, the Winston Salem Department of Transportation unveiled its Bicycle Master Plan. The Winston-Salem Bicycle Master Plan identifies 17 priority corridors totaling hundreds of miles of bike routes needing physical improvements, as well as programs and policies that can help make cycling a viable transportation option for citizens and visitors. Throughout the planning process, the City held 16 public input meetings to gather citizen input and gauge reaction to the recommendations within the plan. The plan is expected to help guide the development of bicycle infrastructure, policies, and programs for the 10-15 years following its adoption and help the City become a bicycle-friendly destination.

International ports are approximately 250 miles to the east, in Wilmington and Morehead City, North Carolina.

CYBERSECURITY

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats, including, but not limited to, hacking, phishing, viruses, malware and other attacks in computing and other digital networks and systems (collectively, “*Systems Technology*”). As a recipient and provider of personal, private or sensitive information, the City may be the target of cybersecurity incidents that could result in adverse consequences to the City and its Systems Technology.

On December 26, 2024, certain systems on the City’s network were impacted by an unauthorized actor. For cautionary reasons, City computer systems were taken offline. This incident did not impact operations in the City’s police department, fire department or utilities system. Many of the City’s tier 1 systems such as human resources, payroll and financial services were available within a short amount of time. As of February 10, 2025, the majority of the City’s operations were online and operating as normal. From December 26, 2024 until all City systems were back online, the City continued operations manually. The City's proactive response and existing security measures helped contain the incident quickly. Recovery

efforts were managed cost-effectively through existing resources and established protocols. To date, the City has not been made aware of any personal information being compromised and the cost to the City has been minimal. However, the investigation is ongoing.

Although the City's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause disruption to the City's finances or operations. The costs of remedying any such damage or protecting against future attacks could be significant.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

General. For a discussion of the defined benefit pension plans in which the City participates, see Note 3 in the City's audited financial statements attached as **Appendix C** hereto.

North Carolina Local Government Employees' Retirement System. The City is a participating employer of the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State. Contribution provisions are established by statute and may be amended only by the North Carolina General Assembly. The City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2024 was 14.10% of compensation for law enforcement officers and 12.85% for general employees, 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 \$19,288,393 for the fiscal year ended June 30, 2024. At June 30, 2024, the City reported a liability of \$102,966,551 for its proportionate share of the net pension liability. The total pension liability was measured as of June 30, 2023. A discount rate of 6.50% was used for this calculation. A sensitivity analysis and other actuarial assumptions used in determining the City's pension liability are set forth in the City's audited financial statements.

For additional information, see Note 3 in the City's audited financial statements included as **Appendix C** hereto.

Winston-Salem Police Officers' Retirement System. Winston-Salem Police Officer's Retirement System (WSPORS) is a single-employer, defined benefit plan with required membership for police officers hired prior to January 1, 2014. As of December 31, 2013, the plan is closed for new entrants. Members are required to contribute 6% of their salary, and contributions by the City are based upon annual actuarial studies. At June 30, 2024, the City reported a liability of \$31,176,120 for its proportionate share of the net pension liability. The total pension liability was determined by actuarial valuation as of January 1, 2024. An investment rate of return of 7.00% was used for this calculation. A sensitivity analysis and other actuarial assumptions used in determining the City's pension liability are set forth in the City's audited financial statements.

For additional information, see Note 4 in the City's audited financial statements included as **Appendix C** hereto.

Defined Contribution Retirement Plans. The City participates in three defined contribution plans. Winston-Salem Police Officers' Defined Contribution Plan is a defined contribution plan effective January 1, 2014. The City contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. Winston-Salem General and Fire Employee's Defined Contribution Plan was established January 1, 2017.

For additional information, see Note 3 in the City's audited financial statements included as *Appendix C* hereto.

Other Post-employment Benefits (OPEB). Under a City Council resolution dated September 9, 1991, the City provides healthcare and death benefits as a single-employer defined benefit plan to cover retirees of the City who have at least 15 years creditable service and retire from the City. Employees hired after June 30, 2010 are not eligible for the retiree healthcare benefit. At January 1, 2024, the plan had 1,932 participants, consisting of 659 active members and 1,273 inactive plan members or beneficiaries currently receive benefits. For the fiscal year ended June 30, 2024, the City contributed \$1,492,954 or 3.1% of annual covered payroll to the plan. The City is self-insured. The City's obligation to provide healthcare and death benefits may be amended by City Council. At June 30, 2024, the City reported a net OPEB asset of \$6,231,026.

For additional information, see Note 3 in the City's audited financial statements included as *Appendix C* hereto.

LITIGATION

The City is not a party to any litigation, the outcome of which, in the opinion of the City Attorney, would materially adversely affect the City's ability to meet its financial obligations.

APPENDIX C

FINANCIAL STATEMENTS OF THE CITY

APPENDIX C

FINANCIAL STATEMENTS OF THE CITY

The City's basic financial statements have been audited by independent certified public accountants for each fiscal year through June 30, 2024.

The City has not requested nor obtained the consent of its auditor to the inclusion of these financial statements in this Official Statement.

NO RECOURSE MAY BE HAD AGAINST ANY FUNDS OR ACCOUNTS DISCLOSED IN THESE FINANCIAL STATEMENTS, EXCEPT THE WATER AND SEWER UTILITY FUND FOR THE PAYMENT OF THE 2025 BONDS.

Management's Discussion and Analysis

Our discussion of the City of Winston-Salem's financial performance is intended as an overview of the City's financial performance for the fiscal year ended June 30, 2024. The financial statements and notes included in this report present the financial position and operations of the governmental and business-type activities and fiduciary responsibilities of the City. During the fiscal year, the City continued its sound current and long-range policies for financial management. These policies are intended to:

- expand and diversify sources of revenue other than property taxes;
- maintain relatively low-property tax rates;
- facilitate capital improvements by maintaining adequate resources and reasonable financing capacity;
- augment resources by astute cash management;
- enhance management techniques to improve productivity and efficiency;
- provide self-sufficient public services that are similar in operation to private enterprises; and
- continue City-funded affordable housing initiatives to supplement federal housing programs.

City policies encourage the use of local revenue to provide basic services instead of depending upon uncertain federal and state sources. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal.

Financial Highlights

Highlights of the City's fiscal year ended June 30, 2024, include:

- City of Winston-Salem total net position increased approximately \$87 million from \$1.391 billion (as restated) to \$1.478 billion.
- As of June 30, 2024, total net position of \$1.478 billion included \$253.9 million (unrestricted net position), which in large part, have been reserved for specific purposes or needed for working capital to meet the City's ongoing obligations to citizens and creditors. The unrestricted net position should not be used to fund ongoing operations other than working capital because major financial stress would be likely as the assets are depleted.
- As of June 30, 2024, the City's governmental funds reported combined fund balances of \$355.7 million. Approximately 17.1% of this amount is unassigned and is available for spending at the government's discretion.
- Unassigned fund balance of the general fund (approximately \$60.7 million) continues to meet working capital requirements. The City adopted a financial policy to maintain a minimum unassigned fund balance of 16% of estimated expenditures in the general fund. The fiscal year 2025 original budget includes a fund balance appropriation of \$5.55 million, a decrease of \$2.47 million compared to the fiscal year 2023 appropriation. The unassigned fund balance was 20.35% of 2025 estimated expenditures. Legal provisions and financial policies of the City restrict fund balances in other funds to the purposes of those funds.
- The City's total long-term liabilities decreased by \$51.6 million to \$1.12 billion. Long-term liabilities include debt instruments such as bonds, contracts, leases and subscriptions, as well as pension and post retirement liabilities. Several key factors contributed to this decrease: the retirement of \$17.67 million in general obligation bonds, the retirement of \$21.13 million in revenue bonds, the issuance of \$.9 million in leases, the issuance of \$.5 million in information technology subscriptions, retirement of \$13.0 million limited obligation bonds, and retirement of \$8.72 million in installment financing contracts. The City received funding from Clean Water and

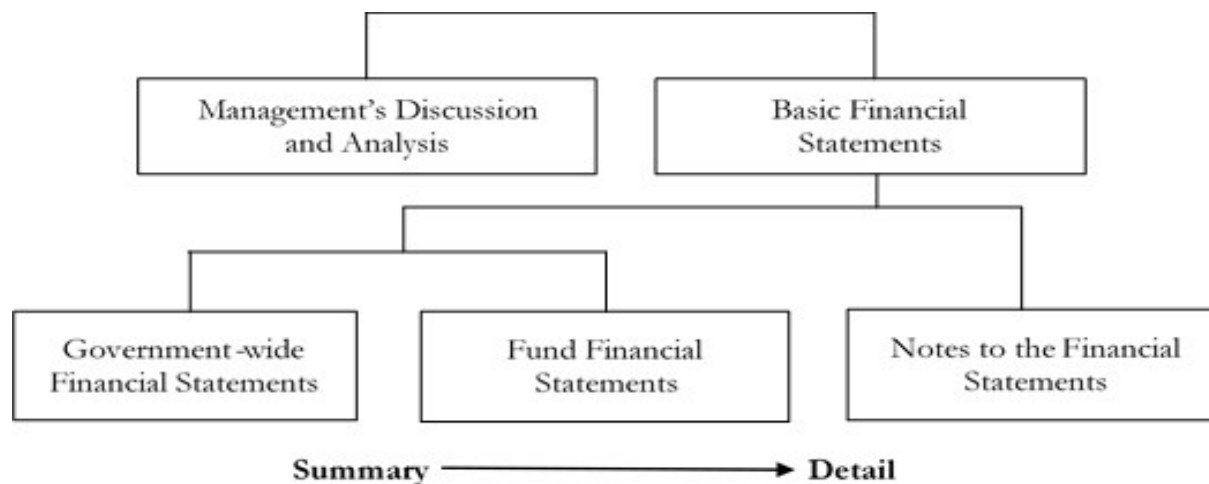
Drinking Water State Revolving Loan Funds in the amount of \$23.1 million and retired \$5.5 million.

- Property taxes supported 52.1% of governmental services to citizens and the community, and 54.1% of mass transportation expenses in 2024. The City increased the tax rate from \$.6360 to \$.6610 for fiscal year 2024.
- City of Winston-Salem maintained its AAA bond rating from Moody's and S&P.

Overview of Financial Statements

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

This discussion and analysis serves as an introduction to the City of Winston-Salem's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements as shown above. The basic financial statements present two different views of the City through the use of government-wide 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. This report includes all funds and account groups of the City of Winston-Salem as well as its component units, which are described below. Note 1A in the financial report includes further discussion of the reporting entity and descriptions of funds.

Government-wide Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the *Government-wide Financial Statements*. These financial statements provide a broad overview of the City's financial position and operations, in a manner similar to a private-sector business. These statements also include one component unit, North Carolina Municipal Leasing Corporation. Although legally separate, financial information for this nonprofit corporation is blended in the financial statements because the corporation provides services only to the City.

The statement of net position presents the City's assets and deferred outflows of resources and total liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving. The statement of activities presents information on how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore,

revenues and expenses are reported in this statement, which result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Government-wide statements are divided into governmental and business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, environmental health, transportation, community and economic development, and general government. Property taxes, intergovernmental revenues, and other local taxes finance about 80% of the costs of these activities. Business-type activities include water and sewer utility, solid waste disposal, stormwater management, public assembly facilities, parking, and Winston-Salem Transit Authority services. These activities are primarily paid from charges to customers or in the case of transit services, charges to customers and federal and state grants.

Fund Financial Statements

The fund financial statements (Exhibits 3 through 10) provide a more detailed look at the City's most significant activities. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting ensures and reflects compliance, or non-compliance, with related legal requirements, such as General Statutes, grantor provisions, or the City's budget ordinances. The funds of the City are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for most basic services and are reported as governmental activities in the government-wide financial statements. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. 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 adopts an annual budget for its general fund, certain special revenue funds, debt service fund, and capital projects funds as required by General Statutes. A budgetary comparison statement demonstrating compliance with the budget ordinance is provided for the general fund in the basic financial statements.

Proprietary Funds. The City has two different kinds of proprietary funds. *Enterprise Funds* report business-type activities that are included in the government-wide financial statements. Enterprise funds are used to account for water and sewer utilities, solid waste disposal, stormwater management, parking, public transportation, and public assembly facilities activities. Rate structures of enterprise operations, other than public transportation and public assembly facilities, are set, insofar as practicable, to recover full operating costs plus depreciation and interest expense and to provide reasonable working capital and other reserves. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central warehouse, fleet services, information services, workers' compensation, health benefits, dental and flexible benefits, and employee benefits funds. These funds predominantly benefit governmental functions and have been included with the respective governmental activities in the government-wide financial statements. The risk management reserve fund predominantly benefits business-type activities. It has been included within the business-type activities in the government-wide financial statements.

Proprietary fund financial statements provide more detailed information than that presented in the government-wide financial statements and separate information for the water and sewer utility, solid waste disposal, and Transit Authority operations, which are major funds of the City.

Fiduciary Funds. Fiduciary funds are used to account for resources held by the government in a trustee capacity for others. Because the resources of fiduciary funds cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide statements. The City uses fiduciary funds to account for the assets of other post-employment benefits, which include the Winston-

Salem Police Officers' Retirement and Police Officers' Separation Allowance plans, and retired life and health programs.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information in Exhibits 11 through 21. The purpose of Exhibits 11 through 21 is to provide the information needed for financial reporting and accounting of the Winston-Salem Police Officers' Retirement plan, Police Officers' Separation Allowance plan, other Post-employment Benefits Plans, and the Local Government Employees' Retirement System plan.

Notes to the Financial Statements

The next section of the basic financial statements is the notes to the financial statements, which adds detailed explanations of some of the data contained in the statements. The notes may provide a better understanding of the information presented in the government-wide and fund financial statements.

Government-wide Financial Analysis

The following is a summary of net position for the City of Winston-Salem as of June 30, 2024 (as shown in Exhibit 1) with comparative data for June 30, 2023.

Net Position

Figure 2

	(dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	Restated 2023	2024	Restated 2023
Current and other assets	\$ 463,401	\$ 438,535	\$ 365,452	\$ 370,674	\$ 828,853	\$ 809,209
Capital assets	612,634	585,620	1,276,325	1,216,659	1,888,959	1,802,279
Net OPEB Asset	5,312	2,865	919	505	6,231	3,370
Total assets	1,081,347	1,027,020	1,642,696	1,587,838	2,724,043	2,614,858
Deferred outflows of resources	69,865	70,386	24,681	26,203	94,546	96,589
Long-term liabilities	572,595	551,078	640,958	618,928	1,213,553	1,170,006
Other liabilities	73,186	78,453	15,311	44,625	88,497	123,078
Total liabilities	645,781	629,531	656,269	663,553	1,302,050	1,293,084
Deferred inflows of resources	20,210	8,671	18,518	18,862	38,728	27,533
Net position:						
Net investment in capital assets	303,990	246,227	720,823	674,658	1,024,813	920,885
Restricted	158,304	182,721	40,827	33,526	199,131	216,247
Unrestricted	22,927	30,256	230,940	223,442	253,867	253,698
Total net position	\$ 485,221	\$ 459,204	\$ 992,590	\$ 931,626	\$ 1,477,811	\$ 1,390,830

As indicated above, assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$1.478 billion as of June 30, 2024. Analysis of the business-type activities indicates that capital assets increased \$59.7 million and total net position increased \$61.0 million.

The change in business-type activities is due to capital improvements in the Water and Sewer Fund, such as the expansion of the R.W. Neilson Water Treatment Plant, as well as automated meter infrastructure (AMI) improvements. Business-type activities also experienced an increase in cash due to favorable investment returns.

Analysis of the governmental activities indicates that net position increased \$26.02 million; this is primarily attributable to an increase in cash due to various factors such as increased investment returns and revenue growth. The General Fund revenues came in \$2.03 million over budget as the City experienced higher growth than expected in property tax revenues.

A large portion of the City's net position (69%) as of June 30, 2024, is net investment in capital assets, which are used to provide services to citizens. Net investment in capital assets is reported net of the outstanding related debt; however, resources to repay that debt must be provided in future years from current revenues. Restricted net position, 13.5% of the City's net position, represents resources that are subject to external restrictions, such as the perpetual care fund and funds restricted for use under various grant programs. Restricted net position has decreased by 9% as compared to the prior fiscal year, primarily due to a decrease in the amount restricted by state statute.

As of June 30, 2024, the City reports positive balances in all three categories of net position.

Figure 3 presents the changes in net position of the City of Winston-Salem.

Changes in Net Position

Figure 3

	(dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	Restated		2024	Restated 2023
			2024	2023		
Revenues:						
Program revenues:						
Charges for services	\$ 32,326	\$ 39,539	\$ 179,259	\$ 159,474	\$ 211,585	\$ 199,013
Operating grants and contributions	26,915	37,519	10,244	9,464	37,159	46,983
Capital grants and contributions	1,253	1,349	12,413	5,270	13,666	6,619
General revenues:						
Property taxes	172,224	160,815	12,963	12,647	185,187	173,462
Sales taxes	70,783	68,476	-	-	70,783	68,476
Other local taxes	1,719	1,667	-	-	1,719	1,667
Telecommunications sales tax	1,007	1,051	-	-	1,007	1,051
Utilities sales tax	16,368	14,998	-	-	16,368	14,998
Piped natural gas sales tax	1,051	1,253	-	-	1,051	1,253
Video programming tax	1,679	1,827	-	-	1,679	1,827
Local tax reimbursements	1,236	1,134	-	-	1,236	1,134
Gain on disposal of capital assets	-	-	2,701	-	2,701	-
Investment income	21,032	9,801	28,686	19,520	49,718	29,321
Other	4,274	4,278	-	-	4,274	4,278
Total revenues	351,867	343,707	246,266	206,375	598,133	550,082

Changes in Net Position

Figure 3 Continued

	(dollars in thousands)					
	Governmental		Business-type		Total	
	Activities		Activities			
			Restated	Restated		
Expenses:	2024	2023	2023	2023	2024	2023
General government	\$ 52,330	\$ 44,475	\$ -	\$ -	\$ 52,330	\$ 44,475
Public protection	157,572	133,013	-	-	157,572	133,013
Environmental health	26,704	25,443	-	-	26,704	25,443
Transportation	24,692	21,846	-	-	24,692	21,846
Culture and recreation	20,731	17,027	-	-	20,731	17,027
Community and economic development	37,507	36,842	-	-	37,507	36,842
Interest and fiscal charges	11,287	9,870	-	-	11,287	9,870
Water and sewer utility	-	-	115,637	107,884	115,637	107,884
Solid waste disposal	-	-	12,472	14,260	12,472	14,260
Transit Authority	-	-	23,963	25,927	23,963	25,927
Parking	-	-	1,587	1,537	1,587	1,537
Stormwater management	-	-	7,320	7,320	7,320	7,320
Public assembly facilities management	-	-	16,672	8,768	16,672	8,768
Risk management reserve	-	-	2,678	2,314	2,678	2,314
Total expenses	330,823	288,516	180,329	168,010	511,152	456,526
Increase in net position before transfers	21,044	55,191	65,937	38,365	86,981	93,556
Transfers						
Government-wide	4,973	533	(4,973)	(533)	-	-
Increase in net position	26,017	55,724	60,964	37,832	86,981	93,556
Net position - beginning	459,204	403,480	931,626	893,794	1,390,830	1,297,274
Net position - ending	\$ 485,221	\$ 459,204	\$ 992,590	\$ 931,626	\$ 1,477,811	\$ 1,390,830

Governmental Activities

Net position of governmental activities increased by \$26.02 million. Key elements of this increase are as follows:

- Property tax revenues are recorded in governmental and business-type activities. During the fiscal year, property tax revenue increased by \$11.7 million which is a 6.7% increase. Governmental activities property tax revenue increased \$11.4 million or 7.1%. The increase in tax revenues is a result of an increase in the property tax rate as well as a 2.65% increase in assessed valuation. The 2024 property tax rate was \$0.6610, which was an increase of \$.025 as compared to 2023. Current real and personal property tax collections during fiscal year 2024 were 99.3% of the current year levy.
- General revenues, other than property taxes and investment income, increased \$3.4 million, including a sales tax increase of \$2.3 million, which was 3.4% higher than 2023. Utilities sales tax increased \$1.4 million, which was 9.1% more than 2023.
- Investment income increased \$11.2 million as compared to 2023 due to strong investment returns and our increased average cash balance available for investment during the fiscal year as compared to 2023.
- Program revenues provided 18.3% of the support for governmental services.
- Total governmental expenses increased \$42.3 million during fiscal year 2024. The largest increase can be seen in public protection, which is attributable to larger than average salary increases during the fiscal year and additional overtime expense as a result of increased position vacancies. Pension costs are also higher for 2024 due to increases in funding rates.

- Federal and state grants are an important source of supplementary funding for public facilities and programs. During fiscal year 2024, the City received \$28.2 million in grant revenue for restricted programs.

Business-type Activities

Net position of business-type activities increased by \$61.0 million, primarily attributable to an increase in capital assets due to spending on large projects, particularly for water and sewer. An additional factor in the increase was investment income which increased by \$9.2 million due to stronger market conditions as compared to 2023. Rate structures of enterprise operations, other than the Transit Authority and public assembly facilities management, are set, insofar as practicable, to recover full operating costs plus depreciation and interest expense and to provide a reasonable working capital and reserve. The parking and public assembly facilities funds are provided an operating subsidy through a transfer from the general fund. The Transit Authority is provided operating support from the 4.86 cents collected in property taxes to be used for mass transportation.

Business-type Activities

June 30, 2024

Figure 4

	(dollars in thousands)						
	Operating Expenses		Nonoperating		Transfers		Increase (Decrease)
	Operating Revenues	Before Depreciation	Depreciation Expense	Revenues (Expenses)	Capital Contributions	In (Out)	Net Position
Water and sewer utility	\$ 139,866	\$ 63,376	\$ 38,519	\$ 2,899	\$ 10,609	\$ (308)	\$ 51,171
Solid waste disposal	11,536	10,545	1,875	6,363	-	511	5,990
Transit Authority	1,696	21,524	2,439	22,530	1,694	(6)	1,951
Parking	623	1,119	468	70	-	744	(150)
Stormwater management	11,096	5,565	1,559	2,418	-	(2,826)	3,564
Public assembly facilities management	14,310	14,095	2,062	(368)	110	162	(1,943)
Risk management reserve	39	2,680	-	6,273	-	(3,250)	382
Total	<u>\$ 179,166</u>	<u>\$ 118,904</u>	<u>\$ 46,922</u>	<u>\$ 40,185</u>	<u>\$ 12,413</u>	<u>\$ (4,973)</u>	<u>\$ 60,965</u>

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City'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's financing requirements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$108.02 million of which \$60.7 million was unassigned. At year-end unassigned fund balance increased \$5.9 million as compared to fiscal year 2023 and was 20.35% of 2025 budgeted expenditures. The total fund balance of the general fund decreased \$1.2 million during the fiscal year. The FY 2024 budget appropriated fund balance for various one-time projects including supplemental pay adjustments and various capital needs and studies.

The debt service fund has a fund balance of \$82.5 million as of June 30, 2024, an increase of \$16.1 million, all of which is restricted for payment of debt service.

The fund balance of the capital projects fund decreased \$58.2 million, to \$92.2 million as of June 30, 2024, all of which is restricted for capital projects.

General Fund Budgetary Highlights. The general fund revenues recognized a favorable budget variance of \$2.0 million during 2024.

Major budget amendments included an increase in appropriations of \$18 million for carry over encumbrances, and an increase of \$1 million for additional funds needed to replace the roof at the Jocelyn Johnson Municipal Services Center.

Proprietary Funds. The City's proprietary fund financial statements provide the same type of information as that provided in the government-wide financial statements, but in more detail. The major enterprise funds are the water and sewer utility, solid waste disposal and Transit Authority funds.

Net position of the water and sewer utility, solid waste disposal and Transit Authority funds was \$742.7 million, \$65.3 million and \$28.2 million on June 30, 2024, respectively. The net position of the water and sewer fund increased \$51.2 million primarily due to an increase in investment income as well as increase in charges for services, as well as and an increase in capital assets due to increased spending for major capital projects. The water and sewer fund rates increased by 7% on average as compared to the fiscal year 2023 rates. In addition, the landfill rates were increased by \$1 per ton as compared to fiscal year 2023.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2024, totals \$1.02 billion (net of accumulated depreciation and amortization). These assets include land, buildings, improvements other than buildings (infrastructure assets, such as streets, sidewalks, water and sewer lines), machinery and equipment, construction in progress, and right to use leased assets and subscription assets.

Capital Assets (net of depreciation)

June 30, 2024 with Comparative Data for June 30, 2023

Figure 5

(dollars in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 83,409	\$ 81,338	\$ 49,024	\$ 48,395	\$ 132,433	\$ 129,733
Buildings	176,586	169,444	152,981	157,727	329,567	327,171
Improvements other than buildings	273,019	243,040	872,792	859,046	1,145,811	1,102,086
Machinery and equipment	39,259	35,480	56,284	44,088	95,543	79,568
Construction in progress	28,650	43,669	144,568	106,061	173,218	149,730
Total	<u>\$ 600,923</u>	<u>\$ 572,971</u>	<u>\$ 1,275,649</u>	<u>\$ 1,215,317</u>	<u>\$ 1,876,572</u>	<u>\$ 1,788,288</u>
Right to use assets						
Leased equipment	\$ 299	\$ 135	\$ -	\$ -	\$ 299	\$ 135
Leased buildings	9,131	9,568	422	445	9,553	10,013
Subscription assets	2,281	2,946	254	897	2,535	3,843
Total right to use assets	<u>\$ 11,711</u>	<u>\$ 12,649</u>	<u>\$ 676</u>	<u>\$ 1,342</u>	<u>\$ 12,387</u>	<u>\$ 13,991</u>
Grand total	<u>\$ 612,634</u>	<u>\$ 585,620</u>	<u>\$ 1,276,325</u>	<u>\$ 1,216,659</u>	<u>\$ 1,888,959</u>	<u>\$ 1,802,279</u>

Major capital asset transactions during the year include the following:

- Construction in progress for governmental activities was \$28.6 million, which reflects construction of street widening and resurfacing projects, improvements to recreation centers and parks, and other economic development projects.
- Business-type capital assets increased \$61 million which included major improvements to the extension of water and sewer lines, installation of automated meter infrastructure, stormwater system improvements, and the R. W. Neilson modernization project.

Additional information on the City's capital assets is included in Note 2D of the Basic Financial Statements.

Long-term Debt. The City utilizes various techniques to fund capital improvements and other long-term needs. A debt management model is maintained which identifies resources available for current and future payments of principal and interest on outstanding debt. Resources are identified and designated for payment of both principal and interest before issuance of additional debt. The debt management model clearly identifies the City's capacity for future debt service and the adequacy of designated resources.

In accordance with the Capital Improvement Program, funding for projects may include: current revenues or financing by non-voted general obligation bonds; general obligation bonds authorized by referendum; limited obligation bonds through North Carolina Municipal Leasing Corporation; installment financing contracts; special obligation bonds; Clean Water State Revolving Loan funds; and revenue bonds for water and sewer utilities and stormwater management.

As of June 30, 2024, the City had total bonded debt outstanding of \$706 million, of which, \$226 million is backed by the City's full faith and credit and taxing power, \$112 million is secured by city facilities, and \$368 million is secured solely by specified revenue sources. Revenues of the water and sewer utility system and stormwater management system are pledged as security for revenue bonds.

Bonded Debt and Contractual Obligations Outstanding

Figure 6

June 30, 2024 with Comparative Data for June 30, 2023

(dollars in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Bonds						
General obligation	\$ 225,525	\$ 243,195	\$ -	\$ -	\$ 225,525	\$ 243,195
Revenue	-	-	367,910	389,040	367,910	389,040
Limited obligation bonds (NCMLC)	90,740	101,356	21,378	23,714	112,118	125,070
Other Contractual Obligations:						
State loans	-	-	139,462	121,903	139,462	121,903
Installment contracts (NCMLC)	48,334	57,056	-	-	48,334	57,056
Total	<u>\$ 364,599</u>	<u>\$ 401,607</u>	<u>\$ 528,750</u>	<u>\$ 534,657</u>	<u>\$ 893,349</u>	<u>\$ 936,264</u>

The City has \$112 million in contractual lease obligations to the North Carolina Municipal Leasing Corporation (“NCMLC”) for limited obligation bonds issued by the corporation for property and equipment acquired by the City under installment agreements and issued to increase the funding level of the Winston-Salem Police Officers’ Retirement System. Installment financing agreements have funded equipment and certain real property acquired under the City’s internal leasing program for many years. Issues for equipment purchases have been between \$18 and \$25 million, approximately every other year since 1996. The City has \$48 million in outstanding installment purchase loans and \$139 million in loan obligations through the NC Clean Water and NC Drinking Water State Revolving Loan Funds.

General obligation bonded debt service is funded substantially by dedicated sources such as a portion of local property and sales taxes, one-third of the City’s profits from alcoholic beverage sales, and interest on designated governmental fund investments. The City has capacity for additional future debt because of the allocation of specific resources and the relatively short schedule of maturing debt. Nearly 67% of outstanding general obligation bonds will be repaid within 10 years as shown in the following schedule (excludes premium on issuance).

General Obligation Bond Debt Service

Figure 7

(dollars in thousands)			
<u>Maturities</u>	<u>Principal</u>	<u>Percent of Total</u>	<u>Interest and Principal</u>
2025-2029	\$ 76,190	33.78%	\$ 112,215
2030-2034	74,275	32.93	95,079
2039-2038	57,910	25.69	65,816
2040-2044	17,150	7.60	18,518
	<u>\$ 225,525</u>	<u>100.00%</u>	<u>\$ 291,628</u>

The City maintained AAA bond ratings from Moody’s Investors Service and Standard & Poor’s. The bond ratings are a clear indication of the sound financial condition of the City of Winston-Salem.

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 margin for the City is \$2,054,332,055.

Additional information regarding the City’s long-term debt can be found in Note 2E.

Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities. The general fund accounts for municipal services that are covered primarily by property and sales taxes. The fiscal year 2024-2025 adopted budget is \$289.1 million, an increase of \$15.2 million or 5.6% compared to the fiscal year 2023-2024 adopted budget.

The FY 2024-25 budget major drivers include employee compensation and equipment replacement. Employee compensation changes include pay adjustments from a recently completed classification study, as well as a new minimum pay rate of \$18 per hour. The budget is focused on balancing service delivery needs and revenue enhancements to maintain a more sustainable operational and financial position, while considering the burden of additional taxes and fees.

The 2024-25 budget includes a general fund balance appropriation of \$5.55 million to be used exclusively for non-recurring purposes such as replacement of fire department self-contained breathing apparatus equipment and other building maintenance needs such as elevator replacement for the Bryce A. Stuart parking deck and roof replacement at the Benton Convention Center.

The fiscal year 2024-2025 operations budget is balanced by a tax rate of 72.5 cents per \$100, which is a 6.40 cent increase from the previous rate of 66.1 cents. The tax increase will cover the increased operating and personnel costs.

Business-type Activities. The City/County Utility Commission approved a resolution recommending the Mayor, Mayor Pro Tempore, and City Council adopt the fiscal year 2024-2025 budget for the water and sewer system and the solid waste fund. The recommended budget includes a volumetric and readiness to serve rate increase that represents a 7% increase for the average residential water and sewer customer, as well as a \$1 per ton increase at the Hanes Mill Road Landfill.

The City Council also approved an 8% stormwater fee increase effective January 1, 2025, to provide additional resources for operating and capital needs.

The recommended budget will generate sufficient revenues to meet the net operating income-to-debt service ratio requirements of approved revenue bonds. These requirements are part of the revenue bond covenants and are intended to ensure that there are sufficient revenues to meet the debt obligations of the water and sewer system. If the system did not generate sufficient revenues to pay off the bonds, the covenants would require the City to increase water and sewer rates.

Requests for Information

This report is designed to provide an overview of the City of Winston-Salem's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, City of Winston-Salem, P. O. Box 2511, Winston-Salem, North Carolina 27102, or by visiting our website at www.cityofws.org.

Basic Financial Statements

City of Winston-Salem, North Carolina

Statement of Net Position

Exhibit 1

June 30, 2024

Page 1 of 2

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents/investments	\$ 287,179,955	\$ 230,490,407	\$ 517,670,362
Receivables			
Taxes, net	1,734,813	131,269	1,866,082
Accounts, net	2,917,319	22,263,380	25,180,699
Restricted opioid	3,803,770	-	3,803,770
Leases, net	431,435	580,319	1,011,754
Assessments, net	595,711	76,917	672,628
Loans, net	20,613,329	-	20,613,329
Total receivables	30,096,377	23,051,885	53,148,262
Due from other governments	28,283,197	1,893,271	30,176,468
Inventories	2,712,752	5,710,729	8,423,481
Prepaid items	516,002	370,633	886,635
Total current assets	348,788,283	261,516,925	610,305,208
Noncurrent Assets			
Restricted assets			
Cash and cash equivalents/investments	112,629,944	86,387,020	199,016,964
Net OPEB asset	5,311,888	919,138	6,231,026
Lease receivable, noncurrent	1,982,762	17,047,921	19,030,683
Accounts receivables	-	500,000	500,000
Capital assets			
Land	83,408,702	49,023,800	132,432,502
Construction in progress	28,649,634	144,568,276	173,217,910
Other capital assets, net of accumulated depreciation	488,864,314	1,082,057,320	1,570,921,634
Right to use leased assets, net of amortization	9,430,069	421,715	9,851,784
Right to use subscription assets, net of amortization	2,280,863	253,573	2,534,436
Total capital assets	612,633,582	1,276,324,684	1,888,958,266
Total noncurrent assets	732,558,176	1,381,178,763	2,113,736,939
Total assets	1,081,346,459	1,642,695,688	2,724,042,147
Deferred Outflows of Resources			
Pension deferrals	66,153,605	9,271,181	75,424,786
OPEB deferrals	1,750,963	302,976	2,053,939
Charge on refunding	1,960,642	15,106,567	17,067,209
Total deferred outflows of resources	69,865,210	24,680,724	94,545,934

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

City of Winston-Salem, North Carolina

Statement of Net Position

Exhibit 1

June 30, 2024

Page 2 of 2

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 24,627,353	\$ 11,879,380	\$ 36,506,733
Accrued payroll	2,481,722	418,498	2,900,220
Accrued vacation	8,500,784	1,024,151	9,524,935
Accrued interest payable	1,201,447	1,406,541	2,607,988
Loan escrow	12,574	-	12,574
Unearned revenue	36,361,718	174,206	36,535,924
Landfill closure and postclosure costs	-	377,500	377,500
Pollution remediation	-	30,000	30,000
Current maturities			
Claims payable	7,973,502	549,552	8,523,054
Leases payable	542,083	7,906	549,989
Subscriptions payable	1,172,726	-	1,172,726
Contracts payable	35,264,345	8,483,675	43,748,020
Bonds payable	15,660,000	22,135,000	37,795,000
Total current liabilities	133,798,254	46,486,409	180,284,663
Noncurrent Liabilities			
Construction contracts payable from restricted assets	-	15,442,657	15,442,657
Accrued vacation	13,395,530	1,587,540	14,983,070
Landfill closure and postclosure costs	-	30,441,657	30,441,657
Pollution remediation	-	1,921,596	1,921,596
Claims payable	13,168,677	2,862,527	16,031,204
Leases payable	9,026,581	437,633	9,464,214
Subscriptions payable	357,356	-	357,356
Contracts payable	106,787,695	152,536,353	259,324,048
Bonds payable	232,418,584	389,325,441	621,744,025
Arbitrage liability	1,294,794	-	1,294,794
Net pension liability	135,533,059	15,226,254	150,759,313
Total noncurrent liabilities	511,982,276	609,781,658	1,121,763,934
Total liabilities	645,780,530	656,268,067	1,302,048,597
Deferred Inflows of Resources			
Leases	2,518,485	17,441,164	19,959,649
Pension deferrals	14,500,585	470,121	14,970,706
OPEB deferrals	3,190,395	552,048	3,742,443
Charge on refunding	-	55,095	55,095
Total deferred inflows of resources	20,209,465	18,518,428	38,727,893
Net Position			
Net investment in capital assets	303,989,756	720,822,942	1,024,812,698
Restricted for:			
Stabilization by state statute	43,111,084	-	43,111,084
Debt service	79,105,286	-	79,105,286
Capital improvements	-	38,745,272	38,745,272
Maintenance and repair	-	1,162,850	1,162,850
General government	148,102	-	148,102
Public protection	2,127,476	-	2,127,476
Environmental health	4,082	-	4,082
Opioid settlement funds	4,724,569	-	4,724,569
Transportation	7,806,285	-	7,806,285
Culture and recreation	975,202	-	975,202
Community and economic development	9,859,606	-	9,859,606
OPEB	5,311,888	919,138	6,231,026
Perpetual care	5,130,850	-	5,130,850
Unrestricted	22,927,488	230,939,715	253,867,203
Total net position	\$ 485,221,674	\$ 992,589,917	\$ 1,477,811,591

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

City of Winston-Salem, North Carolina

Statement of Activities

Exhibit 2

For the Fiscal Year Ended June 30, 2024

Page 1 of 2

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
Activities:				
Governmental:				
General government	\$ 52,329,590	\$ 17,133,031	\$ 1,324,347	\$ -
Public protection	157,572,051	1,928,224	7,638,836	-
Environmental health	26,704,349	1,972,401	176,672	-
Transportation	24,692,471	2,520,427	10,333,581	1,001,138
Culture and recreation	20,731,085	1,427,596	-	251,636
Community and economic development	37,507,319	7,343,943	7,441,532	-
Interest and fiscal charges	11,286,374	-	-	-
Total governmental activities	330,823,239	32,325,622	26,914,968	1,252,774
Business-type:				
Water and sewer utility	115,636,929	139,958,752	-	10,609,356
Solid waste disposal	12,471,968	11,536,314	849,379	-
Transit Authority	23,962,926	1,695,755	9,352,175	1,693,797
Parking	1,587,001	623,286	-	-
Stormwater management	7,319,979	11,095,627	10,741	-
Public assembly facilities management	16,671,513	14,310,198	32,171	110,001
Risk management reserve	2,679,681	39,263	-	-
Total business-type activities	180,329,997	179,259,195	10,244,466	12,413,154
Total Primary Government	\$ 511,153,236	\$ 211,584,817	\$ 37,159,434	\$ 13,665,928

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

City of Winston-Salem, North Carolina

Statement of Activities

Exhibit 2

For the Fiscal Year Ended June 30, 2024

Page 2 of 2

Net (Expense) Revenue and Changes in Net Position			
	Governmental	Business-type	
	Activities	Activities	Total
Activities:			
Governmental:			
General government	\$ (33,872,212)	\$ -	\$ (33,872,212)
Public protection	(148,004,991)	-	(148,004,991)
Environmental health	(24,555,276)	-	(24,555,276)
Transportation	(10,837,325)	-	(10,837,325)
Culture and recreation	(19,051,853)	-	(19,051,853)
Community and economic development	(22,721,844)	-	(22,721,844)
Interest and fiscal charges	(11,286,374)	-	(11,286,374)
Total governmental activities	(270,329,875)	-	(270,329,875)
Business-type:			
Water and sewer utility	-	34,931,179	34,931,179
Solid waste disposal	-	(86,275)	(86,275)
Transit Authority	-	(11,221,199)	(11,221,199)
Parking	-	(963,715)	(963,715)
Stormwater management	-	3,786,389	3,786,389
Public assembly facilities management	-	(2,219,143)	(2,219,143)
Risk management reserve	-	(2,640,418)	(2,640,418)
Total business-type activities	-	21,586,818	21,586,818
Total Primary Government	(270,329,875)	21,586,818	(248,743,057)
General revenues:			
Taxes:			
Property taxes	172,223,545	12,962,663	185,186,208
Sales taxes	70,782,658	-	70,782,658
Gross receipts taxes	563,624	-	563,624
Occupancy taxes	1,155,304	-	1,155,304
Beer and wine excise tax-state	1,236,098	-	1,236,098
Telecommunications sales tax	1,007,025	-	1,007,025
Utilities sales tax	16,367,697	-	16,367,697
Piped natural gas sales tax	1,051,432	-	1,051,432
Video programming tax	1,679,119	-	1,679,119
Payments in lieu of taxes	256,012	-	256,012
ABC store allocations	4,019,482	-	4,019,482
Gain on disposal of capital assets	-	2,701,207	2,701,207
Investment income	21,032,484	28,685,666	49,718,150
Transfers			
Government-wide	4,973,329	(4,973,329)	-
Total general revenues and transfers	296,347,809	39,376,207	335,724,016
Change in net position	26,017,934	60,963,025	86,980,959
Total net position - beginning	459,203,740	940,062,030	1,399,265,770
Error correction	-	(8,435,138)	(8,435,138)
Total net position - beginning, as restated	459,203,740	931,626,892	1,390,830,632
Total net position - ending	\$ 485,221,674	\$ 992,589,917	\$ 1,477,811,591

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

City of Winston-Salem, North Carolina

Balance Sheet

Governmental Funds

June 30, 2024

Exhibit 3

	General	Debt	Capital	Economic	Other	Total
	Fund	Service	Projects	Development	Governmental	Governmental
Assets	Fund	Fund	Fund	Grant Fund	Funds	Funds
Cash and cash equivalents/investments	\$ 91,019,469	\$ 79,344,420	\$ 32,233,410	\$ -	\$ 45,703,052	\$ 248,300,351
Restricted cash and cash equivalents	-	-	68,404,902	35,338,714	8,886,328	112,629,944
Receivables						
Taxes, net	1,469,333	262,006	-	-	3,474	1,734,813
Accounts, net	2,137,924	440,000	302,711	-	783	2,881,418
Restricted opioid	-	-	-	-	3,803,770	3,803,770
Leases, net	907,987	-	1,370,000	-	136,210	2,414,197
Assessments, net	595,431	-	280	-	-	595,711
Loans	-	-	-	-	20,613,329	20,613,329
Total receivables	5,110,675	702,006	1,672,991	-	24,557,566	32,043,238
Due from other governments	22,285,284	3,321,720	-	-	2,676,193	28,283,197
Due from other funds	1,932,803	-	-	-	-	1,932,803
Inventories	456,661	-	-	-	264,395	721,056
Prepaid items	64,696	-	-	-	-	64,696
Total assets	\$ 120,869,588	\$ 83,368,146	\$ 102,311,303	\$ 35,338,714	\$ 82,087,534	\$ 423,975,285
Liabilities						
Accounts payable	\$ 7,498,120	\$ 204,701	\$ 8,079,775	\$ -	\$ 3,344,223	\$ 19,126,819
Accrued payroll	2,371,791	-	-	-	1,095	2,372,886
Due to other funds	-	-	-	-	1,305,128	1,305,128
Loan escrow	2,592	-	-	-	9,981	12,573
Unearned revenue	12,002	-	532,864	35,338,714	478,138	36,361,718
Total liabilities	9,884,505	204,701	8,612,639	35,338,714	5,138,565	59,179,124
Deferred Inflows of Resources						
Taxes	1,469,333	262,006	-	-	3,474	1,734,813
Opioid settlement	-	-	-	-	3,803,770	3,803,770
Leases	898,715	-	1,492,087	-	127,682	2,518,484
Accounts and assessments	595,432	440,000	687	-	-	1,036,119
Total deferred inflows of resources	2,963,480	702,006	1,492,774	-	3,934,926	9,093,186
Fund Balances						
Nonspendable						
Loans						-
Leases	9,272	-	-	-	8,528	17,800
Inventories	456,661	-	-	-	264,395	721,056
Prepays	64,696	-	-	-	-	64,696
Perpetual care	-	-	-	-	5,130,850	5,130,850
Restricted						
Stabilization by state statute	39,555,951	3,356,153	-	-	198,980	43,111,084
Debt service	-	79,105,286	-	-	-	79,105,286
Capital improvements	-	-	68,404,902	-	-	68,404,902
General government	-	-	-	-	148,102	148,102
Public protection	-	-	-	-	3,048,275	3,048,275
Environmental health	-	-	-	-	4,082	4,082
Transportation	-	-	-	-	7,806,285	7,806,285
Culture and recreation	-	-	-	-	975,202	975,202
Community and economic development	-	-	-	-	9,859,606	9,859,606
Committed						
Capital improvements	-	-	23,800,988	-	-	23,800,988
Community and economic development	-	-	-	-	45,569,738	45,569,738
Assigned						
Subsequent year's budget	5,554,320	-	-	-	-	5,554,320
Local fiscal recovery	1,683,348	-	-	-	-	1,683,348
Unassigned	60,697,355	-	-	-	-	60,697,355
Total fund balances	108,021,603	82,461,439	92,205,890	-	73,014,043	355,702,975
Total liabilities, deferred inflows of resources, and fund balances	\$ 120,869,588	\$ 83,368,146	\$ 102,311,303	\$ 35,338,714	\$ 82,087,534	\$ 423,975,285

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

City of Winston-Salem, North Carolina

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2024

Exhibit 3.1

Total fund balances for governmental funds (Exhibit 3)	\$ 355,702,975
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Gross capital assets at historical cost	935,405,181
Accumulated depreciation	(334,482,531)
Right to use leased assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	
Right to use assets	10,936,939
Accumulated amortization	(1,506,870)
Right to use subscription assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	
Right to use assets	4,268,730
Accumulated amortization	(1,987,867)
Net OPEB asset	5,311,888
Pension deferrals in the current fiscal year are deferred outflows of resources on the statement of net position.	66,153,605
OPEB deferrals in the current fiscal year are deferred outflows of resources on the statement of net position.	1,750,963
Other assets not available to pay for current period expenditures and, therefore, are inflows of resources in fund statements.	
Property taxes	1,734,813
Unavailable resources	1,036,119
Opioid settlement	3,803,770
Internal service funds are used by management to charge the costs of warehouse, fleet services, information services, workers' compensation, health benefits, dental and flex benefits, and employee benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
	13,979,281
Net pension liability	(135,533,059)
Pension related deferrals	(14,500,585)
OPEB related deferrals	(3,190,395)
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities:	
Accrued payroll	
Accrued vacation	(21,896,314)
Accrued interest	(1,201,447)
Leases	(9,568,664)
Arbitrage liability	(1,294,794)
Subscriptions	(1,530,082)
Contracts payable	(142,052,040)
Bonds payable	(248,078,584)
Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amount on refunding	1,960,642
Net position of governmental activities (Exhibit 1)	\$ 485,221,674

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

City of Winston-Salem, North Carolina

Statement of Revenues, Expenditures, and

Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2024

Exhibit 4

	General Fund	Debt Service Fund	Capital Projects Fund	Midtown Economic Development Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 205,674,569	\$ 36,575,734	\$ -	\$ -	\$ 1,886,067	\$ 244,136,370
Licenses and permits	6,813,262	-	-	-	-	6,813,262
Intergovernmental	24,535,783	1,544,677	1,252,774	-	22,647,741	49,980,975
Investment income	-	14,001,674	2,053,737	-	3,142,230	19,197,641
Charges for services	18,530,551	-	282,607	-	8,107	18,821,265
NCMLC charges	-	-	560,151	-	-	560,151
Other	2,109,621	2,048,252	820,647	-	772,637	5,751,157
Total revenues	257,663,786	54,170,337	4,969,916	-	28,456,782	345,260,821
Expenditures						
Current						
General government	43,559,233	-	-	-	686,305	44,245,538
Public protection	137,908,022	-	-	-	2,848,123	140,756,145
Environmental health	26,029,486	-	-	-	-	26,029,486
Transportation	14,063,296	-	-	-	2,607,548	16,670,844
Culture and recreation	15,811,560	-	-	-	1,039,201	16,850,761
Community and economic development	20,937,542	-	-	-	11,206,059	32,143,601
Other	-	731,187	-	-	-	731,187
Capital outlay	-	-	52,748,486	-	-	52,748,486
Debt service						
Bond	-	17,670,000	-	-	-	17,670,000
Other	715,755	11,351,292	8,887,351	-	215,420	21,169,818
Interest and fiscal charges						
Bond	-	9,223,894	-	-	-	9,223,894
Other	237,968	3,044,636	1,142,277	-	4,080	4,428,961
Total expenditures	259,262,862	42,021,009	62,778,114	-	18,606,736	382,668,721
Excess of revenues over (under) expenditures	(1,599,076)	12,149,328	(57,808,198)	-	9,850,046	(37,407,900)
Other Financing Sources (Uses)						
Issuance of contracts payable	-	-	8,304,734	-	-	8,304,734
Transfers in	10,260,150	4,463,343	8,180,527	-	18,196,045	41,100,065
Transfers out	(10,099,842)	(500,000)	(16,878,663)	-	(11,695,591)	(39,174,096)
Lease liabilities issued	198,477	-	-	-	-	198,477
Total other financing sources (uses), net	358,785	3,963,343	(393,402)	-	6,500,454	10,429,180
Net change in fund balances	(1,240,291)	16,112,671	(58,201,600)	-	16,350,500	(26,978,720)
Fund balance - beginning	109,261,894	66,348,768	150,407,490	-	56,663,543	382,681,695
Fund balances - ending	\$ 108,021,603	\$ 82,461,439	\$ 92,205,890	\$ -	\$ 73,014,043	\$ 355,702,975

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

City of Winston-Salem, North Carolina

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

For the Fiscal Year Ended June 30, 2024

Exhibit 4.1

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds (Exhibit 4)	\$ (26,978,720)
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 expense in the current period.	
Capital outlay expenditures which were capitalized	54,368,440
Depreciation expense for governmental assets	(24,737,527)
Amortization expense for right to use assets	(2,208,455)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(408,772)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	15,822,698
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	652,052
Unavailable	(161,363)
Opioid settlement	3,803,770
Internal service funds are used by management to charge the costs of warehouse, fleet services, information services, workers' compensation, health benefits, dental and flex benefits, and employee benefits. The net revenue (expenses) of certain activities of internal service funds is reported with governmental activities.	(4,415,923)
The issuance of long-term debt is reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also governmental funds report the effect of issuance costs, premiums and discounts, and similar items as expenses when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt issued:	
Issuance of leases	(408,494)
Arbitrage liability	(1,294,794)
Equipment contracts payable	(10,539,180)
Issuance of subscription based IT agreements	(806,938)
Decrease in contracts payable	21,585,225
Repayments:	
Bonds	19,667,243
Leases	619,099
Limited obligation bonds and installment financing	8,722,351
Subscriptions	1,640,130
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.	
Pension expense	(24,951,743)
OPEB expense	1,058,962
Accrued vacation	(4,953,949)
Accrued interest	236,989
Amortization of deferred amounts of refunding	(293,167)
Change in net position of governmental activities (Exhibit 2)	\$ 26,017,934

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

City of Winston-Salem, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual

General Fund

For the Fiscal Year Ended June 30, 2024

Exhibit 5

(Page 1 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property taxes				
Current levy	\$ 143,232,160	\$ 143,232,160	\$ 145,163,682	\$ 1,931,522
Prior years levies	450,000	450,000	106,134	(343,866)
Penalty and interest on taxes	400,000	400,000	529,090	129,090
Total property taxes	144,082,160	144,082,160	145,798,906	1,716,746
Other local taxes				
Local option sales taxes	61,965,830	61,965,830	59,312,039	(2,653,791)
Gross receipts taxes	360,000	360,000	563,624	203,624
Total other local taxes	62,325,830	62,325,830	59,875,663	(2,450,167)
Total taxes	206,407,990	206,407,990	205,674,569	(733,421)
Licenses and permits				
Building permits	1,736,600	1,736,600	1,935,219	198,619
Electrical permits	1,200,000	1,200,000	1,294,056	94,056
Plumbing permits	530,000	530,000	453,946	(76,054)
Heating permits	775,000	775,000	574,820	(200,180)
Erosion control permits	-	-	4,400	4,400
Zoning board ordinances	12,000	12,000	13,300	1,300
Other construction related permits	116,700	116,700	142,920	26,220
Site inspection permits	15,500	15,500	30,500	15,000
Zoning permits	230,000	230,000	263,110	33,110
Refrigeration permits	7,000	7,000	3,026	(3,974)
Privilege licenses and penalties	8,000	8,000	10,040	2,040
Motor vehicle licenses	1,883,630	1,883,630	1,840,140	(43,490)
Other licenses and permits	228,830	228,830	247,785	18,955
Total licenses and permits	6,743,260	6,743,260	6,813,262	70,002
Intergovernmental revenues				
Beer and wine excise tax - state	955,440	955,440	1,236,098	280,658
Telecommunications sales tax	776,450	776,450	1,007,025	230,575
Utilities sales tax	14,618,860	14,618,860	16,367,697	1,748,837
Piped natural gas sales tax	1,113,710	1,113,710	1,051,432	(62,278)
Video programming tax	1,814,610	1,814,610	1,679,119	(135,491)
Payments in lieu of taxes	245,650	245,650	256,012	10,362
Emergency management	62,500	62,500	81,573	19,073
Other state grants	-	-	177,172	177,172
ABC store allocations	2,377,840	2,377,840	2,679,655	301,815
Total intergovernmental revenues	21,965,060	21,965,060	24,535,783	2,570,723

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

City of Winston-Salem, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual

General Fund

For the Fiscal Year Ended June 30, 2024

Exhibit 5

(Page 2 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues (continued)				
Charges for sales and services				
Governmental services and sales				
Public safety services	\$ 92,800	\$ 92,800	\$ 49,241	\$ (43,559)
Transportation	200,000	200,000	241,700	41,700
Public works services	1,965,640	1,965,640	2,103,968	138,328
Governmental services	758,000	758,000	1,065,255	307,255
Miscellaneous sales and services	367,850	367,850	643,004	275,154
Total governmental services and sales	3,384,290	3,384,290	4,103,168	718,878
Charges to State of North Carolina				
Highway maintenance/special projects	224,760	224,760	224,754	(6)
Traffic control devices	375,000	375,000	296,411	(78,589)
Computerized traffic system	100,000	100,000	276,692	176,692
Total charges to state	699,760	699,760	797,857	98,097
Charges to Other Governments				
Forsyth County				
Planning board support	1,728,570	1,728,570	1,674,511	(54,059)
Emergency management	500,730	500,730	459,270	(41,460)
Inspections	154,730	154,730	85,572	(69,158)
Purchasing	150,980	150,980	136,109	(14,871)
Police	642,030	642,030	600,899	(41,131)
Other	20,000	20,000	20,774	774
Total charges to county	3,197,040	3,197,040	2,977,135	(219,905)
Interfund charges for services				
Engineering	1,325,000	1,325,000	1,163,363	(161,637)
Financial management services	1,199,150	1,199,150	1,187,583	(11,567)
Streets	150,000	150,000	101,003	(48,997)
Planning	500	500	0	(500)
Property management	1,915,090	1,915,090	1,549,509	(365,581)
Sanitation	40,000	40,000	0	(40,000)
Police	371,500	371,500	256,274	(115,226)
Real estate	100,000	100,000	66,347	(33,653)
Street cuts	-	-	2,197	2,197
Indirect cost allocation	5,599,830	5,599,830	5,599,830	-
Traffic engineering	427,000	427,000	548,941	121,941
Vegetation management services	50,000	50,000	51,442	1,442
Human relations	-	-	15,000	15,000
TURN program	160,250	160,250	61,654	(98,596)
Other	-	-	49,315	49,315
Total interfund charges for services	11,338,320	11,338,320	10,652,391	(685,929)
Total charges for sales and services	18,619,410	18,619,410	18,530,551	(88,859)

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

City of Winston-Salem, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual

General Fund
For the Fiscal Year Ended June 30, 2024

Exhibit 5
(Page 3 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues (continued)				
Other revenues				
Rentals	\$ 399,650	\$ 399,650	\$ 137,172	\$ (262,478)
Sales of property	310,000	310,000	686,987	376,987
Parking meters	110,000	110,000	82,556	(27,444)
Parking tickets	150,000	150,000	192,651	42,651
Fines and forfeitures	636,200	636,200	57,731	(578,469)
Miscellaneous revenue	431,293	293,034	952,524	659,490
Total other revenues	2,037,143	1,898,884	2,109,621	210,737
Total revenues	255,772,863	255,634,604	257,663,786	2,029,182
Expenditures (by function)				
General government				
Legislative	2,215,200	2,223,926	2,176,695	47,231
Executive	5,739,330	5,763,300	5,354,734	408,566
Staff services	10,343,620	10,197,631	9,298,972	898,659
Financial management	8,837,150	8,876,030	7,988,538	887,492
Intergovernmental services	16,270,219	17,190,157	15,893,546	1,296,611
Employee health	738,260	738,260	665,471	72,789
Human relations	1,115,560	1,115,841	1,017,069	98,772
Property tax collections	1,095,320	1,293,724	1,164,208	129,516
Total general government	46,354,659	47,398,869	43,559,233	3,839,636
Public protection				
Police	92,842,087	93,273,703	88,735,897	4,537,806
Fire	46,951,091	48,000,298	48,391,688	(391,390)
Emergency management	855,098	835,628	780,437	55,191
Total public protection	140,648,276	142,109,629	137,908,022	4,201,607
Environmental health				
Sanitation administration	1,183,406	1,183,449	1,010,876	172,573
Organic and solid waste collection	11,490,010	11,571,677	11,227,547	344,130
Sustainability	5,987,510	7,053,452	5,555,628	1,497,824
Yard waste collections	1,468,950	1,472,914	1,287,487	185,427
Curbside collection	8,050,330	8,088,829	6,947,948	1,140,881
Total environmental health	28,180,206	29,370,321	26,029,486	3,340,835

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

City of Winston-Salem, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual

General Fund

For the Fiscal Year Ended June 30, 2024

Exhibit 5
(Page 4 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (by function continued)				
Transportation				
Technical support	\$ 2,326,353	\$ 2,521,413	\$ 2,029,962	\$ 491,451
Signal system operations	506,640	659,054	391,187	267,867
Traffic system maintenance	7,268,880	7,571,722	6,916,797	654,925
Street parking	342,370	343,380	250,042	93,338
Streets and sidewalks	6,546,819	8,552,010	4,475,308	4,076,702
Total transportation	16,991,062	19,647,579	14,063,296	5,584,283
Culture and recreation				
Recreation administration	1,763,907	1,761,006	1,784,789	(23,783)
Participant recreation	14,724,444	15,154,249	14,026,771	1,127,478
Total culture and recreation	16,488,351	16,915,255	15,811,560	1,103,695
Community and economic development				
Zoning and construction control	5,757,620	5,925,221	5,194,618	730,603
Real estate management	435,640	435,640	426,683	8,957
Planning board	3,009,720	3,015,640	2,901,479	114,161
Housing services	5,842,980	5,946,491	4,446,108	1,500,383
Housing and neighborhood development	1,228,830	1,228,830	1,146,123	82,707
Housing finance repayment	-	-	-	-
Economic development	2,091,450	2,178,616	1,567,108	611,508
Community agencies	1,112,580	12,510,100	5,255,423	7,254,677
Total community and economic development	19,478,820	31,240,538	20,937,542	10,302,996
Debt service				
Principal	715,755	715,755	715,755	-
Interest and other charges	237,968	237,968	237,968	-
Total debt service	953,723	953,723	953,723	-
Other				
Appropriated expenditure reductions	(4,359,690)	(4,359,690)	-	(4,359,690)
Total other	(4,359,690)	(4,359,690)	-	(4,359,690)
Total expenditures	264,735,407	283,276,224	259,262,862	24,013,362
Excess of expenditures (over) under revenues	(8,962,544)	(27,641,620)	(1,599,076)	26,042,544

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

City of Winston-Salem, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual

General Fund
For the Fiscal Year Ended June 30, 2024

Exhibit 5
(Page 5 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfers in				
Community development fund	\$ 1,193,010	\$ 1,193,010	\$ 1,085,526	\$ (107,484)
Gasoline tax fund	5,146,100	5,146,100	5,529,319	383,219
Economic and housing development fund	65,000	65,000	65,000	-
National opioid settlement fund	412,840	412,840	412,840	-
Capital projects fund	104,550	104,550	104,550	-
Cemetery perpetual care fund	237,377	237,377	237,377	-
Water and sewer utility fund	96,540	96,540	88,024	(8,516)
Stormwater fund	2,594,990	2,594,990	2,534,874	(60,116)
Workers' compensation fund	220,160	220,160	202,640	(17,520)
Total transfers in	10,070,567	10,070,567	10,260,150	189,583
Transfers out				
Grants fund	(518,990)	(525,980)	(129,610)	396,370
Economic and housing development fund	(3,550,210)	(3,550,210)	(3,550,210)	-
Debt service fund	(2,118,770)	(2,118,770)	(2,118,770)	-
Capital projects fund	(1,703,940)	(3,280,710)	(3,280,710)	-
Cemetery perpetual care fund	-	-	(25,530)	(25,530)
Cemeteries fund	-	-	-	-
Parking fund	(743,870)	(743,870)	(743,870)	-
Public assembly facilities management fund	(699,340)	(699,340)	(251,142)	448,198
Total transfers out	(9,335,120)	(10,918,880)	(10,099,842)	819,038
Lease liabilities issued	198,477	-	198,477	198,477
Total other financing sources, net	933,924	(848,313)	358,785	1,207,098
Appropriated fund balance	8,028,620	28,489,933	-	28,489,933
Net change in fund balance	\$ -	\$ -	(1,240,291)	(1,240,291)
Fund balance July 1			109,261,894	
Fund balance June 30			\$ 108,021,603	

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

City of Winston-Salem, North Carolina

Statement of Net Position

Proprietary Funds
June 30, 2024

Exhibit 6
Page 1 of 2

Assets	Enterprise Funds					Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Transit Authority	Nonmajor Funds	Total	
Current Assets						
Cash and cash equivalents/investments	\$ 101,646,357	\$ 39,798,779	\$ 6,374,937	\$ 30,140,182	\$ 177,960,255	\$ 91,409,756
Receivables for uncollectibles						
Taxes, net	-	-	131,269	-	131,269	-
Accounts, net	19,839,845	180,391	80,693	2,162,451	22,263,380	35,901
Assessments, net	76,917	-	-	-	76,917	-
Leases	104,244	-	-	476,075	580,319	-
Total receivables	20,021,006	180,391	211,962	2,638,526	23,051,885	35,901
Due from other governments	617,522	-	1,251,699	24,050	1,893,271	-
Inventories	5,278,296	-	432,433	-	5,710,729	1,991,696
Prepaid expenses	230,000	-	138,013	2,620	370,633	451,306
Total current assets	127,793,181	39,979,170	8,409,044	32,805,378	208,986,773	93,888,659
Noncurrent Assets						
Restricted assets						
Cash and cash equivalents/investments	54,187,929	30,819,157	-	1,379,934	86,387,020	-
Net OPEB asset	700,254	79,093	-	139,791	919,138	224,576
Capital assets						
Land	20,527,518	12,969,331	2,298,106	13,228,845	49,023,800	801,682
Construction in progress	139,849,274	953,299	33,450	3,732,253	144,568,276	326,960
Other capital assets, net of accumulated depreciation	961,277,582	16,368,652	18,656,548	85,754,538	1,082,057,320	5,923,942
Right to use assets, net of amortization	421,715	-	-	-	421,715	192,749
Right to use subscriptions, net of amortization	253,573	-	-	-	253,573	1,644,169
Accounts receivables	-	-	-	500,000	500,000	-
Lease receivable, noncurrent	579,826	-	-	16,468,095	17,047,921	-
Total noncurrent assets	1,177,797,671	61,189,532	20,988,104	121,203,456	1,381,178,763	9,114,078
Total assets	1,305,590,852	101,168,702	29,397,148	154,008,834	1,590,165,536	103,002,737
Deferred Outflows of Resources						
Pension deferrals	7,024,638	793,429	-	1,402,325	9,220,392	2,400,243
OPEB deferrals	230,825	26,072	-	46,079	302,976	74,027
Charge on refunding	15,102,017	-	-	4,550	15,106,567	-
Total deferred outflows of resources	22,357,480	819,501	-	1,452,954	24,629,935	2,474,270

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

City of Winston-Salem, North Carolina

Statement of Net Position

Proprietary Funds
June 30, 2024

Exhibit 6
Page 2 of 2

Liabilities	Enterprise Funds					Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Transit Authority	Nonmajor Funds	Total	
Current Liabilities						
Accounts payable	\$ 7,891,405	\$ 1,057,907	\$ 813,106	\$ 1,669,125	\$ 11,431,543	\$ 5,948,373
Accrued payroll	319,435	35,103	-	61,633	416,171	111,163
Accrued vacation	590,861	52,086	259,461	117,468	1,019,876	290,536
Accrued interest payable	1,344,765	4,550	-	57,226	1,406,541	9,244
Due to other funds	-	-	-	-	-	627,675
Unearned revenue	1,930	-	131,270	41,006	174,206	-
Landfill closure and postclosure costs	-	377,500	-	-	377,500	-
Pollution remediation	-	-	-	30,000	30,000	-
Current maturities						
Claims payable	-	-	-	-	-	8,523,054
Leases payable	7,906	-	-	-	7,906	38,702
Subscriptions payable	-	-	-	-	-	819,076
Contracts payable	5,966,085	1,378,046	-	1,139,544	8,483,675	1,212,695
Bonds payable	21,480,000	-	-	655,000	22,135,000	-
Total current liabilities	37,602,387	2,905,192	1,203,837	3,771,002	45,482,418	17,580,518
Noncurrent Liabilities						
Construction contracts payable						
from restricted assets	15,442,657	-	-	-	15,442,657	-
Accrued vacation	1,208,723	113,203	-	261,857	1,583,783	341,342
Landfill closure and postclosure costs	-	30,441,657	-	-	30,441,657	-
Pollution remediation	-	-	-	1,921,596	1,921,596	-
Claims payable	-	-	-	-	-	16,031,204
Leases payable	437,633	-	-	-	437,633	155,049
Subscriptions payable	-	-	-	-	-	357,356
Contracts payable	134,464,033	1,825,988	-	16,246,332	152,536,353	2,641,068
Bonds payable	382,998,575	-	-	6,326,866	389,325,441	-
Net pension liability	11,536,710	1,303,065	-	2,303,067	15,142,842	3,941,970
Total noncurrent liabilities	546,088,331	33,683,913	-	27,059,718	606,831,962	23,467,989
Total liabilities	583,690,718	36,589,105	1,203,837	30,830,720	652,314,380	41,048,507
Deferred Inflows of Resources						
Leases	672,018	-	-	16,769,146	17,441,164	-
Pension deferrals	356,205	40,233	-	71,108	467,546	121,711
OPEB deferrals	420,582	47,505	-	83,961	552,048	134,883
Charge on refunding	55,095	-	-	-	55,095	-
Total deferred inflows of resources	1,503,900	87,738	-	16,924,215	18,515,853	256,594
Net Position						
Net investment in capital assets	594,395,146	27,087,248	20,988,104	78,352,444	720,822,942	3,665,556
Restricted for capital improvements	38,745,272	-	-	-	38,745,272	-
Restricted for maintenance and repair	-	-	-	1,162,850	1,162,850	-
Restricted for OPEB	700,254	79,093	-	139,791	919,138	224,576
Unrestricted	108,913,042	38,145,019	7,205,207	28,051,768	182,315,036	60,281,774
Total net position	<u>\$ 742,753,714</u>	<u>\$ 65,311,360</u>	<u>\$ 28,193,311</u>	<u>\$ 107,706,853</u>	<u>943,965,238</u>	<u>\$ 64,171,906</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					48,624,679	
Net position of business-type activities					<u>\$ 992,589,917</u>	

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

City of Winston-Salem, North Carolina

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

Proprietary Funds

For the Fiscal Year Ended June 30, 2024

Exhibit 7

	Enterprise Funds					Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Transit Authority	Nonmajor Funds	Total	
Operating Revenues						
Sales	\$ 130,436,194	\$ -	\$ -	\$ -	\$ 130,436,194	\$ -
Charges for services	9,317,000	11,527,054	1,389,136	17,630,505	39,863,695	101,668,822
Other	112,750	9,260	306,619	8,398,606	8,827,235	2,198,426
Total operating revenues	139,865,944	11,536,314	1,695,755	26,029,111	179,127,124	103,867,248
Operating Expenses						
Personnel services	25,662,724	2,941,390	15,159,558	5,054,479	48,818,151	8,871,107
Maintenance and operations	37,713,265	7,603,717	6,364,261	15,724,884	67,406,127	105,219,861
Total operating expenses before depreciation	63,375,989	10,545,107	21,523,819	20,779,363	116,224,278	114,090,968
Depreciation and amortization	38,519,493	1,875,170	2,439,107	4,089,334	46,923,104	1,902,288
Total operating expenses	101,895,482	12,420,277	23,962,926	24,868,697	163,147,382	115,993,256
Operating income (loss)	37,970,462	(883,963)	(22,267,171)	1,160,414	15,979,742	(12,126,008)
Nonoperating Revenues (Expenses)						
Intergovernmental revenue	-	849,379	9,323,974	10,741	10,184,094	-
Property taxes	-	-	12,962,663	-	12,962,663	-
Lease revenue	92,808	-	-	-	92,808	-
Investment income	13,873,528	5,546,641	214,697	2,778,227	22,413,093	8,107,416
Gain on disposal of assets	2,674,523	18,492	-	8,192	2,701,207	77,460
State of NC grant	-	-	-	24,050	24,050	-
Damage settlements	-	-	28,201	8,121	36,322	-
Interest and fiscal expense	(16,054,613)	(132,264)	-	(757,792)	(16,944,669)	(167,740)
Amortization of financing costs	2,313,166	80,573	-	47,996	2,441,735	-
Total nonoperating revenues (expenses), net	2,899,412	6,362,821	22,529,535	2,119,535	33,911,303	8,017,136
Income (loss) before capital contributions and transfers	40,869,874	5,478,858	262,364	3,279,949	49,891,045	(4,108,872)
Capital Contributions	10,609,356	-	1,693,797	110,001	12,413,154	-
Transfers In	120,721	510,705	-	1,907,389	2,538,815	3,250,000
Transfers Out	(428,493)	-	(6,155)	(3,827,496)	(4,262,144)	(3,452,640)
Total transfers	(307,772)	510,705	(6,155)	(1,920,107)	(1,723,329)	(202,640)
Change in net position	51,171,458	5,989,563	1,950,006	1,469,843	60,580,870	(4,311,512)
Total net position - beginning	691,582,256	59,321,797	34,678,443	106,237,010		68,483,418
Error correction	-	-	(8,435,138)	-		-
Total net position - beginning, as restated	691,582,256	59,321,797	26,243,305	106,237,010		68,483,418
Total net position - ending	<u>\$ 742,753,714</u>	<u>\$ 65,311,360</u>	<u>\$ 28,193,311</u>	<u>\$ 107,706,853</u>		<u>\$ 64,171,906</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					382,155	
Change in net position of business-type activities					<u>\$ 60,963,025</u>	

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

City of Winston-Salem, North Carolina

Statement of Cash Flows

Proprietary Funds
For the Fiscal Year Ended June 30, 2024

Exhibit 8
Page 1 of 2

	Enterprise Funds					Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Transit Authority	Nonmajor Funds	Total	
Cash Flows from Operating Activities						
Cash received from sales	\$ 135,223,784	\$ 11,529,237	\$ 1,750,865	\$ 24,853,539	\$ 173,357,425	\$ 104,181,936
Cash payments to suppliers for goods and services	(38,173,205)	(5,612,063)	(6,489,243)	(15,334,719)	(65,609,230)	(93,788,575)
Cash payments to employees for services	(24,482,049)	(2,796,633)	(15,858,560)	(4,861,385)	(47,998,627)	(8,435,602)
Net cash provided (used) by operating activities	72,568,530	3,120,541	(20,596,938)	4,657,435	59,749,568	1,957,759
Cash Flows from Noncapital Financing Activities						
Intergovernmental revenue	68,086	849,379	8,620,607	15,478	9,553,550	-
Property taxes	-	-	12,474,653	-	12,474,653	-
Borrowings from other funds	-	-	-	-	-	346,015
Transfers in	120,721	510,705	-	1,907,389	2,538,815	3,250,000
Transfers out	(428,493)	-	(6,155)	(3,827,496)	(4,262,144)	(3,452,640)
Net cash provided (used) by noncapital financing activities	(239,686)	1,360,084	21,089,105	(1,904,629)	20,304,874	143,375
Cash Flows from Capital and Related Financing Activities						
Proceeds from issuance of contracts	23,107,585	-	-	-	23,107,585	-
Intergovernmental revenue	-	-	1,217,250	279,369	1,496,619	-
Property taxes	-	-	442,727	-	442,727	-
Capital contributions	(799,709)	-	-	99,001	(700,708)	-
Acquisition of property and equipment	(94,521,407)	(416,734)	(989,078)	(4,535,084)	(100,462,303)	361,533
Retirement of bonds	(20,500,000)	-	-	(630,000)	(21,130,000)	-
Retirement of contracts payable	(6,147,106)	(1,499,043)	-	(1,201,748)	(8,847,897)	(1,621,175)
Retirement of subscriptions payable	(543,169)	-	-	-	(543,169)	(954,944)
Retirement of lease payable	(6,725)	-	-	-	(6,725)	(16,266)
Cash received from cell tower and license agreement	82,949	-	-	-	82,949	-
Interest and fiscal expense paid on debt	(16,161,808)	(135,306)	-	(761,905)	(17,059,019)	(167,740)
Proceeds from sale of assets	197,942	18,492	-	8,192	224,626	98,583
Damage settlements	5,496,419	-	28,201	8,121	5,532,741	-
Net cash provided (used) by capital financing activities	(109,795,029)	(2,032,591)	699,100	(6,734,054)	(117,862,574)	(2,300,009)
Cash Flows from Investing Activities						
Investment income	13,873,528	5,546,641	214,697	2,778,227	22,413,093	8,107,416
Net increase (decrease) in cash	(23,592,657)	7,994,675	1,405,964	(1,203,021)	(15,395,039)	7,908,541
Cash and cash equivalents/investments July 1	179,426,943	62,623,261	4,968,973	32,723,137	279,742,314	83,501,215
Cash and cash equivalents/investments June 30	\$ 155,834,286	\$ 70,617,936	\$ 6,374,937	\$ 31,520,116	\$ 264,347,275	\$ 91,409,756

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

City of Winston-Salem, North Carolina

Statement of Cash Flows

Proprietary Funds
For the Fiscal Year Ended June 30, 2024

Exhibit 8
Page 2 of 2

	Enterprise Funds					Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Transit Authority	Nonmajor Funds	Total	
Reconciliation of Cash and Cash Equivalents/Investments						
Cash and investments - current	\$ 101,646,357	\$ 39,798,779	\$ 6,374,937	\$ 30,140,182	\$ 177,960,255	\$ 91,409,756
Cash and investments - restricted	54,187,929	30,819,157	-	1,379,934	86,387,020	-
Cash and cash equivalents/investments June 30	\$ 155,834,286	\$ 70,617,936	\$ 6,374,937	\$ 31,520,116	\$ 264,347,275	\$ 91,409,756
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ 37,970,462	\$ (883,963)	\$ (22,267,171)	\$ 1,160,414	\$ 15,979,742	\$ (12,126,008)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization expense	38,519,493	1,875,170	2,439,107	4,089,334	46,923,104	1,902,288
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources						
(Increase) decrease in receivables	(4,803,405)	(7,077)	11,449	(321,698)	(5,120,731)	314,688
(Increase) decrease in inventories	(819,325)	-	(70,421)	-	(889,746)	(34,630)
(Increase) decrease in prepaid expenses	(230,000)	-	(138,013)	113,174	(254,839)	(311,683)
(Increase) decrease in net OPEB asset	(314,726)	(38,066)	-	(60,868)	(413,660)	(96,143)
(Increase) decrease in deferred outflows of resources - pensions	(147,146)	(61,548)	-	5,596	(203,098)	(89,922)
(Increase) decrease in deferred outflows of resources - OPEB	(117,457)	(14,008)	-	(22,871)	(154,336)	(36,260)
Increase (decrease) in net pension liability	1,051,313	187,241	-	156,556	1,395,110	419,663
Increase (decrease) in deferred inflows of resources - leases	160,615	-	-	(861,253)	(700,638)	-
Increase (decrease) in deferred inflows of resources - pensions	(25,193)	(354)	-	(6,970)	(32,517)	(6,410)
Increase (decrease) in deferred inflows of resources - OPEB	300,227	34,697	-	59,323	394,247	94,789
Increase (decrease) in accounts payable	589,385	451,021	83,452	276,994	1,400,852	(50,778)
Increase (decrease) in accrued payroll	31,615	4,038	(200,480)	1,893	(162,934)	8,053
Increase (decrease) in unearned revenue	630	-	43,661	7,378	51,669	-
Increase (decrease) in accrued vacation	402,042	32,757	(498,522)	60,433	(3,290)	141,735
Increase in landfill closure and postclosure costs	-	1,540,633	-	-	1,540,633	-
Increase (decrease) in claims payable	-	-	-	-	-	11,548,115
Increase (decrease) in contracts payable	-	-	-	-	-	280,262
Total adjustments	34,598,068	4,004,504	1,670,233	3,497,021	43,769,826	14,083,767
Net cash provided (used) by operating activities	\$ 72,568,530	\$ 3,120,541	\$ (20,596,938)	\$ 4,657,435	\$ 59,749,568	\$ 1,957,759

Noncash Investing, Capital, and Financing Activities

The City entered into contracts payable for new property and equipment of \$963,814 for the year ended June 30, 2024.

The City received contributed land amounting to \$11,273,520 during the year ended June 30, 2024, from various developers.

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

City of Winston-Salem, North Carolina

Statement of Fiduciary Net Position

Fiduciary Funds
June 30, 2024

Exhibit 9

	Benefits Trust Fund
Assets	
Cash and cash equivalents	
Money market	\$ 19,531,408
Investments, at fair value	
Domestic stock and ADRs	130,617,258
Mutual funds	113,283,590
United States government agencies	22,549,404
Corporate bonds	20,087,932
Municipal bonds	1,778,588
Prepaid Expenses	119,303
Total assets	<u>307,967,483</u>
Deferred Outflows of Resources	
Pension deferrals	<u>41,451</u>
Liabilities	
Accounts payable	161,048
Accrued payroll	1,935
Accrued vacation	7,314
Net pension liability	68,075
Claims payable	1,098,453
Total liabilities	<u>1,336,825</u>
Deferred Inflows of Resources	
Pension deferrals	<u>2,102</u>
Net Position	
Restricted for pensions	228,269,089
Restricted for post-employment benefits other than pensions	78,400,918
Total net position	<u><u>\$ 306,670,007</u></u>

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

City of Winston-Salem, North Carolina

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2024

Exhibit 10

	Benefits Trust Fund
Additions	
Contributions	
Employer	\$ 10,501,430
Plan members	3,208,755
Total contributions	13,710,185
Investment income	
Net appreciation in fair value	36,881,947
Interest and dividends	6,099,497
Total investment income	42,981,444
Less: investment expense	1,377,413
Net investment income	41,604,031
Total additions	55,314,216
Deductions	
Benefits	24,827,084
Refund of contributions	52,953
Administrative expense	252,507
Total deductions	25,132,544
Net increase in net position	30,181,672
Net position - beginning	276,488,335
Net position - ending	\$ 306,670,007

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

City of Winston-Salem, North Carolina

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies

Accounting policies conform to generally accepted principles applicable to governmental units. The following paragraphs summarize significant policies:

A. The Reporting Entity

The City of Winston-Salem, North Carolina, a municipal corporation, is governed by an elected mayor and an eight member City Council. This report presents the financial position and results of operations of the City and one legally separate component unit that has a significant financial relationship because it provides services only to the City. Other criteria used to determine component units under generally accepted accounting principles include appointment of a voting majority of the governing board and/or imposition of will or financial benefit/burden, fiscal dependency, or other significant operational and financial relationships. The financial statements of the nonprofit corporation are included in this report as blended component units.

North Carolina Municipal Leasing Corporation assists the City by financing certain real and personal property under contractual agreements. The assets and related long-term contractual obligations are reported in the related governmental and business-type funds.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements, the statement of net position and the statement of activities, report information on all of the non-fiduciary activities of the primary government and its component units. Interfund activity has been eliminated from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, taxes, and intergovernmental revenues are reported separately for business-type activities, which are normally supported by user charges and fees.

The statement of activities presents a comparison between direct expenses and program revenues for governmental and business types of the City's activities. Direct expenses are those that are clearly identifiable with a specific governmental function or business segment. Program revenues include 1) fees or charges for services paid by customers or recipients of goods or services and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other revenues not included among program revenues are reported as general revenues.

Fund Financial Statements are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Emphasis in these statements is placed on major governmental and enterprise funds with each major individual fund displayed in a separate column. The City's determination of reporting major funds considered the criteria prescribed by GASB and consistency of presentation from year to year. All remaining governmental and enterprise funds are aggregated and shown as nonmajor funds.

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. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

The City reports the following major governmental funds:

The **General Fund** is the primary operating fund of the City and accounts for the provision of governmental services. The general fund summarizes the financial transactions of governmental services, except for those more appropriately recorded in other funds.

The **Debt Service Fund** accumulates resources to pay maturing principal and interest on long-term general obligations and capital lease charges for governmental capital projects. General, revenue, and special obligations issued for water and sewer utilities, solid waste disposal, stormwater, parking facilities, and public assembly facilities plus related debt service, are recorded in the respective enterprise funds.

The **Capital Projects Fund** accounts for resources to acquire or construct major capital improvements, other than those financed by proprietary funds. Principal resources include intergovernmental revenues, proceeds of general obligation bonds, capital leases, and transfers from other funds.

The **Midtown Economic Development Grant Fund** tracks revenue and expenditure related to a \$35 million grant from the State of NC to support economic development activities and improve infrastructure in the city.

The City reports the following major enterprise funds:

The **Water and Sewer Utility Fund** accounts for water and sewer services in the City and certain areas of the county. The system is under the administrative direction of the Winston-Salem/Forsyth County Utility Commission.

The **Solid Waste Disposal Fund** accounts for recycling and disposal services of solid waste in Winston-Salem and Forsyth County. The system is under the administrative direction of the Winston-Salem/Forsyth County Utility Commission.

The **Transit Authority Fund** accounts for the provisions of public transportation within the City and the County. The City contracts for management and operation of the system with a privately owned management company. Charges and fares are structured to encourage the community to use public transportation.

Additionally, the City reports the following fund types:

Internal Service Funds account for central warehouse, fleet services, information services, workers' compensation, health benefits, dental and flexible benefits, employee benefits, and risk management.

Fiduciary Funds account for other post-employment benefits, and pension trust funds, including Winston-Salem Police Officers' Retirement System and Winston-Salem Police Officers' Separation Allowance.

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary Fund, and Fiduciary Fund Financial Statements are reported using the flow of economic resources measurement focus and accrual basis of accounting. Revenues are recognized in the period earned, and expenses are recognized in the period incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants and similar items is recognized when all eligibility requirements have been met. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

Governmental Fund Financial Statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the period received and are accrued if considered to be both measurable and available to pay current liabilities. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures for compensated absences and claims and judgments, are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Issuance of general long-term debt and acquisitions under leases and IT subscriptions are reported as other financial sources. General capital asset acquisitions are reported as expenditures.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes received 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.

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

D. Budgetary Accounting

Budgetary accounting is used for management control of all funds of the City. Annual budget ordinances are adopted on the modified accrual basis at the fund level and amended as required for the operations of the general fund.

Administrative control is exercised through the establishment of detailed line item budgets. Budget amendments to total expenditures between functions, which are the legal level of budgetary control, require approval by the City Council. Budgets are reported as originally adopted and amended by executive or council action. During the year, amendments to the original budget were made, when appropriate, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted. All unencumbered budget appropriations lapse at year-end.

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

1. Deposits and Investments

The City's cash and investments under the "pooled cash concept" is composed of fixed income and equity investments and demand deposit accounts and is used by all funds as allowed by its investment authority. For arbitrage purposes, the City maintains separate investments of proceeds of bond issues and other tax-exempt financings. Each fund's portion of cash and investments is included as "Cash and Cash Equivalents/Investments."

Investments are governed by state statutes and written policies. Governmental monies may be deposited in FDIC-insured or collateralized demand accounts and certificates of deposit. Other investments may be made in obligations of the United States Treasury and federal agencies, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, and master repurchase agreements. Equity investments of the pension trust funds, other employee benefit reserves, and designated capital reserves are permitted by North Carolina State Statutes and governed by City policies.

The City utilizes Capital Management of the Carolinas which facilitates electronic transfers between the state and units of local government and provides immediate short-term investment of temporarily idle funds, principally bond proceeds. The North Carolina Capital Management Trust (NCCMT) - Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured 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.

Investments are stated at fair value and securities traded on national exchanges are valued at the last reported sales price.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

2. Receivables and Payables

Lending/borrowing arrangements between funds outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (for the current portion of interfund loans) or “advances to/from other funds” (for the non-current portion of interfund loans.)

All receivables are shown net of an allowance for uncollectibles which is estimated by analyzing the historical collection experience of the fund.

3. Ad Valorem Taxes Receivable

The City property tax is based on the assessed valuation of property located in the City as of the preceding January first. The value of personal property is established annually, and by state law, real property must be appraised at least once every eight years. The last revaluation of real property became effective with the 2021 tax levy for fiscal year 2022. The City’s fiscal year 2024 tax rate was .6610 mils, allocated as follows: .5183 mils for general purposes, .0941 mils for general debt service, and .0486 mils for mass transit, and an additional tax rate of .09 mils on all property within the Downtown Business Improvement District for enhanced services in the downtown area. Taxes are due on September first and payable without penalty or interest until the fifth of January. On and after January sixth, taxes become delinquent, a lien attaches to the property, and a penalty of 2% is assessed. On February first, interest accrues at the rate of .75% per month until paid. Property tax receivables are recorded net of allowance for estimated uncollectible amounts and offset as deferred inflows of resources since the amount due is not considered to be currently available.

4. Restricted Assets

Certain funds of the Winston-Salem/Forsyth County Utility System are restricted by revenue bond covenants and other intergovernmental agreements. These funds include unexpended bond proceeds, which are restricted to be used solely for the purpose for which the bonds were originally issued, funds restricted to be used for system maintenance and replacement, future expansion, and economic development purposes. Capital reserve funds for closure and post-closure costs are reserved in the solid waste disposal fund. The City also holds a capital reserve account in the public assembly facilities fund to be used for repair or to make capital improvements to the Bowman Gray Stadium Field House. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. The City has received funds for 911 Emergency Communications, Midtown economic development and the national opioid settlement and these funds are classified as restricted cash due to restricted expenditure purpose. The City hold funds received from private entities that is restricted for stormwater maintenance projects.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Restricted Cash June 30, 2024

Governmental activities	
General capital projects (bond proceeds)	\$ 68,404,902
Midtown economic development funds (grant proceeds)	35,338,714
Nonmajor governmental funds	
Unexpended Powell Bill proceeds	6,481,072
Unexpended State 911 proceeds	1,484,457
Unexpended opioid settlement proceeds	920,799
Total governmental activities	<u>112,629,944</u>
Business-type activities	
Water and sewer utility	
Unexpended bond proceeds	2,372,794
Equipment and replacement reserves	48,815,135
Economic development	3,000,000
Solid waste disposal	
Landfill closure and postclosure costs	30,819,157
Stormwater private maintenance projects	1,162,850
Public assembly facilities management	
Capital reserve	217,084
Total business-type activities	<u>86,387,020</u>
Total restricted cash	<u>\$ 199,016,964</u>

5. Lease Receivable

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

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

6. Inventories

Inventories are recognized under the consumption method of accounting, which recognizes expenditures or expenses of operating materials and supplies as goods are used. Inventories are stated at average cost for warehouse, fleet services, Transit Authority, and water and sewer funds. All other inventories are stated at lower of cost (first in, first out) or market.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

7. Capital Assets

Capital assets, which include property, plant, equipment, right to use assets, and infrastructure assets (i.e. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide statements. Equipment purchases are considered capital assets when the individual cost is equal to or greater than \$5,000 and useful life is in excess of two years. Donated capital assets are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets, consist of road network and water and sewer system assets. These assets are reported at historical 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.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Buildings	10-40 years
Improvements other than buildings	10-40 years
Machinery and equipment	3-12 years
Computer software	5-8 years

The right to use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods, and so will not be recognized as revenue until then.

9. Accumulated Vacation and Sick Leave Benefits

Earned vacation may be accumulated to a maximum of 30 days at the end of each calendar year. Accumulated vacation is due when leave time is taken by the employee or at the time of termination, retirement, or death. Accrued vacation leave is recorded as a liability when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Employees terminating service before retirement forfeit accumulated sick leave; therefore, sick leave is charged as an expenditure or expense when paid. Sick leave may be accumulated without limit until retirement, at which time, limited credit for this leave is given in the computation of retirement benefits. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

10. National Opioid Settlement Funds

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

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

11. Long-Term Obligations

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

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

12. Net Position/Fund Balances

Net position in government-wide and business-type activity financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position is either constrained externally by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Restricted Net Position June 30, 2024

Stabilization by state statute	\$ 43,111,084
Debt service	79,105,286
OPEB	6,231,026
Capital improvements	38,745,272
Maintenance and repair	1,162,850
Public protection - opioid settlement funds	4,724,569
Other purposes	
Nonmajor governmental	26,051,603
Total	\$ 199,131,690

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.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

The governmental fund types classify fund balances as follows:

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

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

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

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

Perpetual care – Cemetery resources that are required to be retained in perpetuity for the maintenance of the Woodland and Evergreen Cemeteries.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – N.C.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 N.C.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, leases, and prepaids 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 debt service – portion of fund balance restricted by revenue source for debt service.

Restricted for capital improvements - portion of fund balance restricted by bond proceeds for capital improvements.

Restricted for general government - portion of fund balance restricted by revenue source for general government expenditures.

Restricted for public protection - portion of fund balance restricted by revenue source for certain emergency telephone system expenditures.

Restricted for environmental health – portion of fund balance restricted by revenue source for environmental health expenditures.

Restricted for opioid settlement – portion of fund balance restricted by revenue source for opioid settlement expenditures.

Restricted for transportation - portion of fund balance restricted by revenue source for transportation expenditures.

Restricted for culture and recreation - portion of fund balance restricted by revenue source for cultural and recreational expenditures.

Restricted for community and economic development - portion of fund balance restricted by revenue source for community and economic development expenditures.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Winston-Salem’s City Council. Any changes or removal of specific purpose requires majority action by City Council.

Committed for community and economic development - portion of fund balance committed by City Council for community and economic development.

Assigned Fund Balance – portion of fund balance that the City Council has assigned for specific management purposes. The City Council may delegate to the City Manager or Chief Financial Officer the authority to assign a portion of fund balance to promote sound financial operations of the City or to meet a future obligation.

Subsequent year’s budget – portion of fund balance that is appropriated in the adopted 2024-2025 Budget Ordinance and as approved by City Council on June 17, 2024, that is not already classified in restricted or committed.

Assigned for local fiscal recovery – portion of fund balance assigned by City Council to be spent for local fiscal recovery.

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

The City will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-City funds, City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The City’s financial policy is to maintain a minimum unassigned fund balance of 16% of the estimated general fund expenditures.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Fund Balance June 30, 2024

Nonspendable	
Inventories	\$ 721,056
Lease receivable, net	17,800
Prepays	64,696
Perpetual care	5,130,850
Restricted	
Stabilization by state statute	43,111,084
Debt service	79,105,286
Capital improvements	68,404,902
General government	148,102
Public protection	3,048,275
Environmental health	4,082
Transportation	7,806,285
Culture and recreation	975,202
Community and economic development	9,859,606
Committed	
Capital improvements	23,800,988
Community and economic development	45,569,738
Assigned	
Subsequent year's budget	5,554,320
Local fiscal recovery	1,683,348
Unassigned	60,697,355
Total	\$ 355,702,975

13. Defined Benefit Pensions and OPEB

For purposes of measuring the net pension asset/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 additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Winston-Salem'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. Investments are reported at fair value.

The City also administers two single-employer defined benefit pension plans; the Winston-Salem Police Officers' Retirement System and the Winston-Salem Police Officers' Separation Allowance. 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 pension plans and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, the pension plans recognize benefit payments when due and payable in accordance with the benefit terms. Employer contributions are determined and paid annually based on actuarial recommendations. Investments are reported at fair value.

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

City of Winston-Salem, North Carolina

Notes to the Financial Statements

2. Stewardship, Compliance, and Accountability

A. Budget Violations

For the fiscal year ended June 30, 2024, the expenditures in the Public Assembly Facilities Management Fund exceeded appropriations by \$5,661,953. This occurred due to an accounting change to properly record gross revenues and gross expenditures for the Benton Convention Center. These amounts were previously presented as a net amount with expenditures being deducted from the gross cash proceeds due the City from our third-party management company. This change in accounting occurred after the City Council's last meeting in June; therefore, the budget could not be amended to reflect the change in accounting.

3. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

All of the City's deposits are entirely insured or collateralized. The City requires collateral for demand deposits and certificates of deposit to be held by an independent custodian in the City's name or through a collateral pool held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure 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 does not have a policy regarding custodial credit risk for deposits.

At June 30, 2024, the City's deposits had a carrying value of \$79,118,216 and bank balance of \$89,593,260. Of the bank balance, \$61,096,675 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2024, the City maintained various petty cash funds totaling \$64,540.

2. Investments

The City's investment policy is designed to provide liquidity for disbursement needs and to maximize investment income. Since individual funds may deposit and withdraw funds at any time, the cash and investment types, short-term and longer-term fixed income investments and equity investments are essentially managed on demand deposit accounts. For the statement of cash flows, all proprietary fund types pooled cash is considered cash and cash equivalents. Restricted cash and cash equivalents are restricted by bond covenants and other financing intergovernmental agreements.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

As of June 30, 2024, the City had the following investments and maturities:

Investment Type	Value	Less Than 6 Months	6 - 12 Months	Over 1 Year
Domestic stock and ADRs	\$ 202,491,881	\$ 202,491,881	\$ -	\$ -
US Treasuries	58,900,867	73,833	2,554,005	56,273,029
US government agencies	110,440,347	10,471,170	26,698,068	73,271,109
Corporate bonds	50,583,427	1,522,753	3,473,696	45,586,978
Municipal bonds	20,087,932	164,550	124,900	19,798,482
Mutual funds	186,289,452	186,289,452	-	-
Money market funds	29,971,444	29,971,444	-	-
Government Portfolio	286,587,401	286,587,401	-	-
Total	\$ 945,352,750	\$ 717,572,484	\$ 32,850,669	\$ 194,929,597

The table above includes \$307,848,180 of fiduciary fund cash and investments.

At June 30, 2024, the City's investment balances measured at fair value were as follows:

Investment Type	Fair Value	Fair Value Measurements Using	
		Level 1 Inputs	Level 2 Inputs
Domestic stock and ADRs	\$ 202,491,881	\$ 202,491,881	\$ -
US Treasuries	58,900,867	58,900,867	-
US government agencies	110,440,346	-	110,440,346
Corporate bonds	50,583,427	-	50,583,427
Municipal bonds	20,087,932	-	20,087,932
Open-end mutual funds	186,289,452	184,826,309	1,463,143
Money market funds	29,971,444	-	29,971,444
NC Capital Management Trust			
Government Portfolio	286,587,401	286,587,401	-
Total fair value investments	\$ 945,352,750	\$ 732,806,458	\$ 212,546,292

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

Level of fair value hierarchy:

Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 - Inputs to the valuation methodology are other than quoted prices available in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies. U.S. government agencies, corporate bonds, and municipal bonds classified in Level 2 are valued using Institutional bond quotes – evaluations based on various market and industry inputs.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits direct investment of operating funds to securities maturing no more than five years from the date of purchase. Also, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates to meet the operating requirements of each individual fund and cash flow requirements of the City's overall operations. Reserve funds invested by external asset managers are not required to meet liquidity needs within the short-term and may have maturities generally consistent with benchmark indices established to monitor performance of the assets managers. The City's investment policy requires that proceeds of general obligation, special obligation, revenue bonds, and limited obligation bonds shall be invested in cash and short-term fixed income securities since these funds are required to be expended within 3 years.

Credit Risk. The City's investment policy requires that all investments subject to N.C.G.S. 159-30 in bonds or notes, including commercial paper, bear the highest ratings of at least one nationally recognized rating service and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation. The City's investment policy requires that investments in corporate bonds under its statutorily expanded investment authority for investments not subject to N.C.G.S. 159-30 must be investment grade or higher. The City's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2024. The City's investments in US Agencies are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. All commercial paper of the City is rated A1 by Standard & Poor's and P1 by Moody's.

The ratings of the municipal and corporate bonds are presented in the following tables:

Type of Bonds	S&P	Moody's	Fair Value
Municipal	AAA	AAA	\$ 4,383,349
	AAA	N/A	330,378
	AA+	AAA	37,971
	AA+	AA1	1,974,107
	AA+	AA2	468,621
	AA+	N/A	1,377,093
	AA	AA1	61,323
	AA	AA2	1,045,481
	AA	AA3	196,527
	AA	A1	884,252
	AA	A3	25,855
	AA	BAA3	4,895
	AA	N/A	1,035,658
	AA-	AA2	1,169,414
	AA-	AA3	1,323,758
	AA-	A1	268,536
	AA-	N/A	215,078
	A+	AA3	165,137
	A+	A1	422,684
	A	A1	476,430
	A	A2	140,703
	A	N/A	189,619
	A-	A1	34,435
	A-	A2	24,825
	A-	A3	954,958
	A-	N/A	138,485
	BBB+	N/A	238,840
	N/A	AAA	242,435
	N/A	AA2	1,016,303
	N/A	A1	443,012
	N/A	A3	24,695
	N/A	BAA2	600,676
	N/A	N/A	19,373
	N/A	N/R	53,068
	N/R	AAA	25,000
	N/R	N/R	74,963
Total Municipal			20,087,932

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Type of Bonds	S&P	Moody's	Fair Value
Corporate	AAA	AAA	\$ 332,635
	AAA	N/A	123,361
	AA+	AAA	589,763
	AA+	AA1	495,295
	AA+	AA2	254,097
	AA	AA2	137,647
	AA	A1	972,065
	AA	A2	201,762
	AA	N/A	1,569,601
	AA-	AA2	268,662
	AA-	AA3	421,754
	AA-	A1	408,893
	AA-	A3	23,949
	AA-	N/A	552,662
	A+	AA2	421,935
	A+	A1	1,643,664
	A+	A2	847,098
	A+	A3	205,354
	A+	N/A	602,274
	A	AA3	391,198
	A	A1	506,888
	A	A2	2,481,900
	A	A3	282,666
	A	BAA1	617,728
	A	BAA2	78,788
	A	N/A	169,857
	A-	A1	1,652,912
	A-	A2	838,017
	A-	A3	5,549,499
	A-	BAA1	486,112
	A-	BAA2	84,185
	A-	N/A	635,300
	BBB+	A1	446,335
	BBB+	A2	230,855
	BBB+	A3	728,304
	BBB+	BAA1	5,052,543
	BBB+	BAA2	1,196,197
	BBB+	N/A	1,657,027
	BBB	A3	167,278
	BBB	BAA1	597,881
	BBB	BAA2	4,583,751
	BBB	BAA3	404,697
	BBB	N/A	1,327,584
	BBB-	BAA2	188,815
	BBB-	BAA3	3,586,574
	BBB-	BA1	1,066,169
	BBB-	N/A	169,186
	BB+	BAA3	108,059
	BB+	N/A	112,091
	N/A	AAA	123,756
	N/A	A1	1,548,600
	N/A	A2	208,494
	N/A	BAA1	19,840
	N/A	BAA2	989,592
	N/A	BAA3	388,224
	N/A	N/A	971,998
	N/A	N/R	562,195
	N/R	WR	299,865
Total Corporate			50,583,427
Total			\$ 70,671,358

City of Winston-Salem, North Carolina

Notes to the Financial Statements

The City has special authority to invest retirement, other employee benefits, risk reserve, cemetery perpetual care funds, and capital reserves designated by the City Council in “Securities and other investments authorized by State Law for the State Treasurer” in N.C.G.S. §147-69.1 and N.C.G.S. §147-69.2. These investments have similar interest rate and credit risk characteristics, include common stocks, municipal bonds and corporate bonds, and other instruments similar to those used by the North Carolina State Treasurer for long-term financial assets.

B. Receivables-Allowance for Uncollectible Accounts

The receivable amounts shown in the Balance Sheet and the Statement of Net Position are net of the following allowances for uncollectible accounts:

Allowances for Uncollectible Accounts at June 30, 2024

General fund	
Taxes receivable	\$ 970,198
Other receivables	3,168,781
Special revenue funds	
Nonmajor	
Taxes receivable	2,328
Other receivables	27,025,749
Debt service fund	
Taxes receivable	175,567
Enterprise funds	
Water and sewer utility	2,419,075
Solid waste disposal	294
Transit Authority	
Taxes receivable	87,963
Nonmajor	261,668
Internal service funds	
Nonmajor	8,356
Total	\$ 34,119,979

C. Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables at June 30, 2024, is as follows:

	Interfund Payables	Interfund Receivables
General Fund	\$ -	\$ 1,932,803
Special revenue funds		
Nonmajor	1,305,128	-
Internal service fund - Warehouse Fund	311,189	-
Internal service fund - Fleet Services Fund	316,486	-
Total	\$ 1,932,803	\$ 1,932,803

All 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.

The City uses transfers to 1) move revenues from a fund that state statute or budget requires to collect them to a fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts, to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Major transfers made in the year ended June 30, 2024, include: a transfer of \$2,534,874 from the stormwater management fund to the general fund for the seasonal leaf collection and rodent control; a community development fund transfer to the general fund for \$1,085,526 to cover housing rehabilitation expenditures; a gasoline tax fund transfer to the general fund for \$5,529,319 and to capital projects fund for \$4,050,528; a transfer from general fund to the grants fund for \$519,860 to cover the City's share of grant expenditures; a transfer from general fund to economic and housing development fund of \$3,419,260 to fund economic development projects; a general fund transfer to the public assembly facilities management fund for \$251,142 for operations; a transfer from general fund to debt service fund of \$2,118,770 to cover debt service payments on economic development projects and the Bryce A. Stuart Building, a transfer of \$14,429,540 from the capital projects fund to the economic development fund for various affordable housing needs, a transfer of \$2,344,573 in bond premium proceeds from the capital projects fund to the debt service fund for interest related to the 2023 general obligation bond issue, and a transfer to the parking fund of \$743,870 for operations.

Transfers for Fiscal Year Ended June 30, 2024

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 10,260,150	\$ 10,099,842
Debt service fund	4,463,343	500,000
Capital projects fund	8,180,527	16,878,663
Special revenue funds		
Nonmajor	18,196,045	11,695,591
Enterprise funds		
Water and sewer utility	120,721	428,493
Solid waste disposal	510,705	-
Transit authority	-	6,155
Nonmajor	1,907,389	3,827,496
Internal service funds	3,250,000	3,452,640
Total	<u>\$ 46,888,880</u>	<u>\$ 46,888,880</u>

City of Winston-Salem, North Carolina

Notes to the Financial Statements

D. Capital Assets

The following tables summarize the changes in the components of capital assets for the year ended June 30, 2024:

Governmental Activities

	Balance June 30, 2023	Increase	Transfers	Decrease	Balance June 30, 2024
Capital assets, not being depreciated:					
Land	\$ 81,338,463	\$ 1,081,705	\$ 1,172,306	\$ (183,772)	\$ 83,408,702
Construction in progress	43,669,123	39,272,402	(54,291,891)	-	28,649,634
Total capital assets, not being depreciated	125,007,586	40,354,107	(53,119,585)	(183,772)	112,058,336
Capital assets, being depreciated:					
Buildings	230,010,036	869,101	12,432,046	(490,115)	242,821,068
Improvements other than buildings	403,399,970	-	40,687,539	(196,750)	443,890,759
Machinery and equipment	129,827,116	11,797,604	(49,316)	(4,940,388)	136,635,016
Total capital assets, being depreciated	763,237,122	12,666,705	53,070,269	(5,627,253)	823,346,843
Less accumulated depreciation for:					
Buildings	60,566,362	5,681,723	-	(13,565)	66,234,520
Improvements other than buildings	160,360,547	10,528,829	-	(17,451)	170,871,925
Machinery and equipment	94,346,879	7,689,521	-	(4,660,316)	97,376,084
Total accumulated depreciation	315,273,788	23,900,073	-	(4,691,332)	334,482,529
Capital assets being amortized:					
Right to use assets:					
IT subscriptions	3,689,267	874,450	-	(294,989)	4,268,728
Lease equipment	594,651	312,477	-	(594,647)	312,481
Lease buildings	10,414,446	210,017	-	-	10,624,463
Total right to use assets	14,698,364	1,396,944	-	(889,636)	15,205,672
Less accumulated amortization for:					
IT subscriptions	742,948	1,413,369	-	(168,452)	1,987,865
Lease equipment	460,376	147,469	-	(594,651)	13,194
Lease buildings	846,064	647,617	-	-	1,493,681
Total accumulated amortization	2,049,388	\$ 2,208,455	\$ -	\$ (763,103)	3,494,740
Total capital assets, being depreciated, net	447,963,334				488,864,314
Right to use assets, net	12,648,976				11,710,932
Governmental activities capital assets, net	<u>\$ 585,619,896</u>				<u>\$ 612,633,582</u>

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Business-type Activities

	Balance June 30, 2023	Increase	Transfers	Decrease	Balance June 30, 2024
Capital assets, not being depreciated:					
Land	\$ 48,394,589	\$ -	\$ 629,211	\$ -	\$ 49,023,800
Construction in progress	106,060,625	80,283,125	(41,775,474)	-	144,568,276
Total capital assets, not being depreciated	154,455,214	80,283,125	(41,146,263)	-	193,592,076
Capital assets, being depreciated:					
Buildings	330,538,012	-	2,931,346	-	333,469,358
Improvements other than buildings	1,419,813,112	11,273,519	38,214,917	(4,635,460)	1,464,666,088
Machinery and equipment	103,368,571	18,226,600	49,316	(990,885)	120,653,602
Total capital assets, being depreciated	1,853,719,695	29,500,119	41,195,579	(5,626,345)	1,918,789,048
Less accumulated depreciation for:					
Buildings	172,811,135	7,677,321	-	-	180,488,456
Improvements other than buildings	560,766,464	32,754,956	-	(1,647,598)	591,873,822
Machinery and equipment	59,280,735	6,053,098	-	(964,383)	64,369,450
Total accumulated depreciation	792,858,334	46,485,375	-	(2,611,981)	836,731,728
Capital assets being amortized:					
Right to use assets:					
IT subscriptions	1,426,789	-	-	(343,407)	1,083,382
Lease buildings	456,457	-	-	-	456,457
Total right to use assets	1,883,246	-	-	(343,407)	1,539,839
Less accumulated amortization for:					
IT subscriptions	529,373	414,906	-	(114,470)	829,809
Lease buildings	11,919	22,823	-	-	34,742
Total accumulated amortization	541,292	\$ 437,729	\$ -	\$ (114,470)	864,551
Total capital assets, being depreciated, net	1,060,861,361				1,082,057,320
Right to use assets, net	1,341,954				675,288
Business-type activities capital assets, net	<u>\$ 1,216,658,529</u>				<u>\$ 1,276,324,684</u>

The City has outstanding project authorizations for governmental activities capital projects in the amount of \$171,995,160 and \$29,500,988 in unexpended commitments; for capital projects in business-type activities outstanding project authorizations total to \$199,425,759 and \$102,371,848 in unexpended commitments. Funding for these commitments has been identified in capital project ordinances and should not require future financing.

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental Activities

	Depreciation Expense For Year Ended June 30, 2024	Amortization Expense For Year Ended June 30, 2024	Total For Year Ended June 30, 2024
General government	\$ 3,750,389	\$ 1,477,612	\$ 5,228,001
Public protection	4,878,961	717,650	5,596,611
Environmental health	2,458,106	-	2,458,106
Transportation	7,581,773	-	7,581,773
Culture and recreation	3,609,117	13,193	3,622,310
Community and economic development	1,621,727	-	1,621,727
Total	<u>\$ 23,900,073</u>	<u>\$ 2,208,455</u>	<u>\$ 26,108,528</u>

City of Winston-Salem, North Carolina

Notes to the Financial Statements

E. Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for general government capital improvement projects. The bonds are direct obligations and pledge the full faith and credit, and taxing power of the City. In the event of a 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.

In November 2018, City residents approved a \$122,000,000 bond referendum that authorized bonds to be issued for road improvements, economic development, housing development, parks and recreation improvements, and public safety center renovations. As of June 30, 2024, \$32,035,000 of these bonds were unissued.

Provisions of the state constitution and the Local Government Bond Act, as amended, permit the City statutory capacity for additional general obligation bonds in the amount of \$2.01 billion.

General Obligation Bonds Debt Service Requirements to Maturity are:

<u>Fiscal Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 15,660,000	\$ 8,382,845
2026	15,975,000	7,804,562
2027	15,055,000	7,206,659
2028	15,325,000	6,622,002
2029	14,175,000	6,008,644
2030-2034	74,275,000	20,803,702
2035-2039	57,910,000	7,906,056
2040-2043	17,150,000	1,368,775
Total	\$ 225,525,000	\$ 66,103,245

Stormwater Fee Revenue Bonds

In fiscal year 2013, the City issued stormwater fee revenue bonds to finance and reimburse the City for improvements to the City's stormwater facilities. The revenues, net of operating expenses, of the stormwater management system are pledged as security for these bonds. Stormwater fee revenue bonds outstanding at June 30, 2024 were \$6,645,000 with interest rates ranging from 3.0% to 4.0%, which are payable over the next 10 years. A trust agreement dated April 1, 2013, between the City and US Bank, as trustee, authorizes and secures all outstanding stormwater fee revenue bonds. Certain financial covenants are contained in the trust agreement including a requirement that the City maintain a long-term debt service coverage ratio on all stormwater fee revenue debt of not less than 1.2. Management believes the City was in compliance with all covenants for the fiscal year ended June 30, 2024, and the ratio was 2.2. In the event of a 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. The principal and interest remaining to be paid on the bonds is \$7,698,138. The principal and interest paid in the fiscal year ended June 30, 2024 was \$856,394.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Stormwater Fee Revenue Bonds Debt Service Requirements to Maturity are:

<u>Fiscal Year</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 655,000	\$ 201,394
2026	675,000	181,744
2027	695,000	161,494
2028	715,000	140,644
2029	735,000	119,193
2030-2033	3,170,000	248,669
Total	\$ 6,645,000	\$ 1,053,138

Water and Sewer Revenue Bonds

The City issues revenue bonds to fund capital improvement projects for the Winston-Salem/Forsyth County Water and Sewer System. The revenues, net of operating expenses, of the water and sewer system are pledged as security for the revenue bonds which were issued in 2010, 2014, 2016, 2017, 2020, and 2022. The amended and restated general trust agreement dated January 1, 2022, between the City and the Bank of New York, as trustee, authorizes and secures all outstanding revenue bonds. Certain financial covenants are contained in the trust agreement including a requirement that the City maintain a long-term debt service coverage ratio on all utility revenue debt of not less than 1.1. Management believes the City was in compliance with all covenants for the fiscal year ended June 30, 2024, and the ratio was 2.19. In the event of a 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. The total principal and interest remaining to be paid on the bonds is \$484,556,290. The principal and interest paid in the fiscal year ended June 30, 2024 was \$35,318,475.

Water and sewer revenue bonds outstanding at June 30, 2024 were \$361,265,000 with interest rates between .96 % and 5.00%, which are payable over the next 30 years.

Water and Sewer Revenue Bonds Debt Service Requirements to Maturity are:

<u>Fiscal Year</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 21,480,000	\$ 13,838,475
2026	22,490,000	12,782,710
2027	23,455,000	11,757,286
2028	24,240,000	10,766,826
2029	24,040,000	9,789,222
2030-2034	96,905,000	35,080,509
2035-2039	86,640,000	17,946,874
2040-2044	30,035,000	7,634,500
2045-2049	22,680,000	3,178,713
2050-2052	9,300,000	516,175
Total	\$ 361,265,000	\$ 123,291,290

City of Winston-Salem, North Carolina

Notes to the Financial Statements

State Revolving Loan

During fiscal year 2024, the City's Water and Sewer Utility fund received \$23,107,585 in proceeds from the direct borrowing Drinking Water State Revolving Fund. The City also has outstanding NC Clean Water Revolving funds. These loans carry fixed interest rates of 0% to 2% and are payable over 20 years. The total approved loan amounts are approximately \$211 million, which includes \$31.2 million approved and unissued for the R. W. Neilson Water Treatment Plant modernization project. Final amounts for each loan will be determined when the project is completed, and repayments will begin six months after the estimated project completion dates. In the event of a 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. Principal payments of \$5,547,996 were made in fiscal year 2024. At June 30, 2024, the City had \$139,462,574 outstanding.

Leases

The City has entered into agreements to lease certain property and equipment. The lease agreements have been recorded at the present value of the expected lease payments as of the date of their inception.

The net present value of expected lease payments as of June 30, 2024 are as follows:

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 542,083	\$ 333,832	\$ 7,906	\$ 18,195
2026	567,823	314,801	9,169	17,846
2027	596,230	293,931	10,517	17,444
2028	620,314	270,974	11,955	16,984
2029	585,382	246,446	13,488	16,463
2030-2034	2,256,307	1,000,780	94,157	72,080
2035-2039	2,627,138	597,951	150,105	47,332
2040-2043	1,773,387	123,537	148,242	11,413
Total	\$ 9,568,664	\$ 3,182,252	\$ 445,539	\$ 217,757

Subscriptions

The City has entered into agreements to receive subscription-based software. The subscription agreements have been recorded at the present value of the expected subscription payments as of the date of their inception.

The net present value of expected payments as of June 30, 2024, were as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2025	\$ 1,172,726	\$ 39,070
2026	277,991	9,454
2027	79,365	1,797
Total	\$ 1,530,082	\$ 50,321

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Contracts Payable

Contracts Payable Debt Service Requirements to Maturity are:

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 35,264,345	\$ 3,353,075	\$ 2,935,680	\$ 598,229
2026	17,400,368	2,789,890	2,612,984	503,705
2027	14,954,163	2,402,564	1,594,965	450,163
2028	12,962,280	2,022,482	1,013,970	420,716
2029	7,804,000	1,703,808	900,000	395,866
2030-2034	35,989,000	5,310,524	5,980,000	1,548,764
2035-2039	12,275,000	1,347,705	6,340,000	622,599
2040-2043	2,425,000	145,200	-	-
Total	\$ 139,074,156	\$ 19,075,248	\$ 21,377,599	\$ 4,540,042

The City has contracts payable to North Carolina Municipal Leasing Corporation ("NCMLC") obligating the City to make periodic payments that include interest and principal components. At June 30, 2024, the City had \$160,451,755 outstanding and due to NCMLC.

In fiscal year 2020, the City entered into an installment financing contract in the amount of \$25.5 million with Bank of America, N.A. to finance budgeted equipment for fiscal years 2020 and 2021 for \$18 million, and refinancing of the remaining balance of the 2016 equipment lease agreement of \$7.5 million. The terms of the lease include a stated interest rate of 1.61% for a 59-month term. At June 30, 2024, the City had \$18,000,000 outstanding.

In November 2021, the City entered into a \$20 million installment financing contract with TD Equipment Finance, Inc. The terms of the lease include a stated interest rate of 0.799% for a 59-month term. At June 30, 2024, the City had \$10,080,025 outstanding.

In June 2023, the City entered into a \$25 million installment financing contract with Bank of America Public Capital Corp. The terms of the lease include a stated interest rate of 3.3207% for a 59-month term. At June 30, 2024, the City had \$20,253,729 outstanding.

The City has various limited obligation bond issues outstanding at June 30, 2024 in the amount of \$112,118,000.

In the event of a 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.

Assets have been pledged as collateral for the following contracts payable:

Limited Obligation Bonds executed and delivered by North Carolina Municipal Leasing Corporation

Series 2010A	City Hall, Public Safety Center, Lowery Street, Ballpark
Series 2018	City Hall, Public Safety Center, Lowery Street, Ballpark
Series 2020A & B	City Hall, Public Safety Center, Lowery Street, Ballpark
Series 2022A & B	Convention Center Facility, Bryce A. Stuart Building

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Long-term Liabilities at June 30, 2024

Bonds Payable

General obligation bonds, issues dated 2012 to 2023, with stated interest rates of .50% to 5.00%	
General government	\$ 225,525,000
Discounts/premiums	22,553,584
Revenue bonds, water and sewer system	
Series 2014A, principal due annually through 2025, with stated interest rate of 5.0%	2,100,000
Series 2016A, principal due annually through 2039, with stated interest rates of 3.0% to 5.0%	92,420,000
Series 2017, principal due annually through 2047, with stated interest rates of 3.0% to 5.0%	48,785,000
Series 2020A, principal due annually through 2040, with stated interest rates of 2.0% to 5.0%	132,735,000
Series 2020B, principal due annually through 2033, with stated interest rates of .96% to 1.87%	23,085,000
Series 2022, principal due annually through 2052, with stated interest rates of 2.38% to 5.0%	62,140,000
Discounts/premiums	43,213,575
Revenue bonds, stormwater management	
Series 2013, principal due annually through 2033, with stated interest rates of 3.0% to 4.0%	6,645,000
Discounts/premiums	336,866

Leases Payable 10,014,203

Subscriptions Payable 1,530,082

Contracts Payable

Limited obligation bonds issued by North Carolina Municipal Leasing Corporation	
Series 2018, principal due annually through June 1, 2031, with stated interest rate of 3.07%	8,838,000
Series 2020A, principal due annually through June 1, 2027, with stated interest rates of 2.0% to 5.0%	5,545,000
Series 2020B, principal due annually through June 1, 2039, with stated interest rates of 2.06% to 3.4%	47,470,000
Series 2022A, principal due annually through June 1, 2042, with stated interest rates of 3.0% to 5.0%	14,535,000
Series 2022B, principal due annually through June 1, 2034, with stated interest rates of 1.10% to 2.7%	35,730,000
Discounts/premiums	3,157,739

Installment financing agreements

Direct borrowing, Series 2019, principal due from August 1, 2020 to August 1, 2024, with a stated interest rate of 1.610%	18,000,000
Direct borrowing, Series 2022, principal due from March 1, 2022 to September 1, 2026, with a stated interest rate of 0.799%	10,080,025
Direct borrowing, Series 2023, principal due from November 15, 2023 to May 15, 2028, with a stated interest rate of 3.3207%	20,253,730
Direct borrowing, Clean/Drinking water state revolving loan fund, payable over 20 years, with stated interest rate of 0% to 2%	139,462,574

Other

Net pension liability - LGERS	102,966,551
Net pension liability - WSPORS	31,176,120
Net pension liability - separation allowance	16,684,717
Accrued vacation	24,515,319
Accrued interest payable	2,607,988
Landfill closure and postclosure costs	30,819,157
Pollution remediation	1,951,596
Claims payable - employment and post-retirement benefits	22,240,552
Claims payable - risk management reserves fund	3,412,159
Arbitrage rebate liability	1,294,794

Total long-term liabilities including current maturities \$ 1,211,824,331

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Changes in Long-term Liabilities during Fiscal Year 2024

	Principal Outstanding June 30, 2024	Additions	Retirement and Deferrals	Principal Outstanding June 30, 2024	Due Within Year
Governmental Activities					
General obligation bonds	\$ 243,195,000	\$ -	\$ 17,670,000	\$ 225,525,000	\$ 15,660,000
Discount/premium	24,550,827	-	1,997,243	22,553,584	-
Lease liabilities	9,779,269	408,494	619,099	9,568,664	542,083
Subscription liabilities	2,363,274	806,938	1,640,130	1,530,082	1,172,726
Contracts payable					
North Carolina Municipal					
Leasing Corporation	101,356,313	10,539,180	21,155,092	90,740,401	8,440,328
Discount/premium	3,408,017	-	430,133	2,977,884	-
Installment financing contracts	57,056,106	-	8,722,351	48,333,755	26,824,017
Net pension liability - LGERS	77,932,359	9,739,863	-	87,672,222	-
Net pension liability - WSPORS	41,773,478	-	10,597,358	31,176,120	-
Net pension liability - separation allowance	17,339,341	-	654,624	16,684,717	-
Accrued vacation	16,942,365	11,894,864	6,940,915	21,896,314	8,500,784
Accrued interest payable	1,438,436	-	236,989	1,201,447	1,201,447
Arbitrage rebate liability	-	1,294,794	-	1,294,794	-
Claims payable-employment benefits	10,536,215	43,605,910	32,999,946	21,142,179	7,973,502
Total governmental activities debt	607,671,000	78,290,043	103,663,880	582,297,163	70,314,887
Business-Type Activities					
Revenue bonds	389,040,000	-	21,130,000	367,910,000	22,135,000
Discount/premium	47,805,774	-	4,255,333	43,550,441	-
Lease liabilities	452,264	-	6,725	445,539	7,906
Subscription liabilities	773,077	-	773,077	-	-
Contracts payable					
North Carolina Municipal					
Leasing Corporation	23,713,685	963,814	3,299,900	21,377,599	2,935,680
North Carolina Municipal					
Leasing Corporation discount/premium	271,806	-	91,951	179,855	-
Clean water state revolving loan fund	76,157,209	-	5,547,996	70,609,213	5,547,995
Drinking water state revolving loan fund	45,745,776	23,107,585	-	68,853,361	-
Net pension liability - LGERS	13,776,968	1,449,286	-	15,226,254	-
Accrued vacation	2,607,402	1,065,381	1,061,092	2,611,691	1,024,151
Accrued interest payable	1,520,890	-	114,349	1,406,541	1,406,541
Landfill closure and postclosure costs	29,278,524	1,718,318	177,685	30,819,157	377,500
Pollution remediation	1,951,596	-	-	1,951,596	30,000
Claims payable - risk management reserve fund	2,553,151	2,231,689	1,372,761	3,412,079	549,552
Total business-type activities debt	635,648,122	30,536,073	37,830,869	628,353,326	34,014,325
Fiduciary Funds					
Net pension liability - LGERS	64,860	3,215	-	68,075	-
Accrued vacation	7,314	6,427	6,427	7,314	4,398
Claims payable - post-employment benefits	1,004,087	6,610,043	6,515,677	1,098,453	1,098,453
Total fiduciary fund debt	1,076,261	6,619,685	6,522,104	1,173,842	1,102,851
Total	\$ 1,244,395,383	\$ 115,445,801	\$ 148,016,853	\$ 1,211,824,331	\$ 105,432,063

Compensated absences for governmental funds primarily have been liquidated in the general fund.

Net pension liabilities and other post-employment benefits liability primarily have been liquidated in the general fund.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

F. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2024

	Governmental Activities	Business-Type Activities
Capital assets	\$ 612,633,582	\$ 1,276,324,684
less: long-term debt	(327,705,216)	(542,299,427)
less: short-term debt	(51,304,154)	(30,626,581)
add: unexpended debt proceeds	68,404,902	2,372,794
add: charge on refunding, net	1,960,642	15,051,472
Net investment in capital assets	\$ 303,989,756	\$ 720,822,942

G. Fund Balance

The following schedule provides management and citizens with information on the portion of general fund balance that is available for appropriation at June 30, 2024.

Total fund balance - general fund	\$ 108,021,603
Less:	
Leases	9,272
Inventories	456,661
Prepays	64,696
Stabilization by state statute	39,555,951
Subsequent year's budget	5,554,320
Local fiscal recovery	1,683,348
Unassigned fund balance	\$ 60,697,355

The fiscal year 2025 budget includes a fund balance appropriation of \$5.56 million, a decrease of \$2.47 million compared to the fiscal year 2024 appropriation. The City's policy is to maintain a minimum fund balance reserve in the general fund that is equivalent to 16% of budgeted expenditures. The amount of unassigned fund balance was 20.35% of 2025 estimated expenditures. The City will continue to closely monitor expenditures and revenues in fiscal year 2025.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Encumbrances Outstanding at June 30, 2024

Encumbrances Outstanding at June 30, 2024

General fund	\$ 13,199,941
Debt service fund	34,433
Capital projects fund	28,988,317
Special revenue funds	
Nonmajor	10,722,475
Enterprise funds	
Water & sewer fund	82,273,273
Solid waste disposal fund	19,902,799
Transit Authority	5,921,329
Nonmajor	2,517,077
Internal service funds	3,018,792
Fiduciary funds	3,483
Total	\$ 166,581,919

3. Other Information

A. Pension Plan

1. The City participates in three defined benefit pension plans:

a. North Carolina Local Government 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 governmental entities. Article 3 of N.C.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 serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters 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 Winston-Salem, North Carolina

Notes to the Financial Statements

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 N.C.G.S. 128-30 and may be amended only by the North Carolina General Assembly. City of Winston-Salem 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, 2024, was 14.10% of compensation for law enforcement officers and 12.85% 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 \$19,288,393 for the year ended June 30, 2024.

Refunds of Contributions. City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members 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, 2024, the City reported a liability of \$102,966,551 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. 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, 2023 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023 (measurement date), the City's proportion was 1.55466%, which was a decrease of .07213% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized pension expense of \$28,230,602. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,473,523	\$ 247,005
Changes of assumptions	4,375,485	-
Net difference between projected and actual earnings on pension plan investments	27,558,356	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,932,166
City contributions subsequent to the measurement date	19,288,393	-
Total	\$ 62,695,757	\$ 3,179,171

City of Winston-Salem, North Carolina

Notes to the Financial Statements

\$19,288,393 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 ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30

2025	\$ 14,332,482
2026	6,669,926
2027	18,060,473
2028	1,165,312
Total	\$ 40,228,193

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 rate	2.50%
Salary increases	3.25% to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, 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.

The actuarial assumptions used in the December 31, 2022 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	100.0%	

City of Winston-Salem, North Carolina

Notes to the Financial Statements

The information above is based on 30-year expectations developed with the consulting actuary for the asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 178,385,503	\$ 102,966,551	\$ 40,874,603

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 for the State of North Carolina.

b. Winston-Salem Police Officers' Retirement System

Summary of Significant Accounting Policies

Basis of Accounting. Pension trust fund financial statements are prepared using the accrual basis of accounting. The defined benefit plan does not issue a stand-alone financial report, and it is not included in the financial report of another entity. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

Plan Description

Plan Administration. Winston-Salem Police Officer's Retirement System (WSPORS) is a single-employer, defined benefit plan with required membership for police officers hired prior to January 1, 2014. It was established by the City in 1977. The City established WSPORS, which is similar to the North Carolina Local Governmental Employees' Retirement System for Law Enforcement Officers, and authorizes benefit provisions and amendments, including post-retirement benefit increases. The Commission is composed of a member of the City Council, three representatives elected by members of WSPORS from employees or retirees participating in WSPORS, and an unaffiliated citizen of Winston-Salem who serves as Chairperson of the Commission. Two alternate representatives elected by the members of WSPORS from employees or retirees participating in WSPORS. The Chief Financial Officer of the City serves as WSPORS Administrator and oversees both benefits administration and investments.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Plan Membership. At January 1, 2024, the Winston-Salem Police Officers' Retirement System membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	491
Inactive plan members entitled to but not receiving benefits	90
Active plan members	200
Total	781

As of December 31, 2013, the plan is closed to new entrants.

Benefits Provided. Members may retire with unreduced benefits after completing 30 years of creditable service or at age 55 with 5 years of creditable service. Officers retiring with unreduced benefits are entitled to annual benefits equal to 1.85% of average highest earnings for four consecutive years times the number of years of creditable service.

Contributions. Under the Code of the City of Winston-Salem, contribution requirements of plan members and the City are established and may be amended. Members are required to contribute 6% of their salary and contributions by the City are based upon annual actuarial studies. The City is responsible for the payment of administrative expenses of the plan as additional contributions.

In 2008, the City entered into a trust agreement with U.S. Bank National Association to establish an irrevocable trust for post-employment benefits including the Winston-Salem Police Officers' Retirement System.

Investments

Investment Policy. City Council has adopted an Investment Policy for all City funds inclusive of the investment of the retirement fund. The City Manager, with recommendation from the Chief Financial Officer, has the authority, with the assistance of financial consultants, to select and employ asset managers to direct investment activities of WSPORS in accordance with the Investment Policy. The City has eight equity managers, two fixed income managers, and three index funds, whose performance is measured against appropriate market indices. Financial consultants are approved by City Council to assist the City in the selection and oversight of asset managers. Alex. Brown a Division of Raymond James serves as the financial consultant that helps select and monitor the performance of WSPORS equity and fixed income asset managers.

Asset allocation is a strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio. Based on the principle that asset types perform differently in different market and economic conditions, asset allocation is an important factor in determining returns for an investment portfolio. Target asset allocations are set by ranges by the Chief Financial Officer with the assistance of the financial consultant and adjusted within those ranges from time to time to adjust for market conditions.

Concentrations. The pension plan does not hold 5% or more of the pension plan's fiduciary net position (other than those issued or explicitly guaranteed by the U.S. government) in any one organization.

Rate of Return. For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 15.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Net Pension Liability

The components of the net pension liability of the City as of June 30, 2024 are as follows:

Total pension liability	\$ 245,043,209
Plan fiduciary net position	(213,867,089)
Net pension liability	\$ 31,176,120
Plan fiduciary net position as a percentage of total pension liability	87.3%

At June 30, 2024, the City reported a net pension liability of \$31,176,120. 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 January 1, 2024. The total pension liability was then rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75%
Salary increases	4.75% to 6.25%, based on years of service (2% - 3.5% plus 2.75% inflation)
Investment rate of return	7.00%, net of investment expense and including inflation

Mortality rates were based on the Pub 2010S Tables projected on a generational basis using Scale SSA (50% of the tables apply for pre-retirement deaths).

The Entry Age cost method is used to determine the funding requirements for the system. Each investment gain or loss is recognized over a 7-year period. The unfunded actuarial accrued liability is amortized as a level dollar amount over a closed period (14 years remaining as of January 1, 2024).

Changes in Actuarial Assumptions. There were no changes since the prior valuation.

Assumed Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each asset class. These ranges 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity Funds	69%	6.30
Fixed Income Funds	30	2.30
Cash	1	.75
Total Weighted Average Real Return	100%	5.04%
Plus inflation		2.75
Total return w/o adjustment		7.79
Risk adjustment		(0.79)
Total Expected Return		7.00%

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members.

Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 234,066,869	\$ 192,293,391	\$ 41,773,478
Changes for the year:			
Service cost	2,244,422	-	2,244,422
Interest	16,025,973	-	16,025,973
Differences between expected and actual experience	7,697,145	-	7,697,145
Contributions - employer	-	6,374,728	(6,374,728)
Contributions - member	-	1,289,783	(1,289,783)
Net investment income	-	28,973,153	(28,973,153)
Benefit payments, including refunds of member contributions	(14,991,200)	(14,991,200)	-
Administrative expense	-	(72,766)	72,766
Net changes	10,976,340	21,573,698	(10,597,358)
Balances at June 30, 2024	\$ 245,043,209	\$ 213,867,089	\$ 31,176,120

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total pension liability	\$ 274,043,535	\$ 245,043,209	\$ 220,917,584
Plan net position	(213,867,089)	(213,867,089)	(213,867,089)
Net pension liability (asset)	\$ 60,176,446	\$ 31,176,120	\$ 7,050,495

City of Winston-Salem, North Carolina

Notes to the Financial Statements

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

For the year ended June 30, 2024, the City recognized pension expense of \$7,462,405. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,647,832	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	10,161,410
Total	\$ 5,647,832	\$ 10,161,410

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

<u>Year Ended June 30</u>	
2025	\$ 127,826
2026	3,557,954
2027	(5,049,060)
2028	(3,150,298)
Total	\$ (4,513,578)

c. Winston-Salem Police Officers' Separation Allowance

Summary of Significant Accounting Policies

Basis of Accounting. Pension trust fund financial statements are prepared using the accrual basis of accounting. The defined benefit plan does not issue a stand-alone financial report, and it is not included in the financial report of another entity. Employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Plan Description

Plan Administration. Winston-Salem Police Officers' Separation Allowance is a single-employer, defined benefit plan established by the State of North Carolina in 1987 for all local law enforcement officers. Article 12D of N.C.G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Plan Membership. At January 1, 2024, the Winston-Salem Police Officers' Separation Allowance membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	151
Inactive plan members entitled to but not receiving benefits	-
Active plan members	375
Total	526

Benefits Provided. The monthly benefit is paid by the City to officers retired under the Winston-Salem Police Officers' Retirement System or the North Carolina Local Governmental Employees' Retirement System until age 62, who have completed 30 years of creditable service or have attained 55 years of age and have completed 5 or more years of creditable service. The benefit is 0.85% of the annual equivalent of the most recent base rate of compensation times the years of creditable service.

Contributions. Benefit provisions are established and may be amended by the State of North Carolina. City contributions are based upon annual actuarial studies. Administrative expenses are funded by additional City contributions.

In 2008, the City entered into a trust agreement with U.S. Bank National Association to establish an irrevocable trust for post-employment benefits including the Winston-Salem Police Officers' Separation Allowance.

Investments

Investment Policy. City Council has adopted an Investment Policy for all City funds inclusive of the investment of the retirement fund. The City Manager, with recommendation from the Chief Financial Officer, has the authority, with the assistance of financial consultants, to select and employ asset managers to direct investment activities of Separation Allowance in accordance with the Investment Policy. The City has eight equity managers, two fixed income managers, and three index funds, whose performance is measured against appropriate market indices. Financial consultants are approved by City Council to assist the City in the selection and oversight of asset managers. Alex. Brown a Division of Raymond James serves as the financial consultant that helps select and monitor the performance of the equity and fixed income asset managers.

Asset allocation is a strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio. Based on the principle that asset types perform differently in different market and economic conditions, asset allocation is an important factor in determining returns for an investment portfolio. Target asset allocations are set by ranges by the Chief Financial Officer with the assistance of the financial consultant and adjusted within those ranges from time to time to adjust for market conditions.

Concentrations. The pension plan does not hold 5% or more of the pension plan's fiduciary net position (other than those issued or explicitly guaranteed by the U.S. government) in any one organization.

Rate of Return. For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 14.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Net Pension Liability

The components of the net pension liability of the City as of June 30, 2024, are as follows:

Total pension liability	\$ 31,086,717
Plan fiduciary net position	(14,402,000)
Net pension liability	\$ 16,684,717
Plan fiduciary net position as a percentage of total pension liability	46.3%

At June 30, 2024, the City reported a net pension liability of \$16,684,717. 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 January 1, 2024. The total pension liability was then rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75%
Salary increases	4.75% to 6.25%, based on years of service
Investment rate of return	7.00%, net of investment expense and including inflation
Interest on contributions	4.00% per year

Mortality rates were based on the Pub 2010S Tables projected on a generational basis using Scale SSA (50% of the tables apply for pre-retirement deaths).

The Entry Age Normal cost method is used to determine the funding requirements for the system. Each investment gain or loss is recognized over a 7-year period. The unfunded actuarial accrued liability is amortized as a level dollar amount over a closed period (14 years remaining as of January 1, 2024).

Changes in Actuarial Assumptions. There were no changes since the prior valuation.

Assumed Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each asset class. These ranges 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity Funds	69%	6.30
Fixed Income Funds	30	2.30
Cash	1	0.75
Total Weighted Average Real Return	100%	5.04
Plus inflation		2.75
Total return w/o adjustment		7.79
Risk adjustment		(0.79)
Total Expected Return		7.00%

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Discount Rate. The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 30,223,087	\$ 12,883,746	\$ 17,339,341
Changes for the year:			
Service cost	627,492	-	627,492
Interest	2,056,151	-	2,056,151
Differences between expected and actual experience	1,184,782	-	1,184,782
Contributions - employer	-	2,633,748	(2,633,748)
Net investment income	-	1,895,262	(1,895,262)
Benefit payments, including refunds of member contributions	(3,004,795)	(3,004,795)	-
Administrative expense	-	(5,961)	5,961
Net changes	863,630	1,518,254	(654,624)
Balances at June 30, 2024	\$ 31,086,717	\$ 14,402,000	\$ 16,684,717

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total pension liability	\$ 33,346,399	\$ 31,086,717	\$ 29,027,519
Plan net position	(14,402,000)	(14,402,000)	(14,402,000)
Net pension liability	\$ 18,944,399	\$ 16,684,717	\$ 14,625,519

City of Winston-Salem, North Carolina

Notes to the Financial Statements

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

For the year ended June 30, 2024, the City recognized pension expense of \$3,329,436. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,760,874	\$ 861,871
Changes of assumptions	361,774	186,689
Net difference between projected and actual earnings on pension plan investments	-	583,667
Total	\$ 7,122,648	\$ 1,632,227

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

Year Ended June 30

2025	\$ 1,287,125
2026	1,360,336
2027	529,730
2028	646,930
2029	804,345
Thereafter	861,955
Total	\$ 5,490,421

The following are financial statements for the Winston-Salem Police Officers' Retirement System and the Winston-Salem Police Officers' Separation Allowance Funds included in Exhibits 9 and 10 at June 30, 2024.

Statement of Fiduciary Net Position

June 30, 2024

	Winston-Salem Police Officers' Retirement System	Separation Allowance
Cash and cash equivalents/investments	\$ 10,320,577	\$ 1,823,242
Investments, at fair value		
Domestic stock and ADRs	91,533,650	5,673,683
United States government agencies	1,314,969	79,883
Corporate bonds	16,671,526	1,012,779
Municipal bonds	14,851,677	902,224
Mutual funds	79,282,539	4,916,768
Total assets	213,974,938	14,408,579
Liabilities		
Accounts payable	107,849	6,579
Total liabilities	107,849	6,579
Net position		
Restricted for pensions	\$ 213,867,089	\$ 14,402,000

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2024

	Winston-Salem Police Officers'	
	Retirement System	Separation Allowance
Additions		
Contributions		
Employer	\$ 6,374,728	\$ 2,633,748
Plan members	1,289,783	-
Total contributions	7,664,511	2,633,748
Investment income		
Net appreciation in fair value	25,702,757	1,656,540
Interest and dividends	4,237,613	301,077
Total investment income (loss)	29,940,370	1,957,617
Less investment expense	967,217	62,355
Net investment income	28,973,153	1,895,262
Total additions	36,637,664	4,529,010
Deductions		
Benefits	14,938,247	3,004,795
Refund of contributions	52,953	-
Administrative expense	72,766	5,961
Total deductions	15,063,966	3,010,756
Net increase (decrease) in net position	21,573,698	1,518,254
Net position - beginning	192,293,391	12,883,746
Net position - ending	\$ 213,867,089	\$ 14,402,000

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

The following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	WSPORS	Separation	Total
Pension expense	\$ 28,230,602	\$ 7,462,405	\$ 3,329,436	\$ 39,022,443
Pension liability	102,966,551	\$31,176,120	16,684,717	150,827,388
Proportionate share of the net pension liability	1.55466	n/a	n/a	
Deferred Outflows of Resources				
Differences between expected and actual experience	11,473,523	5,647,832	6,760,874	23,882,229
Changes of assumptions	4,375,485	-	361,774	4,737,259
Net difference between projected and actual earnings on pension plan investments	27,558,356	-	-	27,558,356
City benefit payments and administrative costs paid subsequent to the measurement date	19,288,393	-	-	19,288,393
Total Deferred Outflows of Resources	\$ 62,695,757	\$ 5,647,832	\$ 7,122,648	\$ 75,466,237
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 247,005	\$ -	\$ 861,871	\$ 1,108,876
Changes of assumptions	-	-	186,689	186,689
Net difference between projected and actual earnings on pension plan investments	-	10,161,410	583,667	10,745,077
Changes in proportion and differences between City contributions and proportionate share of contributions	2,932,166	-	-	2,932,166
Total Deferred Inflows of Resources	\$ 3,179,171	\$ 10,161,410	\$ 1,632,227	\$ 14,972,808

City of Winston-Salem, North Carolina

Notes to the Financial Statements

2. The City participates in three defined contribution plans:

a. Winston-Salem Police Officers' Defined Contribution Plan

Plan Description. Winston-Salem Police Officers' Defined Contribution Plan is a defined contribution plan effective January 1, 2014. Sworn police officers employed after December 31, 2013 may voluntarily participate in the Winston-Salem Police Officers' Defined Contribution Retirement Plan, which shall consist of the Winston-Salem Police Officers' Defined Contribution Retirement Plan for employee contributions (the "457(b) plan"), to which employees may defer compensation, and the Winston-Salem Police Officers' Defined Contribution Retirement Plan for employer contributions (the "401(a) plan"), under which the City will match employees' deferrals to the 457(b) plan.

The maximum amount of a participant's deferrals under the 457(b) plan and all other plans under Section 457(b) of the Internal Revenue Code for any calendar year shall not exceed the lesser of (1) the amount established under Section 457(e)(15) of the Internal Revenue Code, as adjusted annually for cost-of-living changes to the extent provided under Section 415(d) of the Internal Revenue Code, or (2) the participant's includible compensation for the calendar year. For this purpose, annual deferrals do not include any rollover amounts.

Funding Policy. The City shall contribute 4% of each participant's compensation to the 401(a) plan for each payroll period during which such participant contributes 4% under the 457(b) plan. Contributions for the year ended June 30, 2024 were \$965,046 which consisted of \$482,523 from the City and \$482,523 from the law enforcement officers. Trust agreements have been adopted to hold the assets of the 457(b) plan for employee contributions and 401(a) plan for the employer contributions.

b. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of N.C.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 for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 N.C.G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. City contributions for the year ended June 30, 2024 were \$1,696,992.

c. Winston-Salem General and Fire Employees' Defined Contribution Retirement Plan

Plan Description. Winston-Salem General and Fire Employee's Defined Contribution Plan is a defined contribution plan effective January 1, 2017. The defined contribution plan is permitted under the North Carolina State Statutes 160A-163 that allows municipalities to provide voluntary supplemental retirement plans.

Funding Policy. The City shall contribute 2% of each participant's compensation to the 401(a) plan for each payroll period during which such participant is duly employed by the City and is an employee, as defined in Section 50-201 of the City code. Contributions for the year ended June 30, 2024 were \$2,265,853. A trust agreement has been adopted to hold the assets of the 401(a) plan for employer contributions.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

B. Other Post-employment Benefits (OPEB)

Healthcare and Death Benefits

Summary of Significant Accounting Policies

Basis of Accounting. Post-employment trust fund financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value asset, consistent with the long-term perspective of the calculations.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Administration costs are financed through investment earnings.

Plan Description

Plan Administration. Under a City Council resolution dated September 9, 1991, the City of Winston-Salem provides healthcare and death benefits as a single-employer defined benefit plan to cover retirees of the City who have at least 15 years creditable service and retire from the City of Winston-Salem. Employees hired after June 30, 2010 are not eligible for the retiree healthcare benefit. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Plan Membership. At January 1, 2024, the Other Post-employment Benefits Plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	1,273
Active plan members	659
Total	1,932

Benefits Provided. The City pays a \$2,000 death benefit and contributes a maximum of \$2,520 annually towards the retiree's healthcare premium. Retirees participate in the City's healthcare program until age 65, when they are eligible to participate in the City's Medicare supplemental plan. The healthcare premium for active employees and retirees under age 65 is a blended rate reflecting costs for both active and retired employees. Dependents of retirees may participate in the City's group health plan by paying premiums that vary depending upon their type of coverage. Employees hired after June 30, 2010 are not eligible for the Retiree healthcare benefit.

Contributions. The City Council establishes the contribution requirements of plan members. The current annual required contribution was .03% of estimated annual covered payroll. For the current year, the City contributed \$1,492,954 or 3.1% of annual covered payroll. The City of Winston-Salem is self-insured. Contributions were made by plan members of \$1,918,972 through healthcare premiums. The City's obligation to provide healthcare and death benefits may be amended by City Council.

In 2008, the City entered into a trust agreement with U.S. Bank National Association to establish an irrevocable trust for post-employment benefits including the other post-employment benefits.

Investments

Investment Policy. City Council has adopted an Investment Policy for all City funds inclusive of the investment of the retirement fund. The City Manager, with recommendation from the Chief Financial Officer, has the authority, with the assistance of financial consultants, to select and employ asset managers to direct investment activities of OPEB in accordance with the Investment Policy. The City has eight equity managers, two fixed income managers, and three index funds, whose performance is measured against appropriate market indices. Financial consultants are approved by City Council to assist the City in the selection and oversight of asset managers. Alex. Brown a Division of Raymond James serves as the financial consultant that helps select and monitor the performance of the equity and fixed income asset managers.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Asset allocation is a strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio. Based on the principle that asset types perform differently in different market and economic conditions, asset allocation is an important factor in determining returns for an investment portfolio. Target asset allocations are set by ranges by the Chief Financial Officer with the assistance of the financial consultant and adjusted within those ranges from time to time to adjust for market conditions.

Concentrations. The OPEB plan does not hold 5% or more of the OPEB plan's fiduciary net position (other than those issued or explicitly guaranteed by the U.S. government) in any one organization.

Rate of Return. For the year ended June 30, 2024, the annual money-weighted rate of return on OPEB plan investments, net of investment expense was 15.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability (Asset)

The components of the net OPEB liability (asset) of the City as of June 30, 2024 are as follows:

Total OPEB liability	\$ 72,169,892
Plan fiduciary net position	(78,400,918)
Net OPEB liability (asset)	\$ (6,231,026)
Plan fiduciary net position as a percentage of total OPEB asset	108.6%

At June 30, 2024, the City reported a net OPEB asset of \$6,231,026. The net OPEB asset was measured as of June 30, 2024. The total OPEB liability as of this date is based on an actuarial valuation as of January 1, 2024, with adjustments made for the 6 month difference. Adjustments include service cost, interest on total OPEB liability, and expected benefit payments during the year. This is also known as a roll-forward.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75%
	4.00% for Medicare coverage (Post 65)
Investment rate of return	7.00%, net of investment expense and including inflation
Healthcare trend	5.50% initially, grading down to 4.25% ultimate

Mortality rates were based on the Pub 2010-G and 2010-S general and safety headcount Tables, projected generationally using Scale SSA-2021 (50% of the tables apply for pre-retirement deaths).

The Entry Age, individual level percent of pay method is used for accounting/GASB purposes, therefore all of the actuarial figures are based on it. Actuarially determined contributions are also based on the Entry Age method, with a closed level dollar (22 remaining years) amortization of the unfunded liability and five year asset smoothing.

Changes in Actuarial Assumptions. There were no changes since the prior valuation.

Actuarial Methods for Determining Employer Contributions. The same economic and demographic assumptions are used for both funding and financial reporting purposes under GASB 74/75.

Assumed Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each asset class. These ranges 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Best estimates of real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2024, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	40%	6.30
International Funds	30	6.55
Fixed Income - U. S.	30	2.30
Total Weighted Average Real Return	100%	5.18
Plus inflation		2.75
Total return w/o adjustment		7.93
Risk adjustment		(0.93)
Total Expected Return		7.00%

Discount Rate. The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made equal to the actuarially determined contribution.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rates of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2023	\$ 67,940,299	\$ 71,311,198	\$ (3,370,899)
Changes for the year:			
Service cost	468,973	-	468,973
Interest	4,617,811	-	4,617,811
Differences between expected and actual experience	4,107,879	-	4,107,879
Contributions - employer	-	1,492,954	(1,492,954)
Contributions - member	-	1,918,972	(1,918,972)
Net investment income	-	10,735,616	(10,735,616)
Benefit payments, including refunds of member contributions	(4,965,070)	(6,884,042)	1,918,972
Administrative expense	-	(173,780)	173,780
Net changes	4,229,593	7,089,720	(2,860,127)
Balances at June 30, 2024	\$ 72,169,892	\$ 78,400,918	\$ (6,231,026)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate. The following presents the net OPEB asset of the City, calculated using the discount rate of 7.0%, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Discount Rate

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total OPEB liability	\$ 80,099,210	\$ 72,169,892	\$ 65,515,991
Plan net position	(78,400,918)	(78,400,918)	(78,400,918)
Net OPEB liability (asset)	\$ 1,698,292	\$ (6,231,026)	\$ (12,884,927)

Sensitivity of the Net OPEB Asset to Changes in the Trend Rate. The following presents the net OPEB liability asset of the City, calculated using the healthcare trend rate of 5.5% to an ultimate rate of 4.25%, as well as what each plan's net OPEB liability asset would be if it were calculated using trend rates for each year that are 1.00% lower or 1.00% higher than the current rate:

Ultimate Trend Rate

	1% Decrease 3.25%	Current Ultimate Trend Rate 4.25%	1% Increase 5.25%
Total OPEB liability	\$ 65,265,508	\$ 72,169,892	\$ 80,372,732
Plan net position	(78,400,918)	(78,400,918)	(78,400,918)
Net OPEB liability (asset)	\$ (13,135,410)	\$ (6,231,026)	\$ 1,971,814

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$260,243. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,053,939	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	3,742,443
Total	\$ 2,053,939	\$ 3,742,443

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

Years Ended June 30

2025	\$ (134,568)
2026	1,492,794
2027	(1,908,337)
2028	(1,138,393)
Total	\$ (1,688,504)

The following are financial statements for the Post-employment Benefits Trust Funds included as Fiduciary Funds in Exhibits 9 and 10 at June 30, 2024.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Statement of Fiduciary Net Position

June 30, 2024

	Post-employment Benefits Trust Funds
Assets	
Cash and cash equivalents/investments	\$ 7,387,589
Investments, at fair value	
Domestic stock and ADRs	33,409,925
United States government agencies	383,736
Corporate bonds	4,865,099
Municipal bonds	4,334,030
Mutual funds	29,084,284
Prepaid expenses	119,303
Total assets	79,583,966
Deferred Outflows of Resources	
Pension deferrals	41,451
Liabilities	
Accounts payable	46,620
Accrued payroll	1,935
Accrued vacation	7,314
Net pension liability	68,075
Claims payable	1,098,453
Total liabilities	1,222,397
Deferred Inflows of Resources	
Pension deferrals	2,102
Net position	
Restricted for post-employment benefits other than pensions	\$ 78,400,918

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Statement of Changes in Fiduciary Net Position

June 30, 2024

	Post-employment Benefits Trust Funds
Additions	
Contributions	
Employer	\$ 1,492,954
Plan members	1,918,972
Total contributions	<u>3,411,926</u>
Investment income	
Net appreciation in fair value	9,522,650
Interest and dividends	1,560,807
Total investment income (loss)	11,083,457
Less investment expense	<u>347,841</u>
Net investment income	<u>10,735,616</u>
Total additions	<u>14,147,542</u>
Deductions	
Benefits	6,884,042
Administrative expense	173,780
Total deductions	<u>7,057,822</u>
Net decrease in net position	7,089,720
Net position - beginning	71,311,198
Net position - ending	<u>\$ 78,400,918</u>

C. Deferred Compensation

The City offers a deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. All City employees are eligible to participate and may defer until future years up to 25% of their gross income with a maximum of \$22,500 per year. The compensation deferred is not available to employees until termination, retirement, death, or an unforeseeable emergency.

During 1998, the plan assets were placed in trust for the exclusive benefit of participants and beneficiaries as required by Section 457 of the Internal Revenue Code and, therefore, are no longer included in the City's financial statements.

D. Joint Ventures and Jointly Governed Organizations

Joint Ventures. The City of Winston-Salem, Village of Clemmons, Town of Kernersville, Town of Lewisville, Town of Oak Ridge, Town of Bermuda Run, and Town of Yadkinville jointly appoint the nine member Triad Municipal Alcoholic Beverage Control Board, which operates 15 liquor stores in Forsyth County, Davie County, Guilford County, and Yadkin County. N.C.G.S. 18B-805 requires the Triad Municipal Alcoholic Beverage Control Board to distribute its net income to the seven municipalities who appoint the Board and Forsyth County. During fiscal year 2024, the City received \$4,019,482 in distributed net income. The participating governments do not have equity interest in the joint venture. The City does not have financial responsibility for the Triad Municipal Alcoholic Beverage Control Board and is not held responsible for its debts. Audited financial statements for the Triad Municipal Alcoholic Beverage Control Board are available through their administrative offices at 3127 Starlight Drive, Winston-Salem, North Carolina 27107-4141.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

The governing boards of the cities of Winston-Salem, Burlington, Greensboro, and High Point established the Piedmont Authority for Regional Transportation (PART) under the Regional Public Transportation Authority Act, N.C.G.S. Chapter 160A, Article 27. The purpose of the authority is to promote the development of sound transportation systems that provide transportation choices for citizens in its territorial jurisdiction. The participating governments do not have an equity interest in the joint venture. The City of Winston-Salem does not have financial responsibility for the authority and is not responsible for its debts. Audited financial statements for PART are available through the PART Administrative Office, 107 Arrow Road, Greensboro, North Carolina 27409.

Jointly Governed Organizations. The Piedmont Triad Regional Council (PTRC) was formed on July 1, 2011 by consolidating the Northwest Piedmont Council of Governments, and the Piedmont Triad Council of Governments. The PTRC was designated by the State of North Carolina to serve as the lead regional organization for the Piedmont Triad region. PTRC serves 76 member governments in a 12 county area. Each participating government appoints one member to the council's governing board. The City paid membership fees of \$52,552 to the council during the fiscal year ended June 30, 2024.

E. Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on the Hanes Mill Road Sanitary Landfill and the Old Salisbury Road Construction and Demolition Landfill when each unit is closed and perform certain maintenance and monitoring functions at the site for a minimum of 30 years after closure. In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are being recognized based on future closure and postclosure care costs that will be incurred during operation and will continue after the date the landfills no longer accept waste. The liability as of June 30, 2024, is \$30,819,157.

The City is required by state and federal laws and regulations to demonstrate financial assurance for closure and postclosure care. The City is in compliance with the requirement and has established a capital reserve fund for these purposes. The capital reserve fund of \$30,819,157 at June 30, 2024, is reported as restricted assets on the balance sheet of the solid waste disposal fund. Recognition of these reserves for landfill closure and postclosure costs is based on 100% usage of the Hanes Mill Road Sanitary Landfill for the unlined section of the landfill which closed in June 1997. Cell one, two, and three of the lined section was closed in July 2005. Phase one and two at the Hanes Mill Road Landfill is currently constructed and being filled and recognition of reserves is based on the engineer's estimate of cost projected through closure of the landfill as well as the usage of the landfill capacity as of June 30, 2024. The total capacity for cells 1-7 at Hanes Mill Road Landfill is 12,065,688 cubic yards, of which approximately 57.32% is used. The City has applied for a permit to further increase the capacity of the Hanes Mill Road Landfill; the City will recognize additional costs as new capacity is constructed. Old Salisbury Road Landfill is currently constructed and being filled, and recognition of reserves is based on the engineer's estimate of cost projected through closure of the landfill as well as the usage of the landfill capacity as of June 30, 2024. The total capacity for the Old Salisbury Road Landfill is 3,775,400 cubic yards, of which approximately 88% is used. The landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2024. However, the actual cost may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

F. Pollution Remediation Obligations

The City has identified specific City-owned properties where it is either known or reasonably believed that the sites contain certain pollutants. Most of the properties have not completed an environmental assessment of the impact or have active remediation systems in place; however, each site has been reported to a North Carolina regulatory agency as having a current or reportable incident, thus voluntarily obligating the City for certain remediation activities. None of the reported pollution creates an imminent endangerment to public health or welfare and many of the sources of impact have already been eliminated, as reasonably appropriate.

City of Winston-Salem, North Carolina

Notes to the Financial Statements

An estimated pollution remediation obligation of \$1,951,596 is recorded in the Statement of Net Position in the stormwater fund. This amount reflects current estimates for groundwater pollution remediation at City Yard. City staff has voluntarily worked with appropriate State regulators to assess the environmental impact and to develop a corrective action plan. The estimated cost of remediation is based on an external consultant's estimate for the corrective action plan, which involves a) remediating 29,029 gallons of contaminated water and 7,800 tons of petroleum-contaminate soil, and b) excavating and disposing of 20,179 cubic yards of CCBP (fly-ash) and 945 tons of metal-contaminated soil. As remediation activities proceed or new information becomes available, the obligations will be reassessed. Increases or decreases in estimated costs due to price fluctuations or changes due to technology or laws or regulations cannot be estimated at this time. Obligations pertain to soil or groundwater contamination, primarily from storage of underground fuel tanks, former disposal activities, or industrial use at the sites.

Certain other sites associated with pollution activity within the City have been identified, primarily pertaining to former waste disposal or prior property use; however, costs for remediation activities are not estimable as of June 30, 2024.

In addition, we estimate no future recoveries to potentially reduce the recorded pollution liabilities in fiscal year 2024.

G. Risk Management

The City has employment benefit funds for health benefits and workers' compensation, and post-employment benefit trust funds for retired employees' life and health insurance. The City also has a risk management reserve fund; the City is self insured for claims and damages. Reserves are established for reported claims and claims incurred but not reported for each fiscal year. Traditional insurance contracts cover property damage, loss of money, and situational risks.

The City carries flood insurance which provides \$1,000,000 in aggregate flood coverage for the Idol's Dam, Intake, and Pump station location. The coverage also provides \$2,500,000 aggregate flood coverage for all buildings, structures, and property located within Zone A. The City has no coverage for properties located within Zone V. The City maintains \$10,000,000 aggregate flood coverage for all other territories.

In accordance with N.C.G.S. 159-29, the City's Finance Officer is individually bonded for \$1,000,000, and the Deputy Finance Officer, Treasury Manager, Investment Analyst, and Revenue Collector are individually bonded for \$500,000. All City employees are covered by a crime insurance policy that carries a \$500K single loss limit coverage for employee theft, ERISA fidelity, and employee theft of client property.

Claims payable recorded in the general purpose financial statements are composed of the self-insurance claims for health benefits, workers' compensation, and retired health insurance, and risk management claims for damages.

Changes in Claims Payable

	2024	2023
Claims payable July 1	\$ 14,093,454	\$ 11,013,719
Claims paid	(40,888,385)	(37,736,558)
New claims and changes in claim estimates	52,447,642	40,816,293
Claims payable June 30	<u>\$ 25,652,711</u>	<u>\$ 14,093,454</u>
Employment benefits funds	\$ 21,142,179	\$ 10,536,216
Other post-employment benefits trust fund	1,098,453	1,004,087
Risk management reserves fund	3,412,079	2,553,151
	<u>\$ 25,652,711</u>	<u>\$ 14,093,454</u>
Due within year	\$ 9,621,507	\$ 7,925,376

City of Winston-Salem, North Carolina

Notes to the Financial Statements

Contingent Liabilities and Commitments

Claims and Legal Action

Various claims and legal actions are pending against the City, and it is not possible at this time to predict their outcome. However, in the opinion of management and the City attorney, ultimate resolutions will not have a material, adverse impact on financial position.

The City has federal and state grants for specific purposes that are subject to annual audit and other periodic review by grantor agencies. Such reviews could result in request for reimbursements to the grantor agencies for costs which may be disallowed as appropriate expenditures under grant terms. City management believes disallowances, if any, will be insignificant.

H. Changes to or within the Financial Reporting Entity

During fiscal year 2024, the City determined that construction related expenses in the amount of \$1,699,138 were being capitalized instead of expensed as incurred.

During fiscal year 2024, the City determined that intergovernmental revenue in the amount of \$6,736,000 was recorded as revenue prior to eligibility determinations being met.

Therefore, net position was overstated by \$8,435,138 for the fiscal year ended June 30, 2023. The effect of correcting that error is shown in the table below:

	June 30, 2023			June 30, 2023
	As Previously	Error Correction -	Error Correction -	As Restated
	Reported	Expenses	Revenue	
Transit Authority Fund	\$ 34,678,443	\$ (1,699,138)	\$ (6,736,000)	\$ 26,243,305
Total Business-type Activities	\$ 940,062,030	\$ (1,699,138)	\$ (6,736,000)	\$ 931,626,892

Required Supplementary Information

City of Winston-Salem, North Carolina

Schedule of Changes in Net Pension Liability and Related Ratios

Winston-Salem Police Officer's Retirement System
Last Ten Fiscal Years

Exhibit 11
Page 1 of 2

	Fiscal Year				
	2024	2023	2022	2021	2020
Total pension liability					
Service cost	\$ 2,244,422	\$ 2,732,999	\$ 2,969,143	\$ 2,905,668	\$ 2,931,903
Interest	16,025,973	15,447,933	15,347,148	14,678,729	14,274,058
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	7,697,145	5,397,778	(2,538,208)	4,722,267	702,442
Changes of assumptions	-	-	7,571,318	-	-
Benefit payments, including refunds of employee contributions	(14,991,200)	(14,678,922)	(13,558,713)	(12,756,479)	(11,860,183)
Net change in total pension liability	10,976,340	8,899,788	9,790,688	9,550,185	6,048,220
Total pension liability, beginning	234,066,869	225,167,081	215,376,393	205,826,208	199,777,988
Total pension liability, ending (a)	245,043,209	234,066,869	225,167,081	215,376,393	205,826,208
Plan fiduciary net position					
Contributions - employer	6,374,728	6,646,130	6,078,827	5,862,603	5,070,702
Contributions - member	1,289,783	1,284,976	1,266,106	1,339,105	1,437,121
Net investment income	28,973,153	21,696,175	(28,385,858)	56,872,827	2,571,341
Benefit payments, including refunds of employee contributions	(14,991,200)	(14,678,922)	(13,558,713)	(12,756,479)	(11,860,183)
Administrative expense	(72,766)	(110,501)	(117,194)	(105,904)	(98,836)
Other	-	-	-	-	-
Net change in plan fiduciary net position	21,573,698	14,837,858	(34,716,832)	51,212,152	(2,879,855)
Plan fiduciary net position, beginning	192,293,391	177,455,533	212,172,365	160,960,213	163,840,068
Plan fiduciary net position, ending (b)	213,867,089	192,293,391	177,455,533	212,172,365	160,960,213
Net pension liability, ending (a-b)	\$ 31,176,120	\$ 41,773,478	\$ 47,711,548	\$ 3,204,028	\$ 44,865,995
Plan fiduciary net position as a percentage of the total pension liability	87.3%	82.2%	78.8%	98.5%	78.2%
Covered payroll	\$ 19,892,057	\$ 19,135,735	\$ 20,363,014	\$ 23,501,713	\$ 23,569,786
Net pension liability as a percentage of covered payroll	156.7%	218.3%	234.3%	13.6%	190.4%

City of Winston-Salem, North Carolina

Schedule of Changes in Net Pension Liability and Related Ratios

Winston-Salem Police Officer's Retirement System
Last Ten Fiscal Years

Exhibit 11
Page 2 of 2

	Fiscal Year				
	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 2,822,356	\$ 2,800,881	\$ 2,786,122	\$ 2,839,943	\$ 2,972,457
Interest	13,900,788	13,818,009	12,280,395	11,744,716	11,314,615
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	3,723,670	4,119,005	2,916,465	1,289,927	2,594,276
Changes of assumptions	87,029	4,612,557	188,562	191,138	175,153
Benefit payments, including refunds of employee contributions	(11,514,176)	(10,937,034)	(10,502,703)	(9,968,384)	(9,429,751)
Net change in total pension liability	9,019,667	14,413,418	7,668,841	6,097,340	7,626,750
Total pension liability, beginning	190,758,321	176,344,903	168,676,062	162,578,722	154,951,972
Total pension liability, ending (a)	199,777,988	190,758,321	176,344,903	168,676,062	162,578,722
Plan fiduciary net position					
Contributions - employer	4,152,384	4,034,558	4,034,169	4,035,399	4,205,640
Contributions - member	1,470,001	1,571,265	1,493,643	1,484,341	1,543,565
Net investment income	10,731,236	15,285,822	20,820,215	742,534	5,330,797
Benefit payments, including refunds of employee contributions	(11,514,176)	(10,937,034)	(10,502,703)	(9,968,384)	(9,429,751)
Administrative expense	(100,775)	(104,951)	(95,168)	(95,299)	(111,694)
Other	-	-	-	-	-
Net change in plan fiduciary net position	4,738,670	9,849,660	15,750,156	(3,801,409)	1,538,557
Plan fiduciary net position, beginning	159,101,398	149,251,738	133,501,582	137,302,991	135,764,434
Plan fiduciary net position, ending (b)	163,840,068	159,101,398	149,251,738	133,501,582	137,302,991
Net pension liability, ending (a-b)	\$ 35,937,920	\$ 31,656,923	\$ 27,093,165	\$ 35,174,480	\$ 25,275,731
Plan fiduciary net position as a percentage of the total pension liability	82.0%	83.4%	84.6%	79.1%	84.5%
Covered payroll	\$ 23,797,216	\$ 24,217,617	\$ 23,336,940	\$ 23,733,206	\$ 25,206,604
Net pension liability as a percentage of covered payroll	151.0%	130.7%	116.1%	148.2%	100.3%

City of Winston-Salem, North Carolina

Schedule of Contributions

Winston-Salem Police Officers' Retirement System
Last Ten Fiscal Years

Exhibit 12
Page 1 of 2

	Fiscal Year				
	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 6,374,728	\$ 6,646,130	\$ 6,078,827	\$ 5,862,603	\$ 5,070,702
Contributions in relation to the actuarially determined contribution	6,374,728	6,646,130	6,078,827	5,862,603	5,070,702
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 19,892,057	\$ 19,135,735	\$ 20,363,014	\$ 23,501,713	\$ 23,569,786
Contributions as a percentage of covered payroll	32.0%	34.7%	29.9%	24.9%	21.5%

Notes to Schedule

Valuation date:

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

The City's actuarial contribution is determined as a percentage of payroll, as shown in the annual funding valuation. The percentage is then applied to actual payroll.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar amount, closed
Remaining amortization period	14
Asset valuation method	7-year smoothed fair value
Inflation	2.75%
Salary increases	4.75% to 6.25%, based on years of service
Investment rate of return	7.00%, net of pension plan investment expense and including inflation
Interest on contributions	4.00% per year
Mortality	Mortality rates were based on the Pub 2010S Tables and projected generationally using Scale SSA (50% of the tables apply for pre-retirement deaths).

City of Winston-Salem, North Carolina

Schedule of Contributions

Winston-Salem Police Officers' Retirement System
Last Ten Fiscal Years

Exhibit 12
Page 2 of 2

	Fiscal Year				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,152,384	\$ 3,746,180	\$ 3,421,184	\$ 3,370,392	\$ 3,326,051
Contributions in relation to the actuarially determined contribution	4,152,384	4,034,558	4,034,169	4,035,399	4,205,640
Contribution deficiency (excess)	\$ -	\$ (288,378)	\$ (612,985)	\$ (665,007)	\$ (879,589)
Covered payroll	\$ 23,797,216	\$ 24,217,617	\$ 23,336,940	\$ 23,733,206	\$ 25,206,604
Contributions as a percentage of covered payroll	17.4%	16.7%	17.3%	17.0%	16.7%

City of Winston-Salem, North Carolina
Schedule of Investment Returns

	Fiscal Year				
	2024	2023	2022	2021	2020
Annual money-weighted rate of return, net of investment expense	15.30%	12.40%	-13.60%	35.89%	1.59%

City of Winston-Salem, North Carolina

Schedule of Investment Returns

Winston-Salem Police Officers' Retirement System
Last Ten Fiscal Years

Exhibit 13
Page 2 of 2

	Fiscal Year				
	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	6.87%	10.94%	15.86%	0.56%	3.97%

City of Winston-Salem, North Carolina

Schedule of Changes in Net Pension Liability and Related Ratios

Winston-Salem Police Officer's Separation Allowance
Last Ten Fiscal Years

Exhibit 14
Page 1 of 2

	Fiscal Year				
	2024	2023	2022	2021	2020
Total pension liability					
Service cost	\$ 627,492	\$ 590,492	\$ 669,107	\$ 604,860	\$ 579,453
Interest	2,056,151	1,777,023	1,864,054	1,793,410	1,763,549
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	1,184,782	4,526,109	(1,378,993)	1,914,676	381,917
Changes of assumptions	-	-	400,972	-	-
Benefit payments, including refunds of member contributions	(3,004,795)	(2,883,422)	(2,561,669)	(2,408,580)	(2,270,725)
Net change in total pension liability	863,630	4,010,202	(1,006,529)	1,904,366	454,194
Total pension liability, beginning	30,223,087	26,212,885	27,219,414	25,315,048	24,860,854
Total pension liability, ending (a)	31,086,717	30,223,087	26,212,885	27,219,414	25,315,048
Plan fiduciary net position					
Contributions - employer	2,633,748	2,472,624	2,311,923	2,280,145	2,207,950
Contributions - member	-	-	-	-	-
Net investment income	1,895,262	1,410,600	(1,876,425)	3,638,697	165,320
Benefit payments, including refunds of member contributions	(3,004,795)	(2,883,422)	(2,561,669)	(2,408,580)	(2,270,725)
Administrative expense	(5,961)	(6,083)	(8,340)	(13,254)	(8,006)
Other	-	-	-	-	-
Net change in plan fiduciary net position	1,518,254	993,719	(2,134,511)	3,497,008	94,539
Plan fiduciary net position, beginning	12,883,746	11,890,027	14,024,538	10,527,530	10,432,991
Plan fiduciary net position, ending (b)	14,402,000	12,883,746	11,890,027	14,024,538	10,527,530
Net pension liability, ending (a-b)	\$ 16,684,717	\$ 17,339,341	\$ 14,322,858	\$ 13,194,876	\$ 14,787,518
Plan fiduciary net position as a percentage of the total pension liability	46.3%	42.6%	45.4%	51.5%	41.6%
Covered payroll	\$ 28,955,000	\$ 26,625,979	\$ 29,320,555	\$ 34,511,461	\$ 33,547,308
Net pension liability as a percentage of covered payroll	57.6%	65.1%	48.8%	38.2%	44.1%

City of Winston-Salem, North Carolina

Schedule of Changes in Net Pension Liability and Related Ratios

Winston-Salem Police Officer's Separation Allowance
Last Ten Fiscal Years

Exhibit 14
Page 2 of 2

	Fiscal Year				
	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 600,358	\$ 429,595	\$ 418,102	\$ 394,050	\$ 394,050
Interest	1,752,912	1,699,044	1,348,120	1,272,982	1,231,261
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	2,822,846	2,267,413	963,257	511,859	720,148
Changes of assumptions	(746,747)	885,664	4,156	4,028	3,995
Benefit payments, including refunds of member contributions	(2,103,520)	(1,854,762)	(1,648,310)	(1,596,792)	(1,535,057)
Net change in total pension liability	2,325,849	3,426,954	1,085,325	586,127	814,397
Total pension liability, beginning	22,535,005	19,108,051	18,022,726	17,436,599	16,622,202
Total pension liability, ending (a)	24,860,854	22,535,005	19,108,051	18,022,726	17,436,599
Plan fiduciary net position					
Contributions - employer	1,572,291	1,402,746	1,312,250	1,205,933	1,035,697
Contributions - member	-	-	-	-	-
Net investment income	714,974	905,322	1,340,751	39,642	375,053
Benefit payments, including refunds of member contributions	(2,103,520)	(1,854,762)	(1,648,310)	(1,596,792)	(1,535,057)
Administrative expense	(5,070)	(6,884)	(13,820)	(4,331)	(460)
Other	-	-	-	-	-
Net change in plan fiduciary net position	178,675	446,422	990,871	(355,548)	(124,767)
Plan fiduciary net position, beginning	10,254,316	9,807,894	8,817,023	9,172,571	9,297,338
Plan fiduciary net position, ending (b)	10,432,991	10,254,316	9,807,894	8,817,023	9,172,571
Net pension liability, ending (a-b)	\$ 14,427,863	\$ 12,280,689	\$ 9,300,157	\$ 9,205,703	\$ 8,264,028
Plan fiduciary net position as a percentage of the total pension liability	42.0%	45.5%	51.3%	48.9%	52.6%
Covered payroll	\$ 29,916,749	\$ 27,562,707	\$ 26,667,735	\$ 26,209,341	\$ 26,095,009
Net pension liability as a percentage of covered payroll	48.2%	44.6%	34.9%	35.1%	31.7%

City of Winston-Salem, North Carolina

Schedule of Contributions

Winston-Salem Police Officers' Separation Allowance
Last Ten Fiscal Years

Exhibit 15
Page 1 of 2

	Fiscal Year				
	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 2,633,748	\$ 2,472,624	\$ 2,311,923	\$ 2,245,859	\$ 1,977,462
Contributions in relation to the actuarially determined contribution	2,633,748	2,472,624	2,311,923	2,280,145	2,207,950
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (34,286)	\$ (230,488)
Covered payroll	\$ 28,955,000	\$ 26,625,979	\$ 29,320,555	\$ 34,511,461	\$ 33,547,308
Contributions as a percentage of covered payroll	9.1%	9.3%	7.9%	6.6%	6.6%

Notes to Schedule

Valuation date:
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

The City's actuarial contribution is determined as a percentage of payroll, as shown in the annual funding valuation. The percentage is then applied to actual payroll.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar amount, closed
Remaining amortization period	14
Asset valuation method	7-year smoothed fair value
Inflation	2.75%
Salary increases	4.75% to 6.25%, based on years of service
Investment rate of return	7.00%, net of pension plan investment expense and including inflation
Interest on contributions	4.00% per year
Mortality	Mortality rates were based on the Pub 2010S Table and projected generationally using Scale SSA (50% of the tables apply for pre-retirement deaths).

City of Winston-Salem, North Carolina

Schedule of Contributions

Winston-Salem Police Officers' Separation Allowance
Last Ten Fiscal Years

Exhibit 15
Page 2 of 2

	Fiscal Year				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,503,773	\$ 1,356,667	\$ 1,235,894	\$ 1,203,418	\$ 1,086,587
Contributions in relation to the actuarially determined contribution	1,572,291	1,402,746	1,312,250	1,205,933	1,035,697
Contribution deficiency (excess)	<u>\$ (68,518)</u>	<u>\$ (46,079)</u>	<u>\$ (76,356)</u>	<u>\$ (2,515)</u>	<u>\$ 50,890</u>
Covered payroll	\$ 29,916,749	\$ 27,562,707	\$ 26,667,735	\$ 26,209,341	\$ 26,095,009
Contributions as a percentage of covered payroll	5.3%	5.1%	4.9%	4.6%	4.0%

City of Winston-Salem, North Carolina
Schedule of Investment Returns

Winston-Salem Police Officers' Separation Allowance
Last Ten Fiscal Years

Exhibit 16
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	Fiscal Year				
	2024	2023	2022	2021	2020
Annual money-weighted rate of return, net of investment expense	14.81%	12.00%	-13.40%	34.56%	1.58%

City of Winston-Salem, North Carolina

Schedule of Investment Returns

Winston-Salem Police Officers' Separation Allowance
Last Ten Fiscal Years

Exhibit 16
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	Fiscal Year				
	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	7.11%	9.40%	15.54%	0.44%	4.15%

City of Winston-Salem, North Carolina

Schedule of Changes in Net OPEB Liability and Related Ratios

Post-employment Benefits
Last Eight Fiscal Years ⁽¹⁾

Exhibit 17
Page 1 of 2

	Fiscal Year			
	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 468,973	\$ 456,421	\$ 600,566	\$ 584,492
Interest	4,617,811	4,633,768	4,987,261	5,048,172
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	4,107,879	-	(3,157,003)	-
Changes of assumptions	-	-	1,432,364	-
Benefit payments, including refunds	(4,965,070)	(5,684,184)	(6,915,265)	(6,077,192)
Net change in total OPEB liability	4,229,593	(593,995)	(3,052,077)	(444,528)
Total OPEB liability, beginning	67,940,299	68,534,294	71,586,371	72,030,899
Total OPEB liability, ending (a)	72,169,892	67,940,299	68,534,294	71,586,371
Plan fiduciary net position				
Contributions - employer	1,492,954	1,521,574	1,586,487	2,775,245
Contributions - member	1,918,972	1,984,010	2,063,707	2,178,222
Net investment income	10,735,616	8,561,965	(11,130,796)	22,944,124
Benefit payments, including refunds	(6,884,042)	(7,668,194)	(8,978,972)	(8,255,414)
Administrative expense	(173,780)	(163,242)	(150,898)	(135,014)
Other	-	-	-	-
Net change in plan fiduciary net position	7,089,720	4,236,113	(16,610,472)	19,507,163
Plan fiduciary net position, beginning	71,311,198	67,075,085	83,685,557	64,178,394
Plan fiduciary net position, ending (b)	78,400,918	71,311,198	67,075,085	83,685,557
Net OPEB liability, ending (a-b)	\$ (6,231,026)	\$ (3,370,899)	\$ 1,459,209	\$ (12,099,186)
Plan fiduciary net position as a percentage of the total OPEB liability	108.6%	105.0%	97.9%	116.9%
Covered-employee payroll	\$ 48,589,964	\$ 51,875,353	\$ 49,411,757	\$ 56,809,190
Net OPEB liability as a percentage of covered payroll	-12.8%	-6.5%	3.0%	-21.3%

⁽¹⁾ Required supplementary information is intended for 10 years and will be shown when available.

City of Winston-Salem, North Carolina

Schedule of Changes in Net OPEB Liability and Related Ratios

Post-employment Benefits
Last Eight Fiscal Years ⁽¹⁾

Exhibit 17
Page 2 of 2

	Fiscal Year			
	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 845,494	\$ 820,868	\$ 798,898	\$ 957,457
Interest	5,731,267	5,835,564	6,461,804	6,117,675
Changes of benefit terms	-	-	2,989,827	-
Difference between expected and actual experience	(8,682,182)	-	(2,089,619)	-
Changes of assumptions	-	-	(2,911,904)	-
Benefit payments, including refunds	(8,000,327)	(8,378,901)	(7,897,384)	(7,846,542)
Net change in total OPEB liability	(10,105,748)	(1,722,469)	(2,648,378)	(771,410)
Total OPEB liability, beginning	82,136,647	83,859,116	86,507,494	87,278,904
Total OPEB liability, ending (a)	72,030,899	82,136,647	83,859,116	86,507,494
Plan fiduciary net position				
Contributions - employer	2,856,574	3,949,401	4,192,751	7,027,147
Contributions - member	1,950,101	2,002,084	1,945,017	1,908,432
Net investment income	1,017,246	4,755,650	6,048,274	8,248,248
Benefit payments, including refunds	(9,950,428)	(10,380,985)	(7,897,384)	(7,846,542)
Administrative expense	(143,333)	(124,209)	(128,708)	(137,572)
Other	-	-	-	-
Net change in plan fiduciary net position	(4,269,840)	201,941	4,159,950	9,199,713
Plan fiduciary net position, beginning	68,448,234	68,246,293	64,086,343	54,886,630
Plan fiduciary net position, ending (b)	64,178,394	68,448,234	68,246,293	64,086,343
Net OPEB liability, ending (a-b)	\$ 7,852,505	\$ 13,688,413	\$ 15,612,823	\$ 22,421,151
Plan fiduciary net position as a percentage of the total OPEB liability	89.1%	83.3%	81.4%	74.1%
Covered-employee payroll	\$ 61,842,481	\$ 68,916,592	\$ 75,814,665	\$ 107,640,260
Net OPEB liability as a percentage of covered payroll	12.7%	19.9%	20.6%	20.8%

⁽¹⁾ Required supplementary information is intended for 10 years and will be shown when available.

City of Winston-Salem, North Carolina

Schedule of Contributions

Post-employment Benefits
Last Ten Fiscal Years

Exhibit 18
Page 1 of 2

	Fiscal Year				
	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 13,866	\$ -	\$ 1,340,078	\$ 1,304,212	\$ 2,448,424
Contributions in relation to the actuarially determined contribution	1,492,954	1,521,574	1,586,487	2,775,245	2,856,574
Contribution deficiency (excess)	<u>\$ (1,479,088)</u>	<u>\$ (1,521,574)</u>	<u>\$ (246,409)</u>	<u>\$ (1,471,033)</u>	<u>\$ (408,150)</u>
Covered payroll	\$ 48,589,964	\$ 51,875,353	\$ 49,411,757	\$ 56,809,190	\$ 61,842,481
Contributions as a percentage of covered payroll	3.1%	2.9%	3.2%	4.9%	4.6%

Notes to Schedule

Valuation date:

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

The City's actuarial contribution is determined as a percentage of payroll, as shown in the annual funding valuation. The percentage is then applied to actual payroll.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	22
Asset valuation method	5-year smoothed fair value
Inflation	2.75%
Investment rate of return	7.00%, net of investment expense and including inflation
Healthcare trend	6.00% initially, grading down to 4.25% ultimate
	4.00% for Medicare coverage (Post 65)
Mortality	Mortality rates were based on the Pub 2010G and 2010S Tables and projected generationally using Scale SSA 2021 (50% of the tables apply for pre-retirement deaths).

City of Winston-Salem, North Carolina

Schedule of Contributions

Post-employment Benefits
Last Ten Fiscal Years

Exhibit 18
Page 2 of 2

	Fiscal Year				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,448,424	\$ 3,497,231	\$ 3,497,231	\$ 6,483,194	\$ 6,483,194
Contributions in relation to the actuarially determined contribution	3,949,401	4,192,751	3,497,231	6,483,194	6,483,194
Contribution deficiency (excess)	\$ (1,500,977)	\$ (695,520)	\$ -	\$ -	\$ -
Covered payroll	\$ 68,916,592	\$ 75,814,665	\$ 107,640,260	\$ 107,640,260	\$ 104,119,336
Contributions as a percentage of covered payroll	5.7%	5.5%	3.2%	6.0%	6.2%

City of Winston-Salem, North Carolina Schedule of Investment Returns

	Fiscal Year			
	2024	2023	2022	2021
Annual money-weighted rate of return, net of investment expense	15.40%	13.20%	-13.80%	36.60%

⁽¹⁾ Required supplementary information is intended for 10 years and will be shown when available.

City of Winston-Salem, North Carolina

Schedule of Investment Returns

Post-employment Benefits
Last Eight Fiscal Years ⁽¹⁾

Exhibit 19
Page 2 of 2

	Fiscal Year			
	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	1.50%	7.20%	9.60%	14.80%

⁽¹⁾ Required supplementary information is intended for 10 years and will be shown when available.

City of Winston-Salem, North Carolina

City of Winston-Salem's Proportionate Share of Net Pension Liability (Asset)

Local Government Employees' Retirement System
Last Ten Fiscal Years*

Exhibit 20
Page 1 of 2

	Fiscal Year				
	2024	2023	2022	2021	2020
Winston-Salem's proportion of the net pension liability (asset) (%)	1.55466%	1.62679%	1.77170%	1.78316%	1.77345%
Winston-Salem's proportion of the net pension liability (asset) (\$)	\$ 102,966,551	\$ 91,774,187	\$ 27,170,720	\$ 63,719,903	\$ 48,431,536
Winston-Salem's covered payroll	\$ 134,504,545	\$ 122,428,341	\$ 122,086,793	\$ 124,907,991	\$ 119,568,576
Winston-Salem's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	76.5525%	74.9616%	22.2552%	51.0135%	40.5052%
Plan fiduciary net position as a percentage of the total pension liability **	82.49%	84.14%	95.51%	88.61%	90.86%

*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 Winston-Salem, North Carolina

City of Winston-Salem's Proportionate Share of Net Pension Liability (Asset)

Local Government Employees' Retirement System
Last Ten Fiscal Years*

Exhibit 20
Page 2 of 2

	Fiscal Year				
	2019	2018	2017	2016	2015
Winston-Salem's proportion of the net pension liability (asset) (%)	1.81132%	1.74550%	1.73309%	1.80025%	1.80839%
Winston-Salem's proportion of the net pension liability (asset) (\$)	\$ 42,970,705	\$ 26,666,405	\$ 36,781,996	\$ 8,079,434	\$ (10,664,916)
Winston-Salem's covered payroll	\$ 117,262,357	\$ 111,203,433	\$ 104,723,508	\$ 101,433,133	\$ 99,590,382
Winston-Salem's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.6449%	23.9798%	35.1230%	7.9653%	(10.7088)%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	102.47%

*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 Winston-Salem, North Carolina

City of Winston-Salem's Contributions

Local Government Employees' Retirement System
Last Ten Fiscal Years

Exhibit 21
Page 1 of 2

	Fiscal Year				
	2024	2023	2022	2021	2020
Contractually required contribution	\$ 19,288,393	\$ 16,653,879	\$ 14,169,348	\$ 12,660,516	\$ 11,103,950
Contributions in relation to the contractually required contribution	19,288,393	16,653,879	14,169,348	12,660,516	11,103,950
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Winston-Salem's covered payroll	\$ 146,577,372	\$ 134,504,545	\$ 122,428,341	\$ 122,086,793	\$ 124,907,991
Contributions as a percentage of covered payroll	13.16%	12.38%	11.57%	10.37%	8.89%

City of Winston-Salem, North Carolina

City of Winston-Salem's Contributions

Local Government Employees' Retirement System
Last Ten Fiscal Years

Exhibit 21
Page 2 of 2

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 9,566,443	\$ 9,039,532	\$ 8,322,237	\$ 7,196,687	\$ 7,282,532
Contributions in relation to the contractually required contribution	9,566,443	9,039,532	8,322,237	7,196,687	7,282,532
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Winston-Salem's covered payroll	\$ 119,568,576	\$ 117,262,357	\$ 111,203,433	\$ 104,723,508	\$ 101,433,133
Contributions as a percentage of covered payroll	8.00%	7.71%	7.48%	6.87%	7.18%

Combining and Individual Fund Statements and Schedules

Major Funds

City of Winston-Salem, North Carolina

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2024

Exhibit 22

	Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 24,685,540	\$ 25,105,115	\$ 419,575
Local option sales taxes	11,648,580	11,470,619	(177,961)
Intergovernmental	1,354,500	1,544,677	190,177
Investment income	100,000	14,001,674	13,901,674
Other	2,048,250	2,048,252	2
Total revenues	39,836,870	54,170,337	14,333,467
Expenditures			
Other	11,888,057	731,187	11,156,870
Debt Service			
Principal retirement			
Bond	17,670,080	17,670,000	80
Other	326,580	11,351,292	(11,024,712)
Interest and fiscal charges	14,207,300	12,268,530	1,938,770
Total expenditures	44,092,017	42,021,009	2,071,008
Excess of expenditures over revenues	(4,255,147)	12,149,328	16,404,475
Other Financing Sources (Uses)			
Transfers in			
General fund	2,118,770	2,118,770	-
Capital projects fund	2,907,230	2,344,573	(562,657)
Transfers out			
Public assembly facilities management fund	(500,000)	(500,000)	-
Total transfers, net	4,526,000	3,963,343	(562,657)
Appropriated fund balance	(270,853)	-	(270,853)
Net change in fund balance	\$ -	16,112,671	\$ 16,112,671
Fund balance - beginning		66,348,768	
Fund balance - ending		\$ 82,461,439	

City of Winston-Salem, North Carolina

Capital Projects Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2024

Exhibit 23

	Current Year	Prior Years	Total to Date	Project Authorizations
Revenues				
Intergovernmental - federal	\$ 841,800	\$ 1,143,154	\$ 1,984,954	\$ 16,846,500
Intergovernmental - state	410,974	2,664,286	3,075,260	24,538,931
Intergovernmental - local	-	33,880	33,880	-
Investment income	2,053,737	-	2,053,737	2
Sales and Services	282,607	4,353	286,960	233,590
NCMLC charges	560,151	-	560,151	473,950
Other	820,647	14,616,915	15,437,562	11,377,803
Total revenues	4,969,916	18,462,588	23,432,504	53,470,776
Expenditures				
General government	12,253,918	408,661	12,662,579	24,892,218
Public protection	8,895,081	3,505,896	12,400,977	22,416,268
Environmental health	-	-	-	300,000
Transportation	14,605,304	24,813,296	39,418,600	147,315,406
Culture and recreation	12,162,777	13,748,535	25,911,312	53,612,438
Community and economic development	4,831,406	6,681,894	11,513,300	54,479,098
Debt service				
Principal retirement	8,887,351	-	8,887,351	8,661,470
Interest and fiscal charges	1,142,277	704,161	1,846,438	1,221,690
Total expenditures	62,778,114	49,862,443	112,640,557	312,898,588
Excess of expenditures over revenues	(57,808,198)	(31,399,855)	(89,208,053)	(259,427,812)
Other Financing Sources (Uses)				
Premium on general obligation bonds	-	12,725,512	12,725,512	4,280,635
Issuance of limited obligation bonds	-	9,229,234	9,229,234	9,229,088
Issuance of general obligation bonds	-	86,507,675	86,507,675	129,603,525
Issuance of installment financing contract	-	2,356	2,356	2,356
Issuance of contracts payable	8,304,734	284,543	8,589,277	83,649,109
Transfers in	8,180,527	42,038,873	50,219,400	41,396,880
Transfers out	(16,878,663)	(3,533,648)	(20,412,311)	(6,348,214)
Appropriated fund balance	-	-	-	(2,385,567)
Total other financing sources, net	(393,402)	147,254,545	146,861,143	259,427,812
Excess of revenues and other financing sources over expenditures and other uses	(58,201,600)	115,854,690	57,653,090	\$ -
Fund balance - beginning	150,407,490	-	-	
Budgeted on an annual basis	-	34,552,800	34,552,800	
Fund balance - ending	<u>\$ 92,205,890</u>	<u>\$ 150,407,490</u>	<u>\$ 92,205,890</u>	

City of Winston-Salem, North Carolina

Special Revenue Funds

Midtown Economic Development Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2024

Exhibit 24

	Current Year	Prior Years	Total to Date	Program Authorizations
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ 35,000,000
Investment income	-	-	-	-
Total revenues	-	-	-	35,000,000
Expenditures				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	-	35,000,000
Other Financing Sources (Uses)				
Transfers out				
General fund	-	-	-	-
Total other financing sources, net	-	-	-	-
Net change in fund balance	-	-	-	\$ 35,000,000
Fund balance - beginning	-			
Fund balance - ending	\$ -			

City of Winston-Salem, North Carolina

Enterprise Funds

Water and Sewer Utility Fund - Schedule of Revenues, Expenditures, and Transfers - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2024

Exhibit 25

	Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Sales			
Water	\$ 65,334,000	\$ 63,347,410	\$ (1,986,590)
Sewer	63,418,500	63,639,336	220,836
Industrial waste surcharge	3,300,000	3,449,447	149,447
Total sales	132,052,500	130,436,193	(1,616,307)
Charges for services			
New connections	100,000	354,625	254,625
Special area and privilege charges	-	1,161	1,161
Other charges for services	5,690,000	8,961,214	3,271,214
Total charges for services	5,790,000	9,317,000	3,527,000
Other	10,000	112,868	102,868
Total operating revenues	137,852,500	139,866,061	2,013,561
Operating Expenditures			
Personal services	26,602,820	24,915,706	1,687,114
Maintenance and operations	40,531,070	35,707,915	4,823,155
Capital outlay	1,088,860	459,048	629,812
Total operating expenditures	68,222,750	61,082,669	7,140,081
Operating income	69,629,750	78,783,392	9,153,642
Nonoperating Revenues (Expenditures)			
Investment income	-	13,873,528	13,873,528
Lease revenue	-	92,808	92,808
Proceeds from sale of assets	-	99,943	99,943
Damage settlements	-	-	-
Interest and fiscal charges	(16,419,400)	(16,054,613)	364,787
Principal retirement	(26,867,475)	(27,197,000)	(329,525)
Total nonoperating expenditures, net	(43,286,875)	(29,185,334)	14,101,541
Income before capital contributions and transfers	26,342,875	49,598,058	23,255,183
Capital Contributions			
Conveyances	-	11,273,520	11,273,520
Total capital contributions	-	11,273,520	11,273,520
Transfers In (Out)			
Stormwater fund	120,720	120,720	-
General fund	(96,540)	(88,024)	8,516
Solid waste disposal fund	(410,090)	(340,469)	69,621
Total transfers out	(385,910)	(307,773)	78,137
Appropriated net position	(25,956,965)	-	(25,956,965)
Change in net position - modified accrual basis	\$ -	60,563,805	\$ 60,563,805
Reconciliation of Modified Accrual Basis to Full Accrual Basis			
Change in Net Position - Modified Accrual Basis		\$ 60,563,805	
Water and Sewer Capital Projects Fund		4,832,138	
Depreciation		(38,081,766)	
Amortization		(437,727)	
Amortization of financing costs		2,313,166	
Capital outlay		459,048	
Principal retirement		27,197,000	
Book value of disposed assets		(4,927,188)	
Increase (decrease) in net OPEB asset		314,726	
Increase (decrease) in deferred outflows of resources - pensions		147,146	
Increase (decrease) in deferred outflows of resources - OPEB		117,457	
(Increase) decrease in net pension liability		(1,051,313)	
(Increase) decrease in deferred inflows of resources - pensions		25,193	
(Increase) decrease in deferred inflows of resources - OPEB		(300,227)	
Change in Net Position - Full Accrual Basis		\$ 51,171,458	

City of Winston-Salem, North Carolina

Enterprise Funds

Water & Sewer Capital Projects Fund - Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2024

Exhibit 26

	Program Authorizations	Current Year	Prior Years	Total to Date
Revenues				
Intergovernmental revenues	\$ 116,443,400	\$ 23,243,130	\$ 45,915,754	\$ 69,158,884
Contributions from operations	315,552,288	40,149,434	27,141,306	67,290,740
Other contributions	5,600,000	4,696,710	1,333,961	6,030,671
Proceeds from bonds	2,000,000	23,500,025	30,997,446	54,497,471
Total revenues	439,595,688	91,589,299	105,388,467	196,977,766
Expenses				
Water Capital	263,900,192	59,831,630	89,931,123	149,762,753
Sewer Capital	171,379,287	32,764,645	31,031,102	63,795,747
Water Distribution	3,195,133	1,741,959	675,421	2,417,380
Sewer Collection	1,121,076	261,245	19,225	280,470
Total expenses	439,595,688	94,599,479	121,656,871	216,256,350
Change in Net Position	\$ -	\$ (3,010,180)	\$ (16,268,404)	\$ (19,278,584)

City of Winston-Salem, North Carolina

Enterprise Funds

Solid Waste Disposal Fund - Schedule of Revenues, Expenditures, and Transfers - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2024

Exhibit 27

	Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for services	\$ 12,063,610	\$ 11,527,054	\$ (536,556)
Other	-	9,260	9,260
Total operating revenues	12,063,610	11,536,314	(527,296)
Operating Expenditures			
Personnel services	3,145,730	2,833,428	312,302
Maintenance and operations	9,556,384	6,063,083	3,493,301
Total operating expenditures	12,702,114	8,896,511	3,805,603
Operating income	(638,504)	2,639,803	3,278,307
Nonoperating Revenues (Expenditures)			
Intergovernmental revenue	867,870	849,379	(18,491)
Investment income	-	5,546,641	5,546,641
Damage settlements	-	-	-
Interest and fiscal charges	(198,740)	(132,264)	66,476
Principal retirement	(1,878,800)	(1,499,043)	379,757
Total nonoperating expenditures, net	(1,209,670)	4,764,713	5,974,383
Income (loss) before transfers	(1,848,174)	7,404,516	9,252,690
Transfers In			
Water and sewer utility fund	410,090	340,469	(69,621)
Stormwater management fund	205,050	170,235	(34,815)
Total transfers in	615,140	510,704	(104,436)
Appropriated net position	1,233,034	-	1,233,034
Change in net position - modified accrual basis	<u>\$ -</u>	<u>\$ 7,915,220</u>	<u>\$ 7,915,220</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis			
Change in Net Position - Modified Accrual Basis		\$ 7,915,220	
Depreciation		(1,875,170)	
Amortization of financing costs		80,573	
Principal retirement		1,499,043	
Book value of disposed assets		18,492	
Increase (decrease) in net OPEB asset		38,066	
Increase (decrease) in deferred outflows of resources - pensions		61,548	
(Increase) decrease in net pension liability		(187,241)	
(Increase) decrease in deferred inflows of resources - pensions		354	
Increase (decrease) in deferred outflows of resources - OPEB		14,008	
(Increase) decrease in deferred inflows of resources - OPEB		(34,697)	
(Increase) decrease in landfill closure/post-closure liability		(1,540,633)	
Change in Net Position - Full Accrual Basis		<u><u>\$ 5,989,563</u></u>	

City of Winston-Salem, North Carolina

Enterprise Funds

Solid Waste Capital Projects Fund - Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2024

Exhibit 28

	Program Authorizations	Current Year	Prior Years	Total to Date
Revenues				
Contributions from operations	\$ 25,316,945	\$ 735,831	\$ 1,730,694	\$ 2,466,525
Total revenues	25,316,945	735,831	1,730,694	2,466,525
Expenses				
Hanes Landfill Leachate System	24,008,152	285,080	2,520,287	2,805,367
Hanes Landfill Liners	298,793	171,386	93,120	264,506
Other Landfill Projects	1,010,000	-	-	-
Total expenses	25,316,945	456,466	2,613,407	3,069,873
Change in Net Position	\$ -	\$ 279,365	\$ (882,713)	\$ (603,348)

City of Winston-Salem, North Carolina

Enterprise Funds

Transit Authority Fund - Schedule of Revenues, Expenditures, and Transfers - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2024

Exhibit 29

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Revenues			
Charges for services	\$ 1,653,300	\$ 1,389,136	\$ (264,164)
Other	412,340	306,619	(105,721)
Total operating revenues	2,065,640	1,695,755	(369,885)
Operating Expenditures			
Personnel services	16,815,651	15,159,558	1,656,093
Maintenance and operations	7,322,110	5,620,679	1,701,431
Total operating expenditures	24,137,761	20,780,237	3,357,524
Operating Income (loss)	(22,072,121)	(19,084,482)	2,987,639
Nonoperating Revenues (Expenditures)			
Intergovernmental revenue			
FTA operating grant	900,000	968,000	68,000
FTA preventative maintenance grant	2,400,000	2,400,000	-
FTA CARES Act	-	67,970	67,970
FTA ARPA	4,023,030	4,023,025	(5)
FTA JARC / Enhanced Mobility	-	429,190	429,190
Piedmont Triad Regional Council	286,000	232,407	(53,593)
Forsyth County	368,050	35,242	(332,808)
State of North Carolina	1,168,140	1,168,139	(1)
Total intergovernmental revenues	9,145,220	9,323,973	178,753
Property taxes	12,335,990	12,519,936	183,946
Investment income	-	214,697	214,697
Damage settlements	10,000	28,201	18,201
Total nonoperating revenues (expenditures), net	21,491,210	22,086,807	595,597
Income (loss) before capital contributions and transfers	(580,911)	3,002,325	3,583,236
Capital Contributions			
Federal and state grants		5,259,134	
Total capital contributions	-	-	-
Transfers Out			
Grants fund	(19,610)	(6,155)	13,455
Total transfers out	(19,610)	(6,155)	13,455
Appropriated net position	600,521	-	600,521
Change in net position - modified accrual basis	<u>\$ -</u>	<u>\$ 2,996,170</u>	<u>\$ 2,996,170</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis			
Change in Net Position - Modified Accrual Basis		\$ 2,996,170	
Transit Capital Projects Fund		\$ 2,136,525	
Depreciation		(2,439,107)	
Book value of disposed assets		(743,582)	
Change in Net Position - Full Accrual Basis		<u>\$ 1,950,006</u>	

City of Winston-Salem, North Carolina

Enterprise Funds

Transit Authority Capital Projects Fund - Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2024

Exhibit 30

	Program Authorizations	Current Year	Prior Years	Total to Date
Revenues				
Property tax revenue	\$ 5,969,158	\$ 442,727	\$ 1,429,409	\$ 1,872,136
Intergovernmental revenues	28,110,721	1,693,797	6,181,410	7,875,207
Transfers in from other funds	301,239	-	50,863	50,863
Total revenues	34,381,118	2,136,524	7,661,682	9,798,206
Expenses				
5307 capital	23,495,788	1,030,722	4,247,890	5,278,612
Bus replacement	10,260,330	965,285	2,793,159	3,758,444
Other capital improvements	625,000	-	572,274	572,274
Total expenses	34,381,118	1,996,007	7,613,323	9,609,330
Change in Net Position	\$ -	\$ 140,517	\$ 48,359	\$ 188,876

APPENDIX D

FINANCIAL FEASIBILITY REPORT

Winston-Salem Forsyth County Utilities, North Carolina

Financial Feasibility Evaluation
of Proposed Water and Sewer System
Revenue Bonds,
Series 2025



October 21, 2025

EVALUATION BY FINANCIAL FEASIBILITY CONSULTANTS

City of Winston-Salem, North Carolina

Water and Sewer System

Revenue Bonds, Series 2025

We have evaluated the accompanying Forecast Statement of Revenues, Expenses, Debt Service, and Debt Service Coverage (the “Forecast Statement”) for the Winston-Salem/Forsyth County Utilities Water and Sewer System (“System”) for the five fiscal years ending June 30, 2026 through June 30, 2030. The System is owned by the City of Winston-Salem, North Carolina (“City”) and operated under the governance of the Winston-Salem/Forsyth County Utility Commission (“Utility Commission”). Our evaluation was conducted in accordance with guidelines for the water and sewer industry and included such procedures as we considered necessary to evaluate the assumptions of the City.

In evaluating the financial feasibility of the project, those assumptions that we believe are most significant include:

- Projected growth in customers and demand for water and sewer services, and the resulting impact on forecast revenues during the five-year forecast period
- Projected operating costs for providing water and sewer services to meet demand during the forecast period;
- Projected water and sewer rate adjustments during the forecast period; and
- Projected future debt issues and the timing of additional debt service payments in order to meet capital investment needs.

The accompanying Forecast Statement is presented on a cash basis, consistent with the City’s budgeting process for the System, and has been presented to be consistent with the specific requirements of the coverage tests identified in Indenture as defined below. The Forecast Statement, together with the Summary of Significant Forecast Assumptions, which is included as an integral part of the forecast, constitutes the “Feasibility Evaluation” for the proposed capital projects and bond financing.

In our opinion, the accompanying Forecast Statement is presented in conformity with industry guidelines for presentation of a forecast, and the underlying assumptions provide a reasonable basis for the City’s forecast. Based upon the assumptions in our report, the estimated Revenues provide adequate funds to maintain debt service coverage ratios during the forecast period as required by the Amended and Restated General Trust Indenture dated as of March 1, 2020, as amended (General Indenture), and Series Indenture, Number 20 dated as of December 1, 2025 (the Twentieth Indenture and together with the General Indenture, the Indenture) during the forecast period for the issuance of the City’s proposed Water and Sewer System Revenue Bonds, Series 2025 (“Series 2025 Bonds”). However, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Furthermore, Raftelis Financial Consultants, Inc. is not responsible for completing a detailed review of the Official Statement, the Indenture, or other documents prepared for the proposed Series 2025. Our services relate only to the preparation of the feasibility report, and a review of portions of other documents that specifically refer or apply to the Forecast Statement.

Raftelis Financial Consultants, Inc.

A handwritten signature in black ink, reading "William W. Kerr". The signature is written in a cursive style with a large, stylized 'W' and 'K'.

William W. Kerr
Senior Manager

City of Winston-Salem, North Carolina
Water and Sewer Utility System
Historical Statement of Income, Expenses, Debt, & Debt Service Coverage
Fiscal Year Ending June 30

	FY 2021 Audited	FY 2022 Audited	FY 2023 Audited	FY 2024 Audited	FY 2025 Unaudited (1)
System Revenues					
<u>Sales (2)</u>					
Water	\$ 56,192,874	\$ 59,610,548	\$ 60,431,839	\$ 63,347,410	\$ 67,942,610
Sewer	50,886,290	55,046,281	57,809,938	63,639,336	68,723,308
Industrial Waste Surcharges	3,468,757	3,862,318	4,076,166	3,449,447	3,492,295
<i>Subtotal: Sales</i>	<u>\$ 110,547,921</u>	<u>\$ 118,519,147</u>	<u>\$ 122,317,943</u>	<u>\$ 130,436,193</u>	<u>\$ 140,158,213</u>
<u>Other Operating Revenues</u>					
Other Charges for Services & Revenues (3)	\$ 7,608,635	\$ 8,103,720	\$ 7,375,588	\$ 9,429,750	\$ 11,931,251
<i>Total: Operating Revenues</i>	<u>\$ 118,156,556</u>	<u>\$ 126,622,867</u>	<u>\$ 129,693,531</u>	<u>\$ 139,865,943</u>	<u>\$ 152,089,464</u>
<u>Non-Operating Revenues/(Expenses) (4)</u>					
Lease Revenue	\$ -	\$ -	\$ 20,458	\$ 92,808	\$ -
Transfers In	120,720	120,720	120,720	120,721	120,720
<i>Subtotal: Non-Operating Revenues (Expenses)</i>	<u>\$ 120,720</u>	<u>\$ 120,720</u>	<u>\$ 141,178</u>	<u>\$ 213,529</u>	<u>\$ 120,720</u>
Total System Revenues	\$ 118,277,276	\$ 126,743,587	\$ 129,834,709	\$ 140,079,472	\$ 152,210,184
Operating Expenses (Excluding Depreciation) (5)					
Personnel Services	\$ (21,184,267)	\$ (20,971,890)	\$ (21,889,041)	\$ (24,915,706)	\$ (25,694,093)
Maintenance and Operations	(26,275,487)	(26,444,090)	(31,217,157)	(35,707,915)	(40,199,347)
Transfers Out	(391,167)	(342,460)	(373,018)	(428,493)	(532,050)
<i>Subtotal: Operating Expenses</i>	<u>\$ (47,850,921)</u>	<u>\$ (47,758,440)</u>	<u>\$ (53,479,216)</u>	<u>\$ (61,052,114)</u>	<u>\$ (66,425,490)</u>
A Net Revenues Available for Debt Service	\$ 70,426,355	\$ 78,985,147	\$ 76,355,493	\$ 79,027,358	\$ 85,784,694
Plus: 12% of Liquid Assets (6)	14,845,244	15,724,856	18,531,005	18,415,379	20,080,582
B Net Revenues Plus 12% of Liquid Assets	\$ 85,271,599	\$ 94,710,003	\$ 94,886,498	\$ 97,442,737	\$ 105,865,276
Parity Bond Debt Service					
C Parity Indebtedness (7)	\$ 33,100,030	\$ 33,993,629	\$ 36,069,183	\$ 35,261,634	\$ 34,165,268
Debt Service Coverage - Parity Indebtedness					
Calculated Using Net Revenues (A/C)	2.13	2.32	2.12	2.24	2.51
Calculated Using Net Revenues Plus 12% of Liquid Assets (B/C)	2.58	2.79	2.63	2.76	3.10
Subordinated, General Obligation, and Other Indebtedness					
D SRF & Other Indebtedness (8)	\$ 8,900,024	\$ 7,928,087	\$ 8,346,807	\$ 7,900,113	\$ 7,500,096
E Total Debt Service (C + D)	\$ 42,000,054	\$ 41,921,716	\$ 44,415,990	\$ 43,161,747	\$ 41,665,364
Debt Service Coverage - Total Debt					
Calculated Using Net Revenues (A/E)	1.68	1.88	1.72	1.83	2.06
Calculated Using Net Revenues Plus 12% of Liquid Assets (B/E)	2.03	2.26	2.14	2.26	2.54
Net Revenues After Total Debt Service	\$ 28,426,301	\$ 37,063,431	\$ 31,939,503	\$ 35,865,611	\$ 44,119,330

Notes to the Historical Statement

- (1) Audited financial information was obtained from the City's Annual Comprehensive Financial Reports. FY 2025 is based on unaudited actuals as of September 25, 2025.
- (2) Water and sewer sales represent user charge revenue collections for FY 2021 – FY 2025.
- (3) Other Charges for Services and Revenues include late payment penalties, service fees, system development fees, and other revenues for ancillary services.
- (4) Other non-operating revenues/expenses represent only items that are included in the definition of Revenues in the City's General Indenture. The City also collects and reports investment and interest income and capital conveyances in its audited financial statements. However, these items are specifically excluded from the definition of Revenues in the General Indenture.
- (5) Includes all water and sewer operating and maintenance (O&M) expenses associated with the existing utility system.
- (6) The inclusion of 12% of Liquid Assets in the calculations of debt service coverage, per the Rate Covenant in the General Indenture, is intended to account for the City's substantial reserves and provide a more accurate picture of the City's financial strength. Liquid Assets is defined as unencumbered cash or marketable securities of the System, as shown in the audited financial statements of the City, and available for the payment of the Bonds issued under the General Indenture or other obligations.
- (7) Represents all water and sewer parity debt service payments made by the City from FY 2021 – FY 2025. Any reference to "Parity Bonds" or "Parity Indebtedness" is defined as "Bonds" in the General Indenture.
- (8) Includes State Revolving Fund (SRF) loan payments and capital lease payments made to the North Carolina Municipal Leasing Corporation. The City has no General Obligation Indebtedness (as defined in the General Indenture) payable from Net Revenues of the System outstanding.

City of Winston-Salem, North Carolina
Water and Sewer Utility System

Forecast Statement of Income, Expenses, Debt, & Debt Service Coverage

Fiscal Year Ending June 30

	FY 2026 Projected	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
System Revenues					
<u>Sales (1)</u>					
Water	\$ 70,329,020	\$ 73,008,787	\$ 75,793,322	\$ 78,697,040	\$ 81,762,519
Sewer	71,397,407	75,737,972	80,437,359	85,490,657	90,853,367
Industrial Waste Surcharges	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
<i>Subtotal: Sales</i>	<u>\$ 145,226,427</u>	<u>\$ 152,246,759</u>	<u>\$ 159,730,681</u>	<u>\$ 167,687,697</u>	<u>\$ 176,115,886</u>
<u>Other Operating Revenues</u>					
Other Charges for Services & Revenues (2)	\$ 10,417,367	\$ 10,417,367	\$ 8,543,000	\$ 8,543,000	\$ 8,543,000
<i>Total: Operating Revenues</i>	<u>\$ 155,643,794</u>	<u>\$ 162,664,126</u>	<u>\$ 168,273,681</u>	<u>\$ 176,230,697</u>	<u>\$ 184,658,886</u>
<u>Non-Operating Revenues (Expenses) (3)</u>					
Other Non-Operating Revenues (3)	120,720	120,720	120,720	120,720	120,720
<i>Total: System Revenues</i>	<u>\$ 155,764,514</u>	<u>\$ 162,784,846</u>	<u>\$ 168,394,401</u>	<u>\$ 176,351,417</u>	<u>\$ 184,779,606</u>
Operating Expenses (4)					
Water	\$ (31,980,910)	\$ (33,579,956)	\$ (35,258,954)	\$ (37,021,902)	\$ (38,872,997)
Sewer	(39,357,157)	(41,325,016)	(43,391,266)	(45,560,830)	(47,838,872)
Transfer to Other City Funds (5)	(535,740)	(551,812)	(568,367)	(585,418)	(602,980)
<i>Subtotal: Operating Expenses</i>	<u>\$ (71,873,807)</u>	<u>\$ (75,456,783)</u>	<u>\$ (79,218,587)</u>	<u>\$ (83,168,149)</u>	<u>\$ (87,314,848)</u>
A Net Revenues Available for Debt Service	<u>\$ 83,890,706</u>	<u>\$ 87,328,063</u>	<u>\$ 89,175,814</u>	<u>\$ 93,183,268</u>	<u>\$ 97,464,758</u>
Plus: 12% of Liquid Assets (6)	20,069,112	18,112,157	15,684,542	15,198,593	16,751,788
B Net Revenues plus 12% of Liquid Assets	<u>\$ 103,959,818</u>	<u>\$ 105,440,220</u>	<u>\$ 104,860,356</u>	<u>\$ 108,381,860</u>	<u>\$ 114,216,546</u>
Parity Bond Debt Service					
Existing Parity Indebtedness	\$ (35,272,710)	\$ (35,212,286)	\$ (35,006,826)	\$ (33,829,222)	\$ (33,782,529)
Proposed Series 2025 (7)	(2,996,122)	(5,207,750)	(5,209,750)	(5,211,500)	(5,207,750)
Proposed Series 2030 (8)	-	-	-	-	(1,930,897)
C <i>Subtotal: Parity Indebtedness</i>	<u>\$ (38,268,832)</u>	<u>\$ (40,420,036)</u>	<u>\$ (40,216,576)</u>	<u>\$ (39,040,722)</u>	<u>\$ (40,921,176)</u>
Debt Service Coverage - Parity Indebtedness					
Calculated Using Net Revenues (A/C)	2.19	2.16	2.22	2.39	2.38
Calculated Using Net Revenues plus 12% of Liquid Assets (B/C)	2.72	2.61	2.61	2.78	2.79
Subordinated, General Obligation, and Other Indebtedness					
Existing SRF Loans	\$ (12,598,121)	\$ (12,481,770)	\$ (12,343,063)	\$ (12,204,357)	\$ (12,065,650)
Proposed SRF Loans (9)	-	-	(200,000)	(500,000)	(500,000)
Other Indebtedness (10)	-	-	-	-	-
D <i>Subtotal: Subordinated and Other Indebtedness</i>	<u>\$ (12,598,121)</u>	<u>\$ (12,481,770)</u>	<u>\$ (12,543,063)</u>	<u>\$ (12,704,357)</u>	<u>\$ (12,565,650)</u>
E Total Debt Service: Parity, Subordinated, GO, & Other Indebtedness (C+D)	<u>\$ (50,866,952)</u>	<u>\$ (52,901,806)</u>	<u>\$ (52,759,639)</u>	<u>\$ (51,745,078)</u>	<u>\$ (53,486,826)</u>
Debt Service Coverage - Total Debt					
Calculated Using Net Revenues (A/E)	1.65	1.65	1.69	1.80	1.82
Calculated Using Net Revenues plus 12% of Liquid Assets (B/E)	2.04	1.99	1.99	2.09	2.14
Net Revenues After Total Debt Service	<u>\$ 33,023,754</u>	<u>\$ 34,426,257</u>	<u>\$ 36,416,175</u>	<u>\$ 41,438,190</u>	<u>\$ 43,977,932</u>
Other Revenues, Expenditures, & Transfers					
Rate Funded Capital (PAYGO) (10)	\$ (45,933,537)	\$ (53,550,000)	\$ (43,250,000)	\$ (31,410,000)	\$ (28,050,000)
Capital Outlay (11)	(2,600,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Capital Lease Payoff (12)	(2,532,300)	-	-	-	-
Other Non-Operating Expenses (13)	(18,000)	(18,540)	(19,096)	(19,669)	(20,259)
Transfers (to)/from Reserves (14)	18,000,000	21,000,000	7,000,000	-	-
<i>Subtotal: Other Expenditures and Transfers</i>	<u>\$ (33,083,837)</u>	<u>\$ (33,568,540)</u>	<u>\$ (37,269,096)</u>	<u>\$ (32,429,669)</u>	<u>\$ (29,070,259)</u>
Surplus Revenues After Expenditures	<u>\$ (60,083)</u>	<u>\$ 857,717</u>	<u>\$ (852,921)</u>	<u>\$ 9,008,521</u>	<u>\$ 14,907,673</u>

Notes to the Forecast Statement:

- (1) User charge revenues in FY 2026-2030 are calculated using projected customer information and demand and approved or recommended increases in the user rates and charges. See additional information in Sections 4, 8, and 9.
- (2) Other operating revenues and other charges for services include late payment penalties, service fees, system development fees, and other revenues for ancillary services. See Section 9 for additional information.
- (3) Other non-operating revenues includes an annual transfer from the City's stormwater fund and investment income. Since investment income is excluded from Revenues for calculating debt service coverage, per the Indenture, it is reported as a fund balance transaction. See additional information in Sections 9 and 10.
- (4) Includes all water and sewer O&M expenses associated with the existing utility system. FY 2026 costs have been projected from FY 2025 actuals. See Section 7 for additional information.
- (5) Transfer to City funds include transfers to the general fund and the solid waste fund for services rendered, including: vector control program, safety inspector, household hazardous waste, and financial contributions to resurface roadways adversely affected by utility or stormwater projects). This transfer is operating and recurring in nature and is included as an expense for the purpose of calculating debt service coverage.
- (6) The inclusion of 12% of Liquid Assets in the calculations of debt service coverage, per the Rate Covenant in the General Indenture, is intended to account for the City's substantial reserves and provide a more accurate picture of the City's financial strength. Liquid Assets are defined as unencumbered cash or marketable securities of the System, as shown in the audited financial statements of the City, and available for the payment of the Bonds issued under the General Indenture or other obligations. Current unaudited actuals from the City indicate that as of June 30, 2025, the City has approximately \$167 million in Liquid Assets.
- (7) Information provided by First Tryon Advisors on October 3, 2025, as Financial Advisor for the Series 2025 Bonds, is preliminary and subject to change, and assumes proceeds of \$70 million, an all-in true interest cost of approximately 4.01%, and a 20-year final maturity in 2045. See Sections 5 and 6 for additional information.
- (8) Preliminary and subject to change. Series 2030 Revenue Bonds are anticipated to be issued to fund capital project needs. The projected assumptions for the Series 2030 Bonds assume an issuance of \$47.7 million at a rate of 5.0% and a term of 20 years. The cost of issuance is assumed to be 1.0% of the issuance amount. Debt service payments are assumed to begin in FY 2030. Additional information on the forecasted debt issues is provided in Section 6.
- (9) Preliminary and subject to change. The City has approval for State Revolving Fund (SRF) financing for projects listed in the CIP. The payment amounts remain subject to amounts drawn from the fund on an annual basis to fund the City's capital plan. See Section 6 for more information.
- (10) Represents capital projects funded with cash from user rates and charges. See Section 5 for more information.
- (11) Capital outlays represent capital equipment and other asset purchases that are included in the operating budget but ultimately capitalized for accounting purposes.

- (12) Other Indebtedness includes capital lease payments made to the North Carolina Municipal Leasing Corporation. The City intends to pay off these leases in FY 2026 and fund capital equipment with cash going forward. See Sections 6 and 7 for more information.
- (13) Other non-operating expenses include fiscal expenses and other non-operating expenses.
- (14) Represents annual contributions to/from the System reserve funds to meet capital needs. Refer to Sections 7 and 10 for additional details.

1. Basis of Presentation

Raftelis Financial Consultants, Inc. (“Raftelis”) has been engaged by the City of Winston-Salem, NC (the “City”) to evaluate the financial feasibility of proposed improvements to its water and sewer utility systems (the “System”). The opinion letter to the City is based upon the Forecast Statement of Revenues, Expenses, Debt Service, and Debt Service Coverage (the “Forecast Statement”) and the Summary of Significant Forecast Assumptions (taken together, the “Feasibility Evaluation”) which presents, to the best of the City’s knowledge and belief, based upon available information, the expected revenue, expenses, debt service, and debt service coverage for the City’s Water and Sewer System during the forecast period.

All schedules in the Feasibility Evaluation have been presented in accordance with the City’s annual accounting cycle, based upon its fiscal year beginning July 1 and ending June 30 (“Fiscal Year” or “FY”). Accordingly, the forecast reflects the City’s judgment as of October 21, 2025, the date of this forecast, of the expected conditions and the City’s expected course of action during each of the five fiscal years ending June 30, 2026, through June 30, 2030.

The Feasibility Evaluation has been included as a part of the Official Statement for the City’s Water and Sewer System Revenue Bonds, Series 2025 (“Series 2025 Bonds”), to be issued under the Amended and Restated General Trust Indenture dated as of March 1, 2020, as amended (General Indenture), between the City and the Bank of New York Mellon Trust Company, N.A. (Trustee), and Series Indenture, Number 20 dated as of December 1, 2025 (the Twentieth Indenture and together with the General Indenture, the Indenture) between the City and the Trustee authorizing and securing the City’s Water and Sewer Revenue Bonds. The proceeds from the Series 2025 Bonds (approximately \$70 million) will be used for projects to enhance or expand the water treatment and distribution and wastewater treatment and collection systems of the System.

The Feasibility Evaluation has been based upon cost, operating, demographic, and other relevant information provided by the City, as well as the financing plan provided by the financial advisor, First Tryon Advisors, LLC (“Financial Advisor”). The Feasibility Evaluation is presented in conformity with the methodology for calculating debt service coverage of long-term indebtedness required for the rate covenant set forth in the Indenture. The definitions of capitalized terms not specifically provided in this document are provided in the Indenture.

Pursuant to the Indenture, the Rate Covenant requires that in each fiscal year:

“...the City will fix, establish or maintain or cause to be fixed, established and maintained such rates and charges for the provision of services of the System, and revise or cause to be revised the same, as necessary, as will produce (a) Revenues, plus 12% of the Liquid Assets as shown in the most recent audited financial statements, at least equal in such Fiscal Year to the total of (1) the Operating Expenses budgeted for such Fiscal Year, as may be amended from time to time, plus (2) 125% of (1.25 times) the Debt Service on the Bonds to become due during that Fiscal Year plus (3) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness to become due in such Fiscal Year plus (4) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness to become due in such Fiscal Year plus (5) 100% of (1.00 times) the Debt Service for Other Indebtedness to become due in such Fiscal Year plus (6) 100% of (1.00 times) the amount required to reimburse the provider of a Qualified Reserve Fund Substitute for any amounts owing thereunder; and (b) Revenues at least equal in such Fiscal Year to the total of 110% of (1.10 times) the requirements therefor established in Section 5.4, FIRST through NINTH..”

The inclusion of 12% of Liquid Assets in the calculations of debt service coverage is intended to account for the City's substantial reserves and provide a more accurate picture of the City's financial strength. Liquid Assets is defined as unencumbered cash or marketable securities of the System, as shown in the audited financial statements of the City, and available for the payment of the Bonds or other obligations. Current unaudited actuals from the City indicate that as of June 30, 2025, the City has approximately \$167 million in Liquid Assets.

The forecasts of revenues and expenses are prepared on a cash basis consistent with the City's budgeting process for the System, and the specific requirements of the coverage tests identified in Indenture. On the forecast schedules, Net Revenues Available for Debt Service is calculated to be consistent with the requirements in the Indenture as mentioned previously.

The assumptions disclosed herein are those that the City believes are significant to the forecast. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

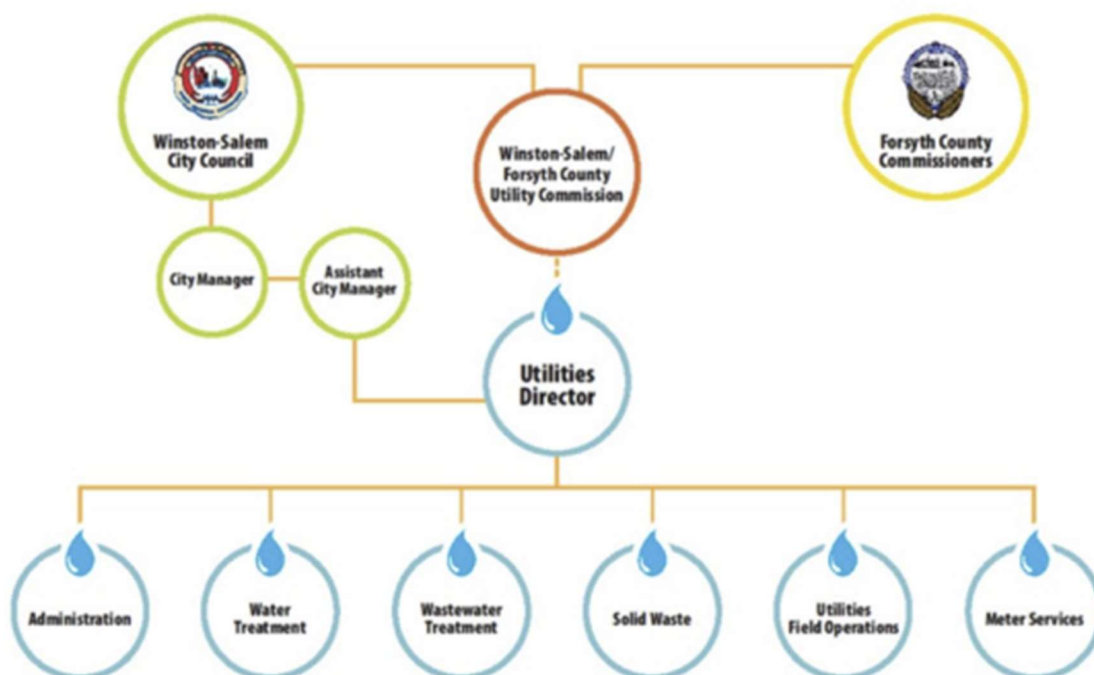
2. Background and Scope of Operations

Overview and Governance

The City, located in northwestern North Carolina, is the fourth largest city in the State and the county seat of Forsyth County (County). The City is a municipal corporation of the State and operates under a council-manager form of government. The City Council is composed of eight members who are elected by voters of eight districts. The Mayor is elected at-large, presides over all City Council meetings, and votes only in the event of a tie. The City Council enacts ordinances, sets general policies, and appoints a professional City Manager who directs daily operations of the City through appointed department heads.

Consolidated programs of the City and County, administered by the City, include purchasing, community planning and zoning, inspections, emergency management, water and sewer utilities, and solid waste management. In 1976, the City and the County consolidated their separate water and sewer systems under the newly established Winston-Salem/Forsyth County Utility Commission (Utility Commission). The System functions as an administrative department of the City and is operated by the Utility Commission as a consolidated water and sewer system for the residents of the City, County, and portions of other counties. The City owns all property of the System, approves the annual budget and Capital Improvement Plan (CIP), and issues debt for the benefit of the System. The Utility Commission has 11 members, with five appointed each by the City Council and the Board of County Commissioners. The Chairperson is appointed jointly by the Mayor of the City and the Chairman of the Board of County Commissioners. The current organizational chart for Winston-Salem/Forsyth County Utilities is presented in Exhibit 1.

Exhibit 1: Winston-Salem/Forsyth County Utilities Organizational Chart



Overview of City Service Area

Water Services

Water for the System comes from two sources, the Yadkin River and Salem Lake. The Yadkin River is capable of supplying all of the area's water needs for the foreseeable future. The Yadkin River's current flow averages 27 times the System average demand, and the water supply exceeds the projected demand of the 2050 planning year by 20 times. Raw water is treated at three treatment plants. The R.W. Neilson and P.W. Swann Plants receive raw water from Yadkin River pump stations, the Neilson Plant from the Idol's Dam facility, and the Swann Plant from the Northwest dam and intake one mile north of the old US 421 bridge. The R.A. Thomas Plant ("Thomas Plant") can be supplied by either the Yadkin River via a pipeline from the raw water storage reservoirs at the Neilson Plant or a gravity fed pipeline from Salem Lake, which has a capacity of approximately 1.0 billion gallons. The property surrounding Salem Lake has been restricted under a watershed protection program to ensure the quality of the supply for the future. Currently, the three plants have a peak capacity of 91 million gallons per day ("MGD") and treat an average of 37.2 MGD.

In addition, through agreements with the U.S. Army Corps of Engineers and Wilkes County, North Carolina, the System can draw up to 30 feet of water from the Kerr Scott Reservoir, which amounts to approximately 11 billion gallons.

All three of the System's water treatment plants employ conventional treatment consisting of the following: coagulation, flocculation, sedimentation, filtration and disinfection. Chemical treatment at each facility consists of chlorination to kill harmful bacteria, corrosion control, pH adjustment, and fluoridation.

The Neilson Plant, the largest water treatment plant in the System, was constructed in 1964 with an initial capacity of 24 MGD. The plant has been expanded twice, in 1984 and 1988, increasing the capacity by 12 MGD each time for a total current capacity of 48 MGD. The facility was designed to have an ultimate capacity of 72 MGD. The plant has undergone several upgrades throughout the years and is currently undergoing a major renovation to upgrade the plants treatment process and infrastructure.

Yadkin River water is delivered to the Neilson Plant's storage reservoirs by the Idol's Dam Raw Water Pump Station. Water is pumped through two raw water pipelines (48-inch diameter) by three 2,100-horsepower pumps. The water is stored in two reservoirs with a total capacity of 30 million gallons, which feed the Neilson and Thomas Plants by gravity.

The Thomas Plant site was originally developed for water treatment in 1901. The site was chosen because it could receive water by gravity from Salem Lake. In the early 1950s, a supply of water from the Yadkin River was piped to the site. In 2008, the existing plant was demolished and a new, modern 18 MGD plant was built in its place. The replacement Thomas Plant was commissioned in 2011. The plant has the same treatment processes as the Swann Plant except for the raw water storage. Since the plant is gravity fed by Salem Lake and the reservoirs at the Neilson Plant, no onsite storage is necessary.

The Swann Plant was commissioned in 2004. The Swann Plant, as well as the Thomas Plant, are the most automated facilities in the System and could be operated by one person at each site. The plant has six days of raw water storage on-site and is rated at a capacity of 25 MGD. The Swann Plant was designed so it could be easily expanded to double its current capacity with minimal additional expense. The only requirements would be to construct a new filter complex and to add pumps and chemical feed equipment.

Once treated, water is pumped from the plants to a network of ground storage tanks, elevated storage tanks, and booster stations to supply customers located in five different pressure zones within the County. There are ten elevated tanks in the System that store a total of 7.15 million gallons (“MG”). There are four ground storage tanks, which have a total storage capacity of 27 MG. There are seven booster stations used to move water between pressure zones within the System in addition to the pump stations located at the water treatment plants.

The water distribution system consists of more than 2,300 miles of distribution and transmission mains. The Utility Commission utilizes a model of the distribution system, storage tanks, and pump stations to make operational and planning decisions about system expansion and maintenance. Periodically, a consultant is engaged to calibrate the distribution system model and conduct long-range planning (for a 20-year period) based on population and industrial growth trends. The Utility Commission updated the model calibration and water distribution system master plan in 2024. This process allows staff to plan capital expenditures for treatment and distribution improvements and expansions.

Sewer Services

Sanitary sewer treatment is provided by two wastewater treatment plants, the Archie Elledge Wastewater Treatment Plant (“Elledge WWTP”) and the Lower Muddy Creek Wastewater Treatment Plant (“Lower Muddy Creek WWTP”, and together, the “WWTPs”). Both WWTPs are staffed 24 hours a day and operate under National Pollution Discharge Elimination System (NPDES) Permits. The WWTPs have a combined capacity of 51 MGD and currently treat an average daily flow of 35.7 MGD.

The Elledge WWTP, the larger of the two plants, is rated for 30 MGD. The plant was originally commissioned in 1959 and underwent an upgrade in 2011 which included four new primary clarifying basins, a new control building, a new influent pumping station to allow the sewage to flow through the plant by gravity and upgrades to the plant’s electrical system. The treatment process at the plant includes pretreatment basins for the processing of high-strength industrial waste, primary treatment, activated sludge basins, clarification, chlorination, and dechlorination. Anaerobic digestion is used to treat the sludge that is produced by the plants. After digestion, the sludge is dewatered and then pumped to a thermal drying facility that began operations in 2008. The dewatered sludge is transformed into a 92% solid pellet that is then land applied at agronomic rates to farmland. Chemical feed systems have been upgraded to replace chlorine gas disinfection with sodium hypochlorite.

The Lower Muddy Creek WWTP was commissioned in 1986. The plant was upgraded to 21 MGD in 2000. The plant process is like the Elledge WWTP with the exception of not having industrial pretreatment capabilities. The Lower Muddy Creek WWTP can pump liquid digested sludge to the Elledge Plant where it is blended with the liquid sludge at Elledge WWTP and then processed in the thermal drying facility.

Both plants can utilize digester-produced methane gas to offset energy costs associated with plant operations. The Elledge WWTP uses the digester gas to fuel the thermal drying facility. The Lower Muddy Creek WWTP uses the digester gas to run a generator to operate plant process equipment that allows it to reduce electrical power costs by peak shaving during daily demand periods.

The collection system consists of approximately 1,800 miles of pipe ranging from 6-inch to 78-inch diameters. There are 49 pump stations that are monitored by a cellular-based telemetry system or wireless SCADA that monitors equipment and operational problems so that preventive maintenance can be performed before major

problems arise. Resources available to maintain forces include television inspection equipment, hydraulic and mechanical cleaning equipment, a full range of construction equipment including trucks, backhoes, excavators, cranes, and heavy equipment. In 2016, the City began a multi-year comprehensive Collection System Improvement Program (“CSIP”) to reduce sanitary sewer overflows and improve the condition of its collection system. The program provides for the rehabilitation and/or replacement of inadequate infrastructure in needed areas and augments the City’s ongoing sewer cleaning efforts. The CSIP also provides staff with enhanced collection system data, optimized processes, and key performance indicators to improve management of the collection system going forward.

3. Regulations

The operation of the City's System is regulated by the United States Environmental Protection Agency ("EPA") and the North Carolina Department of Environmental Quality ("DEQ"). The water and sewer projects identified in the capital improvement plan have been designed under the direction of the City to be in compliance with all appropriate regulations and to address the water and sewer requirements of the City's service area. Even though Federal and State environmental legislation and regulation are constantly evolving, management does not anticipate regulatory changes that will require additional capital costs to maintain operating permits during the forecast period or that will otherwise have a material impact on the construction cost of the projects to be funded by the Series 2025 Bonds or other financings.

4. Demand for Services

Due to its location in the Piedmont Triad area of North Carolina, historically, the City has experienced substantial growth, especially in unincorporated areas of Forsyth County. Since consolidating in 1976 to form the Utility Commission, the City and the County have experienced substantial organic growth as well as growth by acquisition. The City acquired the water and sewer facilities of Kernersville in 1995, Clemmons in 1996, Rural Hall in 1996, and Walkertown in 2002. This growth has increased the City's water and sewer service needs.

The City provided Raftelis with detailed billing information that was summarized to prepare the forecast of customer meters and usage. Demand for service is presented on a meter basis instead of a customer or account basis because the City charges by meter and each customer account may have more than one meter. In FY 2025, the System served over 130,000 water meters and 99,000 sewer meters. Over the past five years, the number of water and sewer meters has grown by about 1.5% annually. The number of retail water and sewer meters served by the City is forecasted to increase at a similar pace. Customer meters, including water, irrigation, and sewer, both inside and outside the City, are projected to grow at 1.0% per year over the forecast period.

Exhibit 2 presents the current and projected number of water and sewer accounts over the forecast period.

Exhibit 2: Projected Number of Water and Sewer Meters

	FY 2025 Actual	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
Customer Meters (1)						
<u>Water</u>						
Standard Rate (Inside-City)	93,858	94,795	95,744	96,703	97,671	98,648
All Other Retail Users	34,018	34,354	34,694	35,037	35,384	35,734
Wholesale	7	7	7	7	7	7
<i>Subtotal: Water Meters</i>	127,883	129,156	130,445	131,747	133,062	134,389
<i>% Change</i>		1.0%	1.0%	1.0%	1.0%	1.0%
<u>Irrigation</u>						
Standard Rate (Inside-City)	4,908	4,958	5,009	5,060	5,112	5,164
All Other Retail Users	1,828	1,845	1,863	1,881	1,899	1,917
<i>Subtotal: Irrigation Meters</i>	6,736	6,803	6,872	6,941	7,011	7,081
<i>% Change</i>		1.0%	1.0%	1.0%	1.0%	1.0%
<i>Total: Water Meters</i>	134,619	135,959	137,317	138,688	140,073	141,470
<i>% Change</i>		1.0%	1.0%	1.0%	1.0%	1.0%
<u>Sewer</u>						
Standard Rate (Inside-City)	76,457	77,222	77,995	78,776	79,564	80,360
All Other Retail Users	22,894	23,117	23,345	23,575	23,806	24,040
Wholesale	2	2	2	2	2	2
<i>Total: Sewer Meters</i>	99,353	100,341	101,342	102,353	103,372	104,402
<i>% Change</i>		1.0%	1.0%	1.0%	1.0%	1.0%

Notes:

- (1) Based on billing analysis performed by Raftelis and represents the estimated number of billed meters that are assessed base charges, not distinct customer accounts (which may have multiple meters). Customer meters as presented are used as the basis for projecting base charge revenues.

While the City expects modest growth in customer meters, this does not necessarily mean that water and sewer demands will increase proportionally because demands for service are susceptible to changes in weather, consumer behaviors, etc. As such, the forecast assumes that demand will remain flat throughout the duration of the forecast.

Reynolds American, Inc. opened an advanced water recycling facility in January 2025, which reduces their demands for both water and sewer. City staff estimates that the revenue impact will be a reduction of roughly \$1 million, with a portion of the reduction already being realized in FY 2025 (facility operations began January 29, 2025). Raftelis has subsequently adjusted the projected water and sewer volumes for FY 2026 to reflect the full, annualized impact.

Exhibit 3 presents the projections of water and sewer demand for the forecast period.

Exhibit 3: Demand Projections

	FY 2025 Actual	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
Customer Usage (Ccf) (1)						
<u>Water</u>						
Standard Rate (Inside-City)	11,470,294	11,470,294	11,470,294	11,470,294	11,470,294	11,470,294
All Other Retail Users (2)	2,917,807	2,842,807	2,842,807	2,842,807	2,842,807	2,842,807
Wholesale	174,230	174,230	174,230	174,230	174,230	174,230
<i>Subtotal: Water Usage</i>	14,562,330	14,487,330	14,487,330	14,487,330	14,487,330	14,487,330
<i>% Change</i>		-0.5%	0.0%	0.0%	0.0%	0.0%
<u>Irrigation</u>						
Standard Rate (Inside-City)	587,874	587,874	587,874	587,874	587,874	587,874
All Other Retail Users	153,036	153,036	153,036	153,036	153,036	153,036
<i>Subtotal: Irrigation Usage</i>	740,910	740,910	740,910	740,910	740,910	740,910
<i>% Change</i>		0.0%	0.0%	0.0%	0.0%	0.0%
<i>Total: Water Usage</i>	15,303,241	15,228,241	15,228,241	15,228,241	15,228,241	15,228,241
<i>% Change</i>		-0.5%	0.0%	0.0%	0.0%	0.0%
<u>Sewer</u>						
Standard Rate (Inside-City)	9,693,090	9,693,090	9,693,090	9,693,090	9,693,090	9,693,090
All Other Retail Users (2)	2,560,312	2,485,312	2,485,312	2,485,312	2,485,312	2,485,312
Wholesale	90,759	90,759	90,759	90,759	90,759	90,759
<i>Total: Sewer Usage</i>	12,344,161	12,269,161	12,269,161	12,269,161	12,269,161	12,269,161
<i>% Change</i>		-0.6%	0.0%	0.0%	0.0%	0.0%

Notes:

- (1) Based on billing analysis performed by Raftelis. Note that volumes are adjusted to agree with actual reported revenues for FY 2025, which becomes the basis for the forecast.
- (2) The reduction in customer usage in FY 2026 is a result of the advanced water recycling facility opened by Reynolds American, Inc., as described in this section.

Exhibit 4 and Exhibit 5 present the City's ten largest water and sewer customers and their annual sales revenue for FY 2025. The ten largest water customers accounted for approximately 10.0% of overall water sales revenue. The ten largest sewer customers accounted for approximately 18.3% of overall sewer sales revenue.

Exhibit 4: City's 10 Largest Water Customers for FY 2025 (1)

	Water Charges	% of Water Op. Revenue (1)
Top 10 Largest Water Customers		
Ingredion, Inc.	\$ 1,839,538	2.70%
Reynolds American, Inc. (2)	1,070,174	1.57%
WS/FCS Board of Education	775,882	1.14%
Novant Health Inc.	571,891	0.84%
Atrium Wake Forest Health	497,854	0.73%
Wake Forest University	474,620	0.70%
Pepsi Cola Company	456,863	0.67%
Hanes Dye & Finishing	417,848	0.61%
Ardagh Metal Packaging	385,694	0.57%
Winston-Salem State University	313,598	0.46%
Total: Top 10 Largest Water Customers	\$ 6,803,962	9.99%

Notes:

(1) Based on estimated actuals for FY 2025.

(2) Reynolds American, Inc. opened an advanced water recycling facility in January 2025. This facility reduces their demands for both water and sewer.

Exhibit 5: City's 10 Largest Sewer Customers for FY 2025 (1)

	Sewer Charges	% of Sewer Op. Revenue (1)
Top 10 Largest Sewer Customers		
Ingredion, Inc.	\$ 3,261,748	4.70%
Atrium Wake Forest Health	1,560,194	2.25%
Reynolds American, Inc. (2)	1,362,506	1.96%
City of King	1,258,973	1.81%
Davie County Water, Inc.	1,186,824	1.71%
Dairy Farmers of America	969,389	1.40%
Pepsi Cola Company	932,875	1.34%
Hanes Dye & Finishing	842,746	1.21%
Davidson County	683,197	0.98%
Ardagh Metal Packaging	651,754	0.94%
Total: Top 10 Largest Sewer Customers	\$ 12,710,205	18.30%

Notes:

(1) Based on estimated actuals for FY 2025.

(2) Reynolds American, Inc. opened an advanced water recycling facility in January 2025. This facility reduces their demands for both water and sewer.

5. Capital Improvement Plan

Each year the City updates a capital improvement plan (“CIP”) for the System as part of the annual budget process. The CIP for FY 2026 through FY 2030, provided by the City in August 2025, identifies approximately \$349.2 million in System improvements, including \$96.7 million in water and sewer treatment and \$252.5 million in water distribution and wastewater collection. Exhibit 6 presents a summary of the CIP projects for the forecast period, FY 2026 – FY 2030.

Exhibit 6: Capital Improvement Plan

	FY 2026 Budget	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	Total 5-Year CIP
Total System CIP						
Treatment Projects						
Archie Elledge Wastewater Treatment Plant Rehab & Upgrades	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 2,500,000
Elledge ASB Wall Repairs	300,000	-	-	-	-	300,000
Archie Elledge Lagoon Repairs	6,800,000	20,000,000	2,000,000	-	-	28,800,000
Biosolids Dryer Facility Upgrade	9,500,000	6,000,000	250,000	250,000	250,000	16,250,000
Muddy Creek Wastewater Treatment Plant Rehab & Upgrades	250,000	250,000	250,000	250,000	250,000	1,250,000
R.W. Neilson Water Treatment Plant - Phase II Modernization	13,565,000	9,000,000	-	-	-	22,565,000
Water Treatment Rehabilitation and Upgrades	500,000	500,000	500,000	500,000	500,000	2,500,000
Idols Structural Assessment and Repairs	-	-	-	2,500,000	15,000,000	17,500,000
WWTP Expansion/Nutrient Upgrade	-	-	-	-	5,000,000	5,000,000
<i>Subtotal: Treatment Projects</i>	<i>\$ 31,415,000</i>	<i>\$ 36,250,000</i>	<i>\$ 3,500,000</i>	<i>\$ 4,000,000</i>	<i>\$ 21,500,000</i>	<i>\$ 96,665,000</i>
Distribution and Collection Projects						
Advanced Meter Infrastructure (AMI)	\$ 7,400,000	\$ -	\$ -	\$ -	\$ -	\$ 7,400,000
Asset Management Program/Studies	500,000	500,000	750,000	750,000	750,000	3,250,000
Collection System Improvement Program	19,000,000	12,000,000	12,000,000	12,000,000	12,000,000	67,000,000
Elledge Basin Capacity Improvements	7,200,000	7,300,000	-	-	-	14,500,000
Facility Improvements	2,740,000	500,000	100,000	100,000	100,000	3,540,000
Lift Station Replacement/Improvements	1,900,000	250,000	250,000	250,000	250,000	2,900,000
Lewisville Lift Station	2,950,000	4,250,000	-	-	-	7,200,000
Tanglewood Force Main Replacement	4,000,000	4,500,000	-	-	-	8,500,000
Muddy Creek Basin Capacity Improvements	2,450,000	-	2,000,000	13,500,000	-	17,950,000
NCDOT Utility Relocations	2,800,000	4,500,000	16,400,000	2,000,000	1,000,000	26,700,000
South Fork Basin Capacity Improvements	1,500,000	15,500,000	-	560,000	9,200,000	26,760,000
Water Distribution System Improvements	7,500,000	7,500,000	5,500,000	5,500,000	5,500,000	31,500,000
Lead and Copper Rule Improvements	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	12,500,000
Water Tank Rehabilitation	500,000	250,000	250,000	250,000	250,000	1,500,000
Highway 65 Water Line Extension	1,000,000	-	-	-	-	1,000,000
15th Street Pump Station Upgrade	2,800,000	-	-	-	-	2,800,000
Wallburg Lift Station	200,000	700,000	13,100,000	-	-	14,000,000
WSSU Campus Distribution System Improvements	1,500,000	2,000,000	-	-	-	3,500,000
<i>Subtotal: Distribution and Collection Projects</i>	<i>\$ 68,440,000</i>	<i>\$ 62,250,000</i>	<i>\$ 52,850,000</i>	<i>\$ 37,410,000</i>	<i>\$ 31,550,000</i>	<i>\$ 252,500,000</i>
Total System CIP	\$99,855,000	\$98,500,000	\$56,350,000	\$41,410,000	\$53,050,000	\$ 349,165,000

The new money proceeds of the Series 2025 Bonds (approximately \$70 million) will be used to fund all, or a portion of the following projects:

- Peters Creek Outfall Phase II
- Water Distribution System Improvements (HydraReplacement and Year 3 System Renewal)
- RW Neilson Water Treatment Plant – Phase II Modernization (portion)
- 15th Street Pump Station Upgrade
- Archie Elledge Lagoon Repairs
- Tanglewood Force Main Replacement
- Biosolids Dryer Facility Upgrade

- Collection System Improvement Program
- Advanced Metering Infrastructure Assets

These projects, and the rest of the CIP, will be funded through the Series 2025 Bonds, future revenue bonds, North Carolina State Revolving Fund (SRF) loans, rate funded capital (PAYGO) from annual revenue surpluses or fund balance, grant funds, and transfers from other outside sources (including Forsyth County and Lewisville). Exhibit 7 presents the anticipated funding sources for the City's CIP over the forecast period.

Exhibit 7: Capital Project Funding Sources

	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	Total 5-Year CIP
CIP Funding Uses						
Treatment Projects	\$ 31,415,000	\$ 36,250,000	\$ 3,500,000	\$ 4,000,000	\$ 21,500,000	\$ 96,665,000
Distribution and Collection Projects	68,440,000	62,250,000	52,850,000	37,410,000	31,550,000	252,500,000
Total: CIP Project Costs	\$99,855,000	\$98,500,000	\$56,350,000	\$41,410,000	\$53,050,000	\$ 349,165,000
CIP Funding Sources						
Rate Funded Capital (PAYGO)	\$ 45,933,537	\$ 53,550,000	\$ 43,250,000	\$ 31,410,000	\$ 28,050,000	\$ 202,193,537
Forsyth County	\$ 200,000	\$ 700,000	\$ 13,100,000	\$ -	\$ -	14,000,000
SRF Loan Available Proceeds	671,463	9,000,000	-	-	-	9,671,463
ARPA Funds	1,100,000	-	-	-	-	1,100,000
Transfer from Lewisville	2,950,000	4,250,000	-	-	-	7,200,000
FY 2025 Revenue Bonds (1)	45,000,000	25,000,000	-	-	-	70,000,000
FY 2030 Revenue Bonds (2)	-	-	-	10,000,000	25,000,000	35,000,000
Other Future SRF Loans (3)	4,000,000	6,000,000	-	-	-	10,000,000
Total: CIP Funding Sources	\$99,855,000	\$98,500,000	\$56,350,000	\$41,410,000	\$53,050,000	\$ 349,165,000

Notes:

- (1) Series 2025 Bonds will be spent on projects in FY 2026 and FY 2027. Refer to Section 6 for more information.
- (2) Projected Series 2030 Bonds will be used on projects in FY 2029, FY 2030, and FY 2031. The total issue amount is expected to be \$47.7 million, with \$10 million and \$25 million to be used on projects in FY 2029 and FY 2030, respectively. Refer to Section 6 for more information.
- (3) The City has been approved for \$4 million in 0% interest loans from the North Carolina SRF loan program which will be used primarily for lead service line efforts. The City intends to continue pursuing similar SRF loans for \$6 million worth of additional lead line-related projects.

6. Financing Plan

The Financial Advisor has provided the City with various financing strategies for the applicable CIP projects funded with the Series 2025 Bonds. The City has selected a financing plan designed to accomplish the following objectives:

- Conform with credit criteria established by rating agencies;
- Minimize debt service and related charges;
- Provide funds in the most cost-effective manner; and
- Lessen the impact on rates.

The financing plan envisions that approximately \$70 million of Series 2025 Bonds will be sold. The Sources and Uses of Funds schedule for the Series 2025 Bonds is presented in Exhibit 8. Pricing was provided by the Financial Advisor on October 3, 2025.

Exhibit 8: Financing Plan

	Series 2025 New Money Bonds
Sources	
Par Amount	\$ 64,385,000
Premium	6,238,858
Total Sources of Funds	\$ 70,623,858
Uses	
<u>Project Fund Deposits</u>	
Project Costs	\$ 70,000,000
<u>Delivery Date Expenses:</u>	
Cost of Issuance	\$ 300,000
Underwriter's Discount	321,925
<u>Other Uses of Funds</u>	
Additional Proceeds	\$ 1,933
Total Use of Funds	\$ 70,623,858

Exhibit 9 shows the debt service schedule for the City's current outstanding parity revenue bond indebtedness (known as Bonds in the Indenture) and Subordinate Indebtedness. This exhibit also shows the debt service associated with the Series 2025 Bonds and other proposed debt necessary to finance the City's CIP over the forecast period.

Exhibit 9: Existing and Proposed Long Term Debt Service

	FY 2025 Actual	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
Existing Debt						
Parity Bond Indebtedness	\$ 34,165,268	\$ 35,272,710	\$ 35,212,286	\$ 35,006,826	\$ 33,829,222	\$ 33,782,529
Subordinate Indebtedness - SRF Loans	6,498,152	12,598,121	12,481,770	12,343,063	12,204,357	12,065,650
Subordinate Indebtedness - Other	1,001,944	-	-	-	-	-
Total System Existing Debt Service	\$ 41,665,363	\$ 47,870,830	\$ 47,694,056	\$ 47,349,889	\$ 46,033,578	\$ 45,848,178
Proposed Debt Service						
<u>Revenue Bonds</u>						
Series 2025 (1)	\$ -	\$ 2,996,122	\$ 5,207,750	\$ 5,209,750	\$ 5,211,500	\$ 5,207,750
Series 2030 (2)	-	-	-	-	-	1,930,897
<i>Subtotal: Revenue Bonds</i>	<i>\$ -</i>	<i>\$ 2,996,122</i>	<i>\$ 5,207,750</i>	<i>\$ 5,209,750</i>	<i>\$ 5,211,500</i>	<i>\$ 7,138,647</i>
<u>SRF Loans</u>						
SRF 2026 (3)	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 200,000
SRF 2027 (4)	-	-	-	-	300,000	300,000
<i>Subtotal: SRF Loans</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ 200,000</i>	<i>\$ 500,000</i>	<i>\$ 500,000</i>
Total: Existing and Proposed Debt	\$ 41,665,363	\$ 50,866,952	\$ 52,901,806	\$ 52,759,639	\$ 51,745,078	\$ 53,486,826

Notes:

- (1) The Series 2025 Bonds assume a par value of \$70 million, a 20-year term, and an all-in true interest cost of 4.01%. These bonds will fund several WSFCU projects, as described in Section 5. Pricing was provided by the Financial Advisor on October 3, 2025.
- (2) The Series 2030 Bonds assume a par value of \$47.7 million, a 20-year term, an all-in true interest cost of 5.0%, and a half-year payment in the year of issuance (FY 2030). These bonds will fund capital projects identified in Section 5.
- (3) The City has been approved for \$4 million in 0% interest loans from the North Carolina SRF loan program. This funding will be used primarily for lead service line efforts as described in Section 5.
- (4) The City intends to continue pursuing similar SRF loans for \$6 million worth of additional lead line-related projects.

7. Operating and Non-Operating Expenses, Expenditures & Transfers

Expenses are categorized as operating expenses, non-operating expenses, or other budgeted expenditures and transfers. Operating expenses represent normal recurring expenses incurred during the City's annual accounting cycle based upon its fiscal year ending June 30th. Projected operating expenses for FY 2026 are forecasted by applying a 10% inflation factor to the FY 2025 actuals (unaudited). The City anticipates increases in operating expenses for FY 2026 driven by paving and maintenance expenses, cleaning, electric utility costs, IT subscription costs, insurance and benefits, and other inflationary impacts. While this is a conservative assumption, the projection results in the City spending about 92.5% of the FY 2026 budget, which is consistent with historical trends. Thereafter, for FY 2027 through FY 2030, operating expenses are projected to grow at 5% per year.

Non-operating expenses include debt service obligations for existing and proposed Parity and Subordinate Indebtedness. Proposed water and sewer debt obligations include the Series 2025 Bonds and proposed SRF Loans for FY 2026 and FY 2027.

Beginning in FY 2026, the City will discontinue the use of debt financing for equipment acquisitions and transition to a cash-funding model. This change is reflected in the revenue requirements with the lease payoff as a non-operating expenditure, and the capital lease payments (shown in debt service) subsiding in mid-FY 2026.

Other budgeted expenditures and transfers include PAYGO capital improvement projects, fiscal expenses, capital outlays for equipment, and transfers to the System reserve funds. In total, approximately 65% of the five-year capital plan is expected to be cash funded. The City intends to limit its use of debt financing by maintaining the PAYGO program through the duration of the forecast.

Exhibit 10 summarizes the annual revenue requirements (operating expenses, non-operating expenses, expenditures, and transfers).

Exhibit 10: Operating and Non-Operating Expenses, Expenditures, & Transfers

	FY 2025 Actual	FY 2026 Projected	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
System Revenue Requirements						
<u>Operating Expenses</u>						
Water & Sewer Utility Funds	\$ 2,628	\$ 2,891	\$ 3,035	\$ 3,187	\$ 3,346	\$ 3,513
Water Treatment Lab	651,927	717,120	752,976	790,624	830,155	871,663
Swann Water Plant	5,056,155	5,561,771	5,839,859	6,131,852	6,438,445	6,760,367
Water Operations Admin	4,325,082	4,757,590	4,995,470	5,245,243	5,507,505	5,782,881
Utilities Field Operations - Water Distribution	2,802,102	3,082,312	3,236,428	3,398,249	3,568,162	3,746,570
Utilities Field Operations - Construction	6,898,567	7,588,424	7,967,845	8,366,238	8,784,549	9,223,777
Customer Service	3,045,720	3,350,292	3,517,807	3,693,697	3,878,382	4,072,301
Meter Services	4,350,830	4,785,913	5,025,209	5,276,469	5,540,293	5,817,308
Utilities Field Operations Support Services	2,057,982	2,263,781	2,376,970	2,495,818	2,620,609	2,751,640
Neilson Water Plant	3,913,254	4,304,579	4,519,808	4,745,798	4,983,088	5,232,243
Thomas Water Plant	3,145,904	3,460,494	3,633,519	3,815,195	4,005,955	4,206,253
Utilities Technical Support Group	1,956,668	2,152,335	2,259,952	2,372,950	2,491,597	2,616,177
Water Assessments	22,933	25,226	26,488	27,812	29,203	30,663
Sewer Operations Admin	294,929	324,422	340,643	357,675	375,559	394,337
Utilities Field Operations - Wastewater Collection	7,672,782	8,440,060	8,862,063	9,305,166	9,770,424	10,258,946
Elledge Plant	6,332,244	6,965,468	7,313,741	7,679,429	8,063,400	8,466,570
Wastewater Lift Stations	1,292,350	1,421,585	1,492,664	1,567,297	1,645,662	1,727,945
Regional Wastewater Laboratory	2,303,905	2,534,296	2,661,011	2,794,061	2,933,764	3,080,452
Lower Muddy Plant	5,183,157	5,701,473	5,986,547	6,285,874	6,600,168	6,930,176
Biosolids Disposal	3,519,711	3,871,682	4,065,266	4,268,530	4,481,956	4,706,054
Sewer Assessments	23,958	26,354	27,672	29,055	30,508	32,033
<i>Subtotal: Operating Expenses</i>	<i>\$ 64,852,788</i>	<i>\$ 71,338,067</i>	<i>\$ 74,904,971</i>	<i>\$ 78,650,220</i>	<i>\$ 82,582,732</i>	<i>\$ 86,711,868</i>
<i>% Change</i>		<i>10.0%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>5.0%</i>
<u>Debt Service</u>						
<u>Existing Debt Service</u>						
Revenue Bond Indebtedness	\$ 35,318,475	\$ 35,272,710	\$ 35,212,286	\$ 35,006,826	\$ 33,829,222	\$ 33,782,529
Subordinate Indebtedness - SRF Loans	6,688,184	12,598,121	12,481,770	12,343,063	12,204,357	12,065,650
Subordinate Indebtedness - Other (1)	1,349,070	-	-	-	-	-
<i>Subtotal: Existing Debt Service</i>	<i>\$ 43,355,728</i>	<i>\$ 47,870,830</i>	<i>\$ 47,694,056</i>	<i>\$ 47,349,889</i>	<i>\$ 46,033,578</i>	<i>\$ 45,848,178</i>
<u>Proposed Debt Service</u>						
Revenue Bonds	\$ -	\$ 2,996,122	\$ 5,207,750	\$ 5,209,750	\$ 5,211,500	\$ 7,138,647
SRF Loans	-	-	-	200,000	500,000	500,000
<i>Subtotal: Proposed Debt Service</i>	<i>\$ -</i>	<i>\$ 2,996,122</i>	<i>\$ 5,207,750</i>	<i>\$ 5,409,750</i>	<i>\$ 5,711,500</i>	<i>\$ 7,638,647</i>
<i>Subtotal: Debt Service</i>	<i>\$ 43,355,728</i>	<i>\$ 50,866,952</i>	<i>\$ 52,901,806</i>	<i>\$ 52,759,639</i>	<i>\$ 51,745,078</i>	<i>\$ 53,486,826</i>
<u>Other Expenditures</u>						
Rate Funded Capital (PAYGO)	24,319,824	45,933,537	53,550,000	43,250,000	31,410,000	28,050,000
Transfers to City Funds	532,050	535,740	551,812	568,367	585,418	602,980
Fiscal Expenses	14,410	18,000	18,540	19,096	19,669	20,259
Capital Lease Payoff (1)	-	2,532,300	-	-	-	-
Capital Outlay	1,070,871	2,600,000	1,000,000	1,000,000	1,000,000	1,000,000
Transfers to/(from) Reserves	-	(18,000,000)	(21,000,000)	(7,000,000)	-	-
<i>Subtotal: Other Expenditures</i>	<i>\$ 1,617,331</i>	<i>\$ (12,313,960)</i>	<i>\$ (19,429,648)</i>	<i>\$ (5,412,537)</i>	<i>\$ 1,605,087</i>	<i>\$ 1,623,239</i>
Total: System Revenue Requirements	\$ 134,145,671	\$ 155,824,597	\$ 161,927,129	\$ 169,247,322	\$ 167,342,896	\$ 169,871,933
<i>% Change</i>		<i>16.2%</i>	<i>3.9%</i>	<i>4.5%</i>	<i>-1.1%</i>	<i>1.5%</i>

Notes:

- (1) Capital Lease Indebtedness includes payments made to the North Carolina Municipal Leasing Corporation. The City intends to pay off these leases in FY 2026 and fund capital equipment with cash going forward.

8. Rates and Charges

As an enterprise fund, water and sewer operations are financed and operated as a distinct, self-sufficient business enterprise. Appropriate fees and charges have been established to ensure that the water and sewer operations can operate on a self-sustaining basis. In order to provide a more complete basis for evaluating recent and projected customer impacts, information on historical water rates and the total monthly cost for an average customer is provided herein.

Water and Sewer Rate Structure

The City's monthly water and sewer rate structure assesses fixed charges that vary with respect to meter size while volumetric charges are uniform across the System:

- *Bi-Monthly & Monthly Base Charges:* All customers are assessed a monthly base charge for water and sewer separately that increases with respect to meter size. Bi-monthly base charges are twice that of monthly base charges and the City expects to begin billing all customers on a monthly basis by FY 2027. Given the monthly rates are half of the bi-monthly rates, no changes to annual revenues is expected.
- *Water Volumetric Rates:* The City assesses a volumetric charge per 100 cubic feet (CCF) of water usage. The volumetric rate is assessed as a four-tier increasing/decreasing block rate structure for all customers, regardless of customer class. Bi-monthly and monthly customers pay the same rate per thousand gallons, but the tier cutoffs are double for bi-monthly customers. Customers that utilize separate irrigation meters are assessed different rates from domestic water usage.
- *Sewer Volumetric Rates:* The City assesses a volumetric charge per 100 cubic feet of sewer usage that is based on 100% of a customer's water consumption. The volumetric rate for sewer is uniform for all usage regardless of customer class.

Projection in Rates Over Forecast Period

Exhibit 11 and Exhibit 12 display the current and projected water and sewer charges during the forecast period. The City has a long history of doing modest, annual rate increases to sufficiently cover operating costs, debt service, and non-operating costs and to achieve key financial metrics. The forecast assumes this will continue through the duration of the planning period.

Exhibit 11: Projected Water Rates and Charges (1)

	FY 2026 Actual	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
Water Rates and Charges					
<u>Base Charge: Bi-Monthly</u>					
5/8" & 3/4"	\$ 15.64	\$ 16.27	\$ 16.93	\$ 17.61	\$ 18.32
1"	21.90	22.78	23.70	24.65	25.64
1.5"	31.66	32.93	34.25	35.62	37.05
2"	44.92	46.72	48.59	50.54	52.57
3"	385.34	400.76	416.80	433.48	450.82
4"	504.00	524.16	545.13	566.94	589.62
6"	795.02	826.83	859.91	894.31	930.09
8"	1,132.54	1,177.85	1,224.97	1,273.97	1,324.93
10"	1,487.58	1,547.09	1,608.98	1,673.34	1,740.28
12"	2,070.20	2,153.01	2,239.14	2,328.71	2,421.86
<u>Base Charge: Monthly</u>					
5/8" & 3/4"	\$ 7.82	\$ 8.14	\$ 8.47	\$ 8.81	\$ 9.17
1"	10.95	11.39	11.85	12.33	12.83
1.5"	15.83	16.47	17.13	17.82	18.54
2"	22.46	23.36	24.30	25.28	26.30
3"	192.67	200.38	208.40	216.74	225.41
4"	252.00	262.08	272.57	283.48	294.82
6"	397.51	413.42	429.96	447.16	465.05
8"	566.27	588.93	612.49	636.99	662.47
10"	743.79	773.55	804.50	836.68	870.15
12"	1,035.10	1,076.51	1,119.58	1,164.37	1,210.95
<u>Volumetric Charge (per Ccf)</u>					
Domestic	<i>Bi-Monthly</i>	<i>Monthly</i>			
Tier 1	0-8 Ccf	0-4 Ccf	\$ 2.69	\$ 2.80	\$ 2.91
Tier 2	8-18 Ccf	4-9 Ccf	4.16	4.33	4.50
Tier 3	18-40 Ccf	9-20 Ccf	4.61	4.80	4.99
Tier 4	>40 Ccf	>20 Ccf	2.69	2.80	2.91
Irrigation					
All Usage	\$ 4.61	\$ 4.80	\$ 4.99	\$ 5.19	\$ 5.40
Wholesale					
All Usage	\$ 2.96	\$ 3.08	\$ 3.20	\$ 3.33	\$ 3.46
Water Base Rate Increase		4.0%	4.0%	4.0%	4.0%
Water Volumetric Rate Increase		4.0%	4.0%	4.0%	4.0%

Notes:

(1) Rates are presented for Standard/Inside-City service.

Exhibit 12: Projected Sewer Rates and Charges (1)

	FY 2026 Actual	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
Sewer Rates and Charges					
<u>Base Charge: Bi-Monthly</u>					
5/8" & 3/4"	\$ 19.98	\$ 21.18	\$ 22.46	\$ 23.81	\$ 25.24
1"	28.00	29.68	31.47	33.36	35.37
1.5"	41.46	43.95	46.59	49.39	52.36
2"	57.54	61.00	64.66	68.54	72.66
3"	100.36	106.39	112.78	119.55	126.73
4"	148.62	157.54	167.00	177.02	187.65
6"	282.58	299.54	317.52	336.58	356.78
8"	443.32	469.92	498.12	528.01	559.70
10"	630.86	668.72	708.85	751.39	796.48
12"	1,166.74	1,236.75	1,310.96	1,389.62	1,473.00
<u>Base Charge: Monthly</u>					
5/8" & 3/4"	\$ 9.99	\$ 10.59	\$ 11.23	\$ 11.91	\$ 12.63
1"	14.00	14.84	15.74	16.69	17.70
1.5"	20.73	21.98	23.30	24.70	26.19
2"	28.77	30.50	32.33	34.27	36.33
3"	50.18	53.20	56.40	59.79	63.38
4"	74.31	78.77	83.50	88.51	93.83
6"	141.29	149.77	158.76	168.29	178.39
8"	221.66	234.96	249.06	264.01	279.86
10"	315.43	334.36	354.43	375.70	398.25
12"	583.37	618.38	655.49	694.82	736.51
<u>Volumetric Charge (per Ccf)</u>					
Domestic	\$ 4.78	\$ 5.07	\$ 5.37	\$ 5.70	\$ 6.04
Wholesale	7.17	7.60	8.06	8.54	9.06
<i>Sewer Base Rate Increase</i>		6.0%	6.0%	6.0%	6.0%
<i>Sewer Volumetric Rate Increase</i>		6.0%	6.0%	6.0%	6.0%

Notes:

(1) Rates are presented for Standard/Inside-City service.

Rate Differentials

As a result of the additions of Kernersville in 1995, Clemmons in 1996, Rural Hall in 1996, and Walkertown in 2002, rate differentials were developed for each service area on a contract-to-contract basis. In 2017, the City began phasing out these rate differentials. Since then, the City has decreased the number of rate differentials over the service area from twelve for water and sewer to three for water and five for sewer. The existing water and sewer rate differentials for each of the other service areas are summarized in Exhibit 13 and Exhibit 14.

Exhibit 13: Current Water Rate Differentials

	FY 2026	
	Base	Volumetric
Standard Rate (Inside-City)	1.00	1.00
Unincorporated Service Area (1)	1.15	1.21
Lewisville	1.50	1.50
Wholesale	1.00	1.10

Notes:

- (1) Unincorporated Service Area rates were previously set at a 1.5x differential. These rates are being held constant until they equalize with Standard Rates (1.00x).

Exhibit 14: Current Sewer Rate Differentials

	FY 2026	
	Base	Volumetric
Standard Rate (Inside-City)	1.00	1.00
Unincorporated Service Area (1)	1.00	1.09
Clemmons & Kernersville	1.20	1.20
Lewisville	1.50	1.50
Wholesale	1.00	1.50
Davie County & City of King	1.00	1.00

Notes:

- (1) Unincorporated Service Area rates were previously set at a 1.5x differential. These rates are being held constant until they equalize with Standard Rates (1.00x).

Customer Impacts

Exhibit shows the actual and projected water and sewer costs for a monthly, inside city residential customer having a 5/8" or 3/4" meter that uses six hundred cubic feet (6 Ccf or approximately 4,490 gallons) of water per month from FY 2026 through FY 2030. Also included is the year-over-year dollar and percentage change.

Exhibit 15: Residential Customer Bill – Monthly, FY 2026 – FY 2030

	Water Bill		Sewer Bill		Total	\$ Change	% Change
FY 2026 (Existing)	\$	26.90	\$	38.67	\$ 65.57		
FY 2027 (Projected)	\$	27.99	\$	40.99	\$ 68.98	\$ 3.41	5.2%
FY 2028 (Projected)	\$	29.11	\$	43.46	\$ 72.57	\$ 3.60	5.2%
FY 2029 (Projected)	\$	30.28	\$	46.08	\$ 76.36	\$ 3.79	5.2%
FY 2030 (Projected)	\$	31.51	\$	48.85	\$ 80.36	\$ 4.00	5.2%

Regional Rate Comparison

Exhibit shows a comparison of water and sewer bills with other representative communities using rates effective as of September 2025. The City's projected bill is based on a residential customer using 6 Ccf per month. While the majority of the City's residential customers are billed bi-monthly, for comparison purposes, the bills presented in Exhibit 16 are shown on a monthly basis. As shown, the City continues to have low rates for the region and this is expected to remain the case even with the projected increases.

Exhibit 16: Regional Rate Comparison

	Water Charges	Sewer Charges	Total Charges
Regional Rate Comparison			
Winston-Salem	\$ 26.90	\$ 38.67	\$ 65.57
Greensboro	29.34	37.05	66.39
Raleigh	31.31	42.28	73.59
Charlotte Water	21.10	55.70	76.80
Durham	32.00	45.55	77.55
Cape Fear PUA	41.43	43.75	85.18
High Point	35.09	58.81	93.90
NC Median (1)	39.26	49.27	88.53

Notes:

- (1) The North Carolina State Median was sourced from the University of North Carolina's Environmental Finance Center's annual water and wastewater bill survey.

9. Revenues

To meet the financial obligations of the Series 2025 Bonds, other debt service obligations and other water and sewer expenses, water and sewer revenue requirements must be recovered exclusively from revenues associated with the water and sewer systems. Revenues, as defined in the General Indenture, include operating revenues (charges for services and other operating revenues) and certain non-operating revenues as identified in this Feasibility Evaluation.

Exhibit 17 shows the projection of operating and non-operating revenues during the Forecast Period for the combined water and sewer systems. User charge revenue consists of revenues from monthly base charges and volumetric rates, as explained in Section 8. User charges also include billings for fire protection charges, high-strength surcharges, and hauled waste fees. User charge revenues are derived by applying the rates in Exhibit 11 and Exhibit 12 to the projected number of customers and usage in Exhibit 2 and Exhibit 3. The projected rate increases, combined with the projected customers and growth discussed in Section 4, results in steady revenue increases in user charge revenues year over year.

System Development Fees

Water and sewer System Development Fee (“SDF”) revenues are the most significant of the City’s other revenues. SDF’s are one-time charges assessed to new water and/or sewer customers for their use of system capacity and serve as an equitable method by which to recover up-front system capacity costs from those using the capacity. The City’s current charges are assessed to new customers based on meter size. The SDF’s for a 5/8” or 3/4” meter (the smallest and most prevalent meter sizes in the system), are \$811 for water and \$2,207 for sewer. Per NC General Statute 162A Article 8, SDF’s must be updated at least every five years. For the Feasibility Evaluation, SDF revenues are projected based on the budgeted amount for FY 2026. For FY 2026 – FY 2031, SDF revenue is projected flat at \$4.5 million per year.

In addition to user charge revenues and SDF’s, the City also collects operating and non-operating revenue from various ancillary services and miscellaneous sources. The other operating revenues include: late payment penalties, plan review fees, and other miscellaneous fees for ancillary services. All other operating revenues are projected to remain unchanged through the forecast period based on the FY 2026 budgeted amounts.

Non-operating revenues include investment earnings, grants and capital contributions, gain on sale of assets, transfers, and other non-operating revenues. Transfers and investment earnings are the only non-operating revenue included in the forecast. Transfers are projected to remain flat and investment income is calculated using a 3% return factor on the average liquid asset balances shown in Section 10.

Exhibit 17: Estimated Annual Revenues

	FY 2025 Est. Actuals	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
System Revenues						
Sales						
<u>Water Sales</u>						
Fixed Charge Revenue	\$ 15,421,122	\$ 16,100,641	\$ 16,826,877	\$ 17,591,806	\$ 18,389,714	\$ 19,263,793
Volumetric Rate Revenue	52,521,488	54,228,378	56,181,911	58,201,516	60,307,326	62,498,726
<i>Subtotal: Water Sales</i>	<i>\$ 67,942,610</i>	<i>\$ 70,329,020</i>	<i>\$ 73,008,787</i>	<i>\$ 75,793,322</i>	<i>\$ 78,697,040</i>	<i>\$ 81,762,519</i>
<u>Sewer Sales</u>						
Fixed Charge Revenue	\$ 12,856,344	\$ 13,734,827	\$ 14,702,892	\$ 15,743,608	\$ 16,853,046	\$ 18,039,924
Volumetric Rate Revenue	54,866,964	57,662,581	61,035,080	64,693,751	68,637,611	72,813,443
Industrial Waste Surcharge	3,486,413	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
<i>Subtotal: Sewer Sales</i>	<i>\$ 71,209,721</i>	<i>\$ 74,897,407</i>	<i>\$ 79,237,972</i>	<i>\$ 83,937,359</i>	<i>\$ 88,990,657</i>	<i>\$ 94,353,367</i>
Total: Sales	\$ 139,152,331	\$ 145,226,427	\$ 152,246,759	\$ 159,730,681	\$ 167,687,697	\$ 176,115,886
Other Revenues						
<u>Charges for Services</u>						
System Development Fees	\$ 6,543,324	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000
Other charges for services (1)	3,145,820	3,230,047	3,230,047	1,355,680	1,355,680	1,355,680
Late Payment Penalties	1,617,292	2,371,000	2,371,000	2,371,000	2,371,000	2,371,000
New Connections	448,359	301,260	301,260	301,260	301,260	301,260
Special area and privilege charges	5,018	-	-	-	-	-
<i>Subtotal: Other Operating Income</i>	<i>\$ 453,377</i>	<i>\$ 301,260</i>	<i>\$ 301,260</i>	<i>\$ 301,260</i>	<i>\$ 301,260</i>	<i>\$ 301,260</i>
Other Operating Revenues	64,090	15,060	15,060	15,060	15,060	15,060
Total: Other Revenues	\$ 517,467	\$ 316,320	\$ 316,320	\$ 316,320	\$ 316,320	\$ 316,320
Non-Operating Revenues						
Investment Income (2)	\$ 12,762,030	\$ 4,702,127	\$ 4,162,155	\$ 3,803,342	\$ 3,934,776	\$ 4,411,562
Proceeds from Sale of Assets	115,800	-	-	-	-	-
Conveyances (3)	13,810,628	-	-	-	-	-
Transfer In (Stormwater)	120,720	120,720	120,720	120,720	120,720	120,720
Total: Other Revenues	\$ 26,809,178	\$ 4,822,847	\$ 4,282,875	\$ 3,924,062	\$ 4,055,496	\$ 4,532,282
Total System Revenues	\$ 177,785,412	\$ 160,466,640	\$ 166,947,001	\$ 172,197,742	\$ 180,286,193	\$ 189,191,168
<i>% Change</i>		<i>-9.7%</i>	<i>4.0%</i>	<i>3.1%</i>	<i>4.7%</i>	<i>4.9%</i>

Notes:

- (1) Includes annual reserve capacity fee payments from the City of King made in FY 2025 – FY 2027.
- (2) Investment income is calculated using a 3% return factor on the average liquid asset balances shown in Section 10.
- (3) Conveyances are capital contributions of water and sewer infrastructure (typically lines) installed by developers in accordance with specifications of the System. These lines are conveyed after connection to the System for capacity utilized in new areas and are maintained by the System thereafter. Conveyances are specifically excluded from the definition of Revenues in the General Indenture and are not included in the revenue forecast in FY 2026 – FY 2030.

10. Liquid Assets

The System has historically had significant reserves of unencumbered cash or marketable securities. These Liquid Assets are available to pay debt service if necessary. As a result of this and in order to recognize the benefit of the Liquid Assets, the City is allowed to include 12% of Liquid Assets in the calculation of portions of its Rate Covenant.

Current unaudited actuals from the City indicate that as of June 30, 2025, the City has approximately \$167 million in Liquid Assets. Liquid Assets are increased through the addition of investment income, at a rate of 3 percent of the average annual balance, and the revenue remaining once all obligations are satisfied. Liquid Assets may be used to fund projects, and the City anticipates using approximately \$46 million for this purpose during the forecast period. Exhibit summarizes the projected Liquid Assets during the forecast period.

Exhibit 18: Projected Liquid Assets

	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
Liquid Assets					
Beginning Balance	\$ 167,242,601	\$ 150,934,645	\$ 130,704,517	\$ 126,654,938	\$ 139,598,234
<u>Plus:</u>					
Annual Surplus (1)	\$ (60,083)	\$ 857,717	\$ (852,921)	\$ 9,008,521	\$ 14,907,673
Investment Income (2)	4,702,127	4,162,155	3,803,342	3,934,776	4,411,562
<u>Less:</u>					
Transfer from Lewisville Reserve Fund (3)	\$ (2,950,000)	\$ (4,250,000)	\$ -	\$ -	\$ -
Water and Sewer Capital Improvements (4)	(18,000,000)	(21,000,000)	(7,000,000)	-	-
Total Ending Liquid Assets	\$ 150,934,645	\$ 130,704,517	\$ 126,654,938	\$ 139,598,234	\$ 158,917,469
Days Cash on Hand	766.5	632.2	583.6	612.7	664.3
Days Cash Needs (O&M + Debt Service)	448.8	371.7	350.3	377.7	412.0

Notes:

- (1) Represents annual surplus/deficit revenues from annual operations
- (2) Investment income is assumed to equal 3% of the average annual liquid assets balance.
- (3) The City maintains a restricted reserve that Lewisville customers contribute to through the rate differential on water and sewer user charges. Cash from the reserve will be used to fund the Lewisville Lift Station in FY 2026 and FY 2027
- (4) Represents CIP projects that are to be funded using available cash on hand.

11. Additional Bonds Test

The City may issue additional bonds that are secured on parity with the lien of other Bonds issued pursuant to the General Indenture only if one of the two requirements, or tests, set forth in the General Indenture, are met. Reproduced below are the requirements for two tests which address coverage ratios that must be met based on historical and projected operating results and debt service.

(1) *the Net Revenues, plus amounts received from the investment of money in any Fund or Account, as shown in the most recent audited financial statements, adjusted in the manner hereinafter provided, were at least equal to (a) 125% of (1.25 times) the maximum Debt Service on the Bonds, including the Series of Bonds to be issued, (b) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness in that Fiscal Year, (c) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness in that Fiscal Year and (d) 100% of (1.00 times) the Debt Service for Other Indebtedness in that Fiscal Year; or*

(2) (A) *the Net Revenues, plus amounts received from the investment of money in any Fund or Account, as shown in the most recent audited financial statements, were at least equal to (a) 125% of (1.25 times) the Debt Service on the Bonds for such Fiscal Year, excluding the Series of Bonds to be issued, (b) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness in such Fiscal Year, (c) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness in such Fiscal Year and (d) 100% of (1.00 times) the Debt Service for Other Indebtedness in such Fiscal Year; and*

(B) (i) *the Net Revenues, plus amounts received from the investment of money in any Fund or Account, as projected by a report of a 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 to the System or (II) the date the proposed Series of Bonds is issued in any other case, are at least equal to (a) 125% of (1.25 times) the Debt Service on the Bonds, including the Series of Bonds to be issued, for such Fiscal Years, (b) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness to become due in such Fiscal Years, (c) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness to become due in such Fiscal Years and (d) 100% of (1.00 times) the Debt Service for Other Indebtedness to become due in such Fiscal Years and (ii) Revenues, as projected by a report of a 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 to the System or (II) the date the proposed Series of Bonds is issued in any other case, are at least equal in such Fiscal Years to the total of 110% of (1.10 times) the requirements therefor established in Section 5.4, FIRST through NINTH; and*

(3) *no Event of Default under this General Indenture has occurred and is continuing.*

Exhibit shows that the City's historical and projected Net Revenues are sufficient to meet the coverage requirements identified in the historical Additional Bonds Test set forth in the General Indenture in subparagraph (1) above.

Exhibit 19: Additional Bonds Test (Historical)

		FY 2024 Audited (1)
Additional Bonds Test I		
<u>Total Revenues</u>		
Operating Revenues		\$ 139,865,943
Investment Income		13,873,528
Other Non-Operating Revenues		213,529
Total Revenues		\$ 153,953,000
Operating Expenses		(61,052,114)
A Net Revenues Including Investment Income		\$ 92,900,886
Maximum Debt Service on Bonds (2)		
Existing Parity Debt		\$ 35,212,286
Series 2025		5,207,750
Maximum Debt Service on Bonds		\$ 40,420,036
Add: 25% to Maximum Debt Service		10,105,009
125% Maximum Debt Service on Bonds		\$ 50,525,044
Debt Service on Subordinate Debt in that Fiscal Year (2)		
SRF Loans		\$ 12,481,770
Capital Leases		-
100% Debt Service on Subordinate Debt		\$ 12,481,770
B Total Debt Service Requirement for Test I		\$ 63,006,815
Additional Bonds Test I (A>B)		PASS

Notes:

- (1) The City's most recently available audited financial statements are for FY 2024.
- (2) Calculated according to the General Indenture. The maximum Debt Service occurs in FY 2027.

APPENDIX E

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

APPENDIX E

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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

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

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit’s debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act and its ability to service the proposed debt. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems and practices. The Commission’s staff also counsels the units of local government in treasury and cash management, budget preparation and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission 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 Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his approval prior to the commencement of the audit.

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

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

APPENDIX F

FORM OF BOND COUNSEL OPINION

APPENDIX F

FORM OF BOND COUNSEL OPINION

[Letterhead of Parker Poe Adams & Bernstein LLP]

December __, 2025

City of Winston-Salem, North Carolina
Winston-Salem, North Carolina

The Bank of New York Mellon Trust Company, N.A.
Jacksonville, Florida

§ _____
City of Winston-Salem, North Carolina
Water and Sewer System Revenue Bonds
Series 2025

Ladies and Gentlemen:

We have acted as bond counsel (“*Bond Counsel*”) in connection with the issuance and delivery by the City of Winston-Salem, North Carolina (the “*City*”) of \$_____ aggregate principal amount of its Water and Sewer System Revenue Bonds, Series 2025 (the “*2025 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 2025 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 2025 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 Amended and Restated General Trust Indenture dated as of March 1, 2020 (the “*General Indenture*”) and Series Indenture, Number 20 dated as of December 1, 2025 (the “*Twentieth Series Indenture*”) and collectively with the General Indenture, the “*Indenture*”), each between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”).

All capitalized terms not defined herein have the meanings given to such terms in the General Indenture and the Twentieth Series Indenture.

The 2025 Bonds are being issued to (a) finance the costs of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for the System (as defined in the General Indenture) including, but not limited to, (i) upgrades and enhancements to its Advanced Metering Infrastructure (AMI) system, (ii) modernization of the R.W. Nielson Water Treatment Plant, (iii) repairs to a lagoon and a biosolids dryer facility at the Archie Elledge Wastewater Treatment Plant, (iv) replacement and capacity upgrades of sewer lines along Peters Creek Outfall within the Elledge Basin, (v) various water distribution system improvements, (vi) repairs and rehabilitation of sewer lines and manholes under the Collection System Improvement Program (CSIP), (vii)

replacement of a force main near Tanglewood Park, and (viii) upgrades to the 15th Street Pump Station, and (b) pay the costs of certain expenses incurred in connection with the execution and delivery of the 2025 Bonds.

In connection with the issuance of the 2025 Bonds, we have examined the following: (a) the Act; (b) a certified copy of the General Indenture and an executed copy of the Twentieth 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 2025 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 2025 Bonds for the purposes set forth in the General Indenture and to execute, deliver and perform its obligations under the General Indenture and the Twentieth Series Indenture.

2. The General Indenture and the Twentieth 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 Trust Estate (as defined in the General Indenture) have been validly pledged and assigned to the Trustee, and the General Indenture creates a valid security interest in the Trust Estate.

3. The 2025 Bonds have been duly and validly authorized and issued in accordance with the General Indenture and the Twentieth Series Indenture and represent valid, binding and enforceable special obligations of the City. The 2025 Bonds are entitled to the benefits and security of the General Indenture and the Twentieth Series Indenture for the payment thereof in accordance with the terms of the General Indenture and the Twentieth Series Indenture.

4. The principal of and interest on the 2025 Bonds are special obligations payable by the City solely from the sources described in the General Indenture and the Twentieth Series Indenture. The principal of, premium, if any, and interest on the 2025 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 Twentieth 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 2025 Bonds, and no owner of the 2025 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 2025 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended, (the “Code”)) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2025 Bonds in order that the interest on the 2025 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 2025 Bonds to be included in gross income for federal income tax purposes retroactive to the date of the issuance of the 2025 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 2025 Bonds.

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

The rights of the owners of the 2025 Bonds and the enforceability of the 2025 Bonds, the General Indenture and the Twentieth 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 2025 Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the 2025 Bonds and the tax-exempt status of interest 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 2025 Bonds (excepting only the matters set forth as our opinion in the Official Statement and the section entitled "**TAX TREATMENT**") or as to the financial resources of the City, or the ability of the City to make the payments required under the General Indenture and the Twentieth Series Indenture, that may have been relied on by anyone in making the decision to purchase the 2025 Bonds.

This opinion is delivered to you and for your benefit in connection with the above transaction; it may not be relied on by you for any other purposes and may not be relied on by, nor may copies be provided to, any other person, firm, corporation or other entity without our prior written consent.

Respectfully submitted,

PARKER POE ADAMS & BERNSTEIN LLP

APPENDIX G

SUMMARY OF THE GENERAL INDENTURE AND SERIES INDENTURE

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In addition to the terms otherwise defined in this Official Statement, the following are certain definitions in the General Indenture and the Series Indenture related to the 2025 Bonds. This summary does not purport to be complete and is qualified in its entirety by express reference to the General Indenture and the Series Indenture.

“Account” or “Fund” means one of the special funds or accounts created and established pursuant to the General Indenture or the Series Indenture.

“Accountant” means a nationally recognized firm of independent certified public accountants as may be selected by the City.

“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.

“Additional Bonds” means any additional Bonds (including, without limitation, bonds, notes or other obligations) issued by the City under the General Indenture.

“Authenticating Agent” means the entity designated as such pursuant to the General Indenture and any successor thereto, initially The Bank of New York Mellon Trust Company, N.A.

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

“Authorized Officer” means the Mayor, the City Manager, or the Chief Financial Officer 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.

“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 satisfactory to the Trustee.

“Book Entry Form” or “Book Entry System” means a form or system, as applicable, under which physical Bond certificates in fully registered form are registered only in the name of the Securities Depository or its nominee, with the physical Bond certificates “immobilized” in the custody of the Securities Depository.

“Business Day” means any day other than (1) a Saturday, a Sunday or any other day on which banks located in the cities in which the Trustee, the Paying Agent, the Registrar or the Authenticating Agent have their respective principal offices are authorized or required to remain closed or (2) 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.

“Certificate” means (i) 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 (ii) the report of an accountant as to audit or other procedures called for by the General Indenture.

“Chief Financial Officer” means the Chief Financial Officer of the City or her designee.

“City” means the City of Winston-Salem, North Carolina.

“City Representative” means the City Manager, the Chief Financial Officer 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 in the General Indenture will be deemed to include the United States Treasury Regulations proposed or in effect with respect thereto and applicable to the Bonds or the use of proceeds thereof.

“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.

“Consultant” means a firm of engineers, accountants or water and sewer consultants with recognized expertise for advising municipalities with respect to the setting of rates and charges for the use of water and sewer systems selected by the City.

“Costs of Construction” means the costs reasonably incurred in connection with the System or any portion thereof, including but not limited to the costs of (1) acquisition of all property, real or personal 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, 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) principal of and interest on any indebtedness of the City, other than the Bonds, incurred for Costs of Construction, (8) any capitalized interest, and (9) miscellaneous expenses incidental thereto.

“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.

“Debt Service” means, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on the Bonds during such Fiscal Year, excluding (a) any capitalized interest payable from the proceeds of a Series of the Bonds and (b) any interest rate subsidy receivable by the City from the United States Treasury pursuant to Section 54AA, 1600U-2 or 6431 of the Code (as such Sections were added by the Recovery Act, pertaining to “Recovery Zone Economic Development Bonds” or “Build America Bonds”) or any other section of the Code, plus (ii) any Principal Installments of the Bonds during such Fiscal Year.

For purposes of computing *“Debt Service,”* the rate of interest used to determine (i) above will be a rate per annum, after taking into account the exclusions in (i) above, 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 is equal to the greater of (A) the average of all the interest rates in effect on the Bonds (or which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding twelve-month period or (B) the average of all interest rates in effect on the Bonds (or which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding one month period.

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.

For purposes of computing *“Debt Service,”* the Principal Installments used to compute (ii) above will be: (1) with respect to Bonds or other obligations with a term in excess of one year, the amount equal to $(A-B) \div C$, where A is the outstanding principal amount of such Bonds or other obligations, B is the amount of unencumbered cash or other assets of the System on hand and available for the payment of such Bonds or other obligations, and C is the number of full years in the remaining term of such Bonds or other obligations; and (2) with respect to notes or other obligations with a term of less than one year which are issued in anticipation of the issuance of Bonds or other obligations described in (1) above (the *“Take Out Obligations”*), the amount equal to $(X - Y) \div Z$, where X is the outstanding principal amount of such notes or other obligations, Y is the amount of unencumbered cash or other assets of the System on hand and available for the payment of such notes or other obligations, and Z is the number of full years expected to be in the term of the Take Out Obligation as certified to the Trustee by the Chief Financial Officer.

“Debt Service for General Obligation Indebtedness” means, with respect to any particular Fiscal Year, an amount equal to the sum of (1) all interest payable on the General Obligation Indebtedness during such Fiscal Year excluding any capitalized interest payable from the proceeds of such General Obligation Indebtedness, plus (2) 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 *“Debt Service.”*

“Debt Service for Other Indebtedness” means, with respect to any particular Fiscal Year, an amount equal to the sum of all payment obligations with respect to Other Indebtedness during such Fiscal Year excluding any capitalized interest payable from the proceeds of such Other Indebtedness. 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 *“Debt Service.”*

“Debt Service for Subordinate Indebtedness” means, with respect to any particular Fiscal Year, an amount equal to the sum of (1) all interest payable on Subordinate Indebtedness during such Fiscal Year excluding any capitalized interest from the proceeds of such Subordinate Indebtedness, plus (2) 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 “*Debt Service*.”

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

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

“*Electronic Means*” means the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes issued by the Trustee, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

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

“*Extension and Replacement Fund*” means the Fund so designated and established by the General 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 any state or territory of the United States of America or of any agency, instrumentality or local governmental unit of any such state or territory which are (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) 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.

“*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.

“*Fitch*” means Fitch, Inc., its successors and assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*Fitch*” will be deemed to refer to any other nationally recognized rating agency designated by the Chief Financial Officer by notice to the Trustee.

“*General Indenture*” means, collectively, the Amended and Restated General Trust Indenture dated as of March 1, 2020 between the City and the Trustee, amending and restating the General Trust Indenture

dated as of October 1, 1988 between the City and NCNB National Bank of North Carolina, the successor to which is the Trustee, as previously amended.

“General Obligation Indebtedness” means (1) 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 System and (2) general obligation indebtedness of another governmental unit, the payment on which is assumed by the City in connection with acquisition of assets for the System.

“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 June 1, 2026.

“Investment Securities” means (i) Federal Securities; (ii) obligations of the Federal Land Bank; (iii) obligations of the Federal Home Loan Bank; (iv) obligations of the Federal Intermediate Credit Bank; (v) obligations of the Central Bank for Cooperatives; (vi) certificates of deposit of national or state banks located within the State which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of Federal savings and loan associations and state building and loan associations located within the State which have deposits insured by the Federal Savings and Loan Insurance Corporation (including the certificates of deposit of any bank, savings and loan association or building and loan association acting as a depository, custodian or trustee for any proceeds of the Bonds); provided, however, that the portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, if any, shall be secured by deposit with the Federal Reserve Bank of Charlotte, North Carolina, or with any national or state bank located within the State, of any of the obligations included in (i), (ii), (iii), (iv) or (v) above; (vii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of such state which are rated “A” or better by Moody’s, if the Bonds are rated by Moody’s, and S&P, if the Bonds are rated by S&P; (viii) shares of a tax exempt Money Market Fund which is restricted by its terms to investment in obligations which carry the highest short-term rating of Moody’s, if the Bonds are rated by Moody’s, and S&P, if the Bonds are rated by S&P; and (ix) any other investments permitted by the law of the state for the investment of public funds which meet the requirements for the highest rating category of Moody’s, if the Bonds are rated by Moody’s, and S&P, if the Bonds are rated by S&P.

“Liquid Assets” means unencumbered cash or marketable securities of the System, as shown in the audited financial statements of the City, and available for the payment of the Bonds or other obligations.

“Local Government Commission” or *“LGC”* means the Local Government Commission of North Carolina, a division of the Department of State Treasurer, and any successor or successors thereto, or its designated 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 designated by the Chief Financial Officer by notice to the Trustee.

“Net Revenues” means the Revenues less the Operating Expenses.

“Operating Budget” means the annual budget described in the General Indenture adopted by the City concerning the operation of the System for the succeeding Fiscal Year.

“Operating and Maintenance Fund” means the Fund so designated and established by the General Indenture.

“Operating Expenses” means the current expenses, paid or accrued, of operation, maintenance and current repair of the System, as calculated in accordance with sound accounting practice, and includes, without limiting the generality of the foregoing: insurance premiums; any Rebate Deposit; administrative expenses of the City relating solely to the System; 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 in accordance with sound accounting practices. *“Operating Expenses”* will not include any allowance for depreciation or replacements of capital assets of the System or contractual obligations relating to the System with a term greater than one year.

“Other Indebtedness” means capital leases, installment financing agreements or other contracts used to provide capital improvements to the System, the payments under which are payable from Net Revenues after payment of the principal of and interest on the Bonds.

“Outstanding” or *“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 upon acceleration;
- (b) Bonds deemed paid under the General Indenture;
- (c) Bonds in lieu of which other Bonds have been authenticated under the General Indenture; and

“Owner” means any person in whose name any Outstanding Bond is registered upon the books of the Registrar.

“Parity Account” means the account in the Reserve Fund securing all Series of the Bonds designated as secured thereby.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., and any successor paying agent or agents appointed in accordance with the General Indenture. If two or more paying agents have been appointed and are acting in such capacity, each shall be considered to be a co-paying agent.

“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 Installment” means, as of any date of calculation, (1) the aggregate principal amount of Outstanding Bonds (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 Installment”* means the principal amount of such Capital Appreciation Bonds on their date of delivery and the balance of the Accreted Value is *“Interest”*) 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 (2) 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 a Principal Installment 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 in one of the two highest rating categories by Moody’s and S&P or (ii) a policy of reserve fund insurance issued by an insurance company whose claims-paying ability is rated in one of the two highest rating categories by Moody’s and S&P.

“Rate Covenant” means the covenant as to rates, fees and charges of the System in the General Indenture.

“Rebate Deposit” means the amount required to be deposited into the Rebate Fund as a result of the computation made pursuant to the General Indenture.

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

“Rebate Interest Account” means the trust account by that name established in the Rebate Fund.

“Rebate Principal Account” means the trust account by that name established in the Rebate Fund.

“Record Date” means the 15th day (whether or not a Business Day) of the month next preceding the Interest Payment Date.

“Recovery Act” means the American Recovery and Reinvestment Act of 2009.

“Redemption Date” means the date on which 2025 Bonds have been called for redemption or are to be called for redemption or are to be redeemed pursuant to the Series Indenture.

“Redemption Price” means, with respect to any 2025 Bond, the principal amount thereof plus accrued interest to the Redemption Date.

“Registrar” means The Bank of New York Mellon Trust Company, N.A., and any successor registrar appointed in accordance with the General Indenture.

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

“Reserve Requirement” means (a) with respect to all Bonds Outstanding as of May 1, 2001, as of any date of calculation an amount equal to the lesser of (1) the maximum Debt Service on all Bonds Outstanding as of May 1, 2001 becoming due in any Fiscal Year, (2) 125% of the average annual Debt Service on all Bonds Outstanding as of May 1, 2001 or (3) 10% of the gross proceeds of the Bonds Outstanding as of May 1, 2001 and (b) with respect to all Additional Bonds issued after May 1, 2001, 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 Additional Bonds issued after May 1, 2001 secured by an account in the Reserve Fund are issued.

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

“Revenues” means all rates, fees, rentals or other charges or other income received by the City in connection with the ownership, management and operation of the System, and all parts thereof, including any amounts contributed by the City, all as calculated in accordance with generally accepted accounting principles except as otherwise provided in the General Indenture, but excluding (1) amounts received from the investment of money in any Fund or Account, (2) assessments restricted by their terms to capital improvements, (3) net proceeds of insurance or condemnation awards or other extraordinary items, (4) any

amounts collected 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, (5) refundable deposits made by customers of the System or (6) any interest rate subsidy received by the City from the United States Treasury pursuant to Section 54AA, 1600U-2 or 6431 of the Code (as such Sections were added by the Recovery Act, pertaining to “Recovery Zone Economic Development Bonds” or “Build America Bonds”) or any other section of the Code.

“*S&P*” means Standard & Poor’s Corporation, 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 designated by the Chief Financial Officer by notice to the Trustee.

“*Securities Depository*” means DTC or, if applicable, any successor securities depository appointed pursuant to the Series Indenture.

“*Series of Bonds*” or “*Series*” means any series of Bonds issued under the General Indenture pursuant to a Series Indenture.

“*Series Indenture*” means, with respect to the 2025 Bonds, Series Indenture, Number 20 dated as of December 1, 2025 between the City and the Trustee, and any amendments or supplements adopted in accordance with the terms thereof, and when used with respect to any other Series of Bonds, 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.

“*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.

“*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.

“*System*” means the complete water and sewer system of the City now operated by the Utility Commission or hereafter constructed and acquired either from the proceeds of the Bonds authorized by the General Indenture or from any other sources at any time thereafter and includes (a) all wells, pumping stations, purification plants and other sources of supply of water and all pipes, mains and other parts of the facilities for the distribution of water and all equipment and property used in connection therewith, (b) all sanitary sewers, all waste water disposal and purification plants, and all equipment used in connection therewith, all facilities for the collection, treatment and disposal of sewage and waste matter, including industrial wastes, and (c) all other facilities of any nature or description, real or personal, now or hereafter owned or used by the Utility Commission in the supply, distribution, and treatment of water or sewage by its municipally owned water and sewer system.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., as successor in interest to NCNB National Bank of North Carolina, and any successor trustee appointed in accordance with the General Indenture.

“Trust Estate” means all property and rights conveyed by the City under the Granting Clauses of the General Indenture.

“Utility Commission” means the Winston-Salem/Forsyth County Utility Commission, or any successor thereto.

“2025 Bonds” means the City of Winston-Salem, North Carolina Water and Sewer System Revenue Bonds, Series 2025 to be issued under the General Indenture and the Series Indenture.

INDENTURE SUMMARY

COVENANTS

Operating Budget. The City has covenanted that it will adopt and file with the Trustee an Operating Budget covering the fiscal operations of the Utility Commission for the Fiscal Year not later than the first day of such Fiscal Year. Such budget need not necessarily be the budget prepared by the City for City budgeting purposes. The Operating Budget will set forth for such Fiscal Year the estimated Revenues, the Principal Installments of and interest on the Bonds due and payable or estimated to become due and payable during such Fiscal Year, and estimated Operating Expenses in quarterly allotments. The City may at any time adopt and file with the Trustee an amended Operating Budget in the manner provided in the General Indenture for the adoption of the Operating Budget. Copies of the Operating Budget as then amended and in effect will be made available by the Trustee at normal business hours in the Trustee's principal corporate trust office for inspection by any Owner. If the City does not adopt an Operating Budget for a Fiscal Year on or before the first day of such Fiscal Year, the Operating Budget for the preceding Fiscal Year will be deemed to have been adopted and will be in effect for such Fiscal Year until the Operating Budget for such Fiscal Year is adopted as described above. The City may not expend funds for Operating Expenses in any Fiscal Year in excess of the reasonable or necessary amount thereof.

Maintenance of System. The City has covenanted to complete or cause the completion of the additions, extensions, and improvements of the System provided for in the General Indenture in an economical and efficient manner with all practicable dispatch and thereafter to maintain or cause to be maintained the System in good condition and to continuously operate or cause to be operated the same in an efficient manner and at a reasonable cost as a municipal revenue producing enterprise.

Insurance; Condemnation. The City has covenanted to provide for self-insurance or carry or cause to be carried such other insurance with a reputable insurance carrier or carriers such as is maintained or carried by similar utilities as the System, including, public liability insurance against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks, and said property loss and damage insurance will at all times be in an amount sufficient to indemnify for loss of the System and of the Revenues and other payments derived therefrom, to the extent that such insurance is obtainable.

The City will deliver the proceeds of any insurance or condemnation with respect to the System in excess of \$100,000 in any given Fiscal Year to the Trustee with a certificate from an Authorized Officer directing that such funds be used either: (1) to rebuild or replace the System or portion thereof giving rise to the referenced proceeds or (2) to redeem or pay Bonds pursuant to a Series Indenture.

Adding to or Removing from the System. The System may be sold, mortgaged, leased or otherwise disposed of, in whole or in part, to another political subdivision, public agency, public authority or other public instrumentality in the State authorized by law to own and operate such systems only (1) if there is filed with the Trustee (a) a report prepared by a Consultant satisfactory to the Trustee showing that there is no material adverse effect on the ability of the System to produce Revenues to satisfy the Rate Covenant as described under the caption "**SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS--The Rate Covenant**" in this Official Statement, (b) written evidence from any rating agency then rating the Bonds that such sale will not adversely affect its rating then in effect on the Bonds (without regard to gradation within category), (c) an opinion of counsel to the City that such disposition has been properly authorized and (d) an opinion of Bond Counsel that such disposition will not adversely affect the federal or state income tax treatment of Interest on the Bonds, and (2) for a disposition in whole, if such political subdivision, public agency, public authority or other public instrumentality assumes all of the obligations of the City related to such enterprise under the General Indenture.

Any part of the System constructed on behalf of or with funds provided by another governmental unit may be sold, leased or otherwise disposed of to that governmental unit, if the Trustee receives a

certificate from the Consultant that states that the projected Revenues of the System as it will exist after the proposed disposition for each of the two Fiscal Years subsequent to the year in which the disposition is expected to be completed, plus 12% of the Liquid Assets as shown in the most recent audited financial statements, are equal to the sum of the Operating Expenses projected for such period plus 120% of (1.20 times) the Debt Service on the Bonds for such Fiscal Year plus 100% of (1.00 times) the maximum Debt Service for Subordinate Indebtedness plus 100% (1.00 times) the maximum Debt Service for General Obligation Indebtedness plus 100% of (1.00 times) the maximum Debt Service for Other Indebtedness due in any Fiscal Year.

Any part of the System may be sold, mortgaged, leased or otherwise disposed of, in whole or in part, to a nongovernmental entity only if (1) the net proceeds to be realized will be sufficient, together with other moneys available therefor, to discharge the lien of the General Indenture as described under “**Defeasance**” below as to all Series of Bonds or the portion thereof related thereto and such net proceeds are deposited in a separate segregated account for such purpose and (2) the Trustee has received (a) an opinion of counsel to the City that such disposition has been properly authorized and is permitted by the law of the State, (b) an opinion of Bond Counsel to the effect that such disposition will not adversely affect the federal and state income tax treatment of the Interest on the Bonds, (c) written evidence from any rating agency then rating the Bonds that such sale will not adversely affect its rating then in effect on the Bonds (without regard to gradation within category) and (d) a certificate from the Chief Financial Officer that the disposition will not materially adversely affect the ability of the City to meet its financial obligations under the General Indenture, including the ability of the City to meet its Rate Covenant.

The City has reserved the right to sell, lease or otherwise dispose of any of the property comprising a part of the System determined in the manner provided in the General Indenture as described below to be no longer necessary, useful or profitable in the operation thereof. Before any such sale, lease or other disposition of such property, a City Representative will make a finding in writing determining that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and the Chief Financial Officer will make a finding in writing that the disposition of such property will not materially adversely affect the ability of the City to meet its financial obligations under the General Indenture, including the ability of the City to meet its Rate Covenant. If the amount to be received therefor is in excess of .50% of Net Property and Equipment of the System as shown in the most recent audited financial statements, such findings will be approved by resolution of the City and the Trustee has received written evidence from any rating agency then rating the Bonds that such sale will not adversely affect its rating then in effect on the Bonds (without regard to gradation within category). All proceeds derived from the sale, lease or other disposition of any property comprising a part of the System as provided above, will be deposited in the Revenue Fund.

Liens or Charges. The City may create or permit to be created a lien on the System in order to secure the issuance of Other Indebtedness as long as the Chief Financial Officer certifies at the time of the creation of the lien that (1) loss of the property subject to the lien will not materially adversely affect the ability of the City to meet its financial obligations under the General Indenture, including the ability of the City to meet its Rate Covenant described above under the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS--The Rate Covenant**” in this Official Statement and (2) the current value of all parts of the System subject to liens securing Other Indebtedness, including property which may be added to the System as a result of issuance of the proposed Other Indebtedness, does not exceed 20% of the current value of the Net Property and Equipment of the System as shown in the most recent audited financial statements. The City covenants to not otherwise create or permit to be created any lien or charge on the System. The City covenants to pay or cause to be discharged or make provisions to satisfy and discharge, within 60 days after the same accrues, all claims and demands for labor, materials, supplies or other items that, if unpaid, might by law become a lien on the System or the Revenues on a parity with the lien of the Bonds, except for the liens permitted by the General Indenture as described in this paragraph. The City need not pay or cause to be discharged or make provision for any lien or charge as long as the validity thereof is being contested in good faith by appropriate legal proceedings.

Issuance of Subordinate Indebtedness. The City may issue Subordinate Indebtedness if:

EITHER

(1) the Net Revenues, adjusted in the manner described in the General Indenture, plus 12% of the Liquid Assets, each as shown in the most recent audited financial statements, were at least equal to (a) 120% of (1.20 times) the maximum Debt Service on the Bonds, (b) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness in that Fiscal Year, including the Subordinate Indebtedness to be issued, (c) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness in that Fiscal Year and (d) 100% of (1.00 times) the Debt Service for Other Indebtedness in that Fiscal Year;

OR

(2) (a) the Net Revenues, plus 12% of the Liquid Assets, each as shown in the most recent audited financial statements, were at least equal to (i) 120% of (1.20 times) the Debt Service on the Bonds for such Fiscal Year, (ii) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness in such Fiscal Year, excluding the Subordinate Indebtedness to be issued, (iii) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness in such Fiscal Year and (iv) 100% of (1.00 times) the Debt Service for Other Indebtedness in such Fiscal Year; and

(b) (1) the Net Revenues, as projected by a report of a 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 System or (ii) the date the proposed Subordinate Indebtedness is incurred in any other case, plus 12% of the Liquid Assets as shown in the most recent audited financial statements, are at least equal to (a) 120% of (1.20 times) the Debt Service on the Bonds for such Fiscal Years, (b) 100% of (1.00 times) the Debt Service for Subordinate Indebtedness, including the Subordinate Indebtedness to be issued, to become due in such Fiscal Years, (c) 100% of (1.00 times) the Debt Service for General Obligation Indebtedness to become due in such Fiscal Years and (d) 100% of (1.00 times) the Debt Service for Other Indebtedness to become due in such Fiscal Years and (2) the Revenues, as projected by a report of a 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 System or (ii) the date the proposed Subordinate Indebtedness is incurred in any other case, are at least equal in such Fiscal Years to the total of 110% of (1.10 times) the requirements therefor established in FIRST through NINTH of “***--Revenue Fund***” below;

AND

- (3) no Event of Default under the General Indenture or under the agreement securing the Subordinate Indebtedness has occurred and is continuing.

FUNDS AND ACCOUNTS

Pursuant to the General Indenture, the City established the following funds:

- (1) Construction Fund;
- (2) Revenue Fund;
- (3) Debt Service Fund;
- (4) Operating and Maintenance Fund;
- (5) Extension and Replacement Fund;
- (6) Rebate Fund; and
- (7) Reserve Fund.

The Trustee or the City may also create other Funds or Accounts necessary or desirable in the administration of the General Indenture. The Construction Fund, the Debt Service Fund, the Reserve Fund, and the Rebate Fund will be held by the Trustee. The Revenue Fund, the Operating and Maintenance Fund, and the Extension and Replacement Fund will be held by the City.

There will be deposited into each Fund created under the General Indenture all amounts required to be deposited therein pursuant to the General Indenture and any other amounts available therefor and determined by the City to be deposited therein.

Construction Fund. The Construction Fund will be applied for any of the following purposes:

- (1) the payment of Costs of Issuance;
- (2) the transfer to the Debt Service Fund to make up any deficiency therein in the order of priority described under “ -- **Debt Service Fund**” below or for the payment of principal, premium, if any, and interest on the Bonds as directed in a certificate signed by an Authorized Officer; and
- (3) the payment of all Costs of Construction in the manner and subject to the restrictions provided in the General Indenture.

Revenue Fund. The City must cause all Revenues to be deposited in the Revenue Fund, along with 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. Except for amounts collected by the City as sales and use taxes and refundable deposits made by customers of the System that have been deposited in the Revenue Fund, which may be paid out of the Revenue Fund in the amounts and at the times determined by the Chief Financial Officer, the City will cause disbursements to be made from the Revenue Fund in the following order of priority:

FIRST: On the first day of each month, to the Operating and Maintenance Fund an amount such that the amounts deposited therein during the current Fiscal Year do not

exceed the amount shown for Operating Expenses in the Operating Budget for the current Fiscal Year or any quarterly allotment, plus any additional amount required to be transferred to the Debt Service Fund to make up any deficiency therein;

SECOND: On or before the 10th day before each Interest Payment Date, to the Trustee for deposit in the Debt Service Fund, an amount such that (after taking into consideration amounts then on deposit in the Debt Service Fund allocated to pay interest due with respect to the Bonds), there will be in the Debt Service Fund an amount equal to the Interest due on the next Interest Payment Date;

THIRD: On or before the 10th day before a Principal Payment Date, and subject to modification with respect to any Series of Bonds by the Series Indenture relating thereto, to the Trustee for deposit in the Debt Service Fund, an amount such that (after taking into consideration amounts then on deposit in the Debt Service Fund allocated to pay the Principal Installment due with respect to the Bonds), there will be in the Debt Service Fund an amount equal to the Principal Installment due on the next succeeding Principal Payment Date;

FOURTH: At any time as may be required, 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;

FIFTH: 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;

SIXTH: On each June 1 or December 1, to the Trustee for deposit in the Reserve Fund (1) 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 (2) 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 under either clause (1) or (2), the City is not required to transfer in any month more than an amount such that if the same amount were deposited in equal monthly installments over the subsequent 11 months, the Reserve Fund would equal the Reserve Requirement;

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 Persons entitled to payment with respect to any Other Indebtedness, an amount equal to the payment then due and owing;

NINTH: At any time as may be required, to the Debt Service Fund, the amount necessary to make up any deficiency therein in accordance with the order of priority described under “-- ***Debt Service Fund***” below; and

TENTH: On the last Business Day of each Fiscal Year, to the Extension and Replacement Fund, any amounts remaining in the Revenue Fund.

Debt Service Fund. The Trustee will disburse amounts deposited in the Debt Service Fund as follows:

(1) On each Interest Payment Date, (i) if the Trustee is also the Paying Agent with respect to any Series of Bonds, to the Owners of such Bonds, interest due on such date, and (ii) if the Paying Agent for any Series of Bonds is not the Trustee, to such Paying Agent for payment to the Owners of such Bonds, interest due on such date.

(2) Subject to the provisions of the General Indenture requiring the application thereof to the payment or redemption of any particular Bond, on each Principal Payment Date, (i) if the Trustee is also the Paying Agent with respect to any Series of Bonds, to the Owners of such Bonds, the amounts required for the payment of the Principal Installments due on such date, and (ii) if the Paying Agent for any Series of Bonds is not the Trustee, to such Paying Agent for payment to the Owners of such Bonds, interest due on such date.

(3) On each Redemption Date, (i) if the Trustee is also the Paying Agent with respect to any Series of Bonds, to the Owners of such Bonds, the amount required for redemption of Bonds called for redemption, and (ii) if the Paying Agent for any Series of Bonds is not the Trustee, to such Paying Agent for payment to the Owners of such Bonds, the amount required for redemption of Bonds called for redemption.

In the event that on any Interest Payment Date or Principal Payment Date there is a deficiency in the Debt Service Fund, the amount of such deficiency will be made up from the following Funds and in the following order of priority:

- (1) Revenue Fund;
- (2) Extension and Replacement Fund;
- (3) Construction Fund;
- (4) Reserve Fund; and
- (5) Operating and Maintenance Fund.

Operating and Maintenance Fund. Amounts in the Operating and Maintenance Fund will be (1) at the times and in the amounts provided in the General Indenture, transferred to the Rebate Principal Account of the Rebate Fund to the extent necessary to make any required Rebate Deposit; (2) applied to the payment of Operating Expenses consistent with the Operating Budget, and (3) transferred to the Debt Service Fund to make up any deficiency therein in the order of priorities described under “-- **Debt Service Fund**” above. In no event may the aggregate disbursements from the Operating and Maintenance Fund in each Fiscal Year, excluding any amounts transferred to the Debt Service Fund as provided in the General Indenture, exceed the amount provided therefor in the Operating Budget.

Rebate Fund. The Trustee will pay, as directed by the City, from the Rebate Fund investment income required to be paid to the United States at the times and in the amounts required by the General Indenture and the Code.

Extension and Replacement Fund. The Extension and Replacement Fund will be applied for the following purposes:

- (1) paying the cost of extensions, additions, and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new

equipment for, the System, or paying any extraordinary maintenance and repair, or any expenses which are not Operating Expenses;

(2) the repayment of debt incurred in connection with capital improvements to the System or any portions thereof; and

(3) transfer to the Debt Service Fund to make up any deficiency therein in the order of priorities established in “-- **Debt Service Fund**” above.

Reserve Fund. The 2025 Bonds are not secured by the Reserve Fund.

Investments. The Trustee will invest money held in the Debt Service Fund, the Construction Fund, and the Rebate Fund, at the 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 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 Debt Service Fund, the Construction Fund, the Reserve Fund and the Rebate Fund, will direct the Trustee to invest all money held under the General Indenture pursuant to the investment instructions as provided in connection with any Series of Bonds.

All earnings from the investment of money held in any Fund and Account under the General Indenture except the Construction Fund and the Rebate Fund will be deposited in the Revenue Fund. Earnings from the investment of moneys in the Construction Fund and the Rebate Fund will be retained in the respective fund.

Valuation. In computing the amount in any Fund or Account, obligations purchased as an investment of money therein will be valued at amortized value. “*Amortized value*” means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a premium or adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount.

Bonds Not Delivered for Payment. If any Bond is not presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, or if any interest check is not cashed, and if funds sufficient to pay such Bond have been made available by the City to the Trustee or any Paying Agent for the benefit of the Owner of such Bonds, all liability of the City to such Owner for the payment of such Bond will forthwith cease, terminate, and be completely discharged. It will then be the duty of the Trustee and any Paying Agent to hold such funds in trust, uninvested and without liability for interest thereon, for the benefit of the Owner of such Bond, who will thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the General Indenture or on, or with respect to, such Bond. Any money that is so set aside or transferred and that remains unclaimed by the Owners thereof for a period of five and one-half years after such payment has become due and payable will be treated as abandoned property under N.C.G.S. §116B-18, and the Trustee or Paying Agent will report and remit such property to the Escheat Fund according to the requirements of N.C.G.S. § 116B-29 et seq. Thereafter, the Owners may look only to the Escheat Fund for payment and then only to the extent of the amounts so received without any interest thereon, and the City and the Trustee or Paying Agent will have no responsibility with respect to such money.

DEFAULTS AND REMEDIES

Events of Default. Any of the following events will be deemed an “Event of Default” under the General Indenture:

(1) 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 upon proceedings for redemption including sinking fund redemptions;

(2) a failure to pay any installment of interest on any Bond when the same becomes due and payable; and

(3) a failure by the City to observe and perform any covenant, condition, agreement, or provisions (other than as described in subparagraphs (1) and (2) 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 90 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee. The Trustee may give such notice in its discretion, and must give such notice at the written request of Owners of not less than 25% of principal amount of the Bonds, unless the Trustee, or the Trustee and the 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; except that the Trustee, or the Trustee and the Owners of such principal amount of Bonds, as the case may be, will be deemed to have agreed to an extension of such period if corrective action is initiated by the City within such period and is being diligently pursued.

Remedies on Default. Upon 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, 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 described in 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, but before any judgment or decree for the payment of the money due is obtained or entered as hereinafter described, the City causes to be deposited with the Trustee a sum sufficient to pay all matured installments of principal of and interest on all Bonds that are due otherwise than by reason of such declaration (with interest upon such overdue installments of interest, at the rate per annum borne by the Bonds) and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default under the General Indenture other than nonpayment of the principal of the Bonds that 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. The Trustee will promptly give written notice of such waiver, rescission, or annulment to the City and the North Carolina Local Government Commission, and 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.

Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of registered Owners of not less than a majority in principal amount of the Bonds and receipt of indemnity to its satisfaction, must, in its own name and as the trustee of an express trust:

(1) by mandamus, or other suit, action, or proceeding at law or in equity, enforce all rights of the Owners, and require the City to carry out any agreements with or

for the benefit of the Owners of the Bonds and to perform its duties under the General Indenture;

(2) take whatever action at law or in equity may appear necessary or desirable to enforce its rights against the City.

No right or remedy set forth in the General Indenture is intended to be exclusive of any other rights or remedies, but each and every such right or remedy is cumulative and in addition to any other remedy given thereunder or now or hereafter existing at law or in equity or by statute. If any Event of Default occurs and if requested by the Owners of a majority in aggregate principal amount of Bonds and indemnified as provided in the General Indenture, the Trustee is 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.

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 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 thereunder, except 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 as described in this paragraph until the indemnity provided in the General Indenture is furnished to it by such Owners.

Limitation on Rights of Owners. No Owner has 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 twenty-five percent (25%) in principal amount of the Bonds 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 granted in the General Indenture or granted under the law or to institute such action, suit, or proceeding in its name and unless, also, the Trustee has been offered 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 in every such case, at the option of the Trustee, conditions precedent to the execution of the powers under the General Indenture or for any other remedy thereunder or by law. No one or more Owners has 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 thereunder or under law with respect to the Bonds or the General Indenture, except in the manner therein provided, and all proceedings at law or in equity must be instituted, had, and maintained in the manner provided in the General Indenture and for the benefit of all Owners. Nothing contained in the General Indenture as described under this subheading affects or impairs the right of any Owner of Bonds to enforce the payment of the principal of and interest on its Bonds at the time and place expressed in such Bond.

Each Owner of Bonds, by its acceptance of a Bond, is 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 described in this paragraph do not apply to any suit instituted by the Trustee, to any suit instituted by Owners of at least 25% in principal

amount of the Bonds, 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.

Subordination of Claims for Interest. No claim for interest appertaining to any of the Bonds that 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.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Effective Upon 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 may be adopted, which, upon the filing by the City with the Trustee in accordance with the General Indenture, will be fully effective in accordance with its terms:

(1) 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;

(2) 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 that are not contrary to or inconsistent with the General Indenture as theretofore in effect;

(3) to surrender any right, power, or privilege reserved to or conferred upon 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;

(4) 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 Revenues or any other revenues or assets;

(5) to modify any of the provisions of the General Indenture in any respect whatsoever, but only if (i) 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 (ii) 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;

(6) to provide for the delivery of a Qualified Reserve Fund Substitute; 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 Upon 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 adopted that, upon (a) the filing by the City with the Trustee of a copy thereof in accordance with the General Indenture, and (b) 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 changes in the General Indenture that will not adversely affect the interests of the Owners.

Any such Supplemental Indenture may also contain one or more of the purposes described under ***“--Supplemental Indentures Effective Upon Filing With the Trustee”*** above, and in that event, the consent of the Trustee described in this paragraph will apply only to those provisions of such Supplemental Indenture as contain one or more of the purposes set forth in subparagraphs (1), (2), or (3) of this paragraph.

Notwithstanding anything in the General Indenture to the contrary, (1) any initial purchaser, underwriter or remarketing agent holding any 2025 Bonds or another Series of the Bonds issued after the issuance of the 2025 Bonds may, regardless of its intent to sell or distribute such Bonds in the future, consent as the Owner of such Bonds to any amendment or Supplemental Indenture as required or permitted by this section, including any amendment or Supplemental Indenture that adversely affects the interests of other Owners, and (2) any such holder providing its consent under this paragraph is not entitled to receive, nor is the City required to provide, any prior notice or other documentation regarding such amendment or Supplemental Indenture.

Supplemental Indentures Effective Upon Consent of Owners. Exclusive of Supplemental Indentures already described herein, 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; except that without the consent of the Owners of all the Bonds Outstanding, nothing contained in the General Indenture permits, or can be construed as permitting:

(1) 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 upon any redemption of any Outstanding Bond or the rate of interest thereon;

(2) the deprivation of the Owner of any Bond Outstanding of the lien created by the General Indenture (other than as originally permitted thereby);

(3) a privilege or priority of any Bond over any other Bond; or

(4) 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 which the consent of the Owners of Bonds is required as described above, the Trustee will, upon 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 principal 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 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.

General Provisions. As a condition to the effectiveness of any Supplemental Indenture, a Bond Counsel opinion must be delivered to the Trustee stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of the General Indenture, is authorized or permitted by the General Indenture, is valid and binding upon the City, and does not adversely affect the tax status of interest on the Bonds. No Supplemental Indenture may change or modify any of the rights or obligations of the Trustee without its written consent thereto. Nothing contained in the General Indenture as described under the caption “-- *Supplemental Indentures*” herein affects or limits the right of the City to enter into Series Indentures in connection with the issuance of additional Series of Bonds. Any Series Indenture may be amended or supplemented as provided therein.

Amendment of Series Indenture. The Series Indenture may be modified or amended at the same times, in the same manner and for the same purposes as the General Indenture. If such modification or amendment to the General Indenture affects only the 2025 Bonds, the percentage of Owners required to consent to the modification or amendment will be applied only to Outstanding 2025 Bonds.

Before the City and the Trustee enter into any Supplemental Indenture, there must have been delivered to the Trustee and the City an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the General Indenture and the Series Indenture, complies with the terms thereof, will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms and will not adversely affect the federal income tax status of the 2025 Bonds.

DEFEASANCE

If the City pays or causes to be 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 and 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, 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 and for all purposes of the General Indenture when (1) payment of the principal of such Bond plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the General Indenture) either (a) has been made or caused to be made in accordance with the terms thereof, or (b) has been provided for by irrevocably depositing with the Trustee in trust and irrevocably set aside exclusively for such payment, (i) money, sufficient to make such payment and/or (ii) non-callable Federal Securities maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient money to make such payment, and (2) 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, 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 money or Federal Securities.

Notwithstanding the preceding paragraph, no deposit as described under clause (1)(b) of such paragraph will be deemed a payment of such Bonds as aforesaid until (1) proper notice of redemption of

such Bonds has been given accordance with the applicable Series Indenture or in the event 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 Resolutions, that the deposit required by (1)(b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the caption “-- *Defeasance*” and stating the maturity or redemption date upon which money is to be available for the payment of the principal of said Bonds plus interest thereon to the due date thereof, or, or (2) the maturity of such Bonds.

APPENDIX H

BOOK-ENTRY-ONLY SYSTEM

APPENDIX H

BOOK-ENTRY ONLY SYSTEM

1. THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE 2025 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE 2025 BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2025 BONDS, AND OR OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

The Depository Trust Company
a subsidiary of The Depository Trust & Clearing Corporation

2. The Depository Trust Company (“DTC”) will act as securities depository for the 2025 Bonds. The 2025 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for the 2025 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2025 BONDS, AS DTC’S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE 2025 BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2025 BONDS.

3. 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 the 2025 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*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.

4. Purchases of 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2025 Bonds on DTC’s records. The ownership interest of each actual purchaser of the 2025 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 purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant

through which the Beneficial Owner entered into the transaction. Transfers of ownership interests with respect to the 2025 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 bonds representing their ownership interests in 2025 Bonds, except in the event that use of the book-entry system for the 2025 Bonds is discontinued.

5. To facilitate subsequent transfers, all 2025 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2025 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

6. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2025 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2025 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2025 Bonds may wish to ascertain that the nominee holding the 2025 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

7. Redemption notices shall be sent to DTC. If less than all of the 2025 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

8. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

BECAUSE DTC IS TREATED AS THE OWNER OF THE 2025 BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE INDENTURE, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE CITY, TO DTC OR TO THE TRUSTEE, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE 2025 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

9. Redemption proceeds, distributions, and dividend payments on the 2025 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 or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by

standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. THE CITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

10. DTC may discontinue providing its services as depository with respect to the 2025 Bonds at any time by giving reasonable notice to the City and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2025 Bond certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2025 Bond certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE CITY AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION 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 PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2025 BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TRUST AGREEMENT TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL PREPAYMENT OF THE 2025 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2025 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.