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**NEW ISSUE - Book-Entry Only**

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

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 21, 2026**

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

**\$10,440,000**

**City of Winston-Salem, North Carolina  
General Obligation Bonds**

*Consisting of*

*\$2,000,000 Taxable General Obligation Bonds, Series 2026A*

*\$8,440,000 General Obligation Bonds, Series 2026B*

**Dated: Date of Delivery**

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

*Tax Treatment*

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law, (1) interest on the 2026A Bonds is taxable as ordinary income for federal income tax purposes (2) assuming compliance by the City with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2026B 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 (3) interest on the Bonds is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.

*Redemption*

The 2026A Bonds will not be subject to redemption prior to their stated maturities.  
The 2026B Bonds will be subject to redemption prior to their stated maturities as described herein.

*Security*

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

*Interest Payment Dates*

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

*Denominations*

\$5,000 or any integral multiple thereof.

*Expected Closing/Settlement*

June 23, 2026.

*Bond Counsel*

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

*Municipal Advisor*

First Tryon Advisors LLC, Charlotte, North Carolina.

*Sale Date*

June 2, 2026.

*Sale of Bonds*

Pursuant to electronic bids in accordance with the respective Notices of Sale.

***The date of this Official Statement is June \_\_, 2026***

## MATURITY SCHEDULES

**\$2,000,000**  
**City of Winston-Salem, North Carolina**  
**Taxable General Obligation Bonds, Series 2026A**

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield<sup>1</sup></u>	<u>CUSIP+</u>
2027	\$500,000			
2028	500,000			
2029	500,000			
2030	500,000			

**\$8,440,000**  
**City of Winston-Salem, North Carolina**  
**General Obligation Bonds , Series 2026B**

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield<sup>2</sup></u>	<u>CUSIP+</u>
2031	\$530,000			
2032	530,000			
2033	530,000			
2034	530,000			
2035	530,000			
2036	530,000			
2037	530,000			
2038	530,000			
2039	525,000			
2040	525,000			
2041	525,000			
2042	525,000			
2043	525,000			
2044	525,000			
2045	525,000			
2046	525,000			

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<sup>1</sup> Information obtained from the underwriters of the 2026A Bonds.

<sup>2</sup> Information obtained from the underwriters of the 2026B Bonds.

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**CITY OF WINSTON-SALEM, NORTH CAROLINA**

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**CITY COUNCIL**

Allen Joines..... Mayor

Denise D. Adams.....Mayor Pro-Tempore

Scott Andree-Bowen

Barbara H. Burke

Robert C. Clark

Regina Ford Hall

Vivián V. Joiner

Annette Scippio

James Taylor, Jr.

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**CITY STAFF**

W. Patrick Pate..... City Manager

Aaron King..... Assistant City Manager

Ben Rowe..... Assistant City Manager

Angela Wright-Lanier ..... Assistant City Manager

Sharon Wojda..... Assistant City Manager

Dharam P. Singla ..... Interim Chief Financial Officer

Nora Cowen..... Assistant Chief Financial Officer

Camille French. .... City Attorney

Jayne Waldeck Cranfill..... City Clerk

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**MUNICIPAL ADVISOR**

First Tryon Advisors LLC  
Charlotte, North Carolina

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**BOND COUNSEL**

Parker Poe Adams & Bernstein LLP  
Raleigh, North Carolina

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
LOCAL GOVERNMENT COMMISSION

## INTRODUCTION

This Official Statement, including the cover page and the appendices, is intended to furnish information in connection with the sale and issuance of \$10,440,000 General Obligation Bonds of the City of Winston-Salem, North Carolina (the “City”), consisting of \$2,000,000 Taxable General Obligation, Series 2026A (the “2026A Bonds”) and \$8,440,000 General Obligation Bonds, Series 2026B (the “2026B Bonds” and together with the 2026A Bonds, the “Bonds”).

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

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

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), except, when it is in preliminary form, for the omission of certain pricing and other information to be made available by the successful bidder or bidders for the Bonds to the Commission. In accordance with the requirements of the Rule, the City has agreed in a resolution adopted by the City Council of the City on April 6, 2026 (the “Bond Resolution”) to certain continuing disclosure obligations. See “CONTINUING DISCLOSURE” herein.

## THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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

## THE BONDS

### Description

The Bonds will be dated their date of delivery and will bear interest from their date, payable on each June 1 and December 1, beginning December 1, 2026, at the interest rates set forth on the inside cover pages of this Official Statement. The Bonds will mature on June 1 in the years and principal amounts set forth on the inside cover page of this Official Statement.

Payments of interest will be made by the Bond Registrar on each interest payment date to the registered owner of the Bonds (or the previous Bond or Bonds evidencing the same debt as that evidenced by such Bonds) at the close of business on the record date for such interest, which shall be the 15<sup>th</sup> day (whether or not a business day) of the calendar month next preceding such interest payment date.

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

### Redemption Provisions

The 2026A Bonds will not be subject to redemption prior to their stated maturities.

The 2026B Bonds maturing on and after June 1, 2037 are subject to redemption prior to their stated maturities at the option of the City on or after June 1, 2036 in whole or in part at any time at a redemption price equal to 100% of the principal amount of each 2026B Bond to be redeemed, together with accrued interest thereon to the redemption date.

If less than all of the 2026B Bonds are called for redemption, the City shall select the maturity or maturities of the 2026B Bonds to be redeemed in such manner as the City in its discretion may determine and DTC and its participants shall determine which of the 2026B Bonds within a maturity are to be redeemed in accordance with its rules and procedures (or if the 2026B Bonds are not in book-entry, the City will select by lot); provided, however, that the portion of any 2026B Bond to be redeemed shall be in principal amount of \$5,000 or integral multiples thereof and that, in selecting 2026B Bonds for redemption, each 2026B Bond shall be considered as representing that number of 2026B Bonds which is obtained by dividing the principal amount of such 2026B Bond by \$5,000. Whenever the City elects to redeem 2026B Bonds, notice of such redemption of 2026B Bonds, stating the redemption date, redemption price and any conditions to the redemption and identifying the 2026B Bonds or portions thereof to be redeemed and further stating that on such redemption date there shall become due and payable on each 2026B Bond or portion thereof so to be redeemed, the principal thereof, and interest accrued to the redemption date and that from and after such date interest thereon shall cease to accrue, shall be given not less than 30 days nor more than 60 days before the redemption date in writing to DTC or its nominee as the registered owner of the 2026B Bonds, by prepaid certified or registered United States mail (or by such other means as permitted by DTC's rules and procedures), at the address provided to the City by DTC, but any failure or defect in respect of such mailing will not affect the validity of the redemption. If DTC is not the registered owner of the 2026B Bonds, the City will give notice at the time set forth above by prepaid first-class United States mail, to the then-registered owners of the 2026B Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the City.

If at the time of mailing of the notice of redemption there is not on deposit money sufficient to redeem the 2026B Bonds called for redemption, such notice may state that it is conditional on the deposit of money for the redemption on the date of redemption as set forth in the notice. Any notice,

once given, may be withdrawn by notice delivered in the same manner as the notice of redemption was given.

### **Authorization and Purpose**

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, bond orders duly adopted by the City Council of the City (the “Council”) on April 6, 2026, which bond orders were adopted and are now in effect and the Bond Resolution. The orders and the Bond Resolution authorize the Bonds to be issued to pay the costs for streets and sidewalks projects, for parks and recreation projects, for public safety projects, for public facilities improvements, for housing projects, and to pay the cost of issuance of the Bonds. See “THE PLAN OF FINANCE” herein for more information.

### **Security**

The Bonds are general obligations of the City. The City is authorized and required by law to levy on all real and tangible personal property taxable by the City such ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon.

### **THE PLAN OF FINANCE**

The 2026A Bonds are being issued for the purpose of providing funds, together with other available funds, to pay the capital costs of acquiring, constructing, renovating, and improving certain housing facilities for the benefit of persons of low income, or moderate income, or low and moderate incomes.

The 2026B Bonds are being issued for the purpose of providing funds, together with other available funds, to pay the capital costs of (1) improving, repairing, resurfacing, and replacing certain streets, sidewalks, bridges, and greenways located in the City; (2) acquiring, constructing, renovating, expanding and improving parks and recreation facilities; (3) renovating and improving certain public safety facilities, including, among other things, fire station facilities; and (4) acquiring, constructing, renovating, and improving certain public facilities.

### **THE CITY**

Information about the City can be found in **Appendix A** attached hereto.

### **CONTINUING DISCLOSURE**

In the Bond Resolution, the City has undertaken, for the benefit of the beneficial owners of the Bonds, to provide to the Municipal Securities Rulemaking Board (the “MSRB”):

- (a) by not later than seven months from the end of each fiscal year of the City, beginning with the fiscal year ending June 30, 2026, audited financial statements of the City for the preceding 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 from the end of each fiscal year of the City, beginning with the fiscal year ending June 30, 2026, (1) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year of the City for the type of information included

in the tables under headings "THE CITY - Debt Information and - Tax Information" in this Official Statement (excluding any information on overlapping units), and (2) the combined budget of the City for the then-current fiscal year, to the extent such items are not included in the audited financial statements referred to in (a) above;

- (c) in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
- (1) principal and interest payment delinquencies;
  - (2) non-payment related defaults, if material;
  - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (5) substitution of 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 Bonds or other material events affecting the tax status of the Bonds;
  - (7) modification to the rights of the beneficial owners of the Bonds, if material;
  - (8) bond calls, if material, and tender offers;
  - (9) defeasances;
  - (10) release, substitution or sale of any property securing repayment of the 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 relating to any such actions, other than pursuant to its terms, if material;
  - (14) appointment of a trustee or a successor or additional trustee or the change of name of a trustee, if material;
  - (15) incurrence of a financial obligation (as defined below) 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 beneficial owners of the Bonds, 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 by the City to provide required annual financial information described in (a) or (b) above on or before the date specified.

For purposes of the preceding paragraphs (15) and (16), the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of either (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

All information provided to the MSRB as described above shall be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The City may meet the continuing disclosure filing requirements described above by complying with any other procedure that may be authorized or required by the United States Securities and Exchange Commission.

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

Pursuant to the Bond Resolution, the City has 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:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City;
- (b) the information to be provided, as modified, would have complied with the requirements of the Rule the date of this Official Statement, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances, and
- (c) any such modification does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the City (such as bond counsel), or by the approving vote of the registered owners of a majority in principal amount of the Bonds pursuant to the terms of such resolution, as it may be amended from time to time, at the time of such amendment.

In the event that the City makes such a modification, 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 the Rule, in full of the principal of and interest on all of the Bonds.

The City has regularly filed its audited financial statements, certain operating data and certain material event notices as required pursuant to its prior continuing disclosure undertakings.

To the best of the City's knowledge, it has complied in all material respects with its previous continuing disclosure undertakings under Rule 15c2-12 for the past five fiscal years.

## **APPROVAL OF LEGAL PROCEEDINGS**

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

## **TAX TREATMENT**

### **The 2026A Bonds**

On the date of issuance of the 2026A Bonds, Parker Poe Adams & Bernstein LLP, Bond Counsel, will render an opinion that, under existing law, the interest on the 2026A Bonds is taxable as ordinary income for federal income tax purposes. 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 2026A Bonds.

Set forth below is a general summary of the anticipated material federal income tax consequences of the purchase, ownership and disposition of the 2026A Bonds. Such summary does not address every aspect of the federal income tax laws that may be relevant to prospective purchasers and owners of 2026A Bonds in light of their personal investment circumstances or to certain types of owners subject to special treatment under the federal income tax laws (for example, banks and life insurance companies) and is generally limited to investors who will hold 2026A Bonds as capital assets within the meaning of Section 1221 of the Code. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a prospective purchaser or owner. Accordingly, prospective purchasers and owners of the 2026A Bonds should consult their own tax advisors regarding federal, state, local, foreign and any other tax consequences with respect to the purchase, ownership and disposition of the 2026A Bonds in their own particular circumstances. Such summary is based on the provisions of the Code, the Treasury Regulations thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. No ruling on any of the issues summarized below has been or will be sought from the Internal Revenue Service and no assurance can be given that the Internal Revenue Service will not take contrary positions and will not prevail with such positions.

Prospective purchasers and owners of the 2026A Bonds should be aware that the acquisition, ownership of or the receipt, accrual or amount of interest with respect to the 2026A Bonds may result in collateral federal income tax liability consequences to certain taxpayers as well as any tax consequences that may arise under the laws of any state, local or foreign jurisdiction. The extent of such other collateral tax consequences will depend upon the owner's particular tax status or other items of income or deduction and prospective purchasers and owners of the 2026A Bonds, particularly prospective purchasers and owners that are dealers in securities or currencies, traders in securities, persons holding 2026A Bonds as a hedge, straddle, conversion or other integrated transaction for federal income tax purposes, insurance companies, financial institutions, tax-exempt organizations and United States holders whose functional currency is not United States dollars, should consult their own tax advisors as to the collateral tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, the 2026A Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The Code requires debt obligations, such as the 2026A Bonds, to be issued in registered form and denies certain benefits to the issuer and the holders of debt obligations failing such registration requirement. Such registration requirement with respect to the 2026A Bonds is expected to be satisfied.

Subject to certain exceptions, interest payments to the owners of 2026A Bonds will be reported to the Internal Revenue Service. Such information will be filed each year with the Internal Revenue Service on Form 1099 (or such other applicable form), which reflects the name, address and taxpayer identification number of each registered owner of the 2026A Bonds. A copy of Form 1099 (or such other applicable form) will be sent to each registered owner of the 2026A Bonds for federal income tax reporting purposes.

Tax Classification of 2026A Bonds. Bond Counsel is of the opinion that, under existing law, the 2026A Bonds will be treated for federal income tax purposes as indebtedness, and interest paid on the 2026A Bonds will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Market Discount. The resale of any 2026A Bond by any owner of such 2026A Bond may be affected by the "market discount" provisions of the Code. For such purpose, the market discount on any 2026A Bond will generally be equal to the amount, if any, by which the stated redemption price at maturity of such 2026A Bond immediately after its acquisition by such owner exceeds such owner's adjusted tax basis in such 2026A Bond. Subject to a de minimis exception, such market discount provisions generally require an owner of a 2026A Bond which is acquired by such owner at a market discount to treat any payment on, or any gain recognized on the sale, exchange, redemption or other disposition of, such 2026A Bond as ordinary income to the extent of any "accrued market discount" on such 2026A Bond which has not previously been included in income at the time of sale or other disposition by such owner. In general, any market discount on a 2026A Bond will be treated as accruing on a straight-line basis over the term of such 2026A Bond, or, at the election of the owner of such 2026A Bond, under a constant yield method. Prospective purchasers and owners of 2026A Bonds should consult their own tax advisors as to the tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, 2026A Bonds acquired at a market discount.

Premium. If a 2026A Bond is purchased by an owner at a premium, the owner may be entitled to amortize such premium as an offset to interest income (with a corresponding reduction in the owner's basis) under a constant yield method over the term of the 2026A Bond if an election under Section 171 of the Code is made or is previously in effect.

Sale of 2026A Bonds. If a 2026A Bond is sold or redeemed, the seller will recognize gain or loss equal to the difference between the amount realized on the sale or redemption and the seller's adjusted basis in the 2026A Bond. Such adjusted basis generally will equal the cost of the 2026A Bond to the seller, increased by any market discount included in the seller's gross income and decreased by any payments on the 2026A Bond. Except with respect to market discount, gain or loss recognized on a sale, exchange or prepayment of a 2026A Bond will generally give rise to capital gain or loss if the 2026A Bond is held as a capital asset and will be long-term if the holding period is more than one year. The holding period analysis may be affected by the determination of whether the 2026A Bonds are treated as a single debt instrument or a series of debt instruments and prospective purchasers and owners are especially encouraged to consult with their own tax advisers on this subject.

Foreign Investors. Generally, payments of interest on the 2026A Bonds to an owner of 2026A Bonds that is a nonresident alien individual, foreign corporation or other non-United States person (a "foreign person") not engaged in a trade or business within the United States will not be subject to federal income or withholding tax if such foreign person complies with certain identification requirements (including the delivery of a statement, signed by such owner under penalty of perjury, certifying that such owner is a foreign person and providing the name and address of such owner). Foreign investors should consult their own tax advisors regarding the potential imposition of withholding taxes. The summary herein assumes that the owners of the 2026A Bonds are not foreign persons. Special rules may apply to foreign persons with respect to the information reporting requirements and withholding taxes and foreign persons should consult their tax advisors with respect to the application of such reporting requirements and withholding taxes.

Information Reporting and Backup Withholding. Payments on the 2026A Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and the applicable Treasury Regulations issued thereunder, a non-corporate U.S. holder of the 2026A Bonds may be subject to backup withholding at the then-applicable withholding rate with respect to “reportable payments,” which include interest paid on the 2026A Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2026A Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the Internal Revenue Service notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code, or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. holder’s federal income tax liability, if any, provided that the required information is timely furnished to the Internal Revenue Service. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the Internal Revenue Service.

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.

State Tax Treatment of the Interest on the 2026A Bonds. Bond Counsel is further of the opinion that, under existing law, interest on the 2026A Bonds is exempt from State of North Carolina income taxation.

## **The 2026B Bonds**

On the date of issuance of the 2026B 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 2026B 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 2026B Bonds is exempt from State of North Carolina income taxation.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the 2026B 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 2026B 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 2026B 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 2026B Bonds to maintain the excludability of the interest on the 2026B 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 2026B Bonds in order that the interest on the 2026B 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 2026B Bonds. Failure to comply with certain of such requirements may cause the interest on the 2026B Bonds to be included in gross income for federal income tax purposes retroactive to the date of the issuance of the 2026B 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 2026B Bonds.

If the interest on the 2026B 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 2026B 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 2026B Bonds. Prospective purchasers and owners of the 2026B Bonds are advised that, if the Internal Revenue Service does audit the 2026B 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 2026B 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 2026B Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers and owners of the 2026B Bonds should be aware that ownership of the 2026B Bonds and the accrual or receipt of interest on the 2026B 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 2026B Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers and owners of the 2026B 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 2026B 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 2026B Bonds to be subject directly or indirectly to federal, state or local income taxation, adversely affect the market price or marketability of the 2026B Bonds or otherwise prevent the owners of the 2026B Bonds from realizing the full current benefit of the status of the interest on the 2026B Bonds.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond

Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel's opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the City, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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

Original Issue Discount. As indicated on the inside cover page, the 2026B Bonds maturing on June 1, 20\_\_<sup>1</sup> (the "OID Bonds"), are being sold at initial offering prices that are less than the principal amount payable at maturity.<sup>1</sup> Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

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

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering 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.

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<sup>1</sup> Information provided by the underwriters of the 2026B Bonds.

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 2026B Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

Original Issue Premium. As indicated on the inside cover page, the 2026A Bonds maturing on June 1, 20\_\_<sup>1</sup> and the 2026B Bonds maturing on June 1, 20\_\_<sup>1</sup> (collectively, the “Premium Bonds”), are being sold at initial offering prices which are in excess of the principal amount payable at maturity.<sup>1</sup> The difference between (a) the initial offering prices to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner’s cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the “adjusted basis” of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

## **INVESTMENT CONSIDERATION**

Under North Carolina law, a local governmental unit may not file for bankruptcy protection without the consent of the Commission. If bankruptcy proceedings were initiated by the City with the consent of the Commission, the bankruptcy proceedings could have adverse effects on owners of the Bonds, including (a) delay in enforcement of their remedies; (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the Bonds. The effect of the provisions of the United States Bankruptcy Code on the rights and remedies of the owners of the Bonds cannot be predicted and may be affected significantly by judicial interpretation, general principles of equity (regardless of whether considered in a proceeding in equity or at law) and considerations of public policy.

In addition to its consent to bankruptcy filings by local government units, North Carolina law vests authority in the Commission to intervene in the financial affairs, including taking full control of the financial affairs, of local government units, including the City, if the unit defaults, or in the opinion of the Commission will default, on a future debt service payment if financial policies and practices are not improved.

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<sup>1</sup> Information provided by the underwriters of the 2026B Bonds.

## **RATINGS**

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

## **MUNICIPAL ADVISOR**

First Tryon Advisors LLC, Charlotte, North Carolina has acted as municipal advisor to the City in connection with the issuance of the Bonds.

## **UNDERWRITING**

The underwriters for the 2026A Bonds are \_\_\_\_\_.<sup>1</sup>

Such underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the 2026A Bonds. If all of the 2026A Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters would anticipate total underwriters' discount of \$ \_\_\_\_\_<sup>1</sup>. The public offering prices or yields of the 2026A Bonds may be changed from time to time by such underwriters.

The underwriters for the 2026B Bonds are \_\_\_\_\_.<sup>2</sup>

Such underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the 2026B Bonds. If all of the 2026B Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters would anticipate total underwriters' discount of \$ \_\_\_\_\_<sup>2</sup>. The public offering prices or yields of the 2026B Bonds may be changed from time to time by such underwriters.

## **MISCELLANEOUS**

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

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

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<sup>1</sup>Information provided by the underwriters of the 2026A Bonds.

<sup>2</sup>Information provided by the underwriters of the 2026B Bonds.

## APPENDIX A

### INFORMATION CONCERNING THE CITY

#### 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 1,776,615 residents as of July 2025 (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 2024, *Forbes* magazine ranked the City 20<sup>th</sup> 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:

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
143,485	185,776	235,705	247,945

The estimated population of the City is as follows:

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
249,757	253,233	255,275	257,055	259,045

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

YEAR	CITY <sup>1</sup>	STATE <sup>2</sup>
2020	\$45,830	\$51,816
2021	48,649	57,233
2022	53,449	59,092
2023	54,744	62,233
2024	57,101	65,634

<sup>1</sup> Source: The City’s 2025 Annual Comprehensive Financial Report.

<sup>2</sup> 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. 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 to form Advocate 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 comprises 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 and 2.7 million square feet of mixed-use development, the new phase of development will extend the same mixed-use, ground-level activation found in the existing district on a 28-acre site and is anticipated to allow for approximately 1 million square feet of additional clinical, lab, retail and office space. 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 6, 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 3,300 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.

Hanesbrands, Inc. ("*Hanesbrands*") was, until recently, a Fortune 500 company headquartered in the City. Prior to its recent acquisition, the company was 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. Hanesbrands maintained well-known brands such as Hanes, Playtex, Maidenform and Bali. In 2024, Hanesbrands completed the sale of its Champion brand. On December 1, 2025, Gildan Activewear Inc. ("*Gildan*") acquired Hanesbrands at an equity value of approximately \$2.2 billion for Hanesbrands and an enterprise value of approximately \$4.4 billion, based on the value of Gildan's common stock at the time the transaction was announced. Post closing, Gildan's headquarters continue to be located in Montreal, Quebec. Gildan has stated its 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 almost \$1.1 billion in 2024.

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 18<sup>th</sup> and early 19<sup>th</sup> 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.

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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. 5<sup>th</sup>, 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:

<b>YEAR</b>	<b>NON-RESIDENTIAL NUMBER</b>	<b>NON-RESIDENTIAL VALUE</b>	<b>RESIDENTIAL NUMBER</b>	<b>RESIDENTIAL VALUE</b>	<b>REHABILITATION VALUE</b>	<b>TOTAL VALUE</b>
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.

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## TAXABLE SALES

Taxable sales figures are not available for the City. The taxable sales for the County for the fiscal years ended June 30, 2021 through 2025 and a portion of the fiscal year ending June 30, 2026 are shown in the following table:

<b>FISCAL YEAR ENDED JUNE 30</b>	<b>TOTAL TAXABLE SALES</b>	<b>PERCENTAGE INCREASE OVER PREVIOUS YEAR</b>
2021 <sup>1</sup>	\$6,968,752,208	21.7%
2022 <sup>1</sup>	7,862,160,614	12.8
2023	8,328,159,602	5.9
2024	8,525,950,987	2.4
2025	8,639,140,958	1.3
2026 (9 months) <sup>2</sup>	6,558,516,359	-

<sup>1</sup> 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.

<sup>2</sup> For the 9-month period ended March 31, 2026. Total taxable sales for the comparable 9-month period ended March 31, 2025 were \$6,327,877,311, representing an increase of approximately 3.6% for the current period.

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

## EMPLOYMENT

### Ten Largest Employers in the City as of June 30, 2025

<b>EMPLOYER</b>	<b>TYPE</b>	<b>APPROXIMATE NUMBER OF EMPLOYEES</b>
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 <sup>1</sup>
Truist Bank	Financial Services	4,000
Wells Fargo Bank	Financial Services	3,306 <sup>2</sup>
City of Winston-Salem	Government	2,287
Wake Forest University	Education	2,270
Reynolds American Inc.	Manufacturing	2,150
Forsyth County	Government	2,116
Hanesbrands Inc. <sup>3</sup>	Apparel	<u>1,000</u>
<b>TOTAL EMPLOYEES</b>		<b>52,209</b>

Source: City of Winston-Salem, North Carolina 2025 Annual Comprehensive Financial Report

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

<sup>2</sup> 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.

<sup>3</sup> On December 1, 2025, Hanesbrands was acquired by Gildan, which has stated its intent to maintain a strong presence in the City.

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 (latest data available):

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2021	7.0%	6.8%	6.2%	5.9%	5.8%	6.3%	6.0%	5.7%	4.9%	4.9%	4.5%	3.8%
2022	4.5	4.3	3.9	3.7	3.9	4.5	4.7	4.7	3.9	4.1	4.0	3.7
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	4.1	3.5	3.9	4.4	4.7	4.4	3.6	3.6	3.9	3.6
2025	4.2	4.2	4.2	3.8	4.2	4.6	4.7	4.7	4.1	N/A <sup>1</sup>	4.2	3.9
2026	4.5	4.2	N/A	N/A								

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

<sup>1</sup> Data not posted due to federal government shutdown.

## 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. The City’s Chief Financial Officer retired effective May 8, 2026. The City has retained a national executive search firm to identify a permanent replacement. In the interim, the former Deputy Chief Financial Officer has been appointed as Acting/Interim Chief Financial Officer until a permanent Chief Financial Officer is appointed.

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:

<u>SCHOOL YEAR</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
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 and 39 countries are represented. 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 United States.

Founded in 1772, Salem College is the nation’s 13<sup>th</sup> 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 the 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 40<sup>th</sup> 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 Rauschenberg. 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, 52 playgrounds, a football field, over 25 miles of greenway, 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. As part of these efforts, the City worked with state and local agencies to investigate and respond to the event. During its response, the City determined that a minimal amount of information was copied by the unauthorized actor. In response, the City notified potentially impacted individuals in accordance with state law. The City's investigation and response have since concluded and no further activity is anticipated with respect to the event.

Although the City's cybersecurity and operational safeguards are regularly tested, cyber criminals are constantly evolving their methods and thus the risk of cybercrime can never be completely neutralized. 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. Should a future event occur, the City will rely on its incident response processes, expertise, and state and local partnership to respond.

**DEBT INFORMATION**

**Legal Debt Limit.** In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the City had the statutory capacity to incur additional net debt in the amount of \$2,414,336,910 as of June 30, 2025.

**Outstanding General Obligation Debt**

<b>PRINCIPAL OUTSTANDING AS OF</b>	<b>JUNE 30, 2022</b>	<b>JUNE 30, 2023</b>	<b>JUNE 30, 2024</b>	<b>JUNE 30, 2025</b>
<b>TOTAL BONDS</b>	\$209,315,000	\$243,195,000	\$225,525,000	\$209,865,000

**General Obligation Debt Ratios**

<b>AS OF JUNE 30</b>	<b>TOTAL GO DEBT</b>	<b>ASSESSED VALUATION<sup>1</sup></b>	<b>TOTAL GO DEBT TO ASSESSED VALUATION</b>	<b>POPULATION<sup>2</sup></b>	<b>TOTAL GO DEBT PER CAPITA</b>
2022	\$209,315,000	\$26,290,412,040	0.80%	255,275	\$820
2023	243,195,000	27,032,607,127	0.90	257,055	946
2024	225,525,000	27,749,365,631	0.81	259,045	871
2025	209,865,000	28,211,239,000	0.74	259,045 <sup>3</sup>	810
<b>AFTER 2026 BONDS NOW OFFERED ARE ISSUED</b>	\$204,330,000	\$39,448,495,424 <sup>4</sup>	0.52%	259,045 <sup>3</sup>	\$789

<sup>1</sup> Property in the County is appraised at least once every eight years as required by State law. The most recent appraisal was effective as of January 1, 2025, and is reflected in the Fiscal Year ending June 30, 2026. Property is assessed at 100% of appraised value. Tax rates are per \$100 of assessed value.

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

<sup>3</sup> 2024 population (latest data available).

<sup>4</sup> The increase in assessed valuation for Fiscal Year 2026, as compared to Fiscal Year 2025, is attributable, at least in part, to the County’s reappraisal effective January 1, 2025.

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**Future General Obligation Debt Service Requirements as of June 30, 2025**

Fiscal Year Ending June 30th	Outstanding Debt		Bonds Now Offered
	Principal	Principal & Interest	G.O. 2026
2026	\$ 15,975,000.00	\$ 23,779,562.26	
2027	15,055,000.00	22,261,658.76	\$ 500,000.00
2028	15,325,000.00	21,947,002.76	500,000.00
2029	14,175,000.00	20,183,643.76	500,000.00
2030	14,570,000.00	19,982,843.76	500,000.00
2031	14,955,000.00	19,721,393.76	530,000.00
2032	15,030,000.00	19,164,212.50	530,000.00
2033	14,665,000.00	18,188,262.50	530,000.00
2034	15,055,000.00	18,021,987.50	530,000.00
2035	15,385,000.00	17,866,487.50	530,000.00
2036	15,720,000.00	17,706,600.00	530,000.00
2037	11,910,000.00	13,392,162.50	530,000.00
2038	7,405,000.00	8,507,262.50	530,000.00
2039	7,490,000.00	8,343,543.76	525,000.00
2040	7,580,000.00	8,183,175.00	525,000.00
2041	3,190,000.00	3,572,800.00	525,000.00
2042	3,190,000.00	3,445,200.00	525,000.00
2043	3,190,000.00	3,317,600.00	525,000.00
2044			525,000.00
2045			525,000.00
2046	-	-	525,000.00
<b>Totals</b>	<b>\$ 209,865,000.00</b>	<b>\$ 267,585,398.82</b>	<b>\$ 10,440,000.00</b>

**General Obligation Bonds Authorized and Unissued**

<b>PURPOSE</b>	<b>DATE APPROVED</b>	<b>AUTHORIZED AND UNISSUED</b>	<b>2026 BONDS NOW OFFERED</b>	<b>REMAINING BALANCE</b>
Streets & Sidewalks	04/06/2026	\$ 6,612,190	\$ 6,612,190	-
Parks & Recreation	04/06/2026	449,345	449,345	-
Public Safety	04/06/2026	247,865	247,865	-
Public Facilities	04/06/2026	1,130,600	1,130,600	-
Housing	04/06/2026	2,000,000	2,000,000	-
Refunding	04/06/2026	37,800,000	-	\$37,800,000
<b>TOTAL</b>		<b>\$48,240,000</b>	<b>\$10,440,000</b>	<b>\$37,800,000</b>

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

UNIT	2024 POPULATION <sup>1</sup>	ASSESSED VALUATION	TAX RATE PER \$100	DEBT AUTHORIZED AND UNISSUED		TOTAL GO DEBT		TOTAL GO DEBT PER CAPITA
				UTILITY	OTHER	UTILITY	OTHER	
Forsyth County	399,059	\$46,628,874,088	\$.6778	\$ —	\$ —	\$ —	\$572,495,000	\$1,435

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

**Other Long-Term Commitments.** Debt information of the City is also disclosed in the Note 2E to the Financial Statements.

**Installment Financing.** Future requirements representing principal and interest of contracts payable as of June 30, 2025, as follows:

	JUNE 30	PRINCIPAL	INTEREST	TOTAL
2026		\$ 20,013,360	\$ 3,293,596	\$ 23,306,956
2027		16,549,129	2,852,726	19,401,855
2028		13,976,250	2,443,197	16,419,447
2029		8,704,000	2,099,674	10,803,674
2030-2034		41,969,000	6,859,289	48,828,289
2035-2039		18,620,000	1,970,304	20,590,304
2040-2043		2,420,000	145,200	2,565,200
Total		\$122,251,739	\$19,663,986	\$141,915,725

In August 2025, Limited Obligation Bonds, Series 2025A were executed and delivered in the aggregate principal amount of \$37,820,000 and Taxable Limited Obligation Bonds, Series 2025B were executed and delivered in the aggregate principal amount of \$3,030,000 to finance various City projects. In December 2025, Limited Obligation Bonds, Series 2025C in the aggregate principal amount of \$24,470,000 were executed and delivered to finance improvements to solid waste management facilities. Debt service on these obligations is not reflected in the table above.

**Revenue Bonds.** North Carolina law authorizes the City to issue revenue bonds to finance improvements to certain revenue producing enterprises. As of June 30, 2025, the City had \$345,775,000 in indebtedness secured solely by specified revenue sources, including revenues of the water and sewer utility system and stormwater management fees.

On April 22, 2026, the City issued publicly offered water and sewer system revenue refunding bonds totaling \$68,270,000 to defease and refund certain of its outstanding water and sewer system revenue bonds.

**State Revolving Loans.** During fiscal year 2025, the City’s Water and Sewer Utility fund received \$21,909,882 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 \$9.5 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 \$5,547,995 were made in fiscal year 2025. At June 30, 2025, the City had \$155,824,461 outstanding.

**Leases.** The City has entered into agreements to lease certain property and equipment. The City had \$9,313,270 in principal amount outstanding as of June 30, 2025.

**DEBT OUTLOOK**

The City’s next anticipated general obligation bond issuance is expected to be a “two-thirds” bond issuance in fiscal year 2028, which may occur as early as July 2027. The City is evaluating the need for a general obligation bond referendum in 2028. If approved, the current debt model contemplates initial issuances associated with any such referendum authority beginning in fiscal year 2030, which may occur as early as July 2029. The City will continue to evaluate refunding opportunities in connection with its future general obligation bond issuances.

**TAX INFORMATION**

**General Information**

	Fiscal Year Ended or Ending June 30				
	2022	2023	2024	2025 <sup>3</sup>	2026 <sup>3</sup>
Assessed Valuation:					
Assessment Ratio <sup>1</sup>	100%	100%	100%	100%	100%
Real Property	\$21,035,151	\$21,391,396	\$21,726,802	\$21,945,704	\$32,965,040
Personal Property	4,788,209	5,112,423	5,487,262	5,720,893	5,840,261
Public Service Companies <sup>2</sup>	467,052	528,789	535,301	544,642	569,632
Total Assessed Valuation	\$26,290,412	\$27,032,608	\$27,749,365	\$28,211,239	\$39,448,495
Rate per \$100	0.6124	0.6360	0.6610	0.7250	0.567
Levy	\$162,080	\$173,172	\$184,755	\$204,825	\$231,141

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

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

<sup>3</sup> Estimated.

NOTE - Assessed valuations and tax levies above in thousands.

**Tax Collections**

FISCAL YEAR	PRIOR YEARS' LEVIES COLLECTED	CURRENT YEARS' LEVY COLLECTED	PERCENTAGE OF CURRENT YEARS' LEVY COLLECTED
2021	\$559,829	\$149,037,995	99.7%
2022	592,474	161,086,013	99.8
2023	625,028	172,047,199	99.7
2024	821,906	183,532,222	99.8
2025	-	203,335,531	99.7

Notes:

<sup>1</sup> Tax collections do not include penalties and interest of \$477,181 and refunds of (\$259,366) in fiscal year 2025.

<sup>2</sup> Outstanding delinquent taxes includes amounts considered uncollectible. The allowance for uncollectible accounts at June 30, 2025 was \$1,054,686.

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

COMPANY	TYPES OF ENTERPRISE	ASSESSED VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION
Reynolds American Inc.	Manufacturing	\$ 416,252,131	1.48%
Duke Energy Corp/ Piedmont Natural Gas	Public Utility	411,662,248	1.46
Wells Fargo Bank NA	Financial Services	355,480,338	1.26
Caterpillar Inc.	Manufacturing	227,971,979	0.81
Ventas Inc.	Real Estate Management	221,848,171	0.79
Parr Investments	Real Estate Management	171,829,105	0.61
Ardagh Metal Packaging	Manufacturing	158,189,094	0.56
Lowe's Data Center	Home Improvement Retail	157,056,549	0.56
Atrium Wake Forest Baptist Health	Healthcare	143,917,683	0.51
JG Winston-Salem LLC	Manufacturer	125,009,201	0.44
<b>TOTALS</b>		<b>\$2,389,216,499</b>	<b>8.48%</b>

Source: Forsyth County Tax Department.

**2025-2026 BUDGET OUTLOOK**

As of April 30, 2026, General Fund revenues are performing in line with the City's expectations for the fiscal year ending June 30, 2026. While revenues collected to date represent approximately 88.7% of the annual budget, such results are consistent with historical collection patterns, particularly with respect to the timing of property and sales tax receipts. Based on current trends and the City's conservative budgeting practices, revenues are expected to meet or modestly exceed budgeted amounts by fiscal year end.

General Fund expenditures through this period total approximately 75.8% of the annual budget and are generally consistent with prior year spending patterns. The City is not aware of any material variances in revenues or expenditures, or any unplanned or unbudgeted cash outlays, that would be expected to adversely affect its financial position for the fiscal year ending June 30, 2026.

The City adopted a General Fund budget for the fiscal year ending June 30, 2026 of \$303.7 million, representing an increase of \$14.6 million from the prior fiscal year. The City's property tax rate for the fiscal year is \$0.567 per \$100 of assessed value. The budget includes a planned appropriation of fund balance of approximately \$1.5 million; however, based on current projections the anticipated use of fund balance at year end is around \$4.8 million for one-time expenditures that were intentionally budgeted as uses of undesignated fund balance.

Overall, the City expects General Fund operations for the fiscal year ending June 30, 2026 to remain stable and consistent with budgeted expectations.

## 2026-2027 BUDGET COMMENTARY

On May 4, 2026, the City Manager presented the proposed budget for Fiscal Year 2026-2027 to the City Council. The proposed budget totals approximately \$702.5 million, with \$548.0 million allocated to operations, \$49.7 million to debt service, and \$104.8 million to capital improvements. The proposed budget contemplates a 2.6-cent increase in the property tax rate, from the current rate of 56.7 cents to 59.3 cents per \$100 of assessed value. As of the date hereof, the proposed budget remains pending before the City Council and is expected to be adopted by June 30, 2026, as required by North Carolina law.

### PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

**General.** For a discussion of the defined benefit pension plans in which the City participates, see Note 3A 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, 2025 was 15.1% of compensation for law enforcement officers and 13.6% 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 \$21,336,164 for the fiscal year ended June 30, 2025. At June 30, 2025, the City reported a liability of \$105,766,332 for its proportionate share of the net pension liability. The total pension liability was measured as of June 30, 2024. 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 3A in the City's audited financial statements included as **Appendix C** hereto.

**Winston-Salem Police Officers' Defined Contribution Plan.** 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, 2025, the City reported a liability of \$22,999,127 for its proportionate share of the net pension liability. The total pension liability was determined by actuarial valuation as of January 1, 2025. 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 3A 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.

For the fiscal year ended June 30, 2025, the City contributed \$498,031 or 1.1% 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, 2025, the City reported a net OPEB asset of \$9,613,046.

For additional information, see Note 3B 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.

**THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION**

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

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

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

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

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

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

**Management Discussion and Analysis**

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

# Management's Discussion and Analysis

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, 2025. 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, 2025, include:

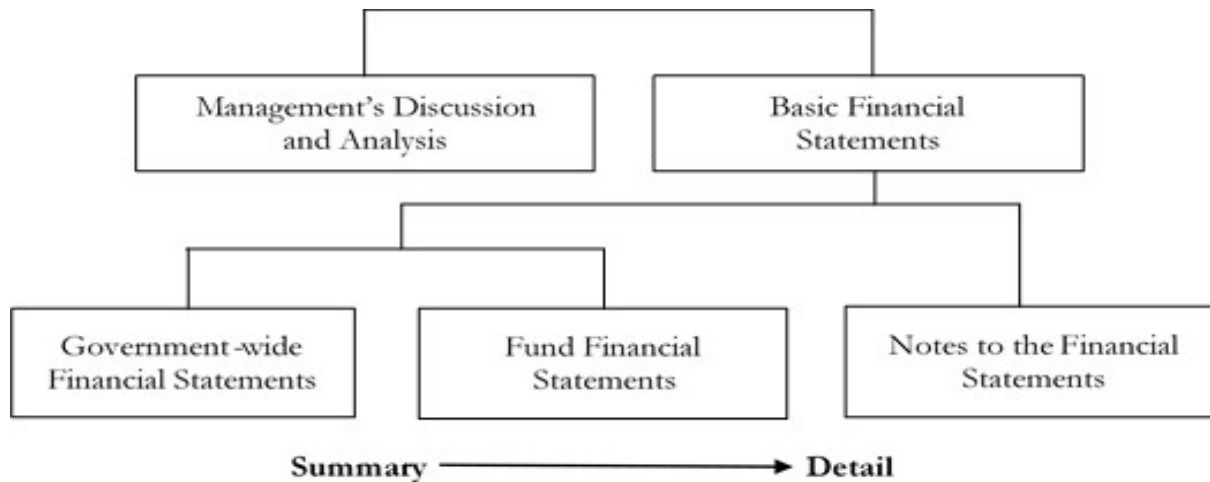
- City of Winston-Salem total net position increased approximately \$144 million from \$1.473 billion (as restated) to \$1.617 billion.
- As of June 30, 2025, total net position of \$1.617 billion included \$348 million (unrestricted net position), which in large part, have been reserved for specific 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, 2025, the City's governmental funds reported combined fund balances of \$319.4 million. Approximately 17.7% of this amount is unassigned and is available for spending at the government's discretion.
- Unassigned fund balance of the general fund (approximately \$71.6 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 2026 original budget includes a fund balance appropriation of \$1.54 million, a decrease of \$4.0 million compared to the fiscal year 2025 appropriation. The unassigned fund balance was 23.54% of 2026 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 \$72.4 million to \$1.05 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 \$15.66 million in general obligation bonds, the retirement of \$22.1 million in revenue bonds, the issuance of \$.3 million in leases, the issuance of \$2.64 million in information technology subscriptions, retirement of \$11.4 million limited obligation bonds, and retirement of \$26.8 million in installment financing contracts. The City received funding from Clean Water and Drinking Water State Revolving Loan Funds in the amount of \$21.9 million and retired \$5.5 million.

- Property taxes supported 55.6% of governmental services to citizens and the community, and 58.8% of mass transportation expenses in 2025. The City increased the tax rate from \$.6610 to \$.7250 for fiscal year 2025.
- 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 pension and 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, 2025 (as shown in Exhibit 1) with comparative data for June 30, 2024.

### Net Position

**Figure 2**

	(dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	Restated 2025	2024	Restated 2025	2024	Restated 2025	2024
Current and other assets	\$ 415,733	\$ 463,401	\$ 401,283	\$ 365,452	\$ 817,016	\$ 828,853
Capital assets	650,883	612,634	1,326,992	1,276,325	1,977,875	1,888,959
Net OPEB Asset	8,186	5,312	1,427	919	9,613	6,231
Total assets	<u>1,074,802</u>	<u>1,081,347</u>	<u>1,729,702</u>	<u>1,642,696</u>	<u>2,804,504</u>	<u>2,724,043</u>
Deferred outflows of resources	56,392	69,865	21,402	24,681	77,794	94,546
Long-term liabilities	514,085	572,595	631,666	640,958	1,145,751	1,213,553
Other liabilities	62,035	73,186	20,324	15,311	82,359	88,497
Total liabilities	<u>576,120</u>	<u>645,781</u>	<u>651,990</u>	<u>656,269</u>	<u>1,228,110</u>	<u>1,302,050</u>
Deferred inflows of resources	20,143	20,210	17,337	18,518	37,480	38,728
Net position:						
Net investment in capital assets	370,942	303,990	775,177	720,823	1,146,119	1,024,813
Restricted	92,945	158,304	29,620	40,827	122,565	199,131
Unrestricted	71,044	22,927	276,980	230,940	348,024	253,867
Total net position	<u>\$ 534,931</u>	<u>\$ 485,221</u>	<u>\$ 1,081,777</u>	<u>\$ 992,590</u>	<u>\$ 1,616,708</u>	<u>\$ 1,477,811</u>

As indicated above, assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$1.617 billion as of June 30, 2025.

Analysis of the business-type activities indicates that capital assets increased \$50.7 million and total net position increased \$89.6 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 \$54.3 million; this is primarily attributable to an increase in capital assets of \$38.2 million, as well as increases in receivables primarily related to grant revenues due from other agencies at June 30th, as well as an increase in the net OPEB asset due to strong investment returns.

A large portion of the City’s net position (71%) as of June 30, 2025, 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, 7.6% 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 38% as compared to the prior fiscal year, primarily due to a change in restricted for debt service as this amount is properly shown as unrestricted.

As of June 30, 2025, 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	
	Restated 2025	2024	Restated 2025	2024	Restated 2025	2024
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 37,910	\$ 32,326	\$ 196,430	\$ 179,259	\$ 234,340	\$ 211,585
Operating grants and contributions	30,341	26,915	23,467	10,244	53,808	37,159
Capital grants and contributions	11,478	1,253	13,998	12,413	25,476	13,666
General revenues:						
Property taxes	185,279	172,224	19,821	12,963	205,100	185,187
Sales taxes	75,669	70,783	-	-	75,669	70,783
Other local taxes	1,815	1,719	-	-	1,815	1,719
Telecommunications sales tax	946	1,007	-	-	946	1,007
Utilities sales tax	18,288	16,368	-	-	18,288	16,368
Piped natural gas sales tax	1,158	1,051	-	-	1,158	1,051
Video programming tax	1,528	1,679	-	-	1,528	1,679
Local tax reimbursements	1,019	1,236	-	-	1,019	1,236
Gain on disposal of capital assets	-	-	104	2,701	104	2,701
Investment income	17,033	21,032	25,906	28,686	42,939	49,718
Other	4,127	4,274	-	-	4,127	4,274
Total revenues	<u>386,591</u>	<u>351,867</u>	<u>279,726</u>	<u>246,266</u>	<u>666,317</u>	<u>598,133</u>

## Changes in Net Position

## Figure 3 Continued

(dollars in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	Restated 2025	2024	Restated 2025	2024	Restated 2025	2024
<b>Expenses:</b>						
General government	\$ 52,174	\$ 52,330	\$ -	\$ -	\$ 52,174	\$ 52,330
Public protection	155,450	157,572	-	-	155,450	157,572
Environmental health	26,627	26,704	-	-	26,627	26,704
Transportation	41,313	24,692	-	-	41,313	24,692
Culture and recreation	22,147	20,731	-	-	22,147	20,731
Community and economic development	25,425	37,507	-	-	25,425	37,507
Interest and fiscal charges	10,100	11,287	-	-	10,100	11,287
Water and sewer utility	-	-	110,551	115,637	110,551	115,637
Solid waste disposal	-	-	12,694	12,472	12,694	12,472
Transit Authority	-	-	33,740	23,963	33,740	23,963
Parking	-	-	1,660	1,587	1,660	1,587
Stormwater management	-	-	8,228	7,320	8,228	7,320
Public assembly facilities management	-	-	19,326	16,672	19,326	16,672
Risk management reserve	-	-	2,971	2,678	2,971	2,678
Total expenses	333,236	330,823	189,170	180,329	522,406	511,152
Increase in net position before transfers	53,355	21,044	90,556	65,937	143,911	86,981
Transfers						
Government-wide	959	4,973	(959)	(4,973)	-	-
Increase in net position	54,314	26,017	89,597	60,964	143,911	86,981
Total net position, as previously reported	485,221	459,204	992,590	931,626	1,477,811	1,390,830
Change in accounting principle (Note 3H)	(4,604)	-	(410)	-	(5,014)	-
Total net position, as restated	480,617	-	992,180	931,626	1,472,797	931,626
<b>Net position - ending</b>	<b>\$ 534,931</b>	<b>\$ 485,221</b>	<b>\$ 1,081,777</b>	<b>\$ 992,590</b>	<b>\$ 1,616,708</b>	<b>\$ 1,477,811</b>

## Governmental Activities

Net position of governmental activities increased by \$54.3 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 \$19.9 million which is a 10.8% increase. Governmental activities property tax revenue increased \$13.1 million or 7.6%. The increase in tax revenues is a result of an increase in the property tax rate as well as a 1.66% increase in assessed valuation. The 2025 property tax rate was \$0.725, which was an increase of \$.064 as compared to 2024. Current real and personal property tax collections during fiscal year 2025 were 99.3% of the current year levy.
- General revenues, other than property taxes and investment income, increased \$6.4 million, including a sales tax increase of \$4.89 million, which was 6.9% higher than 2024. Utilities sales tax increased \$1.9 million, which was 11.7% higher than 2024.
- Investment income decreased \$4 million as compared to 2024. Investment returns remained strong during 2025, but lower cash balances and lower rates compared to 2024 resulted in a reduction.
- Program revenues provided 23.9% of the support for governmental services.
- Total governmental expenses increased \$2.4 million during fiscal year 2025 reflecting increases in public safety, transportation, and environmental health. The increases were largely offset by a decrease in community and economic development spending as compared to 2024.
- Federal and state grants are an important source of supplementary funding for public facilities and programs. During fiscal year 2025, the City received \$41.8 million in grant revenue for restricted programs. The city received \$15.9 million from the State of North Carolina for a new grant for economic development (shown in the Midtown Economic Development Grant Fund).

## Business-type Activities

Net position of business-type activities increased by \$89.6 million, primarily attributable to an increase in capital assets due to spending on large projects, particularly for water and sewer and solid waste. 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 7.36 cents collected in property taxes to be used for mass transportation.

### Business-type Activities

June 30, 2025

Figure 4

(dollars in thousands)

	Operating Expenses		Nonoperating Revenues			Transfers In (Out)	Increase (Decrease) Net Position
	Operating Revenues	Before Depreciation Expense	Depreciation Expense	Revenues (Expenses)	Capital Contributions		
Water and sewer utility	\$ 151,968	\$ 66,254	\$ 43,286	\$ 20,976	\$ 13,811	\$ (313)	\$ 76,902
Solid waste disposal	14,293	10,770	1,844	6,606	-	498	8,783
Transit Authority	1,514	30,964	2,674	32,491	-	(27)	340
Parking	589	1,199	461	56	-	709	(306)
Stormwater management	12,008	6,364	1,690	2,370	-	(2,935)	3,389
Public assembly facilities management	15,904	16,761	2,077	45	187	3,109	407
Risk management reserve	23	2,971	-	5,030	-	(2,000)	82
Total	\$ 196,299	\$ 135,283	\$ 52,032	\$ 67,574	\$ 13,998	\$ (959)	\$ 89,597

## 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 \$115.1 million of which \$71.6 million was unassigned. At year-end unassigned fund balance increased \$10.9 million as compared to fiscal year 2024 and was 23.6% of 2026 budgeted expenditures. The total fund balance of the general fund increased \$7.1 million during the fiscal year. The FY 2025 budget appropriated fund balance for various one-time projects including pay adjustments and various capital needs and studies.

The debt service fund has a fund balance of \$102 million as of June 30, 2025, an increase of \$19.5 million, all of which is committed for payment of debt service or purchases of equipment that will reduce the city's future reliance on debt and project debt service expenditures.

The fund balance of the capital projects fund decreased \$66.5 million, to \$25.7 million as of June 30, 2025, all of which is restricted for capital projects. Spending on capital projects and equipment accelerated as planned during the fiscal year, resulting in reduction in fund balance

**General Fund Budgetary Highlights.** The general fund revenues recognized a favorable budget variance of \$5.2 million during 2025.

Major budget amendments included an increase in appropriations of \$13.7 million for carry over encumbrances and adjustments totaling \$1 million to adjust community agency grants.

**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 \$819.4 million, \$74.1 million and \$28.5 million on June 30, 2025, respectively. The net position of the water and sewer fund increased \$76.9 million primarily due to strong investment returns, increases 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 2024 rates. In addition, the landfill rates were increased by \$1 per ton as compared to fiscal year 2024.

## 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, 2025, totals \$2 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)

**Figure 5**

June 30, 2025 with Comparative Data for June 30, 2024

	(dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 84,205	\$ 83,409	\$ 49,152	\$ 49,024	\$ 133,357	\$ 132,433
Buildings	184,448	176,586	146,162	152,981	330,610	329,567
Improvements other than buildings	275,158	273,019	972,152	872,792	1,247,310	1,145,811
Machinery and equipment	50,753	39,259	67,438	56,284	118,191	95,543
Construction in progress	45,565	28,650	90,337	144,568	135,902	173,218
Total	<u>\$ 640,129</u>	<u>\$ 600,923</u>	<u>\$ 1,325,241</u>	<u>\$ 1,275,649</u>	<u>\$ 1,965,370</u>	<u>\$ 1,876,572</u>
Right to use assets						
Leased equipment	\$ 237	\$ 299	\$ -	\$ -	\$ 237	\$ 299
Leased land	126	-	-	-	126	-
Leased buildings	8,618	9,131	399	422	9,017	9,553
Subscription assets	1,773	2,281	1,352	254	3,125	2,535
Total right to use assets	<u>\$ 10,754</u>	<u>\$ 11,711</u>	<u>\$ 1,751</u>	<u>\$ 676</u>	<u>\$ 12,505</u>	<u>\$ 12,387</u>
Grand total	<u>\$ 650,883</u>	<u>\$ 612,634</u>	<u>\$ 1,326,992</u>	<u>\$ 1,276,325</u>	<u>\$ 1,977,875</u>	<u>\$ 1,888,959</u>

Major capital asset transactions during the year include the following:

- Construction in progress for governmental activities was \$45.5 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 \$50.7 million which included major improvements to the extension of water and sewer lines, installation of automated meter infrastructure, stormwater system improvements, major improvements at the Hanes Mill Road Landfill, 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, 2025, the City had total bonded debt outstanding of \$656 million and \$62.8 million of premium, of which, \$210 million and \$20.8 million of premium is backed by the City’s full faith and credit and taxing power, \$101 million and \$2.8 million of premium is secured by city facilities, and \$346 million and \$39.3 million of premium 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, 2025 with Comparative Data for June 30, 2024

	(dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Bonds</b>						
General obligation	\$ 209,865	\$ 225,525	\$ -	\$ -	\$ 209,865	\$ 225,525
Discount/premium	20,765	22,554	-	-	20,765	22,554
Revenue	-	-	345,775	367,910	345,775	367,910
Discount/premium	-	-	39,295	43,550	39,295	43,550
Limited obligation bonds (NCMLC)	78,086	90,740	22,656	21,378	100,742	112,118
Discount/premium	2,659	2,978	91	180	2,750	3,158
<b>Other Contractual Obligations:</b>						
State loans	-	-	155,824	139,462	155,824	139,462
Installment contracts (NCMLC)	21,510	48,334	-	-	21,510	48,334
<b>Total</b>	<b>\$ 332,885</b>	<b>\$ 390,131</b>	<b>\$ 563,641</b>	<b>\$ 572,480</b>	<b>\$ 896,526</b>	<b>\$ 962,611</b>

The City has \$101 million and \$2.7 million of premium 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. The City has \$21.5 million in outstanding installment purchase loans and \$155.8 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 72% 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>
2026-2030	\$ 75,100	35.78%	\$ 33,055
2031-2035	75,090	35.78	17,872
2036-2040	50,105	23.88	6,028
2041-2043	9,570	4.56	766
	<u>\$ 209,865</u>	<u>100.00%</u>	<u>\$ 57,721</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 \$2,414,336,910.

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

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

**Governmental Activities.** The general fund accounts for municipal services that are covered primarily by property and sales taxes. The fiscal year 2025-2026 adopted budget is \$304 million, an increase of \$5.78 million or 1.9% compared to the fiscal year 2024-2025 adopted budget.

The FY 2025-26 budget major drivers include employee compensation, equipment replacement, and transit services. Employee compensation includes a combined cost of living and merit adjustment budgeted at 6% to keep up with public sector benchmarks and recruit and retain top-quality talent. 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 2025-26 budget includes a general fund balance appropriation of \$1.54 million to be used exclusively for non-recurring purposes such as a facility needs assessment, and an arc flash study as required by OSHA.

The fiscal year 2025-2026 operations budget is balanced by a tax rate of 56.7 cents per \$100, which is a 15.8 cent decrease from the previous rate of 72.5 cents. The reduction in the tax rate is reflective of the updated assessment of taxable values effective in 2026, which is completed once every four years. The tax rate adjustment was not revenue neutral; the increase in tax revenues due to large increases in assessed values 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 2025-2026 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 a 4% stormwater fee increase effective January 1, 2026, 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](http://www.cityofws.org).

## Financial Information

### Financial Statements

The financial statements of the City have been audited by certified public accountants for the fiscal years ended June 30, 2025, 2024 and 2023. Copies of these financial statements containing the reports of the independent certified public accountants are available by contacting the office of Kelly Latham, Chief Financial Officer, at City of Winston-Salem, P.O. Box 2511, Winston-Salem, North Carolina 27102 or on the City's website at <https://www.cityofws.org/642/Finance>.

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

The City financial statements present the government-wide financial statements, which are shown on pages D-2 through D-5 of this official statement and include fund and budgetary reporting. The government-wide financial statements are prepared on the full accrual basis of accounting. The government-wide statements report capital assets and all long-term obligations, for both governmental-type and business-type activities. As a result, government officials can demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as *major* funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the City's ability to manage and estimate its resources. See pages D-10 through D-14 for the presentation of the City's budgetary statements.

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

# City of Winston-Salem, North Carolina

## Statement of Net Position

Exhibit 1  
Page 1 of 2

June 30, 2025

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents/investments	\$ 272,491,126	\$ 264,968,103	\$ 537,459,229
Receivables			
Taxes, net	2,168,905	188,778	2,357,683
Accounts, net	2,518,313	24,383,282	26,901,595
Opioid	3,315,044	-	3,315,044
Other	-	12,506,510	12,506,510
Leases, net	448,295	612,854	1,061,149
Assessments, net	603,035	65,480	668,515
Loans, net	19,029,496	-	19,029,496
Total receivables	28,083,088	37,756,904	65,839,992
Due from other governments	36,803,669	3,332,037	40,135,706
Inventories	2,820,548	5,814,686	8,635,234
Prepaid items	395,153	354,207	749,360
Total current assets	340,593,584	312,225,937	652,819,521
<b>Noncurrent Assets</b>			
Restricted assets			
Cash and cash equivalents/investments	73,555,435	72,671,234	146,226,669
Net OPEB asset	8,185,901	1,427,145	9,613,046
Lease receivable, noncurrent	1,583,787	16,385,798	17,969,585
Capital assets			
Land	84,205,235	49,151,525	133,356,760
Construction in progress	45,564,601	90,337,029	135,901,630
Other capital assets, net of accumulated depreciation	510,359,297	1,185,308,308	1,695,667,605
Right to use leased assets, net of amortization	8,980,966	398,892	9,379,858
Right to use subscription assets, net of amortization	1,773,359	1,796,324	3,569,683
Total capital assets	650,883,458	1,326,992,078	1,977,875,536
Total noncurrent assets	734,208,581	1,417,476,255	2,151,684,836
Total assets	1,074,802,165	1,729,702,192	2,804,504,357
<b>Deferred Outflows of Resources</b>			
Pension deferrals	54,701,796	8,207,297	62,909,093
Charge on refunding	1,690,104	13,194,841	14,884,945
Total deferred outflows of resources	56,391,900	21,402,138	77,794,038

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, 2025

Page 2 of 2

	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 26,149,556	\$ 16,839,515	\$ 42,989,071
Accrued payroll	3,314,880	541,591	3,856,471
Compensated absences	10,274,187	816,570	11,090,757
Accrued interest payable	976,352	1,471,451	2,447,803
Loan escrow	6,161	-	6,161
Unearned revenue	21,313,918	239,712	21,553,630
Landfill closure and postclosure costs	-	385,800	385,800
Pollution remediation	-	30,000	30,000
Current maturities			
Claims payable	9,976,449	1,468,937	11,445,386
Leases payable	667,113	9,169	676,282
Subscriptions payable	547,043	435,699	982,742
Contracts payable	12,357,589	18,203,767	30,561,356
Bonds payable	15,975,000	23,165,000	39,140,000
Total current liabilities	<u>101,558,248</u>	<u>63,607,211</u>	<u>165,165,459</u>
<b>Noncurrent Liabilities</b>			
Construction contracts payable from restricted assets	-	11,865,555	11,865,555
Compensated absences	19,972,707	2,145,573	22,118,280
Landfill closure and postclosure costs	-	32,032,170	32,032,170
Pollution remediation	-	1,921,596	1,921,596
Claims payable	10,226,765	1,529,601	11,756,366
Leases payable	8,646,157	428,464	9,074,621
Subscriptions payable	364,018	445,544	809,562
Contracts payable	89,896,903	160,367,873	250,264,776
Bonds payable	214,655,340	361,905,109	576,560,449
Arbitrage liability	2,139,255	-	2,139,255
Net pension liability	128,660,349	15,741,173	144,401,522
Total noncurrent liabilities	<u>474,561,494</u>	<u>588,382,658</u>	<u>1,062,944,152</u>
Total liabilities	<u>576,119,742</u>	<u>651,989,869</u>	<u>1,228,109,611</u>
<b>Deferred Inflows of Resources</b>			
Leases	2,183,710	16,414,860	18,598,570
Pension deferrals	14,695,901	304,824	15,000,725
OPEB deferrals	3,263,279	568,927	3,832,206
Charge on refunding	-	48,916	48,916
Total deferred inflows of resources	<u>20,142,890</u>	<u>17,337,527</u>	<u>37,480,417</u>
<b>Net Position</b>			
Net investment in capital assets	370,942,503	775,177,378	1,146,119,881
Restricted for:			
Stabilization by state statute	53,974,971	-	53,974,971
Capital improvements	-	27,030,224	27,030,224
Maintenance and repair	-	1,162,850	1,162,850
General government	-	-	-
Public protection	1,434,248	-	1,434,248
Environmental health	404,082	-	404,082
Opioid settlement funds	3,843,676	-	3,843,676
Transportation	7,886,469	-	7,886,469
Culture and recreation	1,186,106	-	1,186,106
Community and economic development	10,570,685	-	10,570,685
OPEB	8,185,901	1,427,145	9,613,046
Perpetual care	5,458,364	-	5,458,364
Unrestricted	71,044,428	276,979,337	348,023,765
<b>Total net position</b>	<b><u>\$ 534,931,433</u></b>	<b><u>\$ 1,081,776,934</u></b>	<b><u>\$ 1,616,708,367</u></b>

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, 2025

Page 1 of 2

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Activities:</b>				
<b>Governmental:</b>				
General government	\$ 52,173,689	\$ 19,267,727	\$ 1,452,110	\$ -
Public protection	155,449,598	2,999,593	2,310,785	-
Environmental health	26,627,258	2,315,719	400,000	-
Transportation	41,313,208	3,144,767	11,376,219	11,203,997
Culture and recreation	22,147,177	2,220,584	-	274,321
Community and economic development	25,424,953	7,961,700	14,801,579	-
Interest and fiscal charges	10,100,161	-	-	-
Total governmental activities	333,236,044	37,910,090	30,340,693	11,478,318
<b>Business-type:</b>				
Water and sewer utility	110,551,020	152,100,250	8,989,844	13,810,625
Solid waste disposal	12,693,776	14,292,582	1,438,081	-
Transit Authority	33,740,171	1,513,984	12,479,730	-
Parking	1,659,452	588,775	-	-
Stormwater management	8,228,082	12,007,629	52,901	-
Public assembly facilities management	19,325,482	15,904,457	505,970	187,237
Risk management reserve	2,970,577	22,409	-	-
Total business-type activities	189,168,560	196,430,086	23,466,526	13,997,862
<b>Total Primary Government</b>	<b>\$ 522,404,604</b>	<b>\$ 234,340,176</b>	<b>\$ 53,807,219</b>	<b>\$ 25,476,180</b>

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, 2025

Page 2 of 2

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
<b>Activities:</b>			
<b>Governmental:</b>			
General government	\$ (31,453,852)	\$ -	\$ (31,453,852)
Public protection	(150,139,220)	-	(150,139,220)
Environmental health	(23,911,539)	-	(23,911,539)
Transportation	(15,588,225)	-	(15,588,225)
Culture and recreation	(19,652,272)	-	(19,652,272)
Community and economic development	(2,661,674)	-	(2,661,674)
Interest and fiscal charges	(10,100,161)	-	(10,100,161)
Total governmental activities	<u>(253,506,943)</u>	<u>-</u>	<u>(253,506,943)</u>
<b>Business-type:</b>			
Water and sewer utility	-	64,349,699	64,349,699
Solid waste disposal	-	3,036,887	3,036,887
Transit Authority	-	(19,746,457)	(19,746,457)
Parking	-	(1,070,677)	(1,070,677)
Stormwater management	-	3,832,448	3,832,448
Public assembly facilities management	-	(2,727,818)	(2,727,818)
Risk management reserve	-	(2,948,168)	(2,948,168)
Total business-type activities	<u>-</u>	<u>44,725,914</u>	<u>44,725,914</u>
<b>Total Primary Government</b>	<b><u>(253,506,943)</u></b>	<b><u>44,725,914</u></b>	<b><u>(208,781,029)</u></b>
<b>General revenues:</b>			
Taxes:			
Property taxes	185,278,613	19,820,955	205,099,568
Sales taxes	75,669,386	-	75,669,386
Gross receipts taxes	577,272	-	577,272
Occupancy taxes	1,237,531	-	1,237,531
Beer and wine excise tax-state	1,018,690	-	1,018,690
Telecommunications sales tax	945,578	-	945,578
Utilities sales tax	18,288,115	-	18,288,115
Piped natural gas sales tax	1,158,545	-	1,158,545
Video programming tax	1,527,799	-	1,527,799
Payments in lieu of taxes	244,445	-	244,445
ABC store allocations	3,882,852	-	3,882,852
Gain on disposal of capital assets	-	104,018	104,018
Investment income	17,032,832	25,905,527	42,938,359
Transfers			
Government-wide	958,915	(958,915)	-
Total general revenues and transfers	<u>307,820,573</u>	<u>44,871,585</u>	<u>352,692,158</u>
Change in net position	54,313,630	89,597,499	143,911,129
Total net position, as previously reported	485,221,674	992,589,917	1,477,811,591
Change in accounting principle (Note 3H)	(4,603,871)	(410,482)	(5,014,353)
Total net position, as restated	<u>480,617,803</u>	<u>992,179,435</u>	<u>1,472,797,238</u>
<b>Total net position - ending</b>	<b><u>\$ 534,931,433</u></b>	<b><u>\$ 1,081,776,934</u></b>	<b><u>\$ 1,616,708,367</u></b>

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, 2025

Exhibit 3

	General Fund	Debt Service Fund	Capital Projects Fund	Midtown	Other Governmental Funds	Total Governmental Funds
				Economic Development Grant Fund		
<b>Assets</b>						
Cash and cash equivalents/investments	\$ 96,650,694	\$ 89,858,518	\$ 14,522	\$ -	\$ 47,512,232	\$ 234,035,966
Restricted cash and cash equivalents	-	-	40,593,104	23,942,633	9,019,698	73,555,435
Receivables						
Taxes, net	1,855,295	310,395	-	-	3,215	2,168,905
Accounts, net	1,597,434	440,000	310,633	-	39,591	2,387,658
Restricted opioid	-	-	-	-	3,315,044	3,315,044
Leases, net	701,592	-	1,200,000	-	130,490	2,032,082
Assessments, net	602,755	-	280	-	-	603,035
Loans	-	-	-	-	19,029,496	19,029,496
Total receivables	4,757,076	750,395	1,510,913	-	22,517,836	29,536,220
Due from other governments	25,349,088	3,583,097	2,182,320	-	5,689,164	36,803,669
Due from other funds	2,117,804	8,750,000	-	-	-	10,867,804
Inventories	499,188	-	-	-	264,336	763,524
Prepaid items	20,557	-	-	-	-	20,557
<b>Total assets</b>	<b>\$ 129,394,407</b>	<b>\$ 102,942,010</b>	<b>\$ 44,300,859</b>	<b>\$ 23,942,633</b>	<b>\$ 85,003,266</b>	<b>\$ 385,583,175</b>
<b>Liabilities</b>						
Accounts payable	\$ 7,981,760	\$ 226,078	\$ 7,555,019	\$ 3,241,090	\$ 2,002,981	\$ 21,006,928
Accrued payroll	3,145,110	-	-	-	1,432	3,146,542
Due to other funds	-	-	8,750,000	-	915,670	9,665,670
Loan escrow	2,592	-	-	-	3,569	6,161
Unearned revenue	13,732	-	307,721	20,701,543	290,922	21,313,918
Total liabilities	11,143,194	226,078	16,612,740	23,942,633	3,214,574	55,139,219
<b>Deferred Inflows of Resources</b>						
Taxes	1,855,295	310,394	-	-	3,216	2,168,905
Opioid settlement	-	-	-	-	2,891,924	2,891,924
Grants	-	-	-	-	2,055,006	2,055,006
Leases	687,563	-	1,376,571	-	119,576	2,183,710
Accounts and assessments	640,227	440,000	624,089	-	-	1,704,316
Total deferred inflows of resources	3,183,085	750,394	2,000,660	-	5,069,722	11,003,861
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Leases	14,029	-	-	-	10,914	24,943
Inventories	499,188	-	-	-	264,336	763,524
Prepays	20,557	-	-	-	-	20,557
Perpetual care	-	-	-	-	5,458,364	5,458,364
<b>Restricted</b>						
Stabilization by state statute	41,434,989	12,408,038	-	-	131,944	53,974,971
Capital improvements	-	-	33,038,085	-	-	33,038,085
Public protection	-	-	-	-	2,487,623	2,487,623
Environmental health	-	-	-	-	404,082	404,082
Transportation	-	-	-	-	7,886,469	7,886,469
Culture and recreation	-	-	-	-	1,186,106	1,186,106
Community and economic development	-	-	-	-	10,570,685	10,570,685
<b>Committed</b>						
Community and economic development	-	-	-	-	48,770,090	48,770,090
Debt service	-	89,557,500	-	-	-	89,557,500
<b>Assigned</b>						
Subsequent year's budget: appropriation of fund balance	1,541,570	-	-	-	-	1,541,570
<b>Unassigned</b>	71,557,795	-	(7,350,626)	-	(451,643)	63,755,526
Total fund balances	115,068,128	101,965,538	25,687,459	-	76,718,970	319,440,095
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 129,394,407</b>	<b>\$ 102,942,010</b>	<b>\$ 44,300,859</b>	<b>\$ 23,942,633</b>	<b>\$ 85,003,266</b>	<b>\$ 385,583,175</b>

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, 2025

Exhibit 3.1

Total fund balances for governmental funds (Exhibit 3)	\$ 319,440,095
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	998,072,538
Accumulated depreciation	(357,943,405)
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	11,247,867
Accumulated amortization	(2,266,901)
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	4,323,657
Accumulated amortization	(2,550,298)
Net OPEB asset	8,185,901
Pension deferrals in the current fiscal year are deferred outflows of resources on the statement of net position.	54,701,796
Other assets not available to pay for current period expenditures and, therefore, are inflows of resources in fund statements.	
Property taxes	2,168,905
Unavailable resources	1,704,316
Grants	2,055,006
Opioid settlement	2,891,924
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.	
	14,301,121
Net pension liability	(128,660,349)
Pension related deferrals	(14,695,901)
OPEB related deferrals	(3,263,279)
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities:	
Accrued payroll	
Compensated absences	(30,246,894)
Accrued interest	(976,352)
Leases	(9,313,270)
Arbitrage liability	(2,139,255)
Subscriptions	(911,061)
Contracts payable	(102,254,492)
Bonds payable	(230,630,340)
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	1,690,104
<b>Net position of governmental activities (Exhibit 1)</b>	<b>\$ 534,931,433</b>

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, 2025

Exhibit 4

	General Fund	Debt Service Fund	Capital Projects Fund	Midtown Economic Development Grant Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 223,016,816	\$ 37,478,345	\$ -	\$ -	\$ 1,908,070	\$ 262,403,231
Licenses and permits	9,300,656	-	-	-	-	9,300,656
Intergovernmental	25,801,461	1,491,287	1,885,959	15,947,434	22,296,786	67,422,927
Investment income	-	11,549,936	566,006	-	2,694,149	14,810,091
Charges for services	19,045,213	-	180,595	-	8,107	19,233,915
NCMLC charges	-	-	1,155,615	-	-	1,155,615
Other	2,399,592	1,960,064	1,536,144	-	994,907	6,890,707
Total revenues	279,563,738	52,479,632	5,324,319	15,947,434	27,902,019	381,217,142
<b>Expenditures</b>						
Current						
General government	45,449,409	-	-	15,947,434	1,037,347	62,434,190
Public protection	145,110,706	-	-	-	2,459,861	147,570,567
Environmental health	26,959,864	-	-	-	-	26,959,864
Transportation	14,950,502	-	-	-	2,578,843	17,529,345
Culture and recreation	16,230,702	-	-	-	966,698	17,197,400
Community and economic development	22,119,460	-	-	-	9,071,321	31,190,781
Other	-	468,196	-	-	-	468,196
Capital outlay	-	-	55,756,779	-	-	55,756,779
Debt service						
Bond	-	15,660,000	-	-	-	15,660,000
Other	730,469	9,759,525	26,994,017	-	-	37,484,011
Interest and fiscal charges						
Bond	-	8,403,375	-	-	-	8,403,375
Other	251,661	2,621,667	890,584	-	-	3,763,912
Total expenditures	271,802,773	36,912,763	83,641,380	15,947,434	16,114,070	424,418,420
Excess of revenues over (under) expenditures	7,760,965	15,566,869	(78,317,061)	-	11,787,949	(43,201,278)
<b>Other Financing Sources (Uses)</b>						
Issuance of contracts payable	-	-	7,194,945	-	-	7,194,945
Transfers in	7,191,954	4,519,740	7,389,305	-	3,773,563	22,874,562
Transfers out	(8,447,402)	(582,510)	(2,785,620)	-	(11,856,585)	(23,672,117)
Lease liabilities issued	310,908	-	-	-	-	310,908
IT subscription agreements	230,100	-	-	-	-	230,100
Total other financing sources (uses), net	(714,440)	3,937,230	11,798,630	-	(8,083,022)	6,938,398
Net change in fund balances	7,046,525	19,504,099	(66,518,431)	-	3,704,927	(36,262,880)
Fund balance - beginning	108,021,603	82,461,439	92,205,890	-	73,014,043	355,702,975
<b>Fund balances - ending</b>	<b>\$ 115,068,128</b>	<b>\$ 101,965,538</b>	<b>\$ 25,687,459</b>	<b>\$ -</b>	<b>\$ 76,718,970</b>	<b>\$ 319,440,095</b>

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, 2025

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)	\$ (36,262,880)
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	67,278,680
Depreciation expense for governmental assets	(26,399,862)
Amortization expense for right to use assets	(2,150,340)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(478,782)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	21,336,164
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	434,092
Unavailable	668,197
Grants	2,055,006
Opioid settlement	(911,846)
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.	321,840
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	(310,908)
Arbitrage liability	(844,461)
Equipment contracts payable	(19,434,296)
Issuance of subscription based IT agreements	(1,021,502)
Decrease in contracts payable	32,407,827
Repayments:	
Bonds	17,448,244
Leases	566,302
Limited obligation bonds and installment financing	26,824,017
Subscriptions	1,640,523
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	(26,110,399)
OPEB expense	1,050,166
Compensated absences	(3,746,709)
Accrued interest	225,095
Amortization of deferred amounts of refunding	(270,538)
<b>Change in net position of governmental activities (Exhibit 2)</b>	<b><u>\$ 54,313,630</u></b>

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, 2025

Exhibit 5  
(Page 1 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes				
Property taxes				
Current levy	\$ 157,853,010	\$ 157,853,010	\$ 157,613,851	\$ (239,159)
Prior years levies	450,000	450,000	619,795	169,795
Penalty and interest on taxes	400,000	400,000	631,369	231,369
Total property taxes	158,703,010	158,703,010	158,865,015	162,005
Other local taxes				
Local option sales taxes	61,994,110	61,994,110	63,574,528	1,580,418
Gross receipts taxes	450,000	450,000	577,273	127,273
Total other local taxes	62,444,110	62,444,110	64,151,801	1,707,691
Total taxes	221,147,120	221,147,120	223,016,816	1,869,696
Licenses and permits				
Building permits	1,837,870	1,837,870	2,209,088	371,218
Electrical permits	1,295,680	1,295,680	1,634,492	338,812
Plumbing permits	573,580	573,580	538,007	(35,573)
Heating permits	648,540	648,540	603,399	(45,141)
Erosion control permits	-	-	1,750	1,750
Zoning board ordinances	13,000	13,000	11,650	(1,350)
Other construction related permits	144,700	144,700	126,966	(17,734)
Site inspection permits	22,000	22,000	3,000	(19,000)
Zoning permits	240,000	240,000	259,189	19,189
Refrigeration permits	2,850	2,850	3,874	1,024
Privilege licenses and penalties	8,000	8,000	6,800	(1,200)
Motor vehicle licenses	1,881,830	3,575,743	3,615,837	40,094
Other licenses and permits	612,110	612,110	286,604	(325,506)
Total licenses and permits	7,280,160	8,974,073	9,300,656	326,583
Intergovernmental revenues				
Beer and wine excise tax - state	1,010,740	1,010,740	1,018,690	7,950
Telecommunications sales tax	869,530	869,530	945,578	76,048
Utilities sales tax	15,723,560	15,723,560	18,288,115	2,564,555
Piped natural gas sales tax	1,189,840	1,189,840	1,158,545	(31,295)
Video programming tax	1,667,040	1,667,040	1,527,799	(139,241)
Payments in lieu of taxes	220,390	220,390	244,445	24,055
Emergency management	62,500	62,500	-	(62,500)
Other federal support	-	-	29,221	29,221
Other state grants	-	-	500	500
ABC store allocations	2,636,020	2,636,020	2,588,568	(47,452)
Total intergovernmental revenues	23,379,620	23,379,620	25,801,461	2,421,841

# 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, 2025

Exhibit 5

(Page 2 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues (continued)</b>				
Charges for sales and services				
Governmental services and sales				
Public safety services	\$ 92,800	\$ 92,800	\$ 63,809	\$ (28,991)
Transportation	230,000	230,000	255,167	25,167
Public works services	1,960,520	1,960,520	2,517,502	556,982
Governmental services	886,000	886,000	1,047,696	161,696
Miscellaneous sales and services	366,450	366,450	772,400	405,950
Total governmental services and sales	3,535,770	3,535,770	4,656,574	1,120,804
Charges to State of North Carolina				
Highway maintenance/special projects	224,760	224,760	245,281	20,521
Traffic control devices	375,000	375,000	376,027	1,027
Computerized traffic system	100,000	100,000	114,067	14,067
Total charges to state	699,760	699,760	735,375	35,615
Charges to Other Governments				
Forsyth County				
Planning board support	1,900,560	1,900,560	1,625,925	(274,635)
Emergency management	531,140	531,140	581,744	50,604
Inspections	211,250	211,250	(142,630)	(353,880)
Purchasing	128,140	128,140	125,773	(2,367)
Police	813,600	813,600	723,767	(89,833)
Other	11,000	11,000	12,410	1,410
Total charges to county	3,595,690	3,595,690	2,926,989	(668,701)
Interfund charges for services				
Engineering	1,325,000	1,325,000	1,145,399	(179,601)
Financial management services	1,293,640	1,293,640	1,293,645	5
Streets	85,000	85,000	134,395	49,395
Property management	1,399,660	1,399,660	1,149,029	(250,631)
Sanitation	40,000	40,000	38,390	(1,610)
Police	337,500	378,650	258,526	(120,124)
Real estate	100,000	100,000	131,445	31,445
Indirect cost allocation	5,877,490	5,877,490	5,877,490	-
Traffic engineering	427,000	427,000	559,800	132,800
Vegetation management services	50,000	50,000	64,187	14,187
Human relations	-	-	15,000	15,000
TURN program	60,010	60,010	58,559	(1,451)
Other	-	-	410	410
Total interfund charges for services	10,995,300	11,036,450	10,726,275	(310,175)
Total charges for sales and services	18,826,520	18,867,670	19,045,213	177,543

# 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, 2025

Exhibit 5  
(Page 3 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues (continued)</b>				
Other revenues				
Rentals	\$ 408,970	\$ 408,970	\$ 216,392	\$ (192,578)
Sales of property	410,000	410,000	597,801	187,801
Parking meters	110,000	110,000	80,790	(29,210)
Parking tickets	150,000	150,000	254,309	104,309
Fines and forfeitures	486,200	486,200	56,864	(429,336)
Miscellaneous revenue	462,423	429,969	1,193,436	763,467
Total other revenues	<u>2,027,593</u>	<u>1,995,139</u>	<u>2,399,592</u>	<u>404,453</u>
Total revenues	272,661,013	274,363,622	279,563,738	5,200,116
<b>Expenditures (by function)</b>				
General government				
Legislative	2,181,280	2,223,898	2,216,385	7,513
Executive	5,678,500	5,964,441	5,808,389	156,052
Staff services	9,381,170	9,950,488	8,821,421	1,129,067
Financial management	8,412,950	8,819,274	8,336,610	482,664
Intergovernmental services	16,301,047	18,588,234	17,488,510	1,099,724
Employee health	877,430	936,556	846,453	90,103
Human relations	1,080,790	1,203,757	962,779	240,978
Property tax collections	1,425,360	1,504,128	968,862	535,266
Total general government	<u>45,338,527</u>	<u>49,190,776</u>	<u>45,449,409</u>	<u>3,741,367</u>
Public protection				
Police	91,609,349	96,025,829	94,825,627	1,200,202
Fire	53,479,537	56,832,363	48,968,422	7,863,941
Emergency management	828,484	860,990	918,014	(57,024)
Total public protection	<u>145,917,370</u>	<u>153,719,182</u>	<u>144,712,063</u>	<u>9,007,119</u>
Environmental health				
Sanitation administration	1,099,504	1,152,563	1,112,141	40,422
Organic and solid waste collection	11,299,770	11,742,953	11,485,376	257,577
Sustainability	5,758,870	7,016,652	5,181,316	1,835,336
Yard waste collections	1,445,770	1,481,244	1,502,666	(21,422)
Curbside collection	8,158,365	8,671,527	7,536,000	1,135,527
Total environmental health	<u>27,762,279</u>	<u>30,064,939</u>	<u>26,817,499</u>	<u>3,247,440</u>

# 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, 2025

Exhibit 5  
(Page 4 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Expenditures (by function continued)</b>				
Transportation				
Technical support	\$ 2,291,509	\$ 2,436,719	\$ 2,302,199	\$ 134,520
Signal system operations	519,290	709,390	469,277	240,113
Traffic system maintenance	8,011,340	8,587,655	7,687,293	900,362
Street parking	350,720	373,360	317,562	55,798
Streets and sidewalks	6,565,458	7,478,838	4,174,171	3,304,667
Total transportation	17,738,317	19,585,962	14,950,502	4,635,460
Culture and recreation				
Recreation administration	1,733,258	1,759,697	1,739,330	20,367
Participant recreation	14,607,828	16,111,823	14,491,372	1,620,451
Total culture and recreation	16,341,086	17,871,520	16,230,702	1,640,818
Community and economic development				
Zoning and construction control	5,237,920	5,890,336	5,663,155	227,181
Real estate management	471,770	486,450	401,712	84,738
Planning board	3,016,110	3,163,234	2,920,967	242,267
Housing services	5,430,600	5,830,037	4,763,980	1,066,057
Housing and neighborhood development	939,420	972,867	940,777	32,090
Economic development	2,180,510	2,325,691	1,651,101	674,590
Community agencies	1,053,950	8,662,392	5,777,768	2,884,624
Total community and economic development	18,330,280	27,331,007	22,119,460	5,211,547
Debt service				
Principal	730,468	730,468	730,469	(1)
Interest and other charges	251,660	251,660	251,661	(1)
Total debt service	982,128	982,128	982,130	(2)
Other				
Appropriated expenditure reductions and pay plan adjustments	7,555,190	(4,403,420)	-	(4,403,420)
Total other	7,555,190	(4,403,420)	-	(4,403,420)
Total expenditures	279,965,177	294,342,094	271,261,765	23,080,329
Excess of expenditures (over) under revenues	(7,304,164)	(19,978,472)	8,301,973	28,280,445

# 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, 2025

Exhibit 5  
(Page 5 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses)</b>				
Transfers in				
Community development fund	\$ 1,302,390	\$ 1,302,390	\$ 1,067,631	\$ (234,759)
Gasoline tax fund	5,146,100	3,452,187	1,902,475	(1,549,712)
Economic and housing development fund	65,000	65,000	65,000	-
National opioid settlement fund	884,920	884,920	834,236	(50,684)
Capital projects fund	93,470	93,470	93,470	-
Cemetery perpetual care fund	235,224	235,224	235,223	(1)
Water and sewer utility fund	101,450	101,450	101,974	524
Stormwater fund	2,794,070	2,794,070	2,648,415	(145,655)
Workers' compensation fund	257,360	257,360	243,530	(13,830)
Total transfers in	10,879,984	9,186,071	7,191,954	(1,994,117)
Transfers out				
Grants fund	(578,900)	(578,900)	(465,108)	113,792
Economic and housing development fund	(2,883,550)	(2,883,550)	(2,883,550)	-
Debt service fund	(1,827,590)	(1,827,590)	(1,827,590)	-
Capital projects fund	(295,640)	(295,640)	(295,640)	-
Parking fund	(709,120)	(709,120)	(709,120)	-
Public assembly facilities management fund	(2,835,340)	(2,835,340)	(2,266,394)	568,946
Total transfers out	(9,130,140)	(9,130,140)	(8,447,402)	682,738
Total other financing sources, net	1,749,844	55,931	(1,255,448)	(1,311,379)
Appropriated fund balance	5,554,320	19,922,541	-	19,922,541
Net change in fund balance	\$ -	\$ -	7,046,525	7,046,525
Fund balance July 1			108,021,603	
<b>Fund balance June 30</b>			<u>\$ 115,068,128</u>	
Other reconciling items:				
Lease liabilities issued			310,908	
IT subscription agreement			230,100	
Capital outlay - leases issued			(310,908)	
Capital outlay - subscription based information technology agreements			(230,100)	
<b>Fund balance June 30</b>			<u>\$ 115,068,128</u>	

# City of Winston-Salem, North Carolina

## Statement of Net Position

Proprietary Funds  
June 30, 2025

Exhibit 6  
Page 1 of 2

Assets	Enterprise Funds				Total	Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Transit Authority	Nonmajor Funds		
<b>Current Assets</b>						
Cash and cash equivalents/investments	\$ 128,248,653	\$ 37,492,986	\$ 14,446,648	\$ 32,773,510	\$ 212,961,797	\$ 90,461,466
Receivables for uncollectibles						
Taxes, net	-	-	188,778	-	188,778	-
Accounts, net	21,056,704	579,930	-	2,746,648	24,383,282	130,655
Assessments, net	65,480	-	-	-	65,480	-
Other	12,506,510	-	-	-	12,506,510	-
Leases	106,800	-	-	506,054	612,854	-
Total receivables	33,735,494	579,930	188,778	3,252,702	37,756,904	130,655
Due from other governments	2,683,925	618,103	30,009	-	3,332,037	-
Inventories	5,754,221	-	60,465	-	5,814,686	2,057,024
Prepaid expenses	350,500	-	-	3,707	354,207	374,596
Total current assets	170,772,793	38,691,019	14,725,900	36,029,919	260,219,631	93,023,741
<b>Noncurrent Assets</b>						
Restricted assets						
Cash and cash equivalents/investments	38,895,779	32,417,970	-	1,357,485	72,671,234	-
Net OPEB asset	1,083,491	125,359	-	218,295	1,427,145	374,294
Capital assets						
Land	20,632,913	12,969,331	2,298,106	13,251,175	49,151,525	801,682
Construction in progress	75,070,009	10,883,263	596,981	3,786,776	90,337,029	97,477
Other capital assets, net of accumulated depreciation	1,065,560,630	18,045,073	16,525,240	85,177,365	1,185,308,308	6,863,214
Right to use assets, net of amortization	398,892	-	-	-	398,892	150,745
Right to use subscriptions, net of amortization	1,352,410	-	443,914	-	1,796,324	1,326,617
Lease receivable, noncurrent	423,758	-	-	15,962,040	16,385,798	-
Total noncurrent assets	1,203,417,882	74,440,996	19,864,241	119,753,136	1,417,476,255	9,614,029
Total assets	1,374,190,675	113,132,015	34,590,141	155,783,055	1,677,695,886	102,637,770
<b>Deferred Outflows of Resources</b>						
Pension deferrals	6,197,344	717,027	-	1,248,612	8,162,983	2,265,946
Charge on refunding	13,191,808	-	-	3,033	13,194,841	-
Total deferred outflows of resources	19,389,152	717,027	-	1,251,645	21,357,824	2,265,946

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, 2025

Exhibit 6  
Page 2 of 2

Liabilities	Enterprise Funds				Total	Internal
	Water and Sewer Utility	Solid Waste Disposal	Transit Authority	Nonmajor Funds		Service Funds
<b>Current Liabilities</b>						
Accounts payable	\$ 6,961,357	\$ 1,934,011	\$ 5,681,031	\$ 2,021,531	\$ 16,597,930	\$ 5,384,213
Accrued payroll	410,511	48,207	-	79,927	538,645	171,284
Compensated absences	591,291	58,936	-	159,336	809,563	338,574
Accrued interest payable	1,415,117	1,342	1,272	53,720	1,471,451	14,810
Due to other funds	-	-	-	-	-	1,202,134
Unearned revenue	1,930	-	188,778	49,004	239,712	-
Landfill closure and postclosure costs	-	385,800	-	-	385,800	-
Pollution remediation	-	-	-	30,000	30,000	-
Current maturities						
Claims payable	-	-	-	-	-	11,445,386
Leases payable	9,169	-	-	-	9,169	40,488
Subscriptions payable	344,837	-	90,862	-	435,699	472,397
Contracts payable	13,080,271	3,637,270	-	1,486,226	18,203,767	4,618,099
Bonds payable	22,490,000	-	-	675,000	23,165,000	-
Total current liabilities	45,304,483	6,065,566	5,961,943	4,554,744	61,886,736	23,687,385
<b>Noncurrent Liabilities</b>						
Construction contracts payable						
from restricted assets	11,865,555	-	-	-	11,865,555	-
Compensated absences	1,588,533	157,866	-	391,029	2,137,428	584,982
Landfill closure and postclosure costs	-	32,032,170	-	-	32,032,170	-
Pollution remediation	-	-	-	1,921,596	1,921,596	-
Claims payable	-	-	-	-	-	11,756,366
Leases payable	428,464	-	-	-	428,464	114,562
Subscriptions payable	350,550	-	94,994	-	445,544	287,333
Contracts payable	145,276,464	73,859	-	15,017,550	160,367,873	-
Bonds payable	356,291,379	-	-	5,613,730	361,905,109	-
Net pension liability	11,886,188	1,375,221	-	2,394,772	15,656,181	4,345,964
Total noncurrent liabilities	527,687,133	33,639,116	94,994	25,338,677	586,759,920	17,089,207
Total liabilities	572,991,616	39,704,682	6,056,937	29,893,421	648,646,656	40,776,592
<b>Deferred Inflows of Resources</b>						
Leases	506,966	-	-	15,907,894	16,414,860	-
Pension deferrals	230,172	26,631	-	46,375	303,178	84,157
OPEB deferrals	431,930	49,974	-	87,023	568,927	149,212
Charge on refunding	48,916	-	-	-	48,916	-
Total deferred inflows of resources	1,217,984	76,605	-	16,041,292	17,335,881	233,369
<b>Net Position</b>						
Net investment in capital assets	637,886,612	38,186,538	19,678,385	79,425,843	775,177,378	3,706,856
Restricted for capital improvements	27,030,224	-	-	-	27,030,224	-
Restricted for maintenance and repair	-	-	-	1,162,850	1,162,850	-
Restricted for OPEB	1,083,491	125,359	-	218,295	1,427,145	374,294
Unrestricted	153,369,900	35,755,858	8,854,819	30,292,999	228,273,576	59,812,605
<b>Total net position</b>	\$ 819,370,227	\$ 74,067,755	\$ 28,533,204	\$ 111,099,987	1,033,071,173	\$ 63,893,755
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					48,705,761	
<b>Net position of business-type activities</b>					\$ 1,081,776,934	

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, 2025

Exhibit 7

	Enterprise Funds				Total	Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Transit Authority	Nonmajor Funds		
<b>Operating Revenues</b>						
Sales	\$ 140,158,513	\$ -	\$ -	\$ -	\$ 140,158,513	\$ -
Charges for services	11,662,819	14,288,822	1,221,284	18,436,023	45,608,948	102,983,776
Other	147,090	3,760	292,700	10,064,838	10,508,388	2,518,251
Total operating revenues	151,968,422	14,292,582	1,513,984	28,500,861	196,275,849	105,502,027
<b>Operating Expenses</b>						
Personnel services	26,498,665	3,061,321	2,582,501	5,266,695	37,409,182	9,878,309
Maintenance and operations	39,755,245	7,708,582	28,381,517	19,057,404	94,902,748	100,531,068
Total operating expenses before depreciation and amortization	66,253,910	10,769,903	30,964,018	24,324,099	132,311,930	110,409,377
Depreciation and amortization	43,285,337	1,844,289	2,674,014	4,228,007	52,031,647	2,230,722
Total operating expenses	109,539,247	12,614,192	33,638,032	28,552,106	184,343,577	112,640,099
Operating income (loss)	42,429,175	1,678,390	(32,124,048)	(51,245)	11,932,272	(7,138,072)
<b>Nonoperating Revenues (Expenses)</b>						
Intergovernmental revenue	8,989,844	1,438,081	12,479,730	579,981	23,487,636	-
Property taxes	-	-	19,820,955	-	19,820,955	-
Lease revenue	131,828	-	-	-	131,828	-
Investment income	12,762,030	5,247,918	291,945	2,573,632	20,875,525	7,252,741
Gain on disposal of assets	104,018	-	(97,562)	(21,110)	(14,654)	10,826
Damage settlements	11,844,932	-	-	-	11,844,932	129,199
Interest and fiscal expense	(15,169,871)	(160,157)	(4,577)	(706,004)	(16,040,609)	(160,140)
Amortization of financing costs	2,313,166	80,573	-	45,094	2,438,833	-
Total nonoperating revenues (expenses), net	20,975,947	6,606,415	32,490,491	2,471,593	62,544,446	7,232,626
Income (loss) before capital contributions and transfers	63,405,122	8,284,805	366,443	2,420,348	74,476,718	94,554
<b>Capital Contributions</b>	13,810,625	-	-	187,237	13,997,862	-
<b>Transfers In</b>	120,720	498,143	-	3,838,476	4,457,339	5,250,000
<b>Transfers Out</b>	(434,069)	-	(26,550)	(2,955,635)	(3,416,254)	(5,493,530)
Total transfers	(313,349)	498,143	(26,550)	882,841	1,041,085	(243,530)
Change in net position	76,902,398	8,782,948	339,893	3,490,426	89,515,665	(148,976)
Total net position, as previously reported	742,753,714	65,311,360	28,193,311	107,706,853		64,171,906
Change in accounting principle (Note 3H)	(285,885)	(26,553)	-	(97,292)		(129,175)
Total net position, as restated	742,467,829	65,284,807	28,193,311	107,609,561		64,042,731
<b>Total net position - ending</b>	<b>\$ 819,370,227</b>	<b>\$ 74,067,755</b>	<b>\$ 28,533,204</b>	<b>\$ 111,099,987</b>		<b>\$ 63,893,755</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					81,834	
<b>Change in net position of business-type activities</b>					<b>\$ 89,597,499</b>	

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, 2025

Exhibit 8  
Page 1 of 2

	Enterprise Funds				Total	Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Transit Authority	Nonmajor Funds		
<b>Cash Flows from Operating Activities</b>						
Cash received from sales	\$ 138,244,950	\$ 13,893,043	1,652,185	\$ 28,039,486	\$ 181,829,664	\$ 105,407,273
Cash payments to suppliers for goods and services	(42,342,048)	(6,273,212)	(23,988,697)	(19,015,444)	(91,619,401)	(102,301,587)
Cash payments to employees for services	(25,403,559)	(2,906,026)	(2,841,962)	(4,983,331)	(36,134,878)	(9,216,310)
Net cash provided (used) by operating activities	70,499,343	4,713,805	(25,178,474)	4,040,711	54,075,385	(6,110,624)
<b>Cash Flows from Noncapital Financing Activities</b>						
Intergovernmental revenue	6,890,767	819,978	11,364,267	74,011	19,149,023	-
Property taxes	-	-	19,392,244	-	19,392,244	-
Borrowings from other funds	-	-	-	-	-	574,459
Transfers in	120,720	498,143	-	3,838,476	4,457,339	5,250,000
Transfers out	(434,069)	-	(26,550)	(2,955,635)	(3,416,254)	(5,493,530)
Net cash provided (used) by noncapital financing activities	6,577,418	1,318,121	30,729,961	956,852	39,582,352	330,929
<b>Cash Flows from Capital and Related Financing Activities</b>						
Proceeds from issuance of state loans	21,909,882	-	-	-	21,909,882	-
Proceeds from issuance of SBITA liabilities	1,060,330	-	275,584	-	1,335,914	-
Intergovernmental revenue	32,674	-	2,337,153	530,020	2,899,847	-
Property taxes	-	-	371,202	-	371,202	-
Capital contributions	1,397,068	-	-	174,189	1,571,257	-
Acquisition of property and equipment	(70,209,995)	(9,952,765)	(563,793)	(3,072,881)	(83,799,434)	(1,937,217)
Retirement of bonds	(21,480,000)	-	-	(655,000)	(22,135,000)	-
Retirement of contracts payable	(6,461,727)	(1,870,694)	-	(1,206,024)	(9,538,445)	120,598
Retirement of subscriptions payable	(364,943)	-	(89,728)	-	(454,671)	(416,701)
Retirement of lease payable	(7,906)	-	-	-	(7,906)	(38,702)
Cash received from cell tower and license agreement	131,828	-	-	-	131,828	-
Interest and fiscal expense paid on debt	(15,099,520)	(163,365)	(4,577)	(709,510)	(15,976,972)	(160,140)
Proceeds from sale of assets	115,800	-	(97,562)	(21,110)	(2,872)	10,826
Damage settlements	10,447,864	-	-	-	10,447,864	-
Net cash provided (used) by capital financing activities	(78,528,645)	(11,986,824)	2,228,279	(4,960,316)	(93,247,506)	(2,421,336)
<b>Cash Flows from Investing Activities</b>						
Investment income (loss)	12,762,030	5,247,918	291,945	2,573,632	20,875,525	7,252,741
Net increase (decrease) in cash	11,310,146	(706,980)	8,071,711	2,610,879	21,285,756	(948,290)
Cash and cash equivalents/investments July 1	155,834,286	70,617,936	6,374,937	31,520,116	264,347,275	91,409,756
<b>Cash and cash equivalents/investments June 30</b>	<b>\$ 167,144,432</b>	<b>\$ 69,910,956</b>	<b>\$ 14,446,648</b>	<b>\$ 34,130,995</b>	<b>\$ 285,633,031</b>	<b>\$ 90,461,466</b>

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, 2025

Exhibit 8  
Page 2 of 2

	Enterprise Funds				Total	Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Transit Authority	Nonmajor Funds		
<b>Reconciliation of Cash and Cash Equivalents/Investments</b>						
Cash and investments - current	\$ 128,248,653	\$ 37,492,986	\$ 14,446,648	\$ 32,773,510	\$ 212,961,797	\$ 90,461,466
Cash and investments - restricted	38,895,779	32,417,970	-	1,357,485	72,671,234	-
<b>Cash and cash equivalents/investments June 30</b>	<b>\$ 167,144,432</b>	<b>\$ 69,910,956</b>	<b>\$ 14,446,648</b>	<b>\$ 34,130,995</b>	<b>\$ 285,633,031</b>	<b>\$ 90,461,466</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>						
Operating income (loss)	\$ 42,429,175	\$ 1,678,390	\$ (32,124,048)	\$ (51,245)	\$ 11,932,272	\$ (7,138,072)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization expense	43,285,337	1,844,289	2,674,014	4,228,007	52,031,647	2,230,722
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources						
(Increase) decrease in receivables	(13,558,420)	(399,539)	80,693	391,879	(13,485,387)	34,445
(Increase) decrease in inventories	(475,925)	-	371,968	-	(103,957)	(65,328)
(Increase) decrease in prepaid expenses	(120,500)	-	138,013	(1,087)	16,426	76,710
(Increase) decrease in net OPEB asset	(383,237)	(46,266)	-	(78,504)	(508,007)	(149,718)
(Increase) decrease in deferred outflows of resources - pensions	827,294	76,402	-	153,713	1,057,409	134,297
(Increase) decrease in deferred outflows of resources - OPEB	230,825	26,072	-	46,079	302,976	74,027
Increase (decrease) in net pension liability	349,478	72,156	-	91,705	513,339	403,994
Increase (decrease) in deferred inflows of resources - leases	(165,052)	-	-	(861,252)	(1,026,304)	-
Increase (decrease) in deferred inflows of resources - pensions	(126,033)	(13,602)	-	(24,733)	(164,368)	(37,554)
Increase (decrease) in deferred inflows of resources - OPEB	11,348	2,469	-	3,062	16,879	14,329
Increase (decrease) in accounts payable	(1,990,378)	(163,443)	3,882,839	43,047	1,772,065	(641,817)
Increase (decrease) in accrued payroll	91,076	13,104	-	18,294	122,474	60,121
Increase (decrease) in unearned revenue	-	-	57,508	7,998	65,506	-
Increase (decrease) in compensated absences	94,355	24,960	(259,461)	73,748	(66,398)	162,503
Increase in landfill closure and postclosure costs	-	1,598,813	-	-	1,598,813	-
Increase (decrease) in claims payable	-	-	-	-	-	(1,269,283)
Total adjustments	28,070,168	3,035,415	6,945,574	4,091,956	42,143,113	1,027,448
<b>Net cash provided (used) by operating activities</b>	<b>\$ 70,499,343</b>	<b>\$ 4,713,805</b>	<b>\$ (25,178,474)</b>	<b>\$ 4,040,711</b>	<b>\$ 54,075,385</b>	<b>\$ (6,110,624)</b>

### Noncash Investing, Capital, and Financing Activities

The City entered into contracts payable for new property and equipment of \$4,936,825 for the year ended June 30, 2025.

The City entered into subscriptions for software in the amounts of \$1,335,913 for the year ended June 30, 2025.

The City received contributed land amounting to \$13,810,625 during the year ended June 30, 2025, 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, 2025

Exhibit 9

	<b>Benefits Trust Fund</b>
<b>Assets</b>	
Cash equivalents	
Money market	\$ 31,922,738
Investments, at fair value	
Domestic stock and ADRs	144,465,888
Mutual funds	106,508,963
United States government agencies	1,377,220
Corporate bonds	20,128,926
Municipal bonds	22,690,757
Prepaid expenses	99,576
Total assets	<u>327,194,068</u>
<b>Deferred Outflows of Resources</b>	
Pension deferrals	<u>35,836</u>
<b>Liabilities</b>	
Accounts payable	4,340
Accrued payroll	2,439
Compensated absences	7,314
Net pension liability	68,731
Total liabilities	<u>82,824</u>
<b>Deferred Inflows of Resources</b>	
Pension deferrals	<u>1,331</u>
<b>Net Position</b>	
Restricted for pensions	244,579,802
Restricted for post-employment benefits other than pensions	82,565,947
Total net position	<u><u>\$ 327,145,749</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, 2025

Exhibit 10

	<b>Benefits Trust Fund</b>
<b>Additions</b>	
Contributions	
Employer	\$ 9,780,640
Plan members	3,080,358
Total contributions	<u>12,860,998</u>
Investment income	
Net appreciation in fair value	28,064,451
Interest and dividends	6,245,275
Total investment income	34,309,726
Less: investment expense	<u>1,133,624</u>
Net investment income	<u>33,176,102</u>
Total additions	<u>46,037,100</u>
<b>Deductions</b>	
Benefits	25,231,686
Refund of contributions	83,358
Administrative expense	246,314
Total deductions	<u>25,561,358</u>
Net increase in net position	20,475,742
Net position - beginning	<u>306,670,007</u>
<b>Net position - ending</b>	<b><u><u>\$ 327,145,749</u></u></b>

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, 2025

### 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 2025 tax rate was .725 mills, allocated as follows: .5573 mills for general purposes, .0941 mills for general debt service, and .0736 mills for mass transit, and an additional tax rate of .09 mills 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, 2025

Governmental activities	
General capital projects (bond proceeds)	\$ 40,593,104
Midtown economic development funds (grant proceeds)	23,942,633
Nonmajor governmental funds	
Unexpended Powell Bill proceeds	7,262,111
Unexpended State 911 proceeds	1,127,332
Unexpended opioid settlement proceeds	630,255
Total governmental activities	<u>73,555,435</u>
Business-type activities	
Water and sewer utility	
Equipment and replacement reserves	26,576,982
System development fee reserves	9,318,797
Economic development	3,000,000
Solid waste disposal	
Landfill closure and postclosure costs	32,417,970
Stormwater private maintenance projects	1,162,850
Public assembly facilities management	
Capital reserve	194,635
Total business-type activities	<u>72,671,234</u>
Total restricted cash	<u><u>\$ 146,226,669</u></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 \$10,000 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

The City recognizes a liability for compensated absences for leave time that has been earned for services previously rendered by employees, accumulates and is allowed to be carried over to subsequent years, and is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, a liability was recognized for vacation leave, holiday leave, and sick leave. The liability for compensated absences includes salary-related benefits where applicable.

**Vacation Leave** earned by employees accumulates to a maximum of 30 days at the end of each calendar year. Accumulated vacation leave 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 and proprietary fund financial statements.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

**Holiday Leave** accumulates during the year and carries forward to the next year. Accumulated holiday leave 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 and proprietary fund financial statements.

**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. Employees terminating service before retirement forfeit accumulated sick leave. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences. In order to measure this liability, the City developed a “usage rate” to determine the amount of unused leave at the end of the year that is more likely than not to be used. To estimate this usage rate, the City utilized a four-year look-back period and calculated the average leave used per fiscal year. Data was aggregated by department. The City applied a Last-In, First-Out (LIFO) flows assumption. Under this approach, leave used or paid out is first deducted from the leave earned in the current period, before utilizing leave balances accumulated in prior years.

### 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.

In July 2025, Secondary Opioid Manufacturer Settlements were reached with Alvogen Inc., Amneal Pharmaceuticals LLC, Apotex Corp., Hikma Pharmaceuticals USA, Indivior Inc., Sun Pharmaceutical Industries Inc., and Zydus Pharmaceuticals Inc. A settlement was also reached with Purdue Pharma L.P.’s bankruptcy plan for \$7.4 billion. The Secondary Settlements are subject to the terms of the existing MOA with the State. The City has taken the required actions to be part of the additional settlement; however, the dollar value of the settlement to the City is unknown as required forms are still being processed.

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.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### 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, 2025

Stabilization by state statute	\$	53,974,971
OPEB		9,613,046
Capital improvements		27,030,224
Maintenance and repair		1,162,850
Public protection - opioid settlement fund		3,843,676
Other purposes		
Nonmajor governmental		<u>26,939,954</u>
<b>Total</b>		<b><u>\$ 122,564,721</u></b>

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

The governmental fund types classify fund balances as follows:

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

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

**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.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

**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.

**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 2025-2026 Budget Ordinance and as approved by City Council on June 16, 2025, 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, 2025

Nonspendable		
Inventories	\$	763,524
Lease receivable, net		24,943
Prepays		20,557
Perpetual care		5,458,364
Restricted		
Stabilization by state statute		53,974,971
Capital improvements		33,038,085
Public protection		2,487,623
Environmental health		404,082
Transportation		7,886,469
Culture and recreation		1,186,106
Community and economic development		10,570,685
Committed		
Community and economic development		48,770,090
Debt service		89,557,500
Assigned		
Subsequent year's budget		1,541,570
Unassigned		63,755,526
<b>Total</b>	<b>\$</b>	<b><u>319,440,095</u></b>

### 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

### 14. Recently Implemented Accounting Pronouncements

The City implemented GASB Statement No. 101, *Compensated Absences*. The requirement of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The implementation of this Statement had a material impact on the City's reporting in the current fiscal year. See note 3(H) for further information.

For the year ended June 30, 2025, GASB Statement No. 102, *Certain Risk Disclosures*, was implemented. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

### 15. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

The Capital Projects Fund maintained a deficit unassigned fund balance at June 30, 2025 of \$7,350,626, which is temporary and due to the transition from funding equipment purchases with debt to funding these purchases with cash. The timing of the funding for these purchases will occur as a transfer from the debt service fund to the capital projects fund in fiscal year 2026

The Grants Fund maintained a deficit unassigned fund balance at June 30, 2025 of \$451,643, which is temporary due to the timing of reimbursement from grant agencies which in some cases exceeds the 90-day availability period used to record revenues in governmental funds

## 2. 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, 2025, the City's deposits had a carrying value of \$87,747,728 and bank balance of \$92,128,054. Of the bank balance, \$63,630,095 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2025, the City maintained various petty cash funds totaling \$67,115.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### 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.

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

<u>Investment Type</u>	<u>Value</u>	<u>Less Than 6 Months</u>	<u>6 - 12 Months</u>	<u>Over 1 Year</u>
Domestic stock and ADRs	\$ 223,523,649	\$ 223,523,649	\$ -	\$ -
US Treasuries	69,654,043	639,065	1,977,969	67,037,009
US government agencies	120,727,747	9,997,200	-	110,730,547
Corporate bonds	58,098,927	1,522,754	3,473,695	53,102,478
Municipal bonds	22,690,757	2,843,914	1,465,535	18,381,308
Mutual funds	179,704,142	179,704,142	-	-
Money market funds	31,892,396	31,892,396	-	-
Government Portfolio	216,673,886	216,673,886	-	-
<b>Total</b>	<b>\$ 922,965,547</b>	<b>\$ 666,797,006</b>	<b>\$ 6,917,199</b>	<b>\$ 249,251,342</b>

The table above includes \$327,094,492 of fiduciary fund cash and investments.

At June 30, 2025, the City's investment balances measured at fair value were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>			
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Net Asset Value</u>	<u>Amortized Cost</u>
Domestic stock and ADRs	\$ 223,523,649	\$ 223,523,649	\$ -	\$ -	\$ -
US Treasuries	69,654,043	69,654,043	-	-	-
US government agencies	120,727,747	-	120,727,747	-	-
Corporate bonds	58,098,927	-	58,098,927	-	-
Municipal bonds	22,690,757	-	22,690,757	-	-
Open-end mutual funds	179,704,142	177,902,557	-	1,801,585	-
Money market funds	31,892,396	-	-	-	31,892,396
Government Portfolio	216,673,886	216,673,886	-	-	-
<b>Total fair value investments</b>	<b>\$ 922,965,547</b>	<b>\$ 687,754,135</b>	<b>\$ 201,517,431</b>	<b>\$ 1,801,585</b>	<b>\$ 31,892,396</b>

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, 2025. 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.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

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

<u>Type of Bonds</u>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fair Value</u>
Municipal	AAA	AAA	\$ 5,685,092
	AAA	N/A	335,232
	AA+	AAA	216,097
	AA+	AA1	2,850,886
	AA+	AA2	1,283,497
	AA+	N/A	1,469,990
	AA	AA1	20,110
	AA	AA2	1,554,840
	AA	AA3	114,606
	AA	A1	1,159,771
	AA	A3	15,467
	AA	N/A	319,388
	AA-	AA2	665,789
	AA-	AA3	1,261,209
	AA-	A1	149,094
	A+	AA2	138,045
	A+	AA3	330,896
	A+	A1	116,928
	A+	N/A	152,106
	A	A1	856,739
	A	A2	119,214
	A	N/A	171,143
	A-	A1	30,351
	A-	A3	760,356
	A-	N/A	60,473
	BBB+	N/A	20,429
	N/A	AAA	971,356
	N/A	AA2	423,897
	N/A	A1	720,003
	N/A	A3	39,276
	N/A	BAA2	621,128
	N/A	N/A	29,956
	N/A	N/R	27,393
Total Municipal			<u>22,690,757</u>

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

<u>Type of Bonds</u>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fair Value</u>
Corporate	AAA	AAA	\$ 411,541
	AAA	N/A	128,634
	AA+	AAA	501,703
	AA+	AA1	1,712,786
	AA+	AA2	105,422
	AA	AA2	301,369
	AA	A1	1,458,771
	AA	A2	208,158
	AA	BAA3	512,520
	AA	N/A	2,726,915
	AA-	AA2	614,520
	AA-	AA3	118,834
	AA-	A1	471,203
	AA-	A2	318,674
	AA-	N/A	495,567
	A+	AA3	447,728
	A+	A1	1,617,683
	A+	A2	368,682
	A+	A3	202,182
	A+	N/A	1,111,223
	A	AA3	1,078,563
	A	A1	1,330,189
	A	A2	2,813,065
	A	A3	599,364
	A	BAA2	55,275
	A	N/A	418,479
	A-	A1	1,655,907
	A-	A2	1,362,051
	A-	A3	6,211,140
	A-	BAA1	392,395
	A-	BAA2	91,066
	A-	N/A	232,152
	BBB+	A1	429,269
	BBB+	A2	212,056
	BBB+	A3	1,202,351
	BBB+	BAA1	3,219,003
	BBB+	BAA2	952,581
	BBB+	N/A	2,675,583
	BBB	A3	115,023
	BBB	BAA1	603,204
	BBB	BAA2	5,742,281
	BBB	BAA3	347,887
	BBB	N/A	1,676,915
	BBB-	BAA1	286,448
	BBB-	BAA2	116,165
	BBB-	BAA3	1,642,932
	BBB-	BA1	745,127
	BBB-	N/A	1,483,472
	BB+	BA1	14,003
	BB+	N/A	111,650
	BB	N/A	168,938
	N/A	A1	1,404,535
	N/A	A2	251,585
	N/A	A3	15,058
	N/A	BAA2	1,396,587
	N/A	BAA3	910,130
	N/A	N/A	1,644,012
	N/A	N/R	658,371
Total Corporate			58,098,927
<b>Total</b>			<b>\$ 80,789,684</b>

# 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, 2025

General fund		
Taxes receivable	\$	867,289
Other receivables		2,607,177
Special revenue funds		
Nonmajor		
Taxes receivable		1,562
Other receivables		27,038,564
Debt service fund		
Taxes receivable		150,747
Enterprise funds		
Water and sewer utility		3,961,290
Solid waste disposal		383
Transit Authority		
Taxes receivable		91,682
Nonmajor		478,990
Internal service funds		
Nonmajor		19,877
<b>Total</b>	<b>\$</b>	<b><u>35,217,561</u></b>

### C. Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables at June 30, 2025, is as follows:

	<u>Interfund Payables</u>	<u>Interfund Receivables</u>
General Fund	\$ -	\$ 2,117,804
Debt Service Fund	-	8,750,000
Special revenue funds		
Nonmajor	915,670	-
Capital projects fund	8,750,000	-
Enterprise funds		
Public Assembly Facilities Management Fund	-	-
Internal service fund - Warehouse Fund	231,929	-
Internal service fund - Fleet Services Fund	970,205	-
<b>Total</b>	<b><u>\$ 10,867,804</u></b>	<b><u>\$ 10,867,804</u></b>

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

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. Major transfers made in the year ended June 30, 2025, include: a transfer of \$2,648,415 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 \$1,067,631 to cover housing rehabilitation expenditures; a gasoline tax fund transfer to the general fund for \$1,902,476 and to capital projects fund for \$6,565,687; a transfer from general fund to the grants fund for \$465,108 to cover the City's share of grant expenditures; a transfer from general fund to economic and housing development fund of \$2,883,550 to fund economic development projects; a general fund transfer to the public assembly facilities management fund for \$2,266,394 for operations; a transfer from general fund to debt service fund of \$1,827,590 to cover debt service payments on economic development projects and the Bryce A. Stuart Building, a transfer of \$2,692,150 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 \$709,120 for operations.

### Transfers for Fiscal Year Ended June 30, 2025

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 7,191,954	\$ 8,447,402
Debt service fund	4,519,740	582,510
Capital projects fund	7,389,305	2,785,620
Special revenue funds		
Nonmajor	3,773,563	11,856,585
Enterprise funds		
Water and sewer utility	120,720	434,069
Solid waste disposal	498,143	-
Transit authority	-	26,550
Nonmajor	3,838,476	2,955,635
Internal service funds	5,250,000	5,493,530
<b>Total</b>	<b><u>\$ 32,581,901</u></b>	<b><u>\$ 32,581,901</u></b>

# 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, 2025:

#### Governmental Activities

	Balance June 30, 2024	Increase	Transfers	Decrease	Balance June 30, 2025
Capital assets, not being depreciated:					
Land	\$ 83,408,702	\$ 762,399	\$ 34,134	\$ -	\$ 84,205,235
Construction in progress	28,649,634	36,465,397	(19,279,480)	(270,950)	45,564,601
Total capital assets, not being depreciated	<u>112,058,336</u>	<u>37,227,796</u>	<u>(19,245,346)</u>	<u>(270,950)</u>	<u>129,769,836</u>
Capital assets, being depreciated:					
Buildings	242,821,068	4,400,340	9,525,305	-	256,746,713
Improvements other than buildings	443,890,759	3,650,649	9,720,041	-	457,261,449
Machinery and equipment	136,635,016	20,656,649	11,000	(3,008,125)	154,294,540
Total capital assets, being depreciated	<u>823,346,843</u>	<u>28,707,638</u>	<u>19,256,346</u>	<u>(3,008,125)</u>	<u>868,302,702</u>
Less accumulated depreciation for:					
Buildings	66,234,520	6,063,860	910	-	72,299,290
Improvements other than buildings	170,871,925	11,232,299	(910)	-	182,103,314
Machinery and equipment	97,376,084	9,103,703	-	(2,938,986)	103,540,801
Total accumulated depreciation	<u>334,482,529</u>	<u>26,399,862</u>	<u>-</u>	<u>(2,938,986)</u>	<u>357,943,405</u>
Capital assets being amortized:					
Right to use assets:					
IT subscriptions	4,268,728	1,021,503	-	(966,574)	4,323,657
Leased equipment	312,481	-	-	-	312,481
Leased land	-	142,365	-	-	142,365
Leased buildings	10,624,463	168,558	-	-	10,793,021
Total right to use assets	<u>15,205,672</u>	<u>1,332,426</u>	<u>-</u>	<u>(966,574)</u>	<u>15,571,524</u>
Less accumulated amortization for:					
IT subscriptions	1,987,865	1,390,314	-	(827,881)	2,550,298
Leased equipment	13,194	62,495	-	-	75,689
Leased land	-	15,818	-	-	15,818
Leased buildings	1,493,681	681,713	-	-	2,175,394
Total accumulated amortization	<u>3,494,740</u>	<u>\$ 2,150,340</u>	<u>\$ -</u>	<u>\$ (827,881)</u>	<u>4,817,199</u>
Total capital assets, being depreciated, net	<u>488,864,314</u>				<u>510,359,297</u>
Right to use assets, net	<u>11,710,932</u>				<u>10,754,325</u>
Governmental activities capital assets, net	<u><b>\$ 612,633,582</b></u>				<u><b>\$ 650,883,458</b></u>

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

#### Governmental Activities

	Depreciation Expense For Year Ended June 30, 2025	Amortization Expense For Year Ended June 30, 2025	Total For Year Ended June 30, 2025
General government	\$ 4,163,574	\$ 1,471,569	\$ 5,635,143
Public protection	5,678,120	600,458	6,278,578
Environmental health	2,556,247	15,818	2,572,065
Transportation	8,216,062	-	8,216,062
Culture and recreation	4,077,202	62,495	4,139,697
Community and economic development	1,708,657	-	1,708,657
<b>Total</b>	<u><b>\$ 26,399,862</b></u>	<u><b>\$ 2,150,340</b></u>	<u><b>\$ 28,550,202</b></u>

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### Business-type Activities

	Balance June 30, 2024	Increase	Transfers	Decrease	Balance June 30, 2025
Capital assets, not being depreciated:					
Land	\$ 49,023,800	\$ -	\$ 127,725	\$ -	\$ 49,151,525
Construction in progress	144,568,276	64,665,027	(118,491,367)	(404,907)	90,337,029
Total capital assets, not being depreciated	<u>193,592,076</u>	<u>64,665,027</u>	<u>(118,363,642)</u>	<u>(404,907)</u>	<u>139,488,554</u>
Capital assets, being depreciated:					
Buildings	333,469,358	53,116	821,582	-	334,344,056
Improvements other than buildings	1,464,666,088	16,405,624	117,542,061	-	1,598,613,773
Machinery and equipment	120,653,602	20,500,569	(11,000)	(1,004,879)	140,138,292
Total capital assets, being depreciated	<u>1,918,789,048</u>	<u>36,959,309</u>	<u>118,352,643</u>	<u>(1,004,879)</u>	<u>2,073,096,121</u>
Less accumulated depreciation for:					
Buildings	180,488,456	7,693,864	-	-	188,182,320
Improvements other than buildings	591,873,822	34,588,016	-	-	626,461,838
Machinery and equipment	64,369,450	9,204,716	-	(874,425)	72,699,741
Total accumulated depreciation	<u>836,731,728</u>	<u>51,486,596</u>	<u>-</u>	<u>(874,425)</u>	<u>887,343,899</u>
Capital assets being amortized:					
Right to use assets:					
IT subscriptions	1,083,382	1,621,065	-	(1,083,380)	1,621,067
Leased buildings	456,457	-	-	-	456,457
Total right to use assets	<u>1,539,839</u>	<u>1,621,065</u>	<u>-</u>	<u>(1,083,380)</u>	<u>2,077,524</u>
Less accumulated amortization for:					
IT subscriptions	829,809	522,230	-	(1,083,382)	268,657
Leased buildings	34,742	22,823	-	-	57,565
Total accumulated amortization	<u>864,551</u>	<u>\$ 545,053</u>	<u>\$ -</u>	<u>\$ (1,083,382)</u>	<u>326,222</u>
Total capital assets, being depreciated, net	1,082,057,320				1,185,752,222
Right to use assets, net	675,288				1,751,302
Business-type activities capital assets, net	<u><b>\$ 1,276,324,684</b></u>				<u><b>\$ 1,326,992,078</b></u>

The City has outstanding project authorizations for governmental activities capital projects in the amount of \$153,433,883 and \$126,672,994 in unexpended commitments; for capital projects in business-type activities outstanding project authorizations total to \$222,900,140 and \$135,427,581 in unexpended commitments. Funding for these commitments has been identified in capital project ordinances and should not require future financing.

# 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, 2025, \$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 \$2.14 billion.

#### General Obligation Bonds Debt Service Requirements to Maturity are:

<u>Fiscal Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
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	14,570,000	5,412,843
2031-2035	75,090,000	17,872,347
2036-2040	50,105,000	6,027,743
2041-2043	9,570,000	765,600
<b>Total</b>	<b>\$ 209,865,000</b>	<b>\$ 57,720,400</b>

#### 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, 2025 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, 2025, and the ratio was 3.4. 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 \$6,841,744. The principal and interest paid in the fiscal year ended June 30, 2025 was \$854,079.

# 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>
2026	675,000	181,744
2027	695,000	161,494
2028	715,000	140,644
2029	735,000	119,193
2030	755,000	97,144
2031-2033	2,415,000	151,525
<b>Total</b>	<b>\$ 5,990,000</b>	<b>\$ 851,744</b>

### 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, 2025, and the ratio was 2.45. 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 \$449,237,815. The principal and interest paid in the fiscal year ended June 30, 2025 was \$35,230,494.

Water and sewer revenue bonds outstanding at June 30, 2025 were \$339,785,000 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>
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	25,070,000	8,712,529
2031-2035	89,555,000	31,261,261
2036-2040	78,915,000	14,970,581
2041-2045	25,475,000	6,720,138
2046-2050	20,260,000	2,431,838
2051-2052	6,285,000	260,425
<b>Total</b>	<b>\$ 339,785,000</b>	<b>\$ 109,452,815</b>

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### State Revolving Loan

During fiscal year 2025, the City's Water and Sewer Utility fund received \$21,909,882 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 \$9.5 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 \$5,547,995 were made in fiscal year 2025. At June 30, 2025, the City had \$155,824,461 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, 2025 are as follows:

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 667,113	\$ 321,504	\$ 9,169	\$ 17,846
2027	700,949	297,809	10,517	17,444
2028	702,985	271,947	11,955	16,984
2029	585,382	246,446	13,488	16,463
2030	536,273	228,487	15,122	15,878
2031-2035	2,193,103	927,811	104,034	68,021
2036-2040	2,766,790	502,379	163,442	40,905
2041-2043	1,160,675	63,592	109,906	6,022
<b>Total</b>	<b>\$ 9,313,270</b>	<b>\$ 2,859,975</b>	<b>\$ 437,633</b>	<b>\$ 199,563</b>

### 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, 2025, were as follows:

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 547,043	\$ 26,403	\$ 435,699	\$ 24,276
2027	364,018	10,509	445,544	12,174
<b>Total</b>	<b>\$ 911,061</b>	<b>\$ 36,912</b>	<b>\$ 881,243</b>	<b>\$ 36,450</b>

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### Contracts Payable

#### Contracts Payable Debt Service Requirements to Maturity are:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 12,357,589	\$ 2,814,601	\$ 7,655,771	\$ 478,995
2027	15,648,528	2,411,140	900,601	441,586
2028	13,096,250	2,024,539	880,000	418,658
2029	7,804,000	1,703,808	900,000	395,866
2030-2034	35,989,000	5,310,524	5,980,000	1,548,765
2035-2039	12,280,000	1,347,705	6,340,000	622,599
2040-2043	2,420,000	145,200	-	-
<b>Total</b>	<b>\$ 99,595,367</b>	<b>\$ 15,757,517</b>	<b>\$ 22,656,372</b>	<b>\$ 3,906,469</b>

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, 2025, the City had \$122,251,739 outstanding and due to NCMLC.

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, 2025, the City had \$6,072,113 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, 2025, the City had \$15,437,626 outstanding.

The City has various limited obligation bond issues outstanding at June 30, 2025 in the amount of \$100,742,000.

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 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, 2025

#### Bonds Payable

General obligation bonds, issues dated 2012 to 2023, with stated interest rates of .50% to 5.00%	
General government	\$ 209,865,000
Discounts/premiums	20,765,340
Revenue bonds, water and sewer system	
Series 2016A, principal due annually through 2039, with stated interest rates of 3.0% to 5.0%	87,660,000
Series 2017, principal due annually through 2047, with stated interest rates of 3.0% to 5.0%	47,430,000
Series 2020A, principal due annually through 2040, with stated interest rates of 2.0% to 5.0%	121,240,000
Series 2020B, principal due annually through 2033, with stated interest rates of .96% to 1.87%	22,615,000
Series 2022, principal due annually through 2052, with stated interest rates of 2.38% to 5.0%	60,840,000
Discounts/premiums	38,996,379
Revenue bonds, stormwater management	
Series 2013, principal due annually through 2033, with stated interest rates of 3.0% to 4.0%	5,990,000
Discounts/premiums	298,730
<b>Lease Liabilities</b>	<b>9,750,903</b>
<b>Subscriptions Liabilities</b>	<b>1,792,304</b>

#### 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%	7,687,000
Series 2020A, principal due annually through June 1, 2027, with stated interest rates of 2.0% to 5.0%	3,175,000
Series 2020B, principal due annually through June 1, 2039, with stated interest rates of 1.88% to 3.4%	45,030,000
Series 2022A, principal due annually through June 1, 2042, with stated interest rates of 3.0% to 5.0%	13,730,000
Series 2022B, principal due annually through June 1, 2034, with stated interest rates of 1.10% to 2.7%	31,120,000
Discounts/premiums	2,749,933

#### Installment financing agreements

Direct borrowing, Series 2022, principal due from March 1, 2022 to September 1, 2026, with a stated interest rate of .799%	6,072,113
Direct borrowing, Series 2023, principal due from November 15, 2023 to May 15, 2028, with a stated interest rate of 3.3207%	15,437,626
Direct borrowing, Clean water state revolving loan fund, payable through May 1, 2040 with stated interest rates of 0% to 2%	155,824,461

#### Other

Net pension liability - LGERS	105,766,332
Net pension liability - WSPORS	22,999,127
Net pension liability - separation allowance	15,704,794
Compensated absences	33,216,351
Accrued interest payable	2,447,803
Landfill closure and postclosure costs	32,417,970
Pollution remediation	1,951,596
Claims payable - employment and post-retirement benefits	20,203,214
Claims payable - risk management	2,998,538
Arbitrage rebate liability	2,139,255

#### Total long-term liabilities including current maturities

**\$ 1,147,914,770**

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### Changes in Long-term Liabilities during Fiscal Year 2025

	Principal Outstanding June 30, 2024 (Restated*)	Additions	Retirement and Deferrals	Principal Outstanding June 30, 2025	Due Within Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 225,525,000	\$ -	\$ 15,660,000	\$ 209,865,000	\$ 15,975,000
Discount/premium	22,553,584	-	1,788,244	20,765,340	-
Lease liabilities	9,568,664	310,908	566,302	9,313,270	667,113
Subscription liabilities	1,530,082	1,021,502	1,640,523	911,061	547,043
Contracts payable					
North Carolina Municipal Leasing Corporation	68,520,401	19,434,296	32,089,068	57,200,629	1,975,229
2020B LOBS (WSPORS)	22,220,000	-	1,335,000	20,885,000	1,365,000
Discount/premium	2,977,884	-	318,759	2,659,125	-
Installment financing contracts	48,333,755	-	26,824,017	21,509,738	9,017,360
Net pension liability - LGERS	87,672,222	2,284,206	-	89,956,428	-
Net pension liability - WSPORS	31,176,120	-	8,176,993	22,999,127	-
Net pension liability - separation allowance	16,684,717	-	979,923	15,704,794	-
Compensated absences	26,500,185 *	3,746,709	-	30,246,894	10,274,187
Accrued interest payable	1,201,447	-	225,095	976,352	976,352
Arbitrage Rebate Liability	1,294,794	844,461	-	2,139,255	-
Claims payable-employment benefits	21,142,179	36,175,153	37,114,118	20,203,214	9,976,449
Total governmental activities debt	<u>586,901,034</u>	<u>63,817,235</u>	<u>125,383,042</u>	<u>525,335,227</u>	<u>50,773,733</u>
<b>Business-type Activities</b>					
Revenue bonds	367,910,000	-	22,135,000	345,775,000	23,165,000
Discount/premium	43,550,441	-	4,255,332	39,295,109	-
Lease liabilities	445,539	-	7,906	437,633	9,169
Subscription liabilities	-	1,335,914	454,671	881,243	435,699
Contracts payable					
North Carolina Municipal Leasing Corporation	21,377,599	5,269,224	3,990,451	22,656,372	7,655,771
Discount/premium	179,855	-	89,048	90,807	-
NC Clean water state revolving loan fund	70,609,213	245,154	5,547,995	65,306,372	5,547,995
NC Drinking water state revolving loan fund	68,853,361	21,664,728	-	90,518,089	5,000,000
Net pension liability - LGERS	15,226,254	514,919	-	15,741,173	-
Compensated absences	3,022,172 *	-	60,029	2,962,143	816,570
Accrued interest payable	1,406,541	64,910	-	1,471,451	1,471,452
Landfill closure and postclosure costs	30,819,157	1,673,089	74,276	32,417,970	385,800
Pollution remediation	1,951,596	-	-	1,951,596	30,000
Claims payable - Risk management	3,412,079	2,374,024	2,787,565	2,998,538	1,468,937
Total business-type activities debt	<u>628,763,807</u>	<u>33,141,963</u>	<u>39,402,272</u>	<u>622,503,496</u>	<u>45,986,393</u>
<b>Fiduciary Funds</b>					
Net pension liability - LGERS	68,075	656	-	68,731	-
Compensated absences	7,314	-	-	7,314	4,398
Claims payable - post-employment benefits	1,098,453	-	1,098,453	-	-
Total fiduciary fund debt	<u>1,173,842</u>	<u>656</u>	<u>1,098,453</u>	<u>76,045</u>	<u>4,398</u>
<b>Total</b>	<u><u>\$1,216,838,683</u></u>	<u><u>\$ 96,959,854</u></u>	<u><u>\$ 165,883,767</u></u>	<u><u>\$1,147,914,770</u></u>	<u><u>\$ 96,764,524</u></u>

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, 2025

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 650,883,458	\$ 1,326,992,078
less: long-term debt	(294,042,418)	(523,146,990)
less: short-term debt	(28,181,745)	(41,813,635)
add: unexpended debt proceeds	40,593,104	-
add: charge on refunding, net	1,690,104	13,145,925
<b>Net investment in capital assets</b>	<b><u>\$ 370,942,503</u></b>	<b><u>\$ 775,177,378</u></b>

### 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, 2025.

Total fund balance - general fund	\$ 115,068,128
Less:	
Leases	14,029
Inventories	499,188
Prepays	20,557
Stabilization by state statute	41,434,989
Subsequent year's budget	<u>1,541,570</u>
<b>Unassigned fund balance</b>	<b><u>\$ 71,557,795</u></b>

The fiscal year 2026 budget includes a fund balance appropriation of \$1.54 million, a decrease of \$4.02 million compared to the fiscal year 2025 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 23.54% of 2026 estimated expenditures. The City will continue to closely monitor expenditures and revenues in fiscal year 2026.

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, 2025

#### Encumbrances Outstanding at June 30, 2025

General fund	12,408,132
Debt service fund	74,940
Capital projects fund	25,530,905
Midtown economic development grant fund	20,263,757
Special revenue funds	
Nonmajor	9,633,879
Enterprise funds	
Water & sewer fund	71,637,364
Solid waste disposal fund	10,290,157
Transit Authority	7,119,788
Nonmajor	4,598,683
Internal service funds	3,952,303
Fiduciary funds	34,838
<b>Total</b>	<b>\$ 165,544,746</b>

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

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

**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.

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, 2025, was 15.1% of compensation for law enforcement officers and 13.6% 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 \$21,336,164 for the year ended June 30, 2025.

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

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

At June 30, 2025, the City reported a liability of \$105,766,332 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024 (measurement date), the City's proportion was 1.56889%, which was an increase of .01423% from its proportion measured as of June 30, 2023.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

For the year ended June 30, 2025, the City recognized pension expense of \$30,555,112. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 18,534,266	\$ 124,617
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	14,378,870	-
Changes in proportion and differences between City contributions and proportionate share of contributions	896,251	1,923,515
City contributions subsequent to the measurement date	21,336,164	-
<b>Total</b>	<b>\$ 55,145,551</b>	<b>\$ 2,048,132</b>

\$21,336,164 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, 2026.

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

<b><u>Years Ended June 30</u></b>	
2026	\$ 9,155,324
2027	20,642,410
2028	3,589,363
2029	(1,625,842)
<b>Total</b>	<b>\$ 31,761,255</b>

**Actuarial Assumptions.** The total pension liability in the December 31, 2024 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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

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, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	2.4%
Global Equity	38.0	6.9
Real Estate	8.0	6.0
Alternatives	8.0	8.6
Opportunistic Fixed Income	7.0	5.3
Inflation Sensitive	6.0	4.3
<b>Total</b>	<b>100.0%</b>	

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 2.38%. All rates of return and inflation are annualized.

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

**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)	\$ 187,421,037	\$ 105,766,332	\$ 38,594,107

**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.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### 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.

**Plan Membership.** At January 1, 2025, the Winston-Salem Police Officers' Retirement System membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	508
Inactive plan members entitled to but not receiving benefits	87
Active plan members	187
<b>Total</b>	<b><u>782</u></b>

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.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### 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, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 11.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Net Pension Liability

The components of the net pension liability of the City as of June 30, 2025 are as follows:

Total pension liability	\$ 251,260,880
Plan fiduciary net position	(228,261,753)
<b>Net pension liability</b>	<b>\$ 22,999,127</b>
Plan fiduciary net position as a percentage of total pension liability	90.8%

At June 30, 2025, the City reported a net pension liability of \$22,999,127. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025. The total pension liability was then rolled forward to the measurement date of June 30, 2025.

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of January 1, 2025, 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 (13 years remaining as of January 1, 2025).

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

**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, 2025, 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%	6.05
Fixed Income Funds	30	2.45
Cash	1	1.00
	<b>100%</b>	<b>4.92%</b>
<b>Total Weighted Average Real Return</b>		
Plus inflation		2.75
Total return w/o adjustment		7.76
Risk adjustment		(0.67)
		<b>7.00%</b>
<b>Total Expected Return</b>		

**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.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at June 30, 2024</b>	\$ 245,043,209	\$ 213,867,089	\$ 31,176,120
<b>Changes for the year:</b>			
Service cost	2,303,909	-	2,303,909
Interest	16,770,322	-	16,770,322
Differences between expected and actual experience	2,953,002	-	2,953,002
Contributions - employer	-	5,787,965	(5,787,965)
Contributions - member	-	1,208,386	(1,208,386)
Net investment income	-	23,276,180	(23,276,180)
Benefit payments, including refunds of member contributions	(15,809,562)	(15,809,562)	-
Administrative expense	-	(68,305)	68,305
<b>Net changes</b>	<b>6,217,671</b>	<b>14,394,664</b>	<b>(8,176,993)</b>
<b>Balances at June 30, 2025</b>	<b>\$ 251,260,880</b>	<b>\$ 228,261,753</b>	<b>\$ 22,999,127</b>

**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	\$ 280,617,610	\$ 251,260,880
Plan net position	(228,261,753)	(228,261,753)	(228,261,753)
<b>Net pension liability (asset)</b>	<b>\$ 52,355,857</b>	<b>\$ 22,999,127</b>	<b>\$ (1,459,613)</b>

# 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, 2025, the City recognized pension expense of \$3,140,087. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 11,519,194
Net difference between projected and actual earnings on pension plan investments	1,476,501	-
<b>Total</b>	<b><u>\$ 1,476,501</u></b>	<b><u>\$ 11,519,194</u></b>

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>	
2026	\$ 3,315,007
2027	(6,768,508)
2028	(4,869,746)
2029	(1,719,446)
<b>Total</b>	<b><u>\$ (10,042,693)</u></b>

### 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, 2025, the Winston-Salem Police Officers' Separation Allowance membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	150
Inactive plan members entitled to but not receiving benefits	-
Active plan members	375
<b>Total</b>	<b>525</b>

**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, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 10.3. 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, 2025, are as follows:

Total pension liability	\$ 32,022,843
Plan fiduciary net position	<u>(16,318,049)</u>
<b>Net pension liability</b>	<b><u>\$ 15,704,794</u></b>
Plan fiduciary net position as a percentage of total pension liability	51.0%

At June 30, 2025, the City reported a net pension liability of \$15,704,794. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025. The total pension liability was then rolled forward to the measurement date of June 30, 2025.

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of January 1, 2025, 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 (13 years remaining as of January 1, 2025).

**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, 2025, and the final investment return assumption, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity Funds	69%	6.05
Fixed Income Funds	30	2.45
Cash	1	1.00
<b>Total Weighted Average Real Return</b>	<b>100%</b>	<b>4.92</b>
Plus inflation		2.75
Total return w/o adjustment		7.67
Risk adjustment		<u>(0.67)</u>
<b>Total Expected Return</b>		<b>7.00%</b>

# 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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at June 30, 2024</b>	\$ 31,086,717	\$ 14,402,000	\$ 16,684,717
<b>Changes for the year:</b>			
Service cost	684,025	-	684,025
Interest	2,117,538	-	2,117,538
Differences between expected and actual experience	1,227,272	-	1,227,272
Contributions - employer	-	3,494,644	(3,494,644)
Net investment income	-	1,517,700	(1,517,700)
Benefit payments, including refunds of member contributions	(3,092,709)	(3,092,709)	-
Administrative expense	-	(3,586)	3,586
<b>Net changes</b>	<b>936,126</b>	<b>1,916,049</b>	<b>(979,923)</b>
<b>Balances at June 30, 2025</b>	<b>\$ 32,022,843</b>	<b>\$ 16,318,049</b>	<b>\$ 15,704,794</b>

**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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
Total pension liability	\$ 34,448,623	\$ 32,022,843	\$ 29,817,342
Plan net position	(16,318,049)	(16,318,049)	(16,318,049)
<b>Net pension liability</b>	<b>\$ 18,130,574</b>	<b>\$ 15,704,794</b>	<b>\$ 13,499,293</b>

# 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, 2025, the City recognized pension expense of \$3,116,995. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,122,393	\$ 689,497
Changes of assumptions	200,484	93,346
Net difference between projected and actual earnings on pension plan investments	-	651,887
<b>Total</b>	<b>\$ 6,322,877</b>	<b>\$ 1,434,730</b>

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

<b><u>Year Ended June 30</u></b>	
2026	\$ 1,416,492
2027	585,886
2028	703,086
2029	860,501
2030	867,268
Thereafter	454,914
<b>Total</b>	<b>\$ 4,888,147</b>

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, 2025.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### Statement of Fiduciary Net Position

June 30, 2025

	<b>Winston-Salem Police Officers'</b>	
	<b>Retirement System</b>	<b>Separation Allowance</b>
Cash and cash equivalents/investments	\$ 132,117,839	\$ 9,959,272
Investments, at fair value		
Domestic stock and ADRs	94,696,551	6,289,308
United States government agencies	1,052,823	48,666
Corporate bonds	203,668	9,414
Municipal bonds	31,843	1,472
Mutual funds	161,229	10,731
Total assets	<u>228,263,953</u>	<u>16,318,863</u>
<b>Liabilities</b>		
Accounts payable	<u>2,200</u>	<u>814</u>
Total liabilities	<u>2,200</u>	<u>814</u>
<b>Net position</b>		
Restricted for pensions	<u><b>\$ 228,261,753</b></u>	<u><b>\$ 16,318,049</b></u>

### Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2025

	<b>Winston-Salem Police Officers'</b>	
	<b>Retirement System</b>	<b>Separation Allowance</b>
<b>Additions</b>		
Contributions		
Employer	\$ 5,787,965	\$ 3,494,644
Plan members	1,208,386	-
Total contributions	6,996,351	3,494,644
Investment income		
Net appreciation in fair value	19,736,456	1,246,025
Interest and dividends	4,340,485	322,031
Total investment income (loss)	24,076,941	1,568,056
Less investment expense	800,761	50,356
Net investment income	23,276,180	1,517,700
Total additions	<u>30,272,531</u>	<u>5,012,344</u>
<b>Deductions</b>		
Benefits	15,726,204	3,092,709
Refund of contributions	83,358	-
Administrative expense	68,305	3,586
Total deductions	<u>15,877,867</u>	<u>3,096,295</u>
Net increase (decrease) in net position	14,394,664	1,916,049
Net position - beginning	213,867,089	14,402,000
<b>Net position - ending</b>	<u><b>\$ 228,261,753</b></u>	<u><b>\$ 16,318,049</b></u>

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### 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:

	<u>LGERS</u>	<u>WSPORS</u>	<u>Separation</u>	<u>Total</u>
Pension expense	\$ 30,555,112	\$ 3,140,087	\$ 3,116,995	\$ 36,812,194
Pension liability	105,766,332	\$22,999,127	15,704,794	144,470,253
Proportionate share of the net pension liability	1.56889	n/a	n/a	
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	18,534,266	1,476,501	6,122,393	26,133,160
Changes of assumptions	-	-	200,484	200,484
Net difference between projected and actual earnings on pension plan investments	14,378,870	-	-	14,378,870
Changes in proportion and differences between City contributions and proportionate share of contributions	896,251	-	-	896,251
City benefit payments and administrative costs paid subsequent to the measurement date	21,336,164	-	-	21,336,164
<b>Total Deferred Outflows of Resources</b>	<u>\$ 55,145,551</u>	<u>\$ 1,476,501</u>	<u>\$ 6,322,877</u>	<u>\$ 62,944,929</u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$ 124,617	\$ -	\$ 689,497	\$ 814,114
Changes of assumptions	-	-	\$ 93,346	93,346
Net difference between projected and actual earnings on pension plan investments	-	11,519,194	\$ 651,887	12,171,081
Changes in proportion and differences between City contributions and proportionate share of contributions	\$ 1,923,515	-	-	1,923,515
<b>Total Deferred Inflows of Resources</b>	<u>\$ 2,048,132</u>	<u>\$ 11,519,194</u>	<u>\$ 1,434,730</u>	<u>\$ 15,002,056</u>

## 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, 2025 were \$1,122,978 which consisted of \$561,499 from the City and \$561,499 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.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### 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, 2025 were \$1,742,204.

### 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, 2025 were \$2,400,749. A trust agreement has been adopted to hold the assets of the 401(a) plan for employer contributions.

## 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.

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

**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	<u>659</u>
<b>Total</b>	<b>1,932</b>

**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 \$498,031 or 1.1% of annual covered payroll. The City of Winston-Salem is self-insured. Contributions were made by plan members of \$1,871,972 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.

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, 2025, the annual money-weighted rate of return on OPEB plan investments, net of investment expense was 11.0%. 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 OPEB Liability (Asset)

The components of the net OPEB liability (asset) of the City as of June 30, 2025 are as follows:

Total OPEB liability	\$ 72,952,901
Plan fiduciary net position	(82,565,947)
<b>Net OPEB liability (asset)</b>	<b>\$ (9,613,046)</b>
Plan fiduciary net position as a percentage of total OPEB asset	113.2%

At June 30, 2025, the City reported a net OPEB asset of \$9,613,046. The net OPEB asset was measured as of June 30, 2025. The total OPEB liability as of this date is based on an actuarial valuation as of January 1, 2024, with adjustments made for the 18 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%
Investment rate of return	7.00%, net of investment expense and including inflation
Healthcare trend	5.50% initially, grading down to 4.25% ultimate
	4.00% for Medicare coverage (Post 65)

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, 2025, 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%	5.90%
International Funds	30	6.25
Fixed Income - U. S.	30	2.40
<b>Total Weighted Average Real Return</b>	<b>100%</b>	<b>4.96%</b>
Plus inflation		2.75
Total return w/o adjustment		7.71
Risk adjustment		(0.71)
<b>Total Expected Return</b>		<b>7.00%</b>

**Discount Rate.** The discount rate used to measure the total OPEB 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 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 (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
<b>Balances at June 30, 2024</b>	\$ 72,169,892	\$ 78,400,918	\$ (6,231,026)
<b>Changes for the year:</b>			
Service cost	400,147	-	400,147
Interest	4,923,663	-	4,923,663
Differences between expected and actual experience	-	-	-
Contributions - employer	-	498,031	(498,031)
Contributions - member	-	1,871,972	(1,871,972)
Net investment income	-	8,382,222	(8,382,222)
Benefit payments, including refunds of member contributions	(4,540,801)	(6,412,773)	1,871,972
Administrative expense	-	(174,423)	174,423
<b>Net changes</b>	<b>783,009</b>	<b>4,165,029</b>	<b>(3,382,020)</b>
<b>Balances at June 30, 2025</b>	<b>\$ 72,952,901</b>	<b>\$ 82,565,947</b>	<b>\$ (9,613,046)</b>

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

**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:

### Discount Rate

	<b>1% Decrease 6.00%</b>	<b>Current Discount Rate 7.00%</b>	<b>1% Increase 8.00%</b>
Total OPEB liability	\$ 80,968,249	\$ 72,952,901	\$ 66,226,808
Plan net position	(82,565,947)	(82,565,947)	(82,565,947)
<b>Net OPEB liability (asset)</b>	<b>\$ (1,597,698)</b>	<b>\$ (9,613,046)</b>	<b>\$ (16,339,139)</b>

**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

	<b>1% Decrease 3.25%</b>	<b>Current Ultimate Trend Rate 4.25%</b>	<b>1% Increase 5.25%</b>
Total OPEB liability	\$ 65,973,608	\$ 72,952,901	\$ 81,244,738
Plan net position	(82,565,947)	(82,565,947)	(82,565,947)
<b>Net OPEB liability (asset)</b>	<b>\$ (16,592,339)</b>	<b>\$ (9,613,046)</b>	<b>\$ (1,321,209)</b>

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

For the year ended June 30, 2025, the City recognized OPEB expense of \$740,287. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on OPEB plan investments (net)	\$ -	\$ 3,832,206
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,832,206</b>

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

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

<u>Years Ended June 30</u>	
2026	\$ 923,226
2027	(2,477,905)
2028	(1,707,961)
2029	<u>(569,566)</u>
<b>Total</b>	<b><u>\$ (3,832,206)</u></b>

The following are financial statements for the Post-employment Benefits Trust Funds included as Fiduciary Funds in Exhibits 9 and 10 at June 30, 2025.

### Statement of Fiduciary Net Position

June 30, 2025

	<b>Post-employment Benefits Trust Funds</b>
<b>Assets</b>	
Cash and cash equivalents/investments	\$ 47,541,164
Investments, at fair value	
Domestic stock and ADRs	34,574,117
United States government agencies	275,731
Corporate bonds	53,340
Municipal bonds	8,340
Mutual funds	58,984
Prepaid expenses	<u>99,576</u>
Total assets	<u>82,611,252</u>
<b>Deferred Outflows of Resources</b>	
Pension deferrals	<u>35,836</u>
<b>Liabilities</b>	
Accounts payable	1,326
Accrued payroll	2,439
Accrued vacation	7,314
Net pension liability	68,731
Claims payable	<u>-</u>
Total liabilities	<u>79,810</u>
<b>Deferred Inflows of Resources</b>	
Pension deferrals	<u>1,331</u>
<b>Net position</b>	
Restricted for post-employment benefits other than pensions	<b><u>\$ 82,565,947</u></b>

# City of Winston-Salem, North Carolina

## Notes to the Financial Statements

### Statement of Changes in Fiduciary Net Position

June 30, 2025

	<b>Post-employment Benefits Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 498,031
Plan members	1,871,972
Total contributions	<u>2,370,003</u>
Investment income	
Net appreciation in fair value	7,081,970
Interest and dividends	1,582,759
Total investment income (loss)	<u>8,664,729</u>
Less investment expense	<u>282,507</u>
Net investment income	<u>8,382,222</u>
Total additions	<u>10,752,225</u>
<b>Deductions</b>	
Benefits	6,412,773
Administrative expense	174,423
Total deductions	<u>6,587,196</u>
Net decrease in net position	4,165,029
Net position - beginning	<u>78,400,918</u>
<b>Net position - ending</b>	<b><u>\$ 82,565,947</u></b>

### 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 \$23,500 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 2025, the City received \$3,882,852 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 \$53,382 to the council during the fiscal year ended June 30, 2025.

### **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, 2025, is \$32,417,970.

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 \$32,417,970 at June 30, 2025, 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, 2025. The total capacity for cells 1-7 at Hanes Mill Road Landfill is 12,065,688 cubic yards, of which approximately 60% 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, 2025. The total capacity for the Old Salisbury Road Landfill is 3,775,400 cubic yards, of which approximately 90% 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, 2025. 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, 2025.

In addition, we estimate no future recoveries to potentially reduce the recorded pollution liabilities in fiscal year 2025.

### 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

	<u>2025</u>	<u>2024</u>
Claims payable July 1	\$ 25,652,711	\$ 14,093,454
Claims paid	(39,901,683)	(40,888,385)
New claims and changes in claim estimates	37,450,724	52,447,642
Claims payable June 30	<u>\$ 23,201,752</u>	<u>\$ 25,652,711</u>
Employment benefits funds	\$ 20,203,214	\$ 21,142,179
Other post-employment benefits trust fund	-	1,098,453
Risk management reserves fund	2,998,538	3,412,079
	<u>\$ 23,201,752</u>	<u>\$ 25,652,711</u>
Due within year	\$ 11,445,386	\$ 9,621,507

# 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. Restatements of beginning balances

During the current year, the City implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation and holiday time, the City now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences.

The following financial statements have been compiled from the audited financial statements of the City for the fiscal years ended June 30, 2025, 2024, and 2023.

City of Winston-Salem, North Carolina  
**General Fund**  
**Balance Sheet**  
As of June 30, 2025, 2024, 2023

	2025	2024	2023
<b>Assets</b>			
Cash and cash equivalents	\$ 96,650,694	\$ 91,019,469	\$ 91,099,317
Receivables (net):			
Taxes	1,855,295	1,469,333	899,342
Accounts	1,597,434	2,137,924	2,436,259
Leases	701,592	907,987	913,310
Assessments	602,755	595,431	666,899
Due from other governments	25,349,088	22,285,284	22,819,463
Due from other funds	2,117,804	1,932,803	419,430
Inventories	499,188	456,661	515,935
Prepaid items	20,557	64,696	62,883
Total assets	\$ 129,394,407	\$ 120,869,588	\$ 119,832,838
<b>Liabilities</b>			
Accounts payable	\$ 7,981,760	\$ 7,498,120	\$ 5,613,297
Accrued payroll	3,145,110	2,371,791	2,297,959
Loan escrow	2,592	2,592	2,592
Unearned revenue	13,732	12,002	53,013
Total liabilities	11,143,194	9,884,505	7,966,861
<b>Deferred inflows of resources</b>			
Taxes	1,855,295	1,469,333	899,342
Leases	687,563	898,715	901,609
Accounts and assessments	640,227	595,432	803,132
Total deferred inflows of resources	3,183,085	2,963,480	2,604,083
<b>Fund Balances</b>			
Non Spendable:			
Leases	14,029	9,272	11,701
Inventories	499,188	456,661	515,935
Prepaid items	20,557	64,696	62,883
Restricted:			
Stabilization by State Statute	41,434,989	39,555,951	43,702,742
Assigned:			
Subsequent year's expenditures	1,541,570	5,554,320	8,028,620
Local fiscal recovery	-	1,683,348	2,137,800
Unassigned	71,557,795	60,697,355	54,802,213
Total fund balances	115,068,128	108,021,603	109,261,894
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	\$ 129,394,407	\$ 120,869,588	\$ 119,832,838

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

City of Winston-Salem, North Carolina  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
For the Fiscal Years Ended June 30, 2025, 2024, 2023

	2025	2024	2023
<b>Revenues</b>			
Taxes	\$ 223,016,816	\$ 205,674,569	\$ 192,040,945
Licenses and permits	9,300,656	6,813,262	6,721,847
Intergovernmental	25,801,461	24,535,783	23,507,501
Charges for services	19,045,213	18,530,551	17,630,918
Other	2,399,592	2,109,621	2,685,697
Total revenues	279,563,738	257,663,786	242,586,908
<b>Expenditures</b>			
General government	45,449,409	43,559,233	44,447,303
Public protection	145,110,706	137,908,022	122,233,792
Environmental health	26,959,864	26,029,486	25,942,743
Transportation	14,950,502	14,063,296	12,286,032
Cultural and recreation	16,230,702	15,811,560	13,063,538
Community and economic development	22,119,460	20,937,542	16,478,784
Debt service:			
Principal	730,469	715,755	763,430
Interest and other fees	251,661	237,968	105,136
Total expenditures	271,802,773	259,262,862	235,320,758
Excess of revenue over (under) expenditures	7,760,965	(1,599,076)	7,266,150
<b>Other financing sources (uses)</b>			
Lease liabilities issued	310,908	198,477	4,979,884
IT subscription agreement	230,100	-	1,061,181
Transfers in:			
Special revenue funds	3,869,342	7,092,685	23,388,669
Capital projects funds	93,470	104,550	97,170
Enterprise funds	2,750,389	2,622,898	2,425,922
Permanent funds	235,223	237,377	229,127
Fiduciary funds	243,530	202,640	128,360
Transfers out:			
Special revenue funds	(3,348,658)	(3,679,820)	(3,355,718)
Capital projects funds	(295,640)	(3,280,710)	(10,917,030)
Enterprise funds	(2,975,514)	(995,012)	(1,141,491)
Debt service fund	(1,827,590)	(2,118,770)	(2,102,410)
Permanent funds	-	(25,530)	-
Total other financing sources (uses)	(714,440)	358,785	14,793,664
Net change in fund balances	7,046,525	(1,240,291)	22,059,814
<b>Fund balance, beginning of year</b>	108,021,603	109,261,894	87,202,080
<b>Fund balance, end of year</b>	\$ 115,068,128	\$ 108,021,603	\$ 109,261,894

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

City of Winston-Salem, North Carolina  
**Debt Service Fund**  
**Balance Sheet**  
As of June 30, 2025, 2024, 2023

	2025	2024	2023
<b>Assets</b>			
Cash and cash equivalents	\$ 89,858,518	\$ 79,344,420	\$ 63,261,005
Receivables:			
Taxes	310,395	262,006	182,072
Accounts	440,000	440,000	530,000
Due from other governments	3,583,097	3,321,720	3,149,157
Due from other funds	8,750,000	-	-
Total assets	\$ 102,942,010	\$ 83,368,146	\$ 67,122,234
<b>Liabilities</b>			
Accounts payable	\$ 226,078	\$ 204,701	\$ 58,043
Unearned revenue	-	-	3,351
Total liabilities	226,078	204,701	61,394
<b>Deferred inflows of resources</b>			
Taxes	310,394	262,006	182,072
Accounts and assessments	440,000	440,000	530,000
Total deferred inflows of resources	750,394	702,006	712,072
<b>Fund Balances</b>			
Restricted:			
Stabilization by State Statute	12,408,038	3,356,153	3,187,964
Debt service	-	79,105,286	63,160,804
Committed:			
Debt service	89,557,500	-	-
Total fund balances	101,965,538	82,461,439	66,348,768
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	\$ 102,942,010	\$ 83,368,146	\$ 67,122,234

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

City of Winston-Salem, North Carolina  
**Debt Service Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
For the Fiscal Years Ended June 30, 2025, 2024, 2023

	2025	2024	2023
<b>Revenues</b>			
Taxes	\$ 37,478,345	\$ 36,575,734	\$ 37,023,953
Intergovernmental	1,491,287	1,544,677	1,484,061
Investment income	11,549,936	14,001,674	6,831,372
Other	1,960,064	2,048,252	2,114,619
Total revenues	52,479,632	54,170,337	47,454,005
<b>Expenditures</b>			
Other	468,196	731,187	517,084
Debt service:			
Principal	25,419,525	29,021,292	24,545,597
Interest and other fees	11,025,042	12,268,530	10,149,366
Total expenditures	36,912,763	42,021,009	35,212,047
Excess of revenue over expenditures	15,566,869	12,149,328	12,241,958
<b>Other financing sources:</b>			
Transfers in:			
General fund	1,827,590	2,118,770	2,102,410
Capital projects funds	2,692,150	2,344,573	-
Transfers out:			
Enterprise funds	(582,510)	(500,000)	(526,010)
Total other financing sources	3,937,230	3,963,343	1,576,400
Net change in fund balances	19,504,099	16,112,671	13,818,358
<b>Fund balance, beginning of year</b>	82,461,439	66,348,768	52,530,410
<b>Fund balance, end of year</b>	\$ 101,965,538	\$ 82,461,439	\$ 66,348,768

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

The following budget statements have been compiled from the budget ordinance and related amendments of the City for the fiscal year ending June 30, 2026.

City of Winston-Salem, North Carolina  
**Compiled Budget - General and Debt Service Funds**  
**For the Fiscal Year Ending June 30, 2026**  
As of April 14, 2026

	<b>General Fund</b>	<b>Debt Service Fund</b>
<b>Revenues:</b>		
Taxes	\$ 234,967,650	\$ 38,551,110
Licenses and permits	7,366,290	-
Intergovernmental	26,527,250	1,518,010
Charges for services	20,298,490	1,960,560
Investment income	-	200,000
Other	2,539,260	-
Total revenues	291,698,940	42,229,680
<b>Expenditures:</b>		
General government	49,048,240	834,080
Public protection	169,762,155	-
Environmental health	30,676,420	-
Transportation	20,166,010	-
Cultural and recreation	18,561,670	-
Community and economic development	18,777,850	-
Debt service:		
Principal	-	28,964,160
Interest	-	13,585,840
Total expenditures	306,992,345	43,384,080
Deficiency of revenue under expenditures	(15,293,405)	(1,154,400)
<b>Other Financing Sources (Uses)</b>		
Transfers in		
General fund	-	1,390,970
Special revenue funds	6,961,020	-
Capital projects funds	105,000	2,640,750
Enterprise funds	3,266,080	-
Debt service fund	10,128,970	-
Internal service funds	263,510	-
Transfers out:		
General fund	-	(10,128,970)
Special revenue funds	(3,658,125)	-
Capital projects funds	(4,995,640)	(24,930,220)
Enterprise funds	(2,317,520)	(745,010)
Debt service fund	(1,390,970)	-
Internal service funds	-	(14,662,300)
Appropriated fund balance	6,931,080	47,589,180
Total other financing sources	15,293,405	1,154,400
Estimated revenues and other financing sources over appropriations and other uses	\$ -	\$ -

Compiled by the staff of the Winston-Salem Finance Department

**CERTAIN CONSTITUTIONAL, STATUTORY AND ADMINISTRATIVE  
PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF  
GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL  
GOVERNMENT OF THE STATE OF NORTH CAROLINA**

**Constitutional Provisions**

The North Carolina Constitution (the “Constitution”) requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;
- (d) to suppress riots or insurrections;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the issuing unit’s outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for “public purposes.” The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather,

it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding \$300, any personal property. The General Assembly may also exempt from taxation not exceeding \$1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit-wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

### **The Local Government Bond Act**

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "Act") and G.S. Ch. 159, Art. 7 or to issue short-term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in Appendix B to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of

appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

“Net debt” is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (e) below, (e) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits “balloon installments” in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the Commission and the Commission may

require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

#### Short-Term Obligations

*Bond Anticipation Notes* - Units of local government are authorized to issue short term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

*Tax Anticipation Notes* - Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

*Revenue Anticipation Notes* - Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

*Grant Anticipation Notes* - Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

## **The Local Government Budget and Fiscal Control Act**

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the “Fiscal Control Act”), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants’ Industry Audit Guide, Audits of State and Local Government Units.

*Budget* - The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

*Fiscal Control* – The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

## **Major General Fund Revenue Sources**

*Ad Valorem Tax* - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the

unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

*Tax Base* - The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

- (1) Tangible household personal property is excluded from the property tax base.
- (2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.
- (3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.
- (4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.
- (5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:
  - (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).
  - (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
  - (c) Certain pollution abatement and resource recovery equipment.
  - (d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
  - (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.
  - (f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.
- (6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the

preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.

- (7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use

*Appraisal Standard* - All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

*Frequency of Appraisal* - Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

*Tax Day* - All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

*Tax Levy* - Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

*Tax Collection* - The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

### **Local Government Sales and Use Taxes**

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one-half percent sales tax.

### **Alcoholic Beverage Control Store Profits**

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly

has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of \$20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and \$10 of the \$20 is paid to the State's General Fund.

### **Intragovernmental Shared Revenues**

The net amount of excise taxes collected by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and municipalities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 20.47 percent of malt beverage tax revenue, 49.44 percent of unfortified wine tax revenue and 18 percent of fortified wine tax revenue. A municipality or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold at retail in a municipality located in a county in which the sale of such beverage is otherwise prohibited, only the municipality receives a portion of the amount distributed.

The State levies a tax on the gross receipts derived from the sale of electricity at the combined general rate prescribed by statute. The State distributes 44 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute.

The State levies a sales tax on the gross receipts derived from providing telecommunications and ancillary services at the statutorily prescribed combined general rate. Each quarter, the State distributes to municipalities 18.7 percent of the net proceeds from that quarter, minus \$2,620,948.

The State levies a tax on the gross receipts derived from the sale of piped natural gas at the combined general rate. The State distributes quarterly 20 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute, with certain "gas cities" eligible for an increase to their shares provided that certain requirements are met.

All cities and counties receive shares of three State sales taxes on video programming service and telecommunications service revenues pursuant to a formula provided by statute. The revenue to be distributed includes 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. Before the distribution of such net proceeds is made, certain cities or counties may receive supplemental public, educational or governmental access channel ("PEG Channel") support funds from such net proceeds, provided that certain requirements are met.

### **State and Local Fiscal Relations**

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

*Public Schools and Community Colleges* - The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the

public school and community college systems are raised primarily by county government from its general revenues including the local sales tax revenue.

*Court System* - The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

*Correctional System* - The State finances all of the cost of correctional facilities used for confinement of convicted felons and long-term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short-term misdemeanants and prisoners awaiting trial.

*Highway System* - The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

**APPENDIX F**

**FORM OF OPINION OF BOND COUNSEL**

[Letterhead of Parker Poe Adams & Bernstein LLP]

June \_\_, 2026

City of Winston-Salem, North Carolina  
Winston-Salem, North Carolina

§ \_\_\_\_\_  
*City of Winston-Salem, North Carolina*  
*Taxable General Obligation Bonds,*  
*Series 2026A*

§ \_\_\_\_\_  
*City of Winston-Salem, North Carolina*  
*General Obligation Bonds,*  
*Series 2026B*

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the City of Winston-Salem, North Carolina (the “City”) of \$ \_\_\_\_\_ aggregate principal amount of its Taxable General Obligation Bonds, Series 2026A (the “2026A Bonds”) and \$ \_\_\_\_\_ aggregate principal amount of its General Obligation Bonds, Series 2026B (the “2026B Bonds” and, together with the 2026A Bonds, the “2026 Bonds”). The 2026 Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times, all as provided in the Bond Resolution adopted by the City Council of the City (the “City Council”) on April 6, 2026 (the “Bond Resolution”).

In connection with the issuance of the 2026 Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

- (a) Certified copies of (a) the Bond Order authorizing the issuance of up to \$6,612,190 General Obligation Streets and Sidewalks Bonds, (b) the Bond Order authorizing the issuance of up to \$449,345 General Obligation Parks and Recreation Bonds, (c) the Bond Order authorizing the issuance of up to \$247,865 General Obligation Public Safety Bonds, (d) the Bond Order authorizing the issuance of up to \$1,130,600 General Obligation Public Facilities Bonds, and (e) the Bond Order authorizing the issuance of up to \$2,000,000 General Obligation Housing Bonds, each adopted by the City Council on April 6, 2026 and which are effective 30 days after their publication and during which no petition to a vote of the people is filed with the City Clerk under Section 159-60 of the General Statutes of North Carolina;
- (b) A certified copy of the Bond Resolution;
- (c) Specimens of the 2026 Bonds; and
- (d) Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The 2026 Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the “*State*”), including The Local Government Bond Act, Section 159-43 et seq. of the General Statutes of North Carolina.

2. The 2026 Bonds are legal, valid and binding general obligations of the City.

3. The City has pledged its faith and credit for the payment of the principal of and the interest on the 2026 Bonds, and the City is authorized to levy on all real property taxable by the City such ad valorem taxes as may be necessary to pay the 2026 Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the 2026B 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, however, such interest on the 2026B Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “*Code*”)) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026B Bonds in order that the interest on the 2026B 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 2026B Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2026B Bonds. We express no opinion regarding other federal tax consequences related to the ownership of or the receipt, accrual or amount of interest on, the 2026B Bonds.

5. Interest on the 2026A Bonds is not excludable from gross income for federal income tax purposes. We express no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest with respect to, the 2026A Bonds.

6. The interest on the 2026 Bonds is exempt from State of North Carolina income taxation.

Our services as Bond Counsel in connection with the issuance and sale of the 2026 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 2026 Bonds and the tax status of interest with respect thereto. We express no opinion relating to the accuracy, completeness or sufficiency of the Preliminary Official Statement or the Official Statement (collectively, the “*Official Statement*”), or any other offering material relating to the 2026 Bonds (excepting only the matters set forth as our opinion in the Official Statement and the section entitled “**TAX TREATMENT**”) or as to the financial resources of the City or the ability of the City to make the payments required on the 2026 Bonds, that may have been relied on by anyone in making the decision to purchase the 2026 Bonds.

The rights of the owners of the 2026 Bonds and the enforceability of the 2026 Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors’ rights and remedies generally, and by general principles of equity, whether such principles are considered in a proceeding at law or in equity.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed

City of Winston-Salem, North Carolina

June \_\_, 2026

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or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing on such public records, certifications, and documents and proceedings.

Respectfully submitted,

**PARKER POE ADAMS & BERNSTEIN LLP**

**BOOK-ENTRY ONLY SYSTEM**

Beneficial ownership interests in the Bonds will be available only in a book-entry system. The actual purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in such Bonds purchased. So long as The Depository Trust Company (the “DTC”), a New York corporation, or its nominee is the registered owner of the Bonds, references in this Official Statement to the registered owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners of the Bonds.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the Bonds, payment of interest and other payments with respect to the Bonds to DTC Participants or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and of other transactions by and between DTC, DTC Participants, and Beneficial Owners are based on information furnished by DTC.

DTC will act as a securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s Participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (the “DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each Beneficial Owner is, in turn, to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest and redemption premiums, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the City or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premiums, if any, is the City's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as a securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Commission or the City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC, and the City takes no responsibility for the accuracy thereof.

The City cannot and does not give any assurances that DTC, Direct Participants, or Indirect Participants will distribute to the Beneficial Owners of the Bonds (a) payments of principal of, premium, if any, and interest on the Bonds, (b) confirmations of their ownership interests in the Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

THE CITY HAS NO RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, PREMIUM, IF ANY OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE TERMS OF THE RESOLUTIONS AUTHORIZING THE ISSUANCE OF THE BONDS; AND (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.