

In the opinion of Parker Poe Adams & Bernstein, LLP, Bond Counsel, under existing law, (1) assuming compliance by the County with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds (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 portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, and (2) the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.

\$33,015,000

Limited Obligation Bonds

**(County of New Hanover, North Carolina), Series 2024
evidencing proportionate undivided interests in rights to receive
certain Revenues pursuant to an Installment Financing Contract
between New Hanover County Financing Corporation and the
COUNTY OF NEW HANOVER, NORTH CAROLINA**



Dated: Date of Initial Execution and Delivery

Due: October 1, as shown on inside cover page

This Official Statement has been prepared by the County of New Hanover, North Carolina (the "County") to provide information on the Limited Obligation Bonds (County of New Hanover, North Carolina), Series 2024 (the "2024 Bonds"). Selected information is presented on this cover page for the convenience of the user. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings set out in Appendix C hereto under "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS-DEFINITIONS."

Security: The 2024 Bonds and all other Bonds outstanding under the Indenture evidence proportionate undivided interests in rights to receive certain Revenues pursuant to the Contract between the New Hanover County Financing Corporation (the "Corporation") and the County. The performance by the County of its obligations under the Contract, including the obligation to make Installment Payments thereunder, is secured by a Deed of Trust from the County to the Deed of Trust Trustee granting a lien of record on the Mortgaged Property, subject to Permitted Encumbrances. The Corporation has assigned to the Trustee for the benefit of the registered owners of the 2024 Bonds and all other Bonds outstanding under the Indenture substantially all of its rights under the Contract, including the right to receive Installment Payments, and all of its rights as beneficiary of the Deed of Trust.

THE PRINCIPAL AND INTEREST WITH RESPECT TO THE 2024 BONDS ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE COUNTY UNDER THE CONTRACT AND, TO THE EXTENT PROVIDED IN THE INDENTURE, THE PROCEEDS OF THE SALE OF THE 2024 BONDS, CONDEMNATION AWARDS OR THE SALE OR LEASE OF THE MORTGAGED PROPERTY. NEITHER THE CONTRACT, THE 2024 BONDS NOR THE INTEREST WITH RESPECT THERETO CONSTITUTES A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE COUNTY. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF ANY CONTRACTUAL OBLIGATION TO MAKE INSTALLMENT PAYMENTS PURSUANT TO THE CONTRACT, AND THE TAXING POWER OF THE COUNTY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE THE OWNERS OF THE 2024 BONDS. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS ON AN EVENT OF DEFAULT RESULTING FROM THE COUNTY'S FAILURE TO MAKE INSTALLMENT PAYMENTS UNDER THE CONTRACT ARE LIMITED IN THE CONTRACT TO THOSE OF A SECURED PARTY UNDER THE LAWS OF NORTH CAROLINA, INCLUDING FORECLOSING ON THE MORTGAGED PROPERTY IN ACCORDANCE WITH THE DEED OF TRUST AND ARE ON A PARITY WITH THOSE RIGHTS AND REMEDIES AVAILABLE TO THE OWNERS OF ALL BONDS OUTSTANDING UNDER THE INDENTURE. SEE "SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS" HEREIN

Prepayment: The 2024 Bonds are subject to optional prepayment before maturity.

Issued Pursuant to: The 2024 Bonds will be executed and delivered pursuant to the Indenture.

Purpose: The proceeds of the 2024 Bonds will be used by the County to pay the capital costs of (1) the construction, equipping and furnishing of a new library, (2) the construction, equipping and furnishing of two fire stations, (3) the construction of an ammunition warehouse and office/classroom building at the New Hanover County Firing Range, and (4) the replacement of the roof and other exterior improvements to the New Hanover County Senior Resource Center.

Interest Payment Dates: April 1 and October 1 of each year, beginning April 1, 2025.

Denomination: \$5,000 and any integral multiple thereof.

Closing Date: On or about September 18, 2024.

Registration: Full book-entry only; The Depository Trust Company.

Trustee: U.S. Bank Trust Company, National Association, Charlotte, North Carolina.

Financial Advisor: First Tryon Advisors, Charlotte, North Carolina.

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

County Attorney: K. Jordan Smith, Esq., Wilmington, North Carolina.

Underwriter's Counsel: Holland & Knight LLP, New York, New York and Charlotte, North Carolina.

PNC CAPITAL MARKETS LLC

AUGUST 28, 2024

LIMITED OBLIGATION BONDS (COUNTY OF NEW HANOVER, NORTH CAROLINA),

SERIES 2024

MATURITY SCHEDULE

\$33,015,000 Serial 2024 Bonds

DUE OCTOBER 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP No¹	DUE OCTOBER 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP No¹
2025	\$1,920,000	5.00%	2.57%	64480PGY9	2035	\$1,565,000	5.00%	2.97% ^C	64480PHJ1
2026	1,920,000	5.00	2.53	64480PGZ6	2036	1,565,000	5.00	3.03 ^C	64480PHK8
2027	1,915,000	5.00	2.54	64480PHA0	2037	1,560,000	5.00	3.08 ^C	64480PHL6
2028	1,915,000	5.00	2.56	64480PHB8	2038	1,560,000	5.00	3.10 ^C	64480PHM4
2029	1,910,000	5.00	2.56	64480PHC6	2039	1,560,000	5.00	3.18 ^C	64480PHN2
2030	1,565,000	5.00	2.62	64480PHD4	2040	1,560,000	5.00	3.27 ^C	64480PHP7
2031	1,565,000	5.00	2.72	64480PHE2	2041	1,560,000	5.00	3.36 ^C	64480PHQ5
2032	1,565,000	5.00	2.82	64480PHF9	2042	1,560,000	5.00	3.44 ^C	64480PHR3
2033	1,565,000	5.00	2.85	64480PHG7	2043	1,560,000	5.00	3.50 ^C	64480PHS1
2034	1,565,000	5.00	2.90	64480PHH5	2044	1,560,000	4.00	3.92 ^C	64480PHT9

¹ CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright © 2024 CUSIP Global Services. All rights reserved. CUSIP numbers are set forth herein for the convenience of reference only and neither the County, the Corporation, the Underwriter, nor their agents take responsibility for the accuracy of such data.

^CYield to October 1, 2034 call date at 100%.

In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the 2024 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2024 Bonds by any person in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Corporation, the County and other sources that are deemed to be reliable.

Neither the 2024 Bonds nor the Indenture have been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of the 2024 Bonds and the Indenture in accordance with applicable provisions of securities laws of the states in which the 2024 Bonds and the Indenture have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof.

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

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2024 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the date hereof.

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

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\$33,015,000
***Limited Obligation Bonds (County of New Hanover, North
Carolina), Series 2024***
***evidencing proportionate undivided interests in rights to receive
certain Revenues pursuant to an Installment Financing Contract
between New Hanover County Financing Corporation and the
COUNTY OF NEW HANOVER, NORTH CAROLINA***

INTRODUCTION

The purpose of this Official Statement, which includes the Appendices hereto, is to provide certain information in connection with the execution, sale and delivery of the Limited Obligation Bonds (County of New Hanover, North Carolina), Series 2024, in the aggregate principal amount of \$33,015,000 (the “2024 Bonds”), which evidence proportionate undivided interests in rights to receive certain Revenues (as defined herein) pursuant to an Installment Financing Contract dated as of September 1, 2024 (the “Contract”), between New Hanover County Financing Corporation (the “Corporation”) and the County of New Hanover, North Carolina (the “County”). The 2024 Bonds will be executed and delivered pursuant to an Indenture of Trust dated as of September 1, 2024 (the “Indenture”), between the Corporation and U.S. Bank Trust Company, National Association, Charlotte, North Carolina (the “Trustee”). Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings set out in Appendix C hereto.

This Introduction provides only certain limited information with respect to the contents of this Official Statement and is expressly qualified by the Official Statement as a whole. Prospective investors should review the full Official Statement and each of the documents summarized or described herein. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

THE COUNTY

The County is a political subdivision of the State of North Carolina (the “State”). See the caption “**THE COUNTY**” herein and Appendix A hereto for certain information regarding the County. Certain information from the County’s most recent audited financial statements are contained in Appendix B hereto. The County Board of Commissioners approved the County’s audited financial statements for the Fiscal Year ended June 30, 2023 on January 8, 2024.

PURPOSE

The 2024 Bonds are being executed and delivered to provide funds to pay the capital costs of (1) the construction, equipping and furnishing of a new library, (2) the construction, equipping and furnishing of two fire stations, (3) the construction of an ammunition warehouse and office/classroom building at the New Hanover County Firing Range, and (4) the replacement of the roof and other exterior improvements to the New Hanover County Senior Resource Center.

See the captions “**THE 2024 PROJECTS**” and “**ESTIMATED SOURCES AND USES OF FUNDS**” herein.

SECURITY

The 2024 Bonds and any Additional Bonds (as defined herein) outstanding under the Indenture (collectively, the “*Bonds*”) evidence proportionate undivided interests in the right to receive certain Revenues under the Contract. The 2024 Bonds are secured by such moneys as may be on deposit under the Indenture. The 2024 Bonds are payable solely from the Installment Payments and certain other moneys as provided in the Indenture. In connection with the execution and delivery of the 2024 Bonds, the County will execute and deliver to a deed of trust trustee (the “*Deed of Trust Trustee*”), for the benefit of the Corporation or its assignee, a Deed of Trust, Security Agreement and Fixture Filing dated as of September 1, 2024 (the “*Deed of Trust*”), as security for the County’s obligations under the Contract, which grants a lien on the Mortgaged Property (as described under the captions “SECURITY AND SOURCES OF PAYMENT OF 2024 Bonds—DEED OF TRUST herein). The 2024 Bonds will be secured by the lien of the Deed of Trust on the Mortgaged Property.

The Corporation has assigned to the Trustee for the benefit of the Owners of the Bonds executed and delivered pursuant to the Indenture (a) all rights, title and interest of the Corporation in the Contract (except for certain reserved rights), including its right to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Mortgaged Property and (c) all moneys and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund). Pursuant to the Contract, the Installment Payments are payable by the County directly to the Trustee. The Corporation may execute and deliver additional bonds under the Indenture (the “*Additional Bonds*”) and such Additional Bonds would have equal rights in the security available to the Owners of the 2024 Bonds. See the captions “SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS--ADDITIONAL BONDS” herein and “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS--THE INDENTURE--*Additional Bonds*” in Appendix C hereto.

Under certain conditions, the Deed of Trust Trustee may release portions of the Mortgaged Property from the lien of the Deed of Trust. See the caption “SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS--DEED OF TRUST” herein and “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS--THE DEED OF TRUST” in Appendix C hereto.

If a default occurs under the Contract, the Trustee may attempt to dispose of the Mortgaged Property and apply the proceeds received as a result of any such disposition to the payment of the amounts due to the Owners of the 2024 Bonds and all other Bonds outstanding under the Indenture. No assurance can be given that any such proceeds will be sufficient to pay the principal and interest with respect to the 2024 Bonds. In addition, no deficiency judgment can be obtained against the County if the proceeds from any such disposition (together with other funds that may be held by the Trustee under the Indenture) are insufficient to pay the 2024 Bonds in full. Neither the 2024 Bonds nor the County’s obligation to make payments under the Contract constitute a pledge of the County’s faith and credit within the meaning of any constitutional provision. See the caption “SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS” herein.

THE 2024 BONDS

The 2024 Bonds will be dated their date of initial execution and delivery. Interest is payable on April 1 and October 1 of each year, beginning April 1, 2025, at the rates set forth on the inside cover page of this Official Statement. Principal is payable on October 1 in the years and in the amounts set forth on the inside cover page of this Official Statement.

BOOK ENTRY ONLY

The 2024 Bonds will be delivered in book entry form only, without physical delivery of bonds. Payments to beneficial owners of the 2024 Bonds will be made by the Trustee through The Depository Trust Company (“*DTC*”) and its participants. See “BOOK-ENTRY ONLY SYSTEM” in Appendix E hereto.

TAX STATUS

In the opinion of Bond Counsel, under existing law, (1) assuming compliance by the County with certain requirements of the Internal Revenue code of 1986, as amended (the "Code"), the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds (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 portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, and (2) the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is exempt from State of North Carolina income taxation. See the caption "**TAX TREATMENT**" herein.

PROFESSIONALS

PNC Capital Markets LLC (the "*Underwriter*") is underwriting the 2024 Bonds. U.S. Bank Trust Company, National Association, as successor trustee to U.S. Bank National Association, is serving as Trustee with respect to the 2024 Bonds. Parker Poe Adams & Bernstein LLP is serving as Bond Counsel and Corporation Counsel. First Tryon Advisors is serving as Financial Advisor to the County. K. Jordan Smith, Esq., serves as the County Attorney. Holland & Knight LLP is serving as counsel to the Underwriter.

ADDITIONAL INFORMATION

Additional information and copies in reasonable quantity of the principal financing documents may be obtained during the offering period from PNC Capital Markets LLC, 4720 Piedmont Row, Suite 200, Charlotte, North Carolina 28210, (704) 571-0671. After the offering period, copies of such documents may be obtained from the Trustee at 214 North Tryon Street, 27th Floor, Charlotte, North Carolina 28202, (651) 443-5893.

The County will undertake in the Contract to provide continuing disclosure of certain annual financial information and operating data and listed events regarding the Contract and the 2024 Bonds. See the caption "**CONTINUING DISCLOSURE**" herein.

THE 2024 BONDS

AUTHORIZATION

The 2024 Bonds will be executed and delivered pursuant to the Indenture. The 2024 Bonds evidence proportionate undivided interests in the right to receive certain Revenues pursuant to the Contract. The 2024 Bonds are payable solely from the Installment Payments and certain other moneys as provided in the Indenture.

The County is entering into the Contract under the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended. The Board of Commissioners of the County (the "*Board*") authorized the County's execution and delivery of the Contract in a resolution adopted on June 17, 2024.

In addition, the County's execution and delivery of the Contract received the required approval of the North Carolina Local Government Commission (the "*LGC*") on August 6, 2024. The LGC is a division of the State Treasurer's office charged with general oversight of local government finance in the State. Its approval is required for substantially all bond issues and other local government financing arrangements in the State. Before approving an installment financing, the LGC must determine, among other things, that (1) the proposed financing is necessary or expedient, (2) the financing, under the circumstances, is preferable to a general obligation or revenue bond issue for the same purpose, and (3)

the sums to fall due under the proposed financing are adequate and not excessive for the local government.

GENERAL

Payment Terms. The 2024 Bonds will be dated their date of initial execution and delivery. Interest with respect to the 2024 Bonds is payable on each April 1 and October 1 (the “*Interest Payment Dates*”), beginning April 1, 2025, at the rates set forth on the inside cover page of this Official Statement (calculated on the basis of a 360 day year consisting of twelve 30 day months). Principal with respect to the 2024 Bonds is payable on October 1 in the years and amounts set forth on the inside cover page of this Official Statement. The record date for the 2024 Bonds is the fifteenth day (whether or not a Business Day) of the month next preceding an Interest Payment Date. Payments will be effected through DTC. See “**BOOK ENTRY ONLY SYSTEM**” in Appendix E hereto.

Registration and Exchange. So long as DTC or its nominee is the registered owner of the 2024 Bonds, transfers and exchanges of beneficial ownership interests in the 2024 Bonds will be available only through DTC Participants and DTC Indirect Participants. See “**BOOK ENTRY ONLY SYSTEM**” in Appendix E hereto. The Indenture describes the provisions for transfer and exchange applicable if a book entry system is no longer in effect. These provisions generally provide that the transfer of the 2024 Bonds is registrable by the Owners thereof, and the 2024 Bonds may be exchanged for an equal aggregate, unprepaid principal amount of 2024 Bonds of denominations of \$5,000 or any integral multiple thereof and of the same maturity and interest rate, only on presentation and surrender of the 2024 Bonds to the Trustee at the designated corporate trust office of the Trustee together with an executed instrument of transfer in a form approved by the Trustee in connection with any transfer. The Trustee may require the person requesting any transfer or exchange to reimburse it for any tax or other governmental charge required to be paid with respect to such registration or exchange.

PREPAYMENT PROVISIONS

Optional Prepayment. The 2024 Bonds maturing on or before October 1, 2034 are not subject to optional prepayment before their maturities. The 2024 Bonds maturing on October 1, 2035 and thereafter will be subject to prepayment at the option of the County, either in whole or in part, on any date on or after October 1, 2034, at a prepayment price equal to 100% of the principal amount to be prepaid, plus accrued interest to the prepayment date.

General Prepayment Provisions. If called for prepayment in part, the 2024 Bonds to be prepaid shall be prepaid in such order as the County shall select and within the same maturity as selected by DTC pursuant to its rules and procedures or, if the book entry system with respect to the 2024 Bonds is discontinued as provided in the Indenture, by lot within a maturity in such manner as the Trustee in its discretion may determine.

When 2024 Bonds are to be prepaid in part, the schedule of Installment Payments set forth in the Contract shall be recalculated as necessary by the by the Trustee and verified by the County in the manner required by the Indenture. Notice of prepayment identifying the 2024 Bonds or portions thereof to be prepaid will be given by the Trustee in writing not less than 30 days nor more than 60 days before the date fixed for prepayment by first class mail, postage prepaid (registered or certified mail in the case of notice to DTC) (a) to DTC or its nominee as permitted or required by DTC’s rules and procedures, or (b) if DTC or its nominee is no longer the Owner of the 2024 Bonds, to the then registered Owners of the 2024 Bonds to be prepaid at their addresses appearing on the registration books maintained by the Trustee, (c) to the LGC, and (d) to the Municipal Securities Rulemaking Board (the “*MSRB*”) in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, (1) if notice is properly given, failure to receive an appropriate notice shall not affect the validity of the proceedings for such prepayment, (2) failure to give any such notice or any defect therein shall not affect the validity of the proceedings for prepayment of the 2024 Bonds or portions thereof with respect to which notice was correctly given and (3) failure to give any such notice to the LGC or the MSRB, or any defect therein, shall not affect the validity of any proceedings for prepayment of the 2024 Bonds.

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

On or before the date fixed for prepayment, funds will be deposited with the Trustee to pay the 2024 Bonds or portions thereof called for prepayment, together with accrued interest to the prepayment date. On the giving of notice and the deposit of such funds for prepayment pursuant to the Indenture, interest with respect to the 2024 Bonds or portions thereof so called for prepayment will no longer accrue after the date fixed for prepayment.

The 2024 Bonds or portions thereof called for prepayment will be due and payable on the prepayment date at the prepayment price, together with accrued interest with respect thereto to the prepayment date. If the required notice of prepayment has been given and moneys sufficient to pay the prepayment price, together with accrued interest to the prepayment date have been deposited with the Trustee, the 2024 Bonds or portions thereof so called for prepayment will cease to be entitled to any benefit or security under the Indenture, and the Owners of such 2024 Bonds will have no rights with respect to such 2024 Bonds or portions thereof so called for prepayment except to receive payment of the prepayment price and accrued interest to the prepayment date from such funds held by the Trustee. On surrender and cancellation of any 2024 Bonds called for prepayment in part only, a new 2024 Bond or 2024 Bonds of the same maturity and interest rate and of authorized denominations, in an aggregate principal amount equal to the unrepaid portion thereof, will be executed on behalf of the Corporation and authenticated and delivered by the Trustee.

IF AN EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING UNDER THE INDENTURE, THERE WILL BE NO PREPAYMENT OF LESS THAN ALL OF THE BONDS OUTSTANDING.

THE 2024 PROJECTS

The 2024 Bonds are being executed and delivered to provide funds to pay capital costs for the following projects:

Northchase Library Project. Approximately \$13,045,000 of the proceeds from the 2024 Bonds will be used to finance the construction, equipping and furnishing of the Northchase Library.

Castle Hayne Fire Station Project. Approximately \$9,748,000 of the proceeds from the 2024 Bonds will be used to finance the construction, equipping and furnishing of the Castle Hayne Fire Station.

Gordon Road Fire Station Project. Approximately \$12,042,189 of the proceeds from the 2024 Bonds will be used to finance the construction, equipping and furnishing of the Gordon Road Fire Station.

Ancillary Improvements and Equipment. Approximately \$1,808,123 of the proceeds from the 2024 Bonds will be used to finance (a) the construction of an ammunition warehouse and office/classroom building at the New Hanover County Firing Range and (b) the replacement of the roof and other exterior improvements to the New Hanover County Senior Resource Center.

THE 2024 BONDS WILL BE SECURED BY A LIEN OF THE DEED OF TRUST ON THE REAL PROPERTY ON WHICH THE NORTHCHASE LIBRARY WILL BE LOCATED, TOGETHER WITH THE IMPROVEMENTS THEREON, WHICH CONSTITUTE THE MORTGAGED PROPERTY UNDER THE DEED OF TRUST.

ESTIMATED SOURCES AND USES OF FUNDS

The following table presents information as to the estimated sources and uses of funds:

SOURCES OF FUNDS:

Par Amount of 2024 Bonds	\$33,015,000
Original Issue Premium	<u>4,052,481</u>
TOTAL	<u>\$37,067,481</u>

USES OF FUNDS:

Costs of Acquisition and Construction	\$36,645,441
Costs of Delivery ¹	<u>422,040</u>
TOTAL	<u>\$37,067,481</u>

¹ Includes legal fees, printing costs, Underwriter's discount, title insurance premium, rating agency fees and other miscellaneous transaction costs.

SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS

The Bonds outstanding under the Indenture evidence proportionate undivided interests in the rights to receive certain Revenues pursuant to the Contract. The 2024 Bonds will be proportionately and ratably secured with the Bonds executed and delivered pursuant to the Indenture. Revenues are defined in the Contract to mean (a) all Net Proceeds not applied to the replacement of the Mortgaged Property, (b) all Installment Payments and (c) all investment income on all funds and accounts created under the Indenture (other than the Rebate Fund). Notwithstanding the foregoing, the Owner of each 2024 Bond is not entitled to receive more than the amount of principal and interest represented by such 2024 Bond.

INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS

Under the Contract, the County is required to make the Installment Payments directly to the Trustee in amounts sufficient to provide for the payment of the principal (whether at maturity, by prepayment or otherwise) and interest with respect to the Bonds executed and delivered under the Indenture as the same become due and payable.

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

BUDGET AND APPROPRIATION

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

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

DEED OF TRUST

In connection with the execution and delivery of the 2024 Bonds, the County will execute the Deed of Trust as security for its obligations under the Contract granting a security interest in the real property on which Northchase Library will be located, together with the improvements located thereon, subject to certain permitted encumbrances as set forth in the Contract and the Deed of Trust (the “*Mortgaged Property*”).

UPON THE EXECUTION AND DELIVERY OF THE 2024 BONDS, THE SITE OF THE NORTHCHASE LIBRARY WILL CONSTITUTE THE “MORTGAGED PROPERTY” AND, CONSEQUENTLY, SUCH REAL PROPERTY AND ANY IMPROVEMENTS THEREON WILL BE SUBJECT TO THE LIEN CREATED BY THE DEED OF TRUST.

The Deed of Trust authorizes future obligations evidenced by Additional Bonds executed and delivered under the Indenture to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured thereby at any one time does not exceed \$200,000,000 and such future obligations are incurred not later than 30 years from the date of the Deed of Trust.

The Deed of Trust is recorded in the office of the Register of Deeds of New Hanover County, North Carolina, and the liens created thereby are insured by a title insurance policy.

Release. So long as there is no event of default under the Deed of Trust, the Trustee must release the Mortgaged Property or any part thereof from the lien and security interest of the Deed of Trust when and if the following requirements have been fulfilled:

(1) in connection with any release of the Mortgaged Property, or any part thereof, there is filed with the Corporation a certified copy of the resolution of the Board of Commissioners of the County stating the purpose for which the County desires such release, giving an adequate legal description of the part of the Mortgaged Property to be released, requesting such release and providing for payment by the County of all expenses in connection with such release;

(2) in connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, either the (1) tax, insured or appraised value of the Mortgaged Property remaining after the proposed release is not less than 25% of the aggregate principal component of the Installment Payments relating to the Bonds then Outstanding under the Indenture or (2) the County (i) provides for the substitution of other real property therefor and the tax, insured or appraised value of the Mortgaged Property remaining after the proposed substitution is not less than the replacement value of the Mortgaged Property (as determined above) immediately before the proposed substitution, (ii) delivers to the Corporation, or its assignee, an opinion of Bond Counsel to the effect that the substitution (A) is permitted by law and under this Deed of Trust and (B) will not adversely affect the tax treatment of any Outstanding Bonds, and (iii) records a modification to this Deed of Trust reflecting such substitution of the Mortgaged Property.

(3) in connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, such release shall not prohibit the County’s ingress, egress and regress to and from the remainder of the Mortgaged Property not being released, or materially interfere with the use of the remainder of the Mortgaged Property not being released; and

(4) in connection with the release of the entire Mortgaged Property, there is paid to the Corporation an amount sufficient to provide for the payment in full of all of the Bonds then Outstanding under the Indenture.

INDENTURE

Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the Owners of the Bonds executed and delivered under the Indenture (a) all rights, title and interest of the Corporation in the Contract (except for certain indemnification rights, certain notice rights and the right to Additional Payments payable to the Corporation), including its rights to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Mortgaged Property and (c) all moneys and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund) and any and all other personal property of every name and nature from time to time by delivery or by writing of any kind specially, pledged or hypothecated, as and for additional security under the Indenture, by the Corporation, or by anyone on its behalf, in favor of the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

ENFORCEABILITY

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

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

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

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

See "**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - THE CONTRACT - *Remedies on Default***" in Appendix C for a more complete description of the rights and powers of the Trustee upon the occurrence of an event of default under the Contract.

ADDITIONAL BONDS

Under the conditions described in the Indenture and so long as no Event of Default has occurred and is continuing under the Indenture, the Corporation may execute and deliver Additional Bonds under the Indenture without the consent of the Owners of the Bonds then Outstanding under the Indenture to provide funds to pay (a) the cost of expanding the Projects or acquiring, constructing, renovating and equipping other facilities or acquiring equipment and other capital assets for utilization by or on behalf of the County for public purposes, (b) the cost of refunding all or any portion of the Bonds then Outstanding under the Indenture or any other financing obligations of the County, and (c) the Costs of Issuance relating to the execution, delivery and sale of such Additional Bonds.

The 2024 Bonds are payable on a parity with any Additional Bonds hereafter executed and delivered pursuant to the Indenture. The Installment Payments and any Installment Payments with respect to Additional Bonds issued under the Indenture will be deposited as received by the Trustee in the Bond Fund held by the Trustee. Moneys in the Bond Fund will be withdrawn and used to pay the principal and interest with respect to the Bonds executed and delivered under the Indenture as the same become due and payable. If on any date the moneys on deposit in the Bond Fund are insufficient to pay all of the principal and interest with respect to the Bonds executed and delivered under the Indenture which are due and payable on such date, such moneys will be used to pay such principal and interest with respect to the Bonds entitled to receive principal or interest with respect to such date in the manner provided in the Indenture. See “**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - THE INDENTURE - *Application of Money***” in Appendix C.

AVAILABLE SOURCES FOR PAYMENT OF INSTALLMENT PAYMENTS

GENERAL

The County may pay its Installment Payments from any source of funds available to it in each year and appropriated therefor during the term of the Contract.

GENERAL FUND REVENUES

The County’s General Fund revenues for the Fiscal Year ended June 30, 2023 were \$365,585,208. The County’s General Fund revenues for the Fiscal Year ended June 30, 2023 and for the Fiscal Year ended June 30, 2024 were budgeted at \$362,519,813 and \$387,706,629, respectively.

General Fund revenues are derived from various sources including property taxes, which generated approximately 55.07% of the general fund revenues in the County’s 2024 budget. For the Fiscal Years ended June 30, 2022 and June 30, 2023, the County imposed a property tax of \$0.4304 and \$0.4229, respectively, per \$100 of assessed value. For the Fiscal Year ended June 30, 2024, the County imposed a property tax of \$0.4206 per \$100, which is expected to generate approximately \$216,214,493. The County also imposed a County-wide property tax exclusively for certain debt payments that are accounted for in a Debt Service Fund. The rates were \$0.0446 per \$100 of assessed value for Fiscal Year ended June 30, 2022 and \$0.0321 for Fiscal Year ended June 30, 2023. The General Statutes of North Carolina permit counties to impose property taxes of up to \$1.50 per \$100 of assessed value for certain purposes without the requirement of a voter referendum. See Appendix B hereto for additional information regarding the County’s general fund revenues for the Fiscal Year ended June 30, 2023.

INSTALLMENT PAYMENT SCHEDULE

The following schedule sets forth for each Fiscal Year of the County ending June 30 the amount of principal (whether at maturity or pursuant to optional prepayment) and interest required to be paid under the Contract with respect to the 2024 Bonds executed and delivered pursuant to the Indenture. Totals may not foot due to rounding.

2024 BONDS			
FISCAL YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2025	-	\$876,622	\$876,622
2026	\$1,920,000	1,587,150	3,507,150
2027	1,920,000	1,491,150	3,411,150
2028	1,915,000	1,395,275	3,310,275
2029	1,915,000	1,299,525	3,214,525
2030	1,910,000	1,203,900	3,113,900
2031	1,565,000	1,117,025	2,682,025
2032	1,565,000	1,038,775	2,603,775
2033	1,565,000	960,525	2,525,525
2034	1,565,000	882,275	2,447,275
2035	1,565,000	804,025	2,369,025
2036	1,565,000	725,775	2,290,775
2037	1,565,000	647,525	2,212,525
2038	1,560,000	569,400	2,129,400
2039	1,560,000	491,400	2,051,400
2040	1,560,000	413,400	1,973,400
2041	1,560,000	335,400	1,895,400
2042	1,560,000	257,400	1,817,400
2043	1,560,000	179,400	1,739,400
2044	1,560,000	101,400	1,661,400
2045	<u>1,560,000</u>	<u>31,200</u>	<u>1,591,200</u>
TOTAL	<u>\$33,015,000</u>	<u>\$16,408,547</u>	<u>\$49,423,547</u>

CERTAIN RISKS OF 2024 BOND OWNERS

LIMITED OBLIGATION OF THE COUNTY

If the Installment Payments to be made by the County are insufficient to pay the principal and interest with respect to the Bonds, as the same become due or, if any other event of default occurs under the Contract, the Trustee may accelerate the Bonds, and all unpaid principal amounts due by the County under the Contract and foreclose on the County's interest in the Mortgaged Property under the Deed of Trust. The Mortgaged Property includes the real property on which the Northchase Library will be located, together with the improvements thereon.

NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR ANY BREACH OF THE CONTRACT. THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS DUE UNDER THE CONTRACT. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE BONDS UPON A DEFAULT BY THE COUNTY UNDER THE CONTRACT ARE LIMITED TO THOSE OF A SECURED PARTY UNDER THE LAWS OF THE STATE, INCLUDING FORECLOSING ON THE COUNTY'S INTEREST IN THE MORTGAGED PROPERTY COVERED BY THE DEED OF TRUST. THERE CAN BE NO ASSURANCE THAT THE MONEYS AVAILABLE IN THE FUNDS AND ACCOUNTS HELD BY THE TRUSTEE AND THE PROCEEDS OF ANY SUCH FORECLOSURE WILL BE

SUFFICIENT TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS OUTSTANDING UNDER THE INDENTURE.

RISK OF NONAPPROPRIATION

The appropriation of moneys to make the Installment Payments is within the sole discretion of the Board of the County. If the Board fails to appropriate such moneys, the only sources of payment for the Bonds will be the moneys, if any, available in the respective funds and accounts held by the Trustee under the Indenture and the proceeds of any attempted foreclosure on the County's interest in the Mortgaged Property under the Deed of Trust.

ENVIRONMENTAL RISKS

The County is not aware of any recognized environmental conditions with respect to the Mortgaged Property. The County is required under the Deed of Trust to undertake whatever environmental remediation may be required by law. For example, if any portion of the Mortgaged Property becomes a "Superfund Site" under the Comprehensive Environmental Response, Compensation and Liability Act, the federal government may require clean-up and the County may be required to pay all or a part of such clean-up costs. If the County was unable to continue operation of any part of the Mortgaged Property because of environmental contamination of the Mortgaged Property, the value of the Mortgaged Property at foreclosure would be reduced by the cost of any clean-up. Moreover, under the Indenture, the Trustee may refuse to foreclose on any portion of the Mortgaged Property affected by such environmental contamination.

VALUE OF COLLATERAL

No special appraisal of the Mortgaged Property has been obtained and the amount of proceeds received through foreclosure of the County's interest in the Mortgaged Property will be affected by a number of factors, including (1) the costs and expenses in enforcing the lien and security, (2) the condition of the Mortgaged Property, (3) the occurrence of any damage, destruction, loss or theft of the Mortgaged Property which is not repaired or replaced and for which there are not received or appropriated moneys from insurance policies or any risk management program, (4) problems relating to the paucity of alternative uses of the facilities arising from their design, zoning restrictions, use restrictions, easements and encumbrances on the Mortgaged Property and (5) environmental problems and risks with respect to the Mortgaged Property.

NO REPRESENTATION IS MADE AS TO THE VALUE OF THE COUNTY'S INTEREST IN THE MORTGAGED PROPERTY IN FORECLOSURE.

UNINSURED OR UNDERINSURED CASUALTY

If all or any part of the Projects is partially or totally damaged or destroyed by any fire or other casualty or is wholly or partially taken pursuant to eminent domain proceedings, the County may elect not to repair, restore, improve or replace the affected portion of the Mortgaged Property if (1) (a) the Net Proceeds are less than \$1,000,000 and (b) a County Representative certifies to the Corporation that such Net Proceeds are not necessary to restore the affected portion of the Mortgaged Property to its intended use or (2) the County uses the Net Proceeds, together with any other available funds of the County that may be necessary, to prepay or defease all of the Outstanding Bonds in accordance with the terms of the Indenture. In such event, the County will direct the Trustee to either deposit such Net Proceeds in the Bond Fund to be applied toward the next payment of principal and interest with respect to the Bonds or in the Prepayment Fund or an escrow fund to effect the prepayment or defeasance of the Outstanding Bonds, as the case may be. The Contract requires the County to maintain certain insurance with respect to the Mortgaged Property, but such insurance may not cover all perils to which the Mortgaged Property is subject or provide sufficient Net Proceeds to fully repair or replace the Mortgaged Property.

OUTSTANDING GENERAL OBLIGATION DEBT OF THE COUNTY

The County has general obligation bonds outstanding and may issue additional general obligation bonds and notes in the future. The County has pledged and will pledge its faith and credit and taxing power to the payment of its general obligation bonds and notes issued or to be issued. See the caption “**THE COUNTY - DEBT INFORMATION**” in Appendix A for a description of the County’s outstanding and authorized but unissued general obligation bonds and notes. FUNDS WHICH MAY OTHERWISE BE AVAILABLE TO PAY INSTALLMENT PAYMENTS OR ADDITIONAL PAYMENTS OR TO MAKE OTHER PAYMENTS TO BE MADE BY THE COUNTY UNDER THE CONTRACT MAY BE SUBJECT TO SUCH FAITH AND CREDIT PLEDGE BY THE COUNTY AND THEREFORE MAY BE REQUIRED TO BE APPLIED TO THE PAYMENT OF ITS GENERAL OBLIGATION INDEBTEDNESS.

OTHER INDEBTEDNESS

There is no limitation on the County entering into additional contracts which provide for obligations the payment on which is subject to appropriation. See “**THE COUNTY - DEBT INFORMATION – Other Outstanding Limited Obligation Bonds** and - **Other Long-Term Commitments**” in Appendix A.

CYBERSECURITY

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

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

- **Daily system backups** – The County performs daily system backups that are maintained and stored by a third party. They are audited and quality checked on a regular basis.
- **Risk Assessment, Incident Response and Business Continuity** – On at least an annual basis, the County performs security risk assessments to identify gaps and performs remediations. Additionally, the County maintains an Incident Response Plan and on an annual basis conducts tabletop exercises that are facilitated by a third party security partner.
- **Identity and Access Management** - The County uses multifactor authentication for virtual private network connections. Employee accounts are provided the least privilege necessary to perform their roles and requires the use of separate, elevated privilege accounts for system administration functions. Remote administrative access to servers is also protected by multifactor authentication. Active Directory, service, and vendor accounts are audited annually, and a robust onboarding and off-boarding process is defined and maintained by the County. The County uses third-party software to control, monitor and audit access of vendors to the County’s network environment.

- **Network Configuration and System Hardening:** The County uses standardized PC images and configuration management performed with the use of Microsoft System Center Configuration Manager. Systems are updated monthly with Microsoft and 3rd party updates. The County uses MaaS360 for mobile device management to facilitate sound security controls for devices and allows for centralized oversight of configuration control, application usage, and device protection and recovery.
- **Endpoint/Network Security:** Endpoint security of workstations/servers is addressed on an enterprise basis with a next generation anti-malware and extended detection and response solution which is monitored by our managed detection and response partner. The County has firewall software to secure internal and external traffic. Geo-blocking provides protection against rogue users, programs, and processes. Web traffic is filtered with a hybrid hardware/cloud-based web filter.
- **Email Security:** The County uses a prominent email security solution which blocks known malicious messages. For suspicious messages, the filtering solution blocks, and flags, messages based on their content or attributes of the sender.
- **Vulnerability Management:** The County has developed and implemented a vulnerability management program. Monthly vulnerability scans are performed using third-party software on all network and hardware components (including the firmware and operating systems).
- **Employee Training:** Annual and on-boarding cyber-security training is required for all County employees, which includes a phishing simulation.
- **Security Tools and Monitoring:** The County partners with a third-party cybersecurity provider for 24x7x365 monitoring of critical infrastructure. The appliance and agents installed on all servers collect logs and provide host-based intrusion detection systems. The County has a dedicated security engineer, security and compliance analyst, and a cybersecurity team that all meet regularly to review the alerts and evaluate cybersecurity concerns.
- **Data Protection:** The County maintains a catalog of classifications and data mapping of all applications and software. Also, all electronic media must be properly sanitized or physically destroyed before it is transferred from the custody of the County. To maintain visibility of user rights and to protect data, the County has implemented User Rights Management software.
- **Security Policy:** The County consults with other departments to create policies and procedures covering system access management, electronic communications, program change management, passwords, backups, and recovery of data.

While the County's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the County that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the County's finances or operations. The costs of remedying any such damage or obtaining insurance related thereto, or protecting against future attacks could be substantial and insurance (if any can be obtained), may not be adequate to cover such losses or other consequential County costs and expenses. Further, cybersecurity breaches could expose the County to material litigation and other legal risks, which could cause the County to incur material costs related to such legal claims or proceedings.

NATURAL DISASTERS AND CLIMATE CHANGE

The County is located on the southeastern North Carolina coast between the Northeast Cape Fear and Cape Fear Rivers and the Atlantic Ocean, and is therefore susceptible to the effects of severe weather events and natural disasters, including floods, droughts and hurricanes and has experienced multiple severe weather events within the past several years. While not a yearly occurrence historically, the County has been impacted by hurricanes, tropical storms and other severe weather events numerous times per decade. The high winds, storm surge and flooding related to those severe weather events have caused significant property damage on occasion and could adversely impact tourism activities in the County. These effects may be amplified by a prolonged global temperature increase over the next several decades (commonly referred to as “climate change”). No assurances can be given that a future extreme weather event driven by climate change will not adversely affect the County.

The County has implemented several programs and initiatives in order to mitigate the potential impacts of climate-related risks. Hazard mitigation techniques include both structural measures (such as strengthening or protecting buildings and infrastructure from the destructive forces of potential hazards) and non-structural measures (such as the adoption of sound land use policies and the creation of public awareness programs). The Southeastern North Carolina Regional Hazard Mitigation Plan (the “Plan”), which has been developed in accordance with current state and federal rules and regulations governing local hazard mitigation plans and adopted by the County, provides a framework for the County and the Counties of Brunswick, Pender and Onslow to simplify planning and administrative efforts for the jurisdictions in the Southeastern North Carolina Region.

Pursuant to the County’s Unified Development Ordinance, floodplain management regulations and Flood Insurance Rate Maps (FIRMs) are adopted and enforced as part of the County’s participation in the National Flood Insurance Program (NFIP) in an effort to mitigate damage from flooding and storm surge. The County requires certain construction standards, freeboard requirements and elevation or floodproofing certifications for development in Special Flood Hazard Areas. As part of its hazard mitigation effort, the County occasionally pursues Federal and State funding when available to acquire or elevate homes in the low-lying areas of the County to levels above base flood elevation. Most recently, the County was a participant in the Hazard Mitigation Grant Program after Hurricanes Florence and Dorian. The County has recently begun a framework to identify and coordinate potential resiliency projects and efforts among all departments for future opportunities to enhance resiliency.

As part of the NFIP, the County participates in the Community Rating System (“CRS”) program, a voluntary program of the NFIP that recognizes participating communities by providing discounts on private and public flood insurance policies for implementing activities in their communities to promote flood hazard awareness and mitigate flood losses. The County has participated in the CRS program since 1991. The County is ranked as a Class 7 community, and all NFIP policies within its unincorporated areas qualify for a 15% discount. Incorporated communities within the County that are also participants of the CRS Program include the Town of Carolina Beach (Class 6 rating, 20% discount), the Town of Wrightsville Beach (Class 7, 15% discount), and the Town of Kure Beach (Class 8, 10% discount).

The County conducts a regular and extensive beach nourishment program for several County beaches as part of its climate-related risk mitigation efforts. Beach nourishment is the process of pumping sand onto the shoreline in order to address the critical issue of erosion by widening the existing beach. Sources of the sand that is pumped onto the beach may include a nearby sandbar, a dredged source (such as an inlet or waterway), or an offshore borrow site located along the ocean floor.

The widened shoreline that is created once a beach nourishment project is complete provides an increased line of defense against coastal storms whose strong waves and high winds all contribute to beach erosion. Funding for this program comes from a portion of the room occupancy taxes collected by the County, as well as state and federal grants.

To assist in recovering from weather-related events, the County maintains various pre-positioned standby contracts, including debris management and debris monitoring, shower facilities, meal preparation, potable water and fuel supplies.

In 2020, the County formed a stormwater services program, which is responsible for the upkeep of the stormwater management system throughout the unincorporated County (the City of Wilmington, the County's largest municipality has a similar program for services within the city limits). These services include the maintaining and clearing of ditches and pipes, both on a routine basis and in response to severe weather events, to manage stormwater and mitigate flooding. The County charges residents in the unincorporated area a fee to fund this program.

BANKRUPTCY

Under North Carolina law, a local governmental unit such as the County may not file for bankruptcy protection without (1) the consent of the LGC and (2) the satisfaction of the requirements of §109(c) of the United States Bankruptcy Code. If the County were to initiate bankruptcy proceedings with the consent of the LGC and satisfy the requirements of 11 U.S.C. §109(c), the bankruptcy proceedings could have material and adverse effects on holders of the 2024 Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the County 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 2024 Bonds. The effect of the other provisions of the United States Bankruptcy Code on the rights and remedies of the holders of the 2024 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. Regardless of any specific adverse determinations in a bankruptcy case of the County, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the 2024 Bonds.

THE CORPORATION

The Corporation is organized under the North Carolina Nonprofit Corporation Act (N.C.G.S. Chapter 55A-1 *et seq.*, as amended, the "Act") and is authorized under the Act to carry out the purposes set forth in its articles of incorporation. The Corporation was organized for the purpose of, among other things, assisting the County in carrying out its municipal and governmental functions through the financing, construction, operation, sale or lease of real estate, improvements and facilities such as the 2024 Projects and to enter into agreements with the County and other relevant parties to facilitate such essential projects. Pursuant to its articles of incorporation, the Corporation is empowered to buy, hold, own, sell, assign, mortgage or lease any interest in real estate and personal property in the manner contemplated by the Contract and to construct, maintain and operate improvements thereon necessary or incident to the accomplishment of the purpose of promoting the general welfare of the citizens of the County by assisting the County in carrying out its municipal and governmental functions through the acquisition, construction, operation, sale or lease of real estate and improvements, facilities and equipment for the use and benefit of the general public. The Corporation has no taxing power.

The Board of Directors of the Corporation consists of three directors, who serve until their successors are elected following three-year terms. The following individuals are currently serving as (i) the directors of the Corporation and (ii) the officers of the Corporation, as indicated opposite their respective names:

Bill Rivenbark	President
Chris Coudriet	Secretary and Vice President
Eric Credle	Treasurer and Assistant Secretary

The officers and directors of the Corporation presently serve without compensation. The Corporation has no assets or employees. All officers and directors of the Corporation are employees of the County.

THE COUNTY

GENERAL

See Appendix A for a description of the County.

CONTINGENT LIABILITIES AND LITIGATION

The County is not aware of any contingent liabilities which, in the opinion of the County Attorney, would materially affect the County's ability to meet its financial obligations.

LEGAL MATTERS

LITIGATION

No litigation is now pending or, to the best of the County's knowledge, threatened, against or affecting the County which seeks to restrain or enjoin the authorization, execution or delivery of the 2024 Bonds or which contests the County's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the County's authorization, execution and delivery of the Contract, or the County's authority to carry out its obligations thereunder or which would have a material adverse impact on the County's condition, financial or otherwise. In addition, no litigation is now pending or, to the best of the Corporation's knowledge, threatened, against or affecting the Corporation which seeks to restrain or enjoin the authorization, execution or delivery of the 2024 Bonds or Contract or which contests the validity or the authority or proceedings for the adoption, authorization, execution or delivery of the 2024 Bonds or the Corporation's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the Corporation's authorization, execution or delivery of the 2024 Bonds, the Indenture or the Contract, or the Corporation's authority to carry out its obligations thereunder.

OPINIONS OF COUNSEL

Legal matters related to the execution, sale and delivery of the 2024 Bonds are subject to the approval of, and Parker Poe Adams & Bernstein LLP, Bond Counsel. The opinion of Parker Poe Adams & Bernstein LLP, as Bond Counsel, substantially in the form set forth in Appendix D hereto, will be delivered at the time of the delivery of the 2024 Bonds. Certain legal matters will be passed on for the County by K. Jordan Smith, Esq.; for the Corporation by its counsel, Parker Poe Adams & Bernstein LLP; and for the Underwriter by its counsel, Holland & Knight LLP.

Parker Poe Adams & Bernstein LLP is serving as Bond Counsel and counsel to the Corporation and, from time to time it and Holland & Knight LLP, counsel to the Underwriter, have represented the Underwriter as counsel in other financing transactions. Neither the County, the Corporation, nor the Underwriter have conditioned the future employment of either of these firms in connection with any proposed financing issues for the County, the Corporation or for the Underwriter on the successful execution and delivery of the 2024 Bonds.

TAX TREATMENT

GENERAL

On the date of execution and delivery of the 2024 Bonds, Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina (“*Bond Counsel*”), will render an opinion that, under existing law (1) assuming compliance by the County with certain provisions of the Internal Revenue Code of 1986, as amended (the “*Code*”), the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds (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, 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, for tax years beginning after December 31, 2022.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the 2024 Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the County rebate certain excess earnings on proceeds and amounts treated as proceeds of the 2024 Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the 2024 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the County subsequent to execution and delivery of the 2024 Bonds to maintain the excludability of the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds from gross income for federal income tax purposes. Bond Counsel’s opinion is given in reliance on certifications by representatives of the County as to certain facts material to the opinion and the requirements of the Code.

The County has covenanted to comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the 2024 Bonds in order that the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the County with such covenants, and Bond Counsel has not been retained to monitor compliance by the County with such covenants subsequent to the date of execution and delivery of the 2024 Bonds. Failure to comply with certain of such requirements may cause the portion the Installment Payments designated and paid as interest with respect to the 2024 Bonds to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2024 Bonds. No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of or the receipt, accrual, or amount of interest with respect to the 2024 Bonds.

If the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the County to comply with any requirements described above, the County is not required to redeem the 2024 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 includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the 2024 Bonds. Prospective purchasers and owners of the 2024 Bonds are advised that, if the Internal Revenue Service does audit the 2024 Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the County as the taxpayer, and the owners of the 2024 Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the 2024 Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the 2024 Bonds should be aware that ownership of the 2024 Bonds and the accrual or receipt of the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2024 Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers of the 2024 Bonds should consult their own tax advisors as to the collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the 2024 Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds to be subject directly or indirectly to federal, State of North Carolina, or local income taxation, adversely affect the market price or marketability of the 2024 Bonds or otherwise prevent the owners of the 2024 Bonds from realizing the full current benefit of the status of the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds.

Bond Counsel is further of the opinion that, under existing law, the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is exempt from State of North Carolina income taxation.

Bond Counsel’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 County, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ORIGINAL ISSUE PREMIUM

As indicated on the inside cover page, the 2024 Bonds are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the 2024 Bonds is sold and (b) the principal amount payable at maturity of such 2024 Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a 2024 Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such 2024 Bond is reduced from the owner’s cost basis of such 2024 Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such 2024 Bond (whether upon its sale, redemption or payment at maturity). Owners of 2024 Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the “adjusted basis” of such 2024 Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a 2024 Bond.

CONTINUING DISCLOSURE

The County agrees in the Contract, in accordance with Rule 15c2-12 (the “*Rule*”) promulgated by the Securities and Exchange Commission (the “*SEC*”), to provide to the Municipal Securities Rulemaking Board (the “*MSRB*”):

(a) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2024, the audited financial statements of the County for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited financial statements of the County for such Fiscal Year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2024, the financial and statistical data as of a date not earlier than the end of such Fiscal Year for the type of information included in the tables under the captions “**THE COUNTY – DEBT INFORMATION**” and “**– TAX INFORMATION**” (including subheadings thereunder) in Appendix A to this Official Statement (excluding, in each case, any information on overlapping or underlying units), to the extent such items are not included in the audited financial statements referred to in paragraph (a) above;

(c) in a timely manner not in excess of 10 Business Days after the occurrence of the event, notice of any of the following events with respect to the 2024 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 any credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2024 Bonds or other material events affecting the tax status of the 2024 Bonds;
7. modifications of the rights of the Beneficial Owners of the 2024 Bonds, if material;
8. call of any of the 2024 Bonds, if material, and tender offers;
9. defeasance of any of the 2024 Bonds;
10. release, substitution, or sale of any property securing repayment of the 2024 Bonds, if material;

11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the County;
13. the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect securities holders, if material;
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties; and

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

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

The County agrees in the Contract that its undertaking described above is intended to be for the benefit of the Owners and the beneficial owners of the 2024 Bonds and is enforceable by the Trustee at the written direction of an aggregate majority of the Owners of the Bonds then Outstanding and upon receipt of indemnity satisfactory to the Trustee, or by any of them, including an action for specific performance of the County’s obligations described above, but a failure to comply will not be an Event of Default under the Contract and will not result in acceleration of the principal component of Installment Payments. An action must be instituted, had and maintained in the manner provided in the Contract for the benefit of all of the Owners and beneficial owners of the 2024 Bonds.

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

Pursuant to the Contract, the County may modify from time to time, consistent with the Rule, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County, but:

- (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 County;

(b) the information to be provided, as modified, would have complied with the requirements of the Rule as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule as well as any changes in circumstances; and

(c) any such modification does not materially impair the interest of the Owners or the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the 2024 Bonds pursuant to the Indenture as may be amended from time to time.

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

All documents provided to the MSRB as described above are to be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The County may discharge its undertaking described above by transmitting those documents or notices in a manner subsequently required by the SEC in lieu of the manner described above.

The undertaking described above will terminate on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest with respect to the 2024 Bonds.

Over the past five years, the County has, to the best of its knowledge, complied in all material respects with its continuing disclosure obligations pursuant to the Rule.

UNDERWRITING

The Underwriter has agreed to purchase the 2024 Bonds at a purchase price equal to 100% of the principal amount thereof, plus an original issue premium of \$4,052,480.65 on the 2024 Bonds and less an Underwriter's discount of \$115,040.05. The Underwriter is committed to take and pay for all of the 2024 Bonds if any are taken. The Underwriter may offer and sell the 2024 Bonds to certain dealers (including dealers depositing the 2024 Bonds into investment trusts) and others at prices different from the initial public offering prices stated on the inside cover page hereof. The public offering prices may be changed from time to time by the Underwriter.

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of PNC Financial Services Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Capital Markets LLC may offer to sell to its affiliate, PNC Investments, LLC ("PNCI"), securities in PNC Capital Markets LLC's inventory for resale to PNCI's customers. PNC Bank, National Association has banking and financial relationships with the County.

RATINGS

Moody's Investors Service, Inc. ("*Moody's*") and S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("*S&P*"), have assigned independent underlying ratings of "Aa1" and "AA+," respectively, to the 2024 Bonds. Such ratings reflect only the view of Moody's and S&P at the time the ratings were given, and neither the County nor the Underwriter make any representations as to the appropriateness of such ratings.

The ratings are not a recommendation to buy, sell or hold the 2024 Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's or S&P. Any such action may have an adverse effect on the market price of the 2024 Bonds. Neither the County nor the Underwriter have undertaken any responsibility after the

execution and delivery of the 2024 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

FINANCIAL ADVISOR

First Tryon Advisors has served as financial advisor (the “*Financial Advisor*”) to the County with respect to the sale of the 2024 Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the 2024 Bonds is contingent on the execution and delivery of the 2024 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices thereto.

MISCELLANEOUS

All quotations from and summaries and explanations of the Contract, the Deed of Trust and the Indenture contained herein or in Appendix C hereto do not purport to be complete, and reference is made to such documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement.

The information contained in this Official Statement has been compiled or prepared from information obtained from the County and other sources deemed to be reliable and, although not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The form, terms and content of this Official Statement and its use by the Underwriter in connection with the sale of the 2024 Bonds have been duly authorized by the Board of Commissioners of the County.

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APPENDIX A

THE COUNTY OF NEW HANOVER

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APPENDIX A

THE COUNTY OF NEW HANOVER

General Description

The County is located in the tidewater section of southeastern North Carolina, set between the Atlantic Ocean and the Cape Fear River. The surrounding terrain is low lying, with an average elevation of less than 40 feet above sea level, with the highest elevation being approximately 75 feet above sea level. The County's land area totals approximately 220 square miles. Of this total, 21 square miles consist of water and wetlands. The County is the second smallest in land area and is one of the most densely populated counties in the State of North Carolina (the "State"). The City of Wilmington (the "City") is the County seat and the County's largest population center. Other population centers in the County include the towns of Wrightsville Beach, Carolina Beach and Kure Beach. The County's beaches are the area's most popular tourist attractions. The County is the eastern terminus of Interstate Highway 40, a transcontinental route ending in Barstow, California.

Demographic Characteristics

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

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
120,284	160,307	202,681	225,702

The North Carolina Office of State Budget and Management has estimated the population of the County to be as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
225,193	225,161	226,077	229,943	235,502

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

<u>YEAR</u>	<u>COUNTY</u>	<u>STATE</u>	<u>U.S.</u>
2018	\$47,840	\$46,040	\$53,786
2019	50,229	48,366	56,250
2020	54,128	51,781	59,765
2021	59,914	56,705	64,143
2022	60,943	58,109	65,470

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

Business and Economic Profile

The County is a commercial center in southeastern North Carolina and its economic profile consists of a diverse mixture of education, healthcare, manufacturing and service industries. The area's commercial and industrial base is diversified, with a mix of local, regional, national and international companies. Local industries are involved in a range of operations from simple assembly to advanced manufacturing processes producing products such as synthetic fibers, fiber optics, nuclear fuel and jet engine components.

Higher Education. The two institutions of higher education located in the County are the University of North Carolina at Wilmington and Cape Fear Community College.

The University of North Carolina at Wilmington (“UNCW”), was founded as Wilmington College in 1947 and designated a university in 1969. UNCW, located between the Cape Fear River and the Atlantic Ocean, is the only public university in southeastern North Carolina. UNCW has grown from 238 students to nearly 18,000 in 2024 and its commitment to excellence, student-centered experiences, diversity, innovation and community engagement remains strong as UNCW moves forward to meet the ever-changing needs of today’s society.

UNCW offers 59 undergraduate degree programs, 37 master’s degree programs and five doctoral degrees. The fall 2023 enrollment for undergraduate and graduate students was 17,987.

In September 2023, UNCW ranked 109 on the list of best national public universities in *U.S. News & World Report’s* extensive annual rankings of universities and colleges and ranked 16th in Best Online Bachelor’s Programs. Considered the highest classification, *U.S. News & World Report’s* National University designation is for schools that “offer a full range of undergraduate majors, plus master’s and doctoral programs, and emphasize faculty research or professional practice doctorates.”

Also located in the County, Cape Fear Community College (“CFCC”), was founded in 1958 and is the sixth largest school in the North Carolina Community College System. CFCC is a major economic development partner in southeastern North Carolina. Construction trades, power line technician, and Yamaha marine service technician are among CFCC’s new workforce development programs. And to entrepreneurs and small businesses, CFCC’s Small Business Center serves as a resource for free seminars and free business counseling services.

CFCC provides world-class training and quality higher education to more than 22,000 students each year. CFCC has more than 70 programs of study and 220 credential opportunities in a wide range of areas including those which offer hands-on training.

In November 2008, voters passed a \$164 million Community College Bond referendum, all of which have been issued, to provide CFCC with funding to expand its facilities to include Union Station, a parking deck, a Humanities and Fine Arts Building and an Advanced and Emerging Technologies Center. In addition to bond proceeds from the \$164 million referendum, the County has made the following contributions to CFCC: \$11,027,248 in fiscal year 2020, \$10,823,244 in fiscal year 2021, \$10,950,946 in fiscal year 2022, \$13,494,742 in fiscal year 2023 and \$13,842,167 budgeted in fiscal year 2024.

Healthcare and Medical Facilities. In October 2020, the Board of Commissioners approved the County's execution and delivery of an Asset Purchase Agreement with Novant Health to acquire the assets of the then County-owned New Hanover Regional Medical Center. Under the terms of the Asset Purchase Agreement, proceeds from the sale were approximately \$2 billion, of which the County received \$350 million. The remaining funds have been disbursed in accordance with the Asset Purchase Agreement, a substantial portion of which have been allocated to a community endowment. On February 1, 2021, Novant Health and the County closed this transaction and New Hanover Regional Medical Center became Novant Health New Hanover Regional Medical Center (as used herein "Novant NHRMC").

Novant NHRMC is a teaching hospital and regional referral center and the tertiary care center for a seven-county area. The hospital is one of 9 trauma centers in North Carolina certified at Level II or above. Novant NHRMC is home to the region's first Level III, Neonatal Intensive Care Unit, and has a *da Vinci*® Surgical System, which is a state-of-the-art robotic platform for surgeons. Novant NHRMC serves as the primary teaching site for four graduate medical education programs in internal medicine, obstetrics and gynecology, general surgery and family medicine. The residency programs are affiliated with the University of North Carolina at Chapel Hill School of Medicine and administered by the South East Area Health Education Center. Novant NHRMC has been recognized numerous times for its quality care.

Manufacturing and Business Services. GE Aerospace ("GE") (formerly GE Electric), a longtime corporate resident of the County, has contributed significantly to the County's economic growth and its surrounding vicinities. GE Aviation's Castle Hayne plant manufactures jet engine parts that are used on commercial and military aircraft built by Boeing, Airbus and other airframe manufacturers. In 2013, the County approved an incentive package for GE worth \$175,000 per year for five consecutive years in which GE agreed to invest \$63 million in new capital investment at the Castle Hayne plant. GE received the fifth incentive payment in 2018 as the company met the prescribed capital investment and job creation goals each year. The State has also agreed to provide a series of incentive grants to GE Aviation. The plant has experienced a stable workforce of approximately 650 employees and has been awarded manufacturing positions on GE's next generation of commercial aircraft engines.

Other GE ventures include General Electric – Hitachi Nuclear Energy which made \$41 million in capital expenditures over a three-year period (2005 – 2008). GE Hitachi Global Laser Enrichment ("GLE") is using the Australian Laser enrichment technology known as Separation of Isotopes by Laser Excitation to enrich natural UF₆ gas in the uranium-235 isotope at GLE's nuclear fuel fabrication facility in the County. In 2001, GE Energy, Toshiba and Hitachi formed a joint venture named Global Nuclear Fuel Americas, which is headquartered in the County. The joint venture combines the design, manufacturing and marketing operations of its parent companies to manufacture light-water nuclear reactor fuel.

In November 2021, GE announced that the company would be divided into separate units focused on aviation, health care and renewable energy and power. GE completed these spin-offs in 2022, 2023 and 2024.

In September 2022, the County approved an incentive package worth \$1.25 million over five years related to an \$85 million facility investment by GE, along with at least 485 new jobs related to the construction of a new small nuclear reactor.

In December of 2021, Thermo Fisher Scientific concluded its acquisition of Wilmington-based Pharmaceutical Produce Development, Inc. ("PPD") for \$17.4 billion. With more than 65 locations around the world, Thermo Fisher Scientific provides an end-to-end drug development offering that

includes API, biologics, viral vector services, cGMP plasmids, early and late phase development, clinical trial services, logistics services, and commercial manufacturing. PPD, originally founded in the City of Wilmington, is a leading global contract research organization (CRO) providing discovery, development, and post-approval services as well as compound partnering programs for pharmaceutical, biotechnology, medical device, academic and government organizations. PPD remains a brand of Thermo Fisher Scientific, providing contract research services, and remains a major employer in the County. Following the sale of the Skyline Center (formerly known as the Thermo Fisher or PPD building) to the City in 2023, Thermo Fisher entered into a three year lease (with a renewal option) for two floors of the building, evidencing the company's commitment to the City as a hub for PPD operations. In furtherance of that commitment, Thermo Fisher has also worked to provide a remote work option for employees located in the City.

Corning Incorporated operates an optical fiber plant in the County and employs approximately 1,000 people. Corning invented the first commercially viable low-loss optical fiber in 1970 and continues to be the global market leader in the industry. Corning offers a full line of single-mode and multi-mode fibers for all network applications. In 2011, Corning introduced SMF-28e+® optical fiber, a fiber that extends network distances for long-haul, metro, and access applications. In 2012, Corning introduced ClearCurve® VSDN® optical fiber, a new ultra-bendable optical fiber for consumer electronics. In 2013, Corning introduced SMF-28® Ultra optical fiber, and enhanced single-mode optical fiber for improved performance in long-haul, metro, access, and FTTH networks.

Fortron Industries is a joint venture between Ticona and Kureha Corporation. Fortron Industries uses polyphenylene sulfide (PPS) production technology that incorporates Kureha's advanced environmentally friendly "one unit" process as well as Ticona's sales, marketing, distribution, compounding and polymer manufacturing expertise. The Fortron linear polyphenylene sulfide (PPS) plant is the world's largest PPS operation with a nameplate capacity of 15,000 metric tons per year. In 2012, the state-of-the-art plant set a new production record, positioning it to satisfy the robust global demand in electrical and electronics automotive, and industrial applications for Fortron polyphenylene sulfide. The year 2012 also marked Fortron Industries 20th anniversary in the County. The County has paid \$500,000 worth of incentives since 2015 in exchange for Fortron making a \$50 million investment in capital improvements to its County facility and retaining its 60 full-time jobs and 40 contract positions. This is Fortron's second incentive package from the County. The County paid \$1.75 million between 2008 and 2010 in exchange for an \$80 million expansion. That expansion doubled the company's manufacturing capacity.

National Gypsum Company is a privately-held company and is the nation's second largest producer of gypsum wallboard, and a leading supplier of interior finishing products and cement board to buyers in the construction industry. National Gypsum operated its County facility from 1979 through 2009, when the global financial meltdown dramatically slowed residential and commercial construction, forcing National Gypsum to idle its facility in the County. In May 2018, National Gypsum announced that it would reopen the production facility in the County, investing \$25 million over the next five years in new infrastructure and equipment, and creating at least 51 jobs. The plant supports the company's production of specialty gypsum board including its family of PURPLE® mold- and moisture-resistant products. Much of National Gypsum's finished product will be shipped via rail, therefore, the investment in the County location included construction of a new rail spur to the plant. The plant became fully operational in November 2018. The County approved a performance-based incentive of \$350,000 over a five-year period and the final payment was paid in August 2023. The City also approved an incentive of up to \$230,000 over five years.

Live Oak Bank is a digital, cloud-based bank serving small business owners in all 50 states. In 2022, it was the leading Small Business Association lender by dollar volume in the United States. This Wilmington-based company conducts virtually all of its business online rather than through a traditional

branch network. Since it was founded in 2007, Live Oak Bank continues to grow and offers both business and personal banking with FDIC-insured products. Its family of companies under the holding and parent company Live Oak Bancshares, and its subsidiaries, partner with businesses to focus on service and technology to redefine banking. In September 2022, the County approved an incentive package of \$300,000 related to Live Oak Bank's planned \$25 million expansion of its corporate headquarters in Wilmington and the creation of more than 200 jobs.

In an effort to improve traditional commercial lending processes, nCino, which was started in 2011 from within Live Oak Bank, developed an in-house software program to help manage their loans and operations. The nCino Bank Operating System is a single, end-to-end secure cloud-based solution that streamlines customer and employee interactions, and increases the bank's transparency, efficiency and profitability while ensuring regulatory compliance. The nCino Bank Operating System was first deployed at a community bank in Wilmington where it is headquartered. Today, more than 1,750 financial institutions in countries around the world use nCino's Bank Operating System.

The County partnered with the Cape Fear Public Utility Authority (the "Authority") to bring water and sewer infrastructure to a largely industrial section of the County along the U.S. Highway 421 corridor. This project will aid in making sites in the area more attractive to businesses which is expected to lead to increased businesses in the area, thus increasing quality jobs and the overall County tax base. Construction was completed and a ribbon-cutting ceremony was held in December 2017.

In September 2022, the County and Authority agreed to partner again to construct water and sewer infrastructure in the northern part of the County, which contains a significant portion of the undeveloped land in the County. This initiative has been referred to as the Last Frontier project. The addition of this infrastructure dovetails with existing Authority projects in the same area, which will result in the ability to develop the surrounding acreage for both residential and commercial purposes. The County expects this project will provide significant economic benefits to its long-term growth, including growth in the tax base, and additional housing opportunities. The project includes approximately eight miles of water mains and ten miles of wastewater mains. This infrastructure construction, with an estimated cost of \$30-\$40 million, is projected to be completed by the first quarter of 2026 and is being funded primarily by grant proceeds from a State budget appropriation awarded in late 2023.

Real Estate Development. The Mayfaire mixed use development ("*Mayfaire*") commenced construction in 2004. Mayfaire includes more than 400 acres and has a wide range of residential, retail, and office development with 140 acres of open space and an estimated cost of \$400 million. Recent years have also seen an increase in office development with more than 105,000 square feet of new office buildings constructed. These new buildings are fully occupied. Mayfaire also boasts a wide range of residential units, with 84 condominiums in mixed use buildings, 212 free-standing condominiums, more than 100 single family detached homes in a neo-traditional setting and a for-rent apartment component. Plans have been approved for a new 139-room hotel (Element by Marriot) on a former restaurant site and is currently under construction.

Another mixed-use development known as "Autumn Hall" commenced development in 2007. The total development is estimated to have a value of \$600 million and is expected to be complete by 2030. The development includes more than 230 acres and has been master-planned to accommodate a wide range of residential, retail and office development, to include 173 single-family residential lots, 250,000 square-feet of retail space, 300,000 square-feet of office space, a 250-room hotel and 51 acres of common/open space. Approximately 173 single-family home sites and 160 homes have been constructed to date. A 40,000 square-foot medical office facility was completed in 2008 and is occupied by Novant Health NHRMC. Additional acreage, purchased in 2019 is also available and planned for the future construction of a 100,000 square-foot medical office building and parking deck. In 2012, "Headwaters" at Autumn Hall, a 286-unit apartment complex situated on a 14-acre site, was completed and currently has

an occupancy rate of over 98%. In late 2015, “Carolina Bay” at Autumn Hall, a continuing care retirement community, opened and is owned and operated by Liberty Healthcare. Carolina Bay represents a significant investment in the Autumn Hall project by Liberty Healthcare and offers rental and ownership options for the more than 350 future residents. A 24,488 square foot Class A office building (Dungannon Village) was completed in May 2017 and is currently fully leased. A 20,000 square-foot mixed use building was completed in 2021, comprising 9,000 square-feet of Class A office and 11,000 square-feet of restaurant space (now fully occupied). A 24,000 square-foot Class A office building was completed in June of 2022 and is fully occupied. A 32,000 square-foot Class A office building was completed in January of 2023 and is fully occupied. 300 additional multi-family units will be added as part of future phases of the project.

River Bluffs is a gated coastal village and river club community located in the Castle Hayne area of the County. Amenities include 3,000 feet of navigable river frontage, a 188-slip Marina (at completion), a half-mile long Riverwalk, multiple parks, a cafe and community post office. River Bluffs encompasses 315 acres with approximately 660 approved home sites and is being developed on a philosophy of sustainability and environmental preservation. It is the area leader in innovative low-impact development techniques. The developers of River Bluffs are ensuring that more than a third of the land and natural vegetation be permanently preserved as open space, trails and parks. The total cost of River Bluffs is estimated to be \$292,000,000 and is expected to be completed in 2026. Site work began in 2013 on the infrastructure and the first phase of 138 homes sites and as of year-end 2023, over 500 homes sites have been sold. Amenities such as the pool, fitness center, post office and the Café and Market were completed in 2018. The Riverwalk, a 2,700 foot walkway that skirts the Northeast Cape Fear River was completed in Fall of 2018, with a community Pavilion added in 2020. Currently, there are over four hundred occupied homes within the community, with another one hundred sold and under construction. The community’s most recent phase of development was opened in January of 2024 and includes home sites with an average cost of \$280,000.

Another coastal community in the southern part of the County is RiverLights, situated along a 3-mile stretch of the Cape Fear River. This 1,400-acre river-oriented community includes plans for approximately 3,000 homes, including a mix of townhomes, diverse single-family home options, an age-qualified neighborhood, a 30-acre lake with lakeside amenity center, a mixed use commercial area, and an activated Marina Village featuring a 112-slip marina and dockmaster, live-work opportunities, shops, restaurants, a boardwalk, a crab dock, event lawn, and miles of trails to connect from the river into the community’s multiple neighborhoods. The community held its grand opening in December 2016 and currently has approximately 850 homes, with full build out estimated to be complete by 2026.

There are also two more mixed-use development communities, The Avenue and Centerpoint that are being planned for within the County. The Avenue is a 44-acre, \$300 million community to be anchored by a Westin Hotel and include apartments, offices and high-end exclusive retailers and restaurants. The project has received plan approvals needed to move forward with construction. Centerpoint is a 23-acre, \$250 million development that will include shopping, dining, apartment homes, a medical center and a seven-story hotel. Developers broke ground on Centerpoint in August 2022 and site work remains ongoing with vertical construction set to start in 2024. The project is expected to come online in the next couple of years.

Tourism and Film Industry. Tourism is a vital part of the area’s economic component in terms of employment and revenues. Nearby beaches, the historic river front area, the USS North Carolina Battleship Memorial and the North Carolina Aquarium at Fort Fisher, are among the attractions for tourism business. A variety of special events held annually, such as the Azalea Festival and Riverfest, add to the area’s appeal to tourists. The New Hanover County Tourism Development Authority (“TDA”) was established to expand the tourism industry and to maintain the health of the local economy. Funded in large part by a room occupancy tax, the TDA serves as an umbrella organization representing all of the

services available to visitors. According to the TDA, tourism generated revenues within the County were approximately \$1,059.42 billion in 2022, which represents an increase of 13.9% from 2021. For 2022, the County ranked seventh among North Carolina’s 100 counties in tourism expenditures. An indicator of the level of tourism in the County is the room occupancy tax collections. The room occupancy tax is imposed on the rental of hotel and motel rooms, inns and other short term rentals at a rate of 6%.

The gross sales revenues on which this tax is imposed are shown in the following table:

Fiscal Year	Gross Revenues	% Increase (Decrease)
2020	\$218,250,945	(15.63) ¹ %
2021	296,301,510	35.76
2022	376,394,000	27.03
2023	395,335,331	5.03
2024 (11 months) ²	353,892,329	----

¹As a direct result of the COVID-19 pandemic, gross sales revenues from the rental of hotel rooms declined during 2020.
Source: North Carolina Department of Commerce and TDA.

²For the eleven-month period ended May 31, 2024. The comparable amount of gross sales revenues for the eleven-month period ended May 31, 2023 was \$339,435,453.
Source: North Carolina Department of Commerce and TDA.

The filmmaking industry has been an important economic force in the County since the construction of production facilities in 1983 by DEG Inc. Now owned by Cinespace Studios, the studio has eleven fully equipped sound stages. In an effort to attract the big production companies, local companies have invested in new equipment and state-of-the-art technology. Cinespace Studios has also invested in additional lighting and grip equipment to expand its capabilities. Additionally, 2024 will see the opening of two new soundstages at Dark Horse Studios. When complete, Dark Horse Studios will offer four sound stages with office and support space. To better prepare for the future of the industry, the County, the City, and the State have contributed a combined total of almost \$1.5 million to the Film Partnership of NC for a unique job initiative to train a diverse future workforce.

The County continues to be one of the most productive and cost-effective filmmaking destinations in the United States. Since 1983, the County has hosted hundreds of feature films, mini-series, television movies, and television series, along with numerous commercials and music videos. These productions collectively have spent approximately \$5 billion in the local economy. Producers continue to utilize the available resources of hundreds of technicians, sound stages, and locations for filmmaking and it is expected that the region will remain a popular production location in the country. For the City, 2021 was the best year in film and television production history, with productions locally spending approximately \$311 million. Hundreds of trained craftsmen were also locally employed. Netflix, Amazon, Lionsgate Television, NBC Universal Television, Warner Bros. Television and Paramount Television were on the list of clients in recent years. The production spending in 2022 was approximately \$196 million, another successful year locally, and the market continues to see strong interest in the County due to its extensive well-trained crew, availability of sound stages, temperate climate, a well-funded recurring NC Film Grant providing incentives to productions, and the overall quality of life enjoyed by the industry.

Shipping. The North Carolina State Port at Wilmington (the “*State Port*”), located on the east bank of the Cape Fear River, is one of two deep water harbors in the State. The State Port is one of the few southern ports with readily available berths and storage areas for containers and cargo. Specifically, it offers terminal facilities serving container, bulk, breakbulk, and roll-on roll-off operations. It offers a deep 42-foot navigational channel, nine berths with 6,768 feet of wharf frontage and four post-Panamax

container cranes and three neo-Panamax container cranes. Additionally, the port offers almost one million sq. ft. of prime covered and sprinklered storage, as well as 100+ acres of paved and 25 acres of enhanced open storage area. Modern transit and warehouse facilities and the latest in cargo management technology provide a broad platform for supporting international trade to the fast-growing southeast U.S. market. Imports and exports include chemicals, metal products, general merchandise, forest products, salt, wood pulp, wood chips, and food. All customs services, including a Classification and Value Section, are available. The State Port is designated as a Foreign Trade Zone 214, with warehouses, assembly areas and 100 acres of open storage, and is accessible by rail or truck. In addition, the 42-foot navigational channel offers customers additional vessel capacity. Port of Wilmington Cold Storage (“*PWCS*”), is a cold storage warehouse facility containing roughly 3 million cubic feet and is the only cold storage facility located on a port in the State of North Carolina. *PWCS* is a full-service, public refrigerated warehouse operation with roughly 11,000 pallet positions and is a Customs and Border Protection approved warehouse as well as a bonded warehouse. The facility is located near ideal distribution channels including water, interstate, and rail.

Economic Data

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

COMPANY OR INSTITUTION	PRODUCT OR SERVICE	APPROXIMATE NUMBER OF EMPLOYEES
<i>Manufacturing</i>		
General Electric Company	Components and Fuel for Nuclear Production of Electricity and Jet Engine Components	3,300
Corning, Inc.	Optical Fiber Manufacturer	1,000
<i>Non-Manufacturing</i>		
Novant Health	Health Care	8,553
New Hanover County Board of Education	Public Education	3,700
The University of North Carolina at Wilmington	Higher Education	2,326
New Hanover County	County Government	2,124
Thermo Fisher Scientific	Pharmaceuticals Testing	1,700
Cape Fear Community College	Higher Education	1,283
City of Wilmington	Municipal Government	1,191
Wilmington Health	Health Care	1,116
nCino	Fintech	880
Live Oak Bank	Banking	700

Source: Greater Wilmington Business Journal 2024 Book on Business (released January, 2024); list is based on voluntary response to a Business Journal survey.

Large industries located outside but near the County, which are major employers of the County's residents, include International Paper Company (approximately 450 employees) and Duke Energy Progress–Brunswick Nuclear Plant (approximately 1,350 employees).

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The following table illustrates building activity in the County for the five indicated fiscal years by reference to issued permits:

FISCAL YEAR ENDED JUNE 30	NUMBER OF PERMITS	RESIDENTIAL VALUE (IN 000'S)	NON- RESIDENTIAL VALUE (IN 000'S)	TOTAL VALUE (IN 000'S)
2020	25,092	\$479,542	\$464,868	\$944,410
2021	28,881	608,024	504,884	1,112,000
2022	28,700	574,182	497,134	1,071,316
2023	26,287	503,848	498,858	1,002,707
2024	19,869	407,463	600,271	1,007,734

Source: Development Services Department/New Hanover County.

The taxable sales for the fiscal years ended June 30, 2019 through 2024 are shown in the following table:

FISCAL YEAR ENDED JUNE 30	TOTAL TAXABLE SALES	INCREASE (DECREASE) OVER PREVIOUS YEAR
2019	\$5,078,560,059	11.69%
2020	5,027,552,920	(1.0)
2021	5,746,625,707	12.51
2022	6,680,019,869	13.97
2023	7,179,532,405	6.96
2024	7,363,675,820	2.56

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

Employment

The North Carolina Department of Commerce, Labor and Economic Analysis Division has estimated the rate of unemployment in the County as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>		<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
January	4.2%	3.6%	5.4%	3.5%	3.4%	3.3%	July	3.8%	8.7%	4.5%	3.4%	3.3%
February	3.8	3.4	5.2	3.4	3.3	3.3	August	3.8	6.2	4.2	3.7	3.4
March	3.7	4.1	4.7	3.1	3.2	3.3	September	3.1	5.6	3.5	3.1	2.9
April	3.2	16.6 ¹	4.4	2.9	2.8	2.8	October	3.3	4.7	3.6	3.3	3.1
May	3.6	12.8 ¹	4.6	3.2	3.1	3.0	November	3.2	4.8	3.2	3.2	3.0
June	3.9	9.6	4.9	3.6	3.3	3.5	December	3.1	4.9	2.7	2.9	3.0

¹As a direct result of the COVID-19 pandemic, the unemployment rate increased in the months of April and May during 2020.

The average unemployment rates for the County, State and United States were as follows:

	<u>County</u>	<u>State</u>	<u>U.S.</u>
2018	3.9%	4.0%	3.9%
2019	3.5	3.9	3.7
2020	7.1	7.2	8.1
2021	4.2	4.9	5.4
2022	3.3	3.7	3.7
2023	3.1	3.5	3.6

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

Government and Major Services

Government Structure. The County is governed by a Board of Commissioners (the “Board”). The Board consists of five members who are elected by a County-wide vote and serve four-year staggered terms. Partisan elections for the Board are held in November in even-numbered years. The Board takes office the first Monday in December following the November elections. At that time, the Board elects a chairman and vice chairman from among its members. The duties of the Board include assessing and assigning priorities on the needs of the County and establishing programs and services to meet these needs, adopting an annual balanced budget, establishing the annual property tax rate, appointing various officials, including members of County boards and commissions and some County employees, regulating land use and zoning outside the jurisdiction of municipalities, enacting local ordinances and adopting policies concerning the operations of the County. The Board also has the authority to call bond referendums, enter into contracts and establish new programs.

The Board appoints several officials to help carry out its responsibilities, including a County Manager, a County Attorney who serves as legal advisor to the Board, and a Clerk to the Board who is responsible for keeping official Board records and preparing the official minutes of all Board meetings.

The County Manager is the chief administrative officer of the County. The major duties of the County Manager include supervising and coordinating the activities of the County departments, executing all orders and policies set forth by the Board, attending all Board meetings, making recommendations on appropriate matters of business, recommending an annual budget, advising the Board of the financial condition of the County, representing the County in business with other agencies and performing other duties assigned by the Board. To assist him in the performance of his duties, the County Manager has a staff which includes assistant managers, department heads and administrative assistants.

Education. The New Hanover County School System (the “School System”) with jurisdiction throughout the County is governed by a seven-member Board of Education (the “Board of Education”). The Board of Education is elected for four-year staggered terms. The State provides funds for a basic education program for each school system in the State. Funds are also provided by the State for capital construction through the Public Schools Building Capital Fund. In addition to the State funds, the County contributes funds to the School System out of the General Fund. Designated portions of two local option one-half cent sales taxes must be used for school capital outlay expenditures or the retirement of bonded indebtedness incurred for these purposes. In the fiscal year ended June 30, 2023, the State provided the school system with approximately 53% of its operating budget and the federal government provided approximately 14%. The balance of 33% was provided by the County and other local sources.

The amounts contributed by the County for operating expenses and capital outlay from both the General Fund and a designated sales tax for the five fiscal years indicated are shown below:

FISCAL YEAR ENDED JUNE 30	GENERAL FUND	DESIGNATED ONE- HALF CENT SALES TAX	TOTAL
2019	\$78,825,692	\$14,407,266	\$93,232,958
2020	81,854,375	14,290,926	96,145,301
2021	83,374,975	16,390,582	99,765,557
2022	92,866,956	18,900,674	111,767,630
2023	93,610,026	20,847,075	114,457,101
2024 (9 months) ¹	73,162,329 ¹	13,610,069 ¹	86,772,398 ¹

¹For the nine-month period ending March 31, 2024. The comparable amounts contributed for the nine-month period ending March 31, 2023 were \$69,536,384 and \$15,392,174, respectively.

The following table illustrates the number of schools in the system and average daily membership for the five indicated years:

SCHOOL YEAR	ELEMENTARY GRADES K-5		INTERMEDIATE GRADES 6-8		SECONDARY GRADES 9-12	
	NO.	ADM¹	NO.	ADM¹	NO.	ADM¹
2019-20	26	11,846	7	5,676	9	8,095
2020-21	26	10,760	7	5,495	9	8,057
2021-22	26	11,021	7	5,264	9	8,317
2022-23	26	11,127	7	5,219	9	8,450
2023-24	26	11,130	7	5,157	9	8,375

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

²Sources: New Hanover County Board of Education, Finance Office; Annual Comprehensive Financial Report for fiscal years ended 2019-2023; North Carolina Department of Public Instruction.

Transportation

The Road System. The maintenance, expansion, and improvement of primary and secondary highways within the County are the responsibility of the State. Each municipality within the County bears responsibility for its local street system. The County has no financial obligations with respect to construction and maintenance of the road system.

The County is served by Interstate Highways 40 and 140, U.S. Highways, 17, 117, 74, 76 and 421, and by North Carolina Highways 132 and 133. Interstate 95 intersects with Interstate 40 northwest of the County, connecting north-south and east-west traffic. Interstate Highway 140 extends from I-40 to US 17 to the south of the County in neighboring Brunswick County. A new section from U.S. 421 north of the City connecting with US 74-76 and US 17 near Leland, in neighboring Brunswick County, was opened to traffic in November 2017, which improved traffic from the City's downtown area into Brunswick County.

Wilmington International Airport. The Wilmington International Airport (the “*Airport*”) is a County-owned facility operated by the New Hanover County Airport Authority (the “*Airport Authority*”). The Airport is the fifth largest in the State and, in 2023 the Airport had 91,354 total aircraft operations. Further, in 2023, the Airport served a record 1,317,897 passengers, with enplanements increasing by over 20% from the previous record year. In 2023, the Airport added six new nonstop routes and every airline at the Airport grew over the previous year. This increase in capacity made Wilmington International Airport the fourth fastest growing airport in the United States and the fastest growing in North Carolina. Additionally, each month in 2024 had record enplanements and the airport is on track to break the 2023 record year in terms of passenger demand. The Airport serves southeastern North Carolina with commercial air service on American, Avelo, Delta, United, and Sun Country. These five airlines provide nonstop service to seventeen markets, connecting travelers to over four hundred destinations. In addition to commercial service, the Airport supports a growing general aviation community that are served by two FBO’s, Modern Aviation and Aero Center Wilmington. The NCDOT Division of Aviation’s 2022 report estimated the Airport’s economic impact at \$2.5 billion.

The Airport continues to invest in capital projects to reduce constraints and position the Airport for continued growth. Due to the Airport’s record passenger numbers in 2023, there was a strain on facilities during peak periods, especially on access roads, the terminal curb, parking facilities, rental car space, and baggage facilities. To meet current and future demand, and reduce constraints, the Airport Authority has embarked upon a five year plan which includes \$185 million capital projects and is in the second year of that capital plan. These projects are primarily funded through grants and fees from the FAA, the state DOT, rental car users, and airline passengers. There are no local tax dollars supporting this capital program and no debt incurred.

On the landside of the Airport, the Airport Authority continues to focus on non-aeronautical revenue to reduce the dependency on airline rates and charges. The Airport has a sizable and successful non-aviation business park with tremendous potential. Recent improvements include: Circle K opened a gas station and convenience store, CIL Capital, LLC announced their plans to invest \$100 million for the development of a 500,000 square foot storage and distribution facility for the life sciences industry. CIL Capital also announced plans to invest an additional \$50 million to develop an additional 250,000 square foot cold storage facility. Further, ILM Hotel Partners, LLC announced their plans to build an on-airport hotel with 150 rooms, restaurant, and meeting space. The most recent business park expansion will result in significant growth to the bottom line which in turn provides greater opportunity to maintain, improve, and increase the Airport’s size and functionality. Future business development plans will continue to include expansion of aviation properties in response to demand and the business park as a phased approach as opportunities present.

The State Port. The State Port, one of four State ports, is located on the east bank of the Cape Fear River and is one of two deep water harbors in the State. For more information about the State Port see “**Business and Economic Profile – Shipping**” herein.

Ground Based Freight and Mass Transit. Other transportation resources in the County include the CSX Rail Transport Group, which provides rail freight service in the area with one scheduled train daily. Local bus service is provided by the Cape Fear Public Transportation Authority. A private management firm operates a system of ten routes, UNCW Shuttle service and a historic downtown trolley. There are also approximately 55 trucking companies serving the area.

Human Services

Human services programs in the State are financed by a combination of federal, State and local funds. On the County level, these services are classified as public assistance, public health, senior resource services, veterans’ services and mental health. The County had actual expenditures from the

combined sources of \$66,673,637 and \$69,664,259 in fiscal years 2022 and 2023, respectively. For fiscal year 2024, the County has appropriated \$88,745,026, for human services programs.

Public Service Enterprises

In May 2007, the City Council of the City and the County Board of Commissioners each adopted resolutions creating a water and sewer authority to consolidate the City's, the New Hanover County Water and Sewer District's (the "*District*") and the County's water and sewer systems. The articles of incorporation for the Cape Fear Public Utility Authority (the "*Authority*") were approved by the State of North Carolina on July 2, 2007. Transfer of water and sewer assets and liabilities of the City, the County and District to the Authority was completed on July 1, 2008.

In addition, all City and County water and sewer system employees were transferred to the Authority on July 1, 2008. The water and sewer system assets and liabilities of the City, the County and the District were leased, transferred or assigned to the Authority, to the extent permitted under existing financing documentation and law. While the City, the County and the District remain as ultimate obligors on some of their existing bond or installment financings, the Authority reimburses each of the City, the County and the District for debt service payments made pursuant to an interlocal arrangement approved by the City, the County and the District. The Authority provides high quality water and wastewater services to 200,000 people in our community each day and is administered by an 11-member board appointed by the City Council of the City and the County Board of Commissioners.

Solid Waste

Solid Waste Collection. In the unincorporated areas of the County, municipal solid waste (MSW) is collected by private haulers on a subscription basis. Each hauler conducting business in the County is required to obtain a franchise license from the County.

In the incorporated areas of the County, MSW and recyclable material collection as discussed below, is either provided by the municipality or is contracted to private waste haulers.

Solid Waste Disposal. The County currently owns and operates a lined landfill that meets or exceeds federal and state requirements. The facility only accepts waste generated within the County and is open six days a week. All wastewater ("leachate") that is generated from the landfill is treated onsite. The leachate is treated through the landfill's reverse osmosis wastewater treatment plant. Total treatment capacity is in excess of 100,000 gallons per day.

County staff utilizes several waste diversion techniques to minimize waste disposal. Several thousand tons of waste per year are diverted from the waste stream and processed for beneficial reuse. Examples include wood waste, sheetrock, scrap metal, asphalt shingles, yard waste, food waste and appliances.

The landfill facility completed the permitting process for a major expansion on land the County already owns, which added an additional 90 acres of disposal capacity. This additional capacity is estimated to extend the life of the landfill an additional 28 years at current disposal rates. Construction of the first four cells are complete and two additional cells are included in the County's five-year Capital Improvement Plan.

Recycling Operations. The County operates and maintains seven recycling drop-off sites for County residents. Six of these sites are available to residents 7 days a week, 24 hours a day. The County contracts with a private-sector hauler to collect the material from the drop-off sites and deliver them to the County's sorting and baling facility. At this facility, operated by Sonoco Recycling LLC, contaminants are removed from the materials, after which they are further sorted and baled. Baled materials are then marketed to mills or brokers, which generate revenues to help offset the cost of collection.

The County also provides residents free disposal of used tires, electronics, and household hazardous waste (HHW). Each of these waste streams is further managed through contracted businesses that recycle the materials or convert them for beneficial reuse.

Debt Information

Legal Debt Limit

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for the issuance of all presently authorized bonds, the County has the statutory capacity to incur additional net general obligation debt in an approximate amount of \$3,577,357,951 as of June 30, 2023.

Outstanding General Obligation Debt

General Obligation Bonds	Principal Outstanding as of			
	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
School Bonds	\$200,700,890 ¹	\$179,108,927	\$159,657,887	\$144,125,491
Other Bonds	<u>119,354,110</u>	<u>106,031,073¹</u>	<u>97,592,113</u>	<u>87,959,509</u>
Total	<u>\$320,055,000</u>	<u>\$285,140,000</u>	<u>\$257,250,000</u>	<u>\$232,085,000</u>

¹Bonds Issued:

2017-18	\$34,215,000 General Obligation School Bonds, Series 2017, 2.4794% true interest cost, 10.46 years average maturity.
2018-19	\$65,970,000 General Obligation School Bonds, Series 2018, 3.2354% true interest cost, 10.37 years average maturity.
2019-20	\$3,355,000 General Obligation School Bonds, Series 2020, 1.7598% true interest cost, 10.398 years average maturity.
2020-21	\$25,495,000 General Obligation Refunding Bonds, Series 2021A, 0.4858% true interest cost, 5.44 years average maturity. \$32,310,000 Taxable General Obligation Refunding Bonds, Series 2021B, 1.3003% true interest cost, 7.53 years average maturity.

Note: Outstanding debt above at 6-30-2022 does not include \$29,250,000 Refunded General Obligation Bonds for which the Escrow Agent holds sufficient government securities to pay the bonds at the call date, \$213,665,000 hospital revenue bonds, as these bonds are payable from the pledged revenues of the hospital facilities financed or \$9,374,724 State Revolving Loans that are secured by sewer facilities and are paid from County General Fund revenues.

General Obligation Debt Ratios

<u>At June 30</u>	<u>Total GO Debt¹</u>	<u>Assessed Valuation</u>	<u>Total GO Debt to Assessed Valuation</u>	<u>Population²</u>	<u>Total GO Debt Per Capita</u>
2018	\$314,190,000	\$33,736,227,148	.93%	225,193	\$1,395.20
2019	350,445,000	34,555,096,668	1.01	225,161	1,556.41
2020	320,055,000	35,138,609,531	.91	226,077	1,415.69
2021	285,140,000	36,192,740,774	.79	229,943	1,240.04
2022	257,250,000	48,289,253,807	.53	229,943 ³	1,118.75
2023	232,085,000	49,449,504,226	.46	229,943 ³	1,009.32

¹This amount excludes refunded bonds as described above under "Outstanding General Obligation Bonds."

²Estimates of North Carolina Office of State Budget and Management.

³For purposes of this table, the 2021 population estimate is being used.

General Obligation Debt Service Requirements at June 30, 2024 (unaudited) and Maturity Schedule

FISCAL YEAR ENDING JUNE 30 TH	EXISTING DEBT ¹	
	PRINCIPAL	PRINCIPAL AND INTEREST
2024	\$25,030,000	\$33,191,408
2025	24,800,000	32,023,081
2026	24,635,000	30,848,875
2027	20,715,000	25,930,917
2028	20,665,000	25,024,743
2029	17,350,000	21,009,221
2030	15,775,000	18,891,559
2031	15,695,000	18,292,550
2032	12,000,000	14,157,506
2033	11,930,000	13,702,998
2034	10,865,000	12,281,084
2035	9,330,000	10,376,870
2036	9,330,000	10,034,470
2037	5,170,000	5,552,788
2038	5,170,000	5,382,863
2039	3,460,000	3,526,528
2040	165,000	168,506
TOTAL	\$232,085,000	\$280,413,966

¹Excludes Refunded Bonds for which the Escrow Agent is holding certain government securities for payment of the defeased bonds.

General Obligation Bonds Authorized and Unissued

The County has no authorized and unissued general obligation bonds.

General Obligation Debt Information For Underlying Units As Of June 30, 2023

<u>Unit</u>	<u>2023 Population</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Bonds Authorized and Unissued</u>	<u>Total GO Debt</u>	<u>Total GO Debt Per Capita</u>
Wilmington (County Seat)	121,309	\$21,895,119,764	\$0.3950	\$930,000	\$74,840,000	\$616.94

¹North Carolina Office of State Budget and Management. Most current information available.

Outstanding Limited Obligation Bonds

Under a separate Indenture of Trust dated as of June 1, 2010, as amended and supplemented through June 1, 2023, the New Hanover County Financing Corporation executed and delivered \$49,835,000 aggregate principal amount of its Refunding Limited Obligation Bonds (New Hanover County Projects), Series 2010 (the “2010 Bonds”), \$20,540,000 aggregate principal amount of its Refunding Limited Obligation Bonds (New Hanover County Projects), Series 2012 (the “2012 Bonds”), \$37,210,000 aggregate principal amount of its Limited Obligation Bonds, Series 2020A (the “2020A

Bonds”), \$74,475,000 aggregate principal amount of its Limited Obligation Bonds, Series 2021 (the “*2021 Bonds*”) \$16,300,000 Limited Obligation Bonds, Series 2022 (the “*2022 Bonds*”) and \$21,850,000 Limited Obligation Bonds, Series 2023 (the “*2023 Bonds*”).

Under a separate Indenture of Trust dated as of November 1, 2023, the New Hanover County Financing Corporation executed and delivered \$53,280,000 aggregate principal amount of its Limited Obligation Bonds, Series 2023A (the “*2023A Bonds*”). The 2010 Bonds, the 2012 Bonds, the 2020A Bonds, the 2021 Bonds, the 2022 Bonds, the 2023 Bonds and the 2023A Bonds are currently outstanding in the amount of \$665,000, \$3,810,000, \$21,970,000, \$59,940,000, \$11,950,000, \$19,910,000 and \$53,280,000, respectively, and are referred to herein collectively as the “*Outstanding LOBs*.”

The 2024 Bonds are **NOT** parity obligations with the Outstanding LOBs, which are secured by separate deeds of trust and installment financing contracts. The County is obligated to make installment payments under the installment financing contracts to the Trustee in amounts sufficient to provide for the payment of principal and interest with respect to the Outstanding LOBs. As of fiscal year ended June 30, 2024 (unaudited), the aggregate principal and interest with respect to the Outstanding LOBs amounts to \$231,685,106, payable through June 30, 2044.

The County’s General Fund will be the source of annual appropriations that pay the installments of principal and interest with respect to the Outstanding LOBs and the 2024 Bonds.

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Other Long-Term Commitments

The County has entered into installment financing agreements (which includes the Outstanding LOBs), secured by certain assets financed and subject to an annual appropriation, pursuant to which it remains obligated. Other Long-Term Commitments outstanding are as follows:

FISCAL YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL^{1,2}
2025	\$18,919,753	\$8,220,242	\$27,139,995
2026	18,249,595	7,415,746	25,665,341
2027	17,605,244	6,602,978	24,208,222
2028	14,126,099	5,783,905	19,910,004
2029	12,111,788	5,140,641	17,252,429
2030	10,340,072	4,633,403	14,973,475
2031	9,915,072	4,149,008	14,064,080
2032	9,875,072	3,738,269	13,613,341
2033	9,710,072	3,347,305	13,057,377
2034	9,195,072	2,941,379	12,136,451
2035	8,555,072	2,554,352	11,109,424
2036	8,268,784	2,188,151	10,456,935
2037	7,860,000	1,827,675	9,687,675
2038	7,860,000	1,491,650	9,351,650
2039	7,860,000	1,186,587	9,046,587
2040	7,860,000	880,469	8,740,469
2041	7,010,000	598,750	7,608,750
2042	3,775,000	385,750	4,160,750
2043	3,465,000	21,750	3,676,750
2044	<u>2,660,000</u>	<u>59,850</u>	<u>2,719,850</u>
Total ^{1,2}	<u>\$ 195,221,698</u>	<u>\$ 63,357,860</u>	<u>\$ 258,579,557</u>

¹As described under the caption “PUBLIC SERVICE ENTERPRISES” herein, payments related to installment financing obligations of the County for water and sewer improvements are made by the Authority pursuant to an interlocal transition and operating agreement among the City, the County, the District and the Authority dated January 30, 2008. Such payment arrangements began on July 1, 2008.

²Totals may not foot due to rounding.

Note: See the Notes to the Financial Statements in Appendix B for additional information concerning long-term commitments.

Debt Outlook

Using installment financing later in Fiscal Year 2025, the County expects to finance approximately \$34 million in costs associated with (i) the first phase of infrastructure costs for a new business park on Holly Shelter Road at an estimated cost of \$7 million; (ii) park and trail improvements totaling approximately \$14 million, (iii) \$6 million for museum exhibits, furniture, fixtures and equipment and (iv) miscellaneous capital outlay of \$7 million.

From time to time, the County evaluates refunding opportunities with respect to its outstanding debt and installment financing obligations.

The County expects to remain in compliance with each of its debt capacity policy guidelines.

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The County expects to remain in compliance with each of its debt capacity policy guidelines.

Tax Information

General Information

	2020	2021	2022 ⁴	2023	2024 ⁵
Assessed Valuation:					
Assessment Ratio ¹	100%	100%	100%	100%	100%
Real Property	\$29,873,800,932	\$30,575,940,663	\$42,461,105,286	\$43,204,877,309	44,779,890,000
Personal Property	4,570,434,528	4,927,262,292	5,100,242,182	5,479,780,184	6,087,285,000
Public Service Companies ²	<u>694,374,071</u>	<u>689,537,819</u>	<u>727,906,339</u>	<u>764,846,733</u>	<u>767,895,000</u>
Total Assessed Valuation	\$35,138,609,531	\$36,192,740,774	\$48,289,253,807	\$49,449,504,226	51,635,070,000
Rate per \$100 ³	\$.555	\$.555	\$.475	\$.455	\$.450
Levy ³	\$195,335,328	\$201,275,470	\$230,470,469	\$225,262,023	232,357,815

¹Percentage of assessed value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Department of Revenue.

³In addition to the County-wide tax rate indicated above, the County levied a fire district tax covering the unincorporated areas of the County of 7.75¢, 7.75¢ 7.25¢, 7.25¢, and 7.25¢ for fiscal years 2020, 2021, 2022, 2023 and 2024.

⁴Revaluation year.

⁵ Estimate based on 2023-24 fiscal year budget.

Tax Collections

FISCAL YEAR ENDED JUNE 30	PRIOR YEARS' LEVIES COLLECTED	CURRENT YEAR'S LEVY COLLECTED	PERCENTAGE OF CURRENT YEAR'S LEVY COLLECTED
2019	\$1,051,575	\$191,022,582	99.36%
2020	1,043,114	193,576,815	99.10
2021	1,434,247	199,911,580	99.32
2022	287,547	229,435,328	99.55
2023	-	224,291,757	99.57
2024 (11 months) ²	-	226,683,676	99.54

¹No amount is shown for 2023 and 2024 as all collections are shown under current year's levy collected.

²For the eleven-month period ended May 31, 2024. The comparable figure for the eleven-month period ended May 31, 2023 amounted to \$222,807,386 at 99.45%.

Ten Largest Taxpayers for Fiscal Year 2023-24

<u>Taxpayers</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Valuation</u>	<u>Tax Levy</u>
Duke Energy Progress	Electric Utility	\$561,155,864	1.1805%	\$2,525,201
Corning, Inc.	OWG Manufacturer	255,436,414	0.5630	1,149,463
GE Aerospace	Aviation/Energy	210,654,225	0.4643	947,944
Live Oak Bank	Banking	152,358,530	0.3358	685,613
Bedrock Holdings II, LLC	Real Estate	118,985,800	0.2623	535,436
River Ventures	Real Estate	91,428,200	0.2015	411,426
Mayfaire Town Center LP	Real Estate	90,542,646	0.1996	407,441
Forton Industries LLC	Chemical Manufacturer	90,232,169	0.1989	406,044
RPP Holdings LLC	Real Estate	73,961,300	0.1630	332,825
Wilmington Independent Living LLC	Assisted Living	<u>63,619,967</u>	<u>0.1402</u>	<u>286,289</u>
TOTAL		<u>\$1,708,375,115</u>	<u>3.7091%</u>	<u>\$7,687,682</u>

Source: New Hanover County Tax Office

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Fiscal Year 2023-24 Unaudited Results

Estimated results for the unrestricted General Fund for the nine months ended March 31, 2024 reflected revenues of \$315 million compared to a budget of \$313 million and actual expenditures were \$298 million compared to a budget of \$308 million. All other County funds also reflected results through March 31, 2024 that were in line with the budgeted amounts. The County anticipates maintaining its unassigned General Fund balance as a percentage of annual expenditures and transfers out within its target range of 18-21%, which represents approximately 2-2.5 months worth of reserves.

Budget Outlook for 2024-25

General Fund & Debt Service Fund. On June 17, 2024, the Board of Commissioners adopted a budget ordinance of \$423,804,532 for the General Fund for the fiscal year ending June 30, 2025, which included an appropriation of \$9,449,453 from the General Fund balance. Substantially all of the appropriated fund balance is from the County's special Mental Health and Substance Use Restricted Fund (the "MH Fund") and the fund balance appropriation from this restricted account is to fund health initiatives in the County. The MH Fund is an escrow account that was created in February 2021 as a result of the sale of New Hanover Regional Medical Center. The adopted budget ordinance for the Debt Service Fund for fiscal year ending June 30, 2025 was \$57,334,657. The tax base for the 2024-25 budget was \$51.6 billion, which reflects an annual growth rate of 2.10%. The tax rate per \$100 of valuation was approved at \$0.45, which included \$.429 for the General Fund and \$0.021 for the Debt Service Fund. The 2024-25 budget maintains existing levels of service, provides long term funding for voter-approved debt and continues to focus on the County's strategic plan with continued investments in superior public education and workforce, superior public health and safety, and intelligent growth and economic development.

Enterprise Fund. The Board of Commissioners adopted a 2024-25 budget of \$25,511,728 for the Environmental Management Fund. The tipping fee remained at \$52 per ton to fund the ongoing operating and increased capital expenses. The budget uses \$873,556 of appropriated fund balance and \$250,000 of capital and closure reserve funds that will be used to fund capital projects, including the closure of used cells and the construction of new cells.

Covid-19 Federal Funding. The County received federal and State funding to assist with both the response to COVID-19 and recovery efforts. The County received \$8,615,592, under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Of such funds, the County distributed \$2,153,898 to the City of Wilmington and the towns of Carolina Beach, Kure Beach and Wrightsville Beach. The funds were used to respond to the virus and aid small businesses deeply impacted by the COVID-19 pandemic. Pursuant to the American Rescue Plan Act, the County was also awarded \$45,543,632 and has developed a plan to use these funds to provide many services, including, but not limited to, broadband connectivity, business and employment assistance, housing assistance, physical and mental health resources, infrastructure and essential government services. The County has developed a plan to use these funds to provide many services including, but not limited to, housing assistance, business assistance and mental and physical health resources.

Pension Plans

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

North Carolina Local Governmental Employees' Retirement System. The North Carolina Local Governmental Employees' Retirement System (the "System") is a service agency administered through a

board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of System funds, administrative costs are borne by the participating employer governmental entities. The State makes no contribution to the System.

The System provides, on a uniform System-wide basis, retirement and, at each employee's option, death benefits from contributions made by employers and employees. Employee members contribute 6% of their individual compensation. Each new employee makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate for the year ended June 30, 2023, uniform for all employees, was 12.14% of eligible payroll for general employees and 13.04% of eligible payroll for law enforcement officers. The normal contribution rate for the year ended June 30, 2024, uniform for all employees, was 12.89% of eligible payroll for general employees and 14.04% of eligible payroll for law enforcement officers. The contribution rates for fiscal year 2024-25 have been set at 13.63% for general employees and at 15.04% for law enforcement officers. The accrued liability contribution rate is determined separately for each employee and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employee joins the system.

Members qualify for a vested deferred benefit at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits for general employees are available: at age 65, with at least five years of creditable service; at age 60, with at least 25 years of creditable service; or after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the System are determined on an actuarial basis.

For information concerning the County's participation in the System and the Supplemental Retirement Income Plan of North Carolina see the Notes to the County's Audited Financial Statements in Appendix B.

Financial statements and required supplementary information for the System are included in the Annual Comprehensive Financial Report ("ACFR") for the State. Please refer to the State's ACFR for additional information.

The County is self-insured for health insurance. Permanent County employees who resign in good standing, or retire with at least 15 years of creditable service in the System may continue to participate, at their cost (premium prepaid by employee), in the County's health and dental programs until they become eligible for Medicare. The County books a reserve (at year end) estimated to cover these costs for the upcoming year.

Other Post-Employment Benefits

The County provides certain post-employment benefits as part of the total compensation package offered to attract and retain qualified employees. Employees who retire on or after August 1, 2003 may qualify for continued coverage under the County's group health insurance program. A regular employee, who retires under one of the provisions of the System, and who has at least five consecutive years of service with the County immediately prior to retirement is qualified for continued coverage. A fireman or sworn law enforcement officer who becomes totally and permanently disabled for their job, as approved by the System's Medical Review Board, and whose disability is the result of an accident while performing their duty as such needs only one year of creditable service for continued coverage. At age 65,

the retiree must obtain primary coverage through the Federal Medicare Plan (Parts A & B) and the County's health plan will assume secondary responsibility for covered medical services. The retiring employee must make an election to continue or terminate coverage at the time of their retirement. If a retiree waives their right to continue coverage at the date of retirement, they may not elect coverage at a future date. The only exception to this rule is when the retiree's spouse is an active employee of the County, the retiree may choose to become a dependent under the spouse's certificate. If the retiree loses eligibility under the spouse's certificate, they may at the time exercise the retiree insurance options that were available at the time of their retirement. The County provides these benefits under a self-insured plan with a portion funded by the County and the remainder funded by the retiree based on years of creditable service in the retirement system. Qualified retirees can purchase coverage for their dependents at the County's group rates.

The County has also elected to provide a death benefit for employees who die in active service after one year as a contributing member of the retirement system or who die within 180 days of their retirement date.

For additional information concerning the County's obligation to provide such health care benefits and death benefits, see Note 3B of the Notes to the Basic Financial Statements of the County in Appendix B.

GASB Statement No. 75 was issued in June 2015 and became effective for fiscal years beginning after June 15, 2017. GASB 75 replaces GASB Statement No. 45 and established new standards for recognizing and measuring liabilities, expense/expenditures, deferred outflows of resources, and deferred inflows of resources regarding OPEB. The new GASB statement requires the presentation of liability for OPEB obligations in the employer's financial statements. The County implemented GASB 75 in fiscal year 2017-18.

The County's total OPEB liability as of June 30, 2023 and June 30, 2024 (unaudited) was \$210,735,795 and \$220,538,752, respectively, and the liability was determined by actuarial valuations with a reporting date as of June 30, 2023 and June 30, 2024, respectively. The contributions for the OPEB liability by the County during fiscal year June 30, 2023 were \$3,296,831 and for June 30, 2024 the contributions were \$3,712,013.

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APPENDIX B

**MANAGEMENT'S DISCUSSION AND ANALYSIS AND THE BASIC FINANCIAL
STATEMENTS OF
THE COUNTY OF NEW HANOVER, NORTH CAROLINA**

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Management's Discussion and Analysis

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

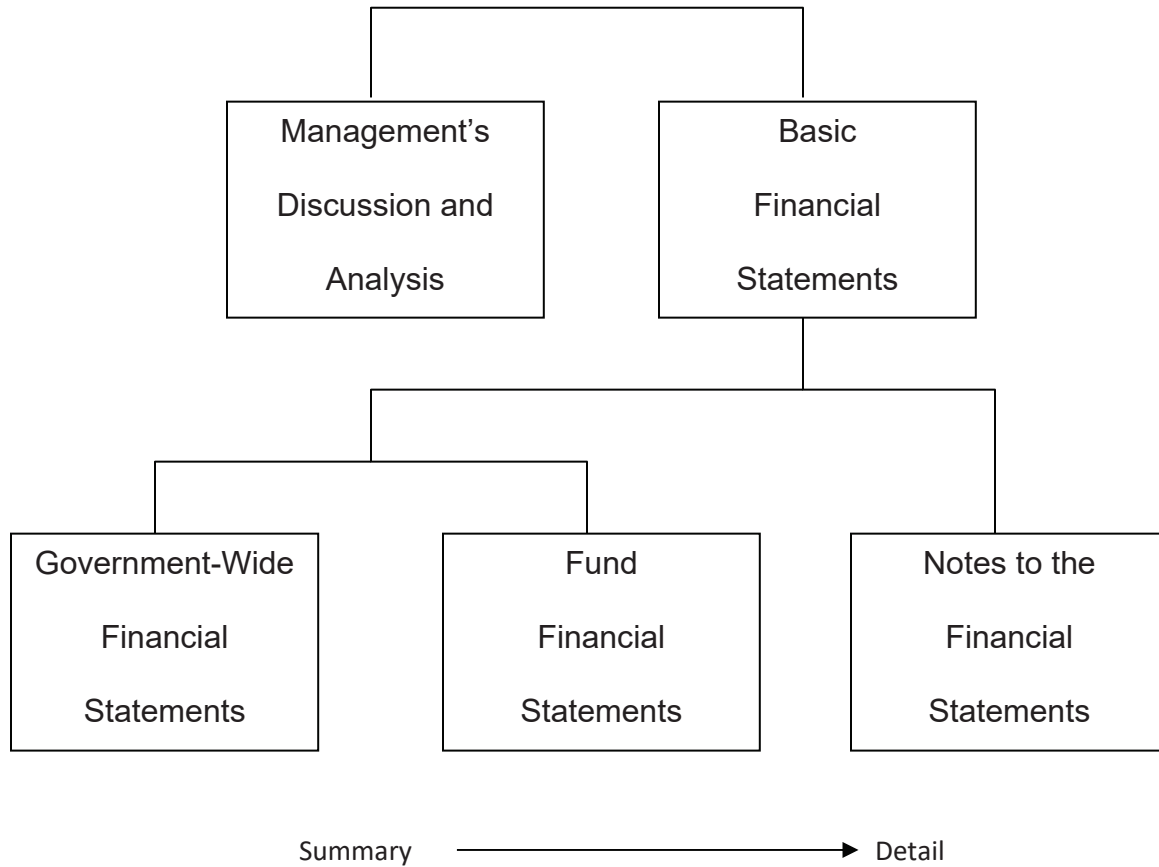
Financial Highlights

- The assets and deferred outflows of New Hanover County (primary government) exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$71,145,657 (net position).
- The government's total net position increased by \$45,012,019, primarily due to reductions in pension and OPEB liabilities and increases in revenues from sales taxes and property taxes.
- As of the close of the current fiscal year, New Hanover County's governmental funds reported combined ending fund balances of \$605,196,577, a decrease of \$5,694,417, or 0.93 percent from the prior year. Approximately 78.74 percent of the ending fund balance, or \$476,529,939, is restricted or unspendable.
- Total revenues for the General Fund amounted to \$365,585,208 for the fiscal year compared to expenditures of \$353,711,629 and financing uses of \$12,680,641. These components netted to a decrease in fund balance of \$807,062, or 0.17%, from the prior fiscal year end.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$79,624,642 or 21.0 percent of total General Fund expenses and transfers out for the fiscal year. The Capital Improvement Plan of the General Fund, which is assigned amounts above 21.0 percent, totaled \$22,093,226 at fiscal year end.
- Implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* effective July 1, 2022. The implementation of this standard resulted in the recording of right-to-use software subscription assets and related liabilities each totaling approximately \$3.3 million.
- New Hanover County maintained its bond rating of Aaa with Moody's Investor Service and bond rating of AAA from Standard and Poor's Corporation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to New Hanover County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of New Hanover County.

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the County’s financial status.

The next statements (Exhibits C through K) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County’s government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements, 2) certain budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplemental information**. This section contains funding information about the County’s retirement liabilities.

After the required supplemental information, we include combining financial statements and financial statements of individual governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes can also be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position represents the sum of the County's total assets and deferred outflows of resources compared to the sum of its total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The two government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services, such as public safety, parks and recreation, and general administration. Property taxes, sales taxes, and federal and state grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. This includes environmental management services offered by New Hanover County. The final category is component units, which are legally separate entities for which the County is financially accountable. NHW Healthcare, Inc. (the Medical Center) f/k/a New Hanover Regional Medical Center is a public, nonprofit corporation which provided healthcare to the citizens of the County and southeastern North Carolina until its sale on February 1, 2021. The County appoints the Board of Trustees for the Medical Center and is able to impose its will on the Medical Center. The New Hanover County Airport Authority operates the County's public airport. The County appoints the members of the board and leases the facility to the Airport Authority for \$1 per year. The lease is for a period of 30 years. Although legally separate from the County, the ABC Board is important to the County because the County exercises control over the Board by appointing its members, and because the Board is required to distribute its profits to the County. The New Hanover County Tourism Development Authority promotes tourism for the County. The County appoints a majority of the members of the Authority's governing board.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

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

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

New Hanover County adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – New Hanover County has one type of proprietary fund, an enterprise fund. Enterprise Funds are used by governments to present business-type activities in the government-wide financial statements. The County’s only enterprise fund relates to its environmental management operations. Those operations are reflected in both the Enterprise Fund statements and the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has nine fiduciary funds, two of which are trust funds for reporting purposes and seven of which are custodial funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements in this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning New Hanover County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the Financial Statements and Notes to the Financial Statements of this report.

Government-Wide Financial Analysis

New Hanover County's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 679,988,489	\$ 697,290,798	\$ 23,276,362	\$ 27,766,632	\$ 703,264,851	\$ 725,057,430
Capital assets	288,069,261	256,612,410	46,025,942	42,835,020	334,095,203	299,447,430
Total assets	968,057,750	953,903,208	69,302,304	70,601,652	1,037,360,054	1,024,504,860
Deferred outflows of resources	146,454,677	145,635,785	1,782,115	1,920,792	148,236,792	147,556,577
Long-term liabilities						
outstanding	678,391,783	821,367,607	33,055,573	18,750,773	711,447,356	840,118,380
Other liabilities	105,280,566	120,784,168	2,363,780	3,143,997	107,644,346	123,928,165
Total liabilities	783,672,349	942,151,775	35,419,353	21,894,770	819,091,702	964,046,545
Deferred inflows of resources	290,546,875	179,256,595	4,812,612	2,624,659	295,359,487	181,881,254
Net position (deficit):						
Net investment in capital assets	164,410,667	158,331,129	44,770,362	42,198,320	209,181,029	200,529,449
Restricted	456,375,838	488,327,065	-	-	456,375,838	488,327,065
Unrestricted	(580,493,302)	(668,527,571)	(13,917,908)	5,804,695	(594,411,210)	(662,722,876)
Total net position	\$ 40,293,203	\$ (21,869,377)	\$ 30,852,454	\$ 48,003,015	\$ 71,145,657	\$ 26,133,638

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. As of June 30, 2023 and 2022, the assets and deferred outflows of resources of New Hanover County exceeded its liabilities and deferred inflows of resources by \$71,145,657 and \$26,133,638, respectively. The County's net position increased by \$45,012,019, for the fiscal year ended June 30, 2023. Comparatively, the County's net position increased by \$40,860,284 for the fiscal year ended June 30, 2022. Net position at June 30, 2023 is reported in three categories: Net investment in capital assets of \$209.2 million, Restricted net position of \$456.4 million; and Unrestricted net deficit of \$594.4 million.

The net investment in capital assets category is defined as the County's investment in County owned capital assets (e.g., land, buildings, automotive equipment, office and other equipment) net of accumulated depreciation, less any related debt still outstanding that was issued to acquire those items (reduced by any unspent capital fund debt proceeds). This category totals approximately \$209.2 million at June 30, 2023. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The largest portion of the County's restricted net position is due to requirements defined in the sale of New Hanover Regional Medical Center (the Novant Transaction). Approximately \$271.2 million and \$46.4 million is restricted for revenue stabilization and mental and behavioral health, respectively. An additional \$138.8 million represents resources that are subject to other external restrictions on how they may be used.

The final category of net position is unrestricted. This balance may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net deficit totaled \$594.4 million at June 30, 2023. As with many counties in the State of North Carolina, the County's deficit in unrestricted net position is substantially impacted due to the portion of the County's outstanding debt incurred for use by the New Hanover County Board of Education and Cape Fear Community College (the "Schools") to construct, renovate, and equip schools. Under North Carolina law, the County is responsible for providing capital funding for the schools. The County has chosen to meet its legal obligation to provide the schools capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County, however, are owned and utilized by the schools. Since the County, as the issuing government, acquires no capital assets, the County incurs a liability without a corresponding increase in capital assets. At the end of the fiscal year, approximately \$155.6 million of the outstanding debt on the County's financial statements was related to assets included in the public schools' financial statements and \$81.7 million related to assets included in the community college financial statements – a total of \$237.3 million. However, since most of the School's related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year which they become due.

The impact on the unrestricted governmental net position of the inclusion of the school system debt without the corresponding assets were partially offset by the following positive factors:

- Continued diligence in the collection of property taxes by maintaining a high collection rate of 99.57 percent.
- Continued low cost of debt due to the County's high bond rating. The County was able to take advantage of these low interest rates in the current year by issuing debt.

New Hanover County's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ 27,767,511	\$ 20,339,989	\$ 18,860,225	\$ 17,815,177	\$ 46,627,736	\$ 38,155,166
Operating grants and contributions	78,043,373	81,367,590	684,207	2,357,426	78,727,580	83,725,016
Capital grants and contributions	834,785	628,465	-	-	834,785	628,465
General revenues:						
Property taxes	238,656,748	243,546,877	-	-	238,656,748	243,546,877
Other taxes	136,675,815	125,842,651	-	-	136,675,815	125,842,651
Other	6,024,235	(23,961,815)	562,407	48,093	6,586,642	(23,913,722)
Miscellaneous	15,003,440	251,009	-	-	15,003,440	251,009
Total revenues	<u>503,005,907</u>	<u>448,014,766</u>	<u>20,106,839</u>	<u>20,220,696</u>	<u>523,112,746</u>	<u>468,235,462</u>
Expenses:						
General government	73,962,784	81,322,493	-	-	73,962,784	81,322,493
Human services	102,255,926	76,981,079	-	-	102,255,926	76,981,079
Public safety	111,985,443	101,544,096	-	-	111,985,443	101,544,096
Economic and physical development	15,969,378	19,770,074	-	-	15,969,378	19,770,074
Culture and recreational	18,907,314	17,470,882	-	-	18,907,314	17,470,882
Education	110,390,406	109,643,416	-	-	110,390,406	109,643,416
Interest and fees on long-term debt	7,999,697	8,689,824	-	-	7,999,697	8,689,824
Environmental management	-	-	36,629,779	11,953,314	36,629,779	11,953,314
Total expenses	<u>441,470,948</u>	<u>415,421,864</u>	<u>36,629,779</u>	<u>11,953,314</u>	<u>478,100,727</u>	<u>427,375,178</u>
Increase/decrease in net position before transfers	61,534,959	32,592,902	(16,522,940)	8,267,382	45,012,019	40,860,284
Transfers	<u>627,621</u>	<u>(3,000,000)</u>	<u>(627,621)</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>62,162,580</u>	<u>29,592,902</u>	<u>(17,150,561)</u>	<u>11,267,382</u>	<u>45,012,019</u>	<u>40,860,284</u>
Net position - beginning	<u>(21,869,377)</u>	<u>(51,462,279)</u>	<u>48,003,015</u>	<u>36,735,633</u>	<u>26,133,638</u>	<u>(14,726,646)</u>
Net position - ending	<u>\$ 40,293,203</u>	<u>\$ (21,869,377)</u>	<u>\$ 30,852,454</u>	<u>\$ 48,003,015</u>	<u>\$ 71,145,657</u>	<u>\$ 26,133,638</u>

Governmental Activities. Governmental activities net position increased by \$62,162,580, thereby contributing to the overall increase in the net position of New Hanover County. Key elements of this increase are as follows:

- An increase in revenues from Other Taxes (non-property taxes), which is primarily sales tax, of approximately 8.6% from prior year. The increase in sales tax is a result of a continued strong local economy and an increased cost of goods, arising from inflation, to which the sales taxes are applied.
- Other Revenue increased \$30.0 million in the current fiscal year primarily as a result of lower unrealized net losses on investments.
- A decrease in expense related to the Other Post Employment Benefit (OPEB) plan. The decrease in the expense is a result of several factors including an increase in the discount rate as well as the County performing better than expected in several trends.

Business-Type Activities. Business-type activities net position decreased by \$17,150,561. A key element of this increase is as follows:

- An increase in the estimate of the costs associated with the final closure and the post-closure of the landfill.

Financial Analysis of the County's Funds

As noted earlier, New Hanover County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of New Hanover County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing New Hanover County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of New Hanover County. At the end of the current fiscal year, New Hanover County's unassigned fund balance in the General Fund was \$79,624,642, while total fund balance was \$480,007,349. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. On June 30, 2023, unassigned fund balance for the General Fund represented 21.0 percent of total General Fund expenditures and transfers out. The Governing Body of New Hanover County has determined that the County should maintain an unassigned fund balance in the General Fund of an amount between 18 percent and 21 percent of expenditures and financing uses in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County was in compliance with this policy as of June 30, 2023. All amounts greater than 21 percent are assigned to the County's capital improvement plan.

Available fund balance differs from the unassigned fund balance in that available fund balance includes the portion of fund balance that is unassigned, assigned, or committed. At the end of the current fiscal year, New Hanover County's available fund balance in the General Fund was \$116,611,760, while total fund balance was \$480,007,349. The County currently has an available fund balance of 30.8 percent of

General Fund expenditures and transfers out, while total fund balance represents 126.6 percent of that same amount.

The change in the General Fund balance during this fiscal year was a result of the County not needing to use budgeted appropriated fund balance, which was due to several factors, including an increase in other taxes and investment earnings, as well as operating expenses that were less than expected. Other taxes and investment earnings exceed expectations by approximately \$5.1 million and \$7.7 million, respectively. Other taxes are comprised primarily of sales tax, which exceeded expectations by \$5.6 million due to the continued strong local economy and the higher cost of goods. Interest earnings on investments were higher than expected due to the sharp increase in interest rates. Operating expenses increased from the prior year due to the impact of inflation but were less than budgeted due to the timing of expenditures and longer vacancy times in positions.

The Debt Service fund was established to accumulate resources to pay for future debt service of voter approved bonds. At the end of the current fiscal year, the Debt Service fund balance was \$10,141,610, compared to \$7,083,939 at June 30, 2022. The increase in fund balance is mainly due to higher than anticipated sales tax of \$1.2 million, as well as actual debt payments being less than anticipated by approximately \$1.3 million due to timing of those repayments.

The Room Occupancy Tax special revenue fund is used to account for the room occupancy tax revenues and related expenditures for New Hanover County, Carolina Beach, Kure Beach, Wrightsville Beach, and the City of Wilmington. At the end of the current fiscal year, the fund balance of the room occupancy tax special revenue fund was \$58,608,186, as compared to \$51,297,068 at June 30, 2022. Approximately 96.8 percent is restricted for erosion control as required by an act of the North Carolina Legislature. The increase in fund balance for this special revenue fund is mainly a result of a delay in the Wrightsville Beach renourishment project. This project was anticipated to be completed during the fiscal year ended June 30, 2023 and is now scheduled for completion during the fiscal year ended June 30, 2024.

The Special Fire District special revenue fund is used to account for special fire district revenue, which includes a fire service tax rate for the unincorporated area of the county. At the end of the current fiscal year, the fund balance in this special revenue fund was \$3,789,186, compared to \$3,645,426 at June 30, 2022. The change in fund balance was impacted by higher than anticipated sales tax, which came in approximately \$581,000 more than anticipated and capital expenditures that were \$688,168 lower than budget, which combined to more than offset a budgeted use of fund balance.

The American Rescue Plan special revenue fund is used to account for the collection and disbursement of Coronavirus State and Local Recovery monies distributed to counties as part of the American Rescue Plan Act. At the end of the current fiscal year, the American Rescue Plan fund balance was \$988,025, compared to (\$326,293) at June 30, 2022. The increase in fund balance is a result of charges for services received from programs funded with the American Rescue Plan, as well as interest earnings. Revenue from the American Rescue Plan Act is recognized as expenses are incurred.

Other nonmajor governmental funds are combined for reporting on Exhibits C and D. At the end of the current fiscal year, fund balance for these other governmental funds was \$51,652,221, compared to \$68,376,443 at June 30, 2022. The decrease in fund balance for nonmajor governmental funds is mainly the result of capital outlays associated with several large capital projects nearing completion.

At June 30, 2023, total governmental funds of New Hanover County reported a combined fund balance of \$605,196,557, a 0.93 percent decrease from the prior year. This decrease in fund balance is primarily due to a reduction in fund balance of non-major capital project funds. The fund balance in non-major capital decreased due to expenditures incurred as work progressed on the projects. Three of the largest reductions were in the Government Center Redevelopment, Airport Terminal Expansion, and Healing Transition Facility projects.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total Amendments to the General Fund increased budgeted revenues by approximately \$12.2 million, due primarily to an increase of approximately \$9.4 million in intergovernmental revenues. Approximately \$3.1 million of the increase in intergovernmental revenue is the result of various projects that were originally budgeted in the prior year and not completed prior to June 30, 2022. A budget amendment was approved in the current year to roll forward the remaining budget to complete the projects to the fiscal year June 30, 2023. The remaining increase is a result of new grants and changes in existing grants that occurred during the fiscal year. Approximately \$13.2 million of total budget amendments resulted in an increase in appropriated fund balance. Of this amount, approximately \$6.5 million relates to purchase orders that were rolled forward from the fiscal year June 30, 2022 to June 30, 2023. Additionally, \$2.5 million related to costs for design plans for an upcoming project and \$2.3 million related to employee bonuses.

Proprietary Funds. New Hanover County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. The net position (deficit) of the Environmental Management Fund at the end of the current fiscal year amounted to \$30,852,454 compared to \$48,003,015 from the prior year end, a decrease of \$17,150,561. The unrestricted net position (deficit) of this fund was (\$13,917,908) at June 30, 2023 compared to \$5,804,695 at the prior year end, a decrease of \$19,722,603. The decreases in both net positions are mainly a result of an increase in the estimated landfill closure and post-closure costs.

Capital Asset and Debt Administration

Capital Assets. New Hanover County's investment in capital assets for its governmental and business-type activities as of June 30, 2023 totals \$334,095,203 (net of accumulated depreciation and amortization). These assets include buildings, land, machinery and equipment, and vehicles.

New Hanover County's Capital Assets
Figure 4
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Depreciable Capital Assets:						
Land	\$ 48,630,340	\$ 47,970,238	\$ 3,239,227	\$ 3,239,227	\$ 51,869,567	\$ 51,209,465
Buildings	264,803,901	195,510,942	21,335,698	21,335,698	286,139,599	216,846,640
Other improvements	38,655,913	39,023,524	66,651,254	38,766,895	105,307,167	77,790,419
Equipment and vehicles	90,004,628	81,265,607	18,850,280	18,776,891	108,854,908	100,042,498
Construction in progress	14,595,180	60,182,370	4,051,897	19,872,524	18,647,077	80,054,894
Total depreciable capital assets	456,689,962	423,952,681	114,128,356	101,991,235	570,818,318	525,943,916
Right-to-use assets:						
Land	308,524	389,705	-	-	308,524	389,705
Land Improvements	172,236	172,236	-	-	172,236	172,236
Buildings	1,694,628	1,694,628	-	-	1,694,628	1,694,628
Equipment	166,383	180,300	-	-	166,383	180,300
Software subscription	3,431,502	2,878,157	-	-	3,431,502	2,878,157
Total right-to-use assets	5,773,273	5,315,026	-	-	5,773,273	5,315,026
Total capital before depreciation and amortization	462,463,235	429,267,707	114,128,356	101,991,235	576,591,591	531,258,942
Less accumulated depreciation	(172,057,282)	(169,125,102)	(68,102,414)	(59,156,215)	(240,159,696)	(228,281,317)
Less accumulated amortization	(2,336,692)	(652,038)	-	-	(2,336,692)	(652,038)
Capital assets, net	\$ 288,069,261	\$ 259,490,567	\$ 46,025,942	\$ 42,835,020	\$ 334,095,203	\$ 302,325,587

Additional information on the County's capital assets can be found in Note 2 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2023, the carrying value of New Hanover County’s total bonded debt outstanding was \$232,084,997, all of which is debt backed by the full faith and credit of the County.

New Hanover County's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 220,299,997	\$ 240,999,997	\$ -	\$ -	\$ 220,299,997	\$ 240,999,997
Direct placement general obligation bonds	11,785,000	16,250,000	-	-	11,785,000	16,250,000
Direct placement installment debt	149,077,391	147,237,655	2,220,000	1,155,000	151,297,391	148,392,655
Unamortized premium and discounts	31,438,556	35,245,735	189,533	150,147	31,628,089	35,395,882
Total long-term debt	\$ 412,600,944	\$ 439,733,387	\$ 2,409,533	\$ 1,305,147	\$ 415,010,477	\$ 441,038,534

New Hanover County’s total bonded and installment debt decreased by approximately \$23.3 million (5.8 percent) during the past fiscal year due to normal scheduled payments that were partially offset by the issuance of \$21.85 million in limited obligation bonds. General obligation debt decreased approximately \$25.2 million and installment debt increased by approximately \$1.8 million.

New Hanover County maintained its bond rating of Aaa from Moody’s Investor Service and a bond rating of AAA from Standard and Poor’s Corporation. This bond rating is a clear indication of the sound financial condition of New Hanover County. This achievement is a primary factor in keeping interest costs low on the County’s outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for New Hanover County is \$3,577,357,951. The County has no bonds authorized but unissued at June 30, 2023.

Additional information regarding New Hanover County’s long-term debt can be found in Note 3, of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities. The County has approved a \$415.5 million General Fund budget for fiscal year 2023-2024, which represents an increase of 6.7 percent from the fiscal year 2022-2023 adopted budget.

The Board of County Commissioners approved a tax rate of \$0.4500 per \$100 of assessed value, with \$0.4260 dedicated to funding operations and \$0.0240 of the rate dedicated to paying voter-approved debt. The portion of the tax rate dedicated to operations is posted in the General Fund, with the remaining portion posted in the Debt Service Fund. The tax rate of \$0.4500 represents a decrease of \$0.0050 per \$100 assessed value from the prior year.

The Special Fire District tax rate was approved at a rate of \$0.0725 per \$100 of assessed value. This represents no change from the prior year.

A stormwater services fee of \$5.65 per equivalent residential unit per month was approved. This represents no change from the prior year.

Business-Type Activities. The Environmental Management fund budget is balanced with a tipping fee of \$52.00 per ton. This represents no change from the previous year. Of the \$52.00 per ton tipping fee, \$2.00 has been reserved to repay a loan from the General Fund over a five-year period.

Requests for Information

This report is designed to provide an overview of the County'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, New Hanover County, 230 Government Center Drive, Suite 165, Wilmington, North Carolina 28403. You can also call (910) 798-7187, visit our website <http://www.nhcgov.com> or email ecredle@nhcgov.com for more information.

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash, cash equivalents, and investments	\$ 247,119,924	\$ 19,823,253	\$ 266,943,177
Receivables - net of allowances for doubtful accounts	5,491,716	1,357,613	6,849,329
Current portion of lease receivable	-	-	-
Lease interest receivable	-	-	-
Due from other governments	39,566,474	-	39,566,474
Due from component units	2,903,780	-	2,903,780
Due from primary government	-	-	-
Inventory	70,795	-	70,795
Prepays	131,876	-	131,876
Restricted cash, cash equivalents, and investments	362,473,436	2,095,496	364,568,932
Restricted receivables - net of allowances for doubtful accounts	-	-	-
Net pension asset - RODSPF	451,841	-	451,841
Other long-term assets	20,876,464	-	20,876,464
Lease receivable	902,183	-	902,183
Capital assets:			
Land and construction in progress	63,225,520	7,291,124	70,516,644
Other capital assets, net of depreciation	221,407,160	38,734,818	260,141,978
Right to use leased assets amortized, net	1,081,990	-	1,081,990
Right to use subscription assets amortized, net	<u>2,354,591</u>	-	<u>2,354,591</u>
Total capital assets	<u>288,069,261</u>	<u>46,025,942</u>	<u>334,095,203</u>
Total assets	<u>968,057,750</u>	<u>69,302,304</u>	<u>1,037,360,054</u>
Deferred Outflows of Resources	146,454,677	1,782,115	148,236,792
Liabilities:			
Accounts payable and accrued expenses	30,097,776	1,885,338	31,983,114
Accrued interest payable	4,649,927	-	4,649,927
Due to component unit	1,240,864	-	1,240,864
Due to primary government	-	-	-
Rent deposits	27,606	-	27,606
Unearned revenues	14,662,445	-	14,662,445
Long-term liabilities:			
Due within one year	54,601,948	556,089	55,158,037
Due in more than one year	<u>678,391,783</u>	<u>32,977,926</u>	<u>711,369,709</u>
Total long-term liabilities	<u>732,993,731</u>	<u>33,534,015</u>	<u>766,527,746</u>
Total liabilities	<u>783,672,349</u>	<u>35,419,353</u>	<u>819,091,702</u>
Deferred Inflows of Resources	290,546,875	4,812,612	295,359,487
Net Position:			
Net investment in capital assets	164,410,667	44,770,362	209,181,029
Restricted for:			
Passenger facility charges projects	-	-	-
Working capital	-	-	-
Promotion, tourism, and Convention Center	-	-	-
Stabilization by State statute	55,846,461	-	55,846,461
Register of Deeds	96,445	-	96,445
Mental and behavioral health	46,374,111	-	46,374,111
Revenue stabilization	271,211,799	-	271,211,799
General government	11,331,326	-	11,331,326
Human services	4,534,636	-	4,534,636
Public safety	1,925,458	-	1,925,458
Economic and physical development	54,858,818	-	54,858,818
Culture and recreation	9,744,943	-	9,744,943
Register of Deeds' Pension Plan	451,841	-	451,841
Unrestricted	<u>(580,493,302)</u>	<u>(13,917,908)</u>	<u>(594,411,210)</u>
Total net position	<u>\$ 40,293,203</u>	<u>\$ 30,852,454</u>	<u>\$ 71,145,657</u>

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

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2023

	Component Units			
	New Hanover County Airport Authority	NHW Healthcare, Inc.	New Hanover County ABC Board	New Hanover County Tourism Development Authority
Assets:				
Cash, cash equivalents, and investments	\$ 57,958,053	\$ 46,830,000	\$ 11,968,995	\$ 11,881,040
Receivables - net of allowances for doubtful accounts	3,432,438	5,644,000	6,871	1,545,451
Current portion of lease receivable	964,990	-	-	-
Lease interest receivable	61,045	-	-	-
Due from other governments	-	-	-	-
Due from component units	-	-	-	-
Due from primary government	-	-	-	1,240,864
Inventory	-	-	5,867,353	-
Prepays	171,351	4,174,000	96,391	20,865
Restricted cash, cash equivalents, and investments	12,134,035	-	-	-
Restricted receivables - net of allowances for doubtful accounts	494,745	-	-	-
Pension asset	-	-	-	-
Other long-term assets	-	-	-	-
Lease receivable	40,489,099	-	-	-
Capital assets:				
Land and construction in progress	73,327,667	-	5,308,300	-
Other capital assets, net of depreciation	59,782,805	-	11,074,672	454,786
Right to use leased assets amortized, net	39,739	-	-	-
Right to use subscription assets amortized, net	499,628	-	-	-
Total capital assets	<u>133,649,839</u>	<u>-</u>	<u>16,382,972</u>	<u>454,786</u>
Total assets	<u>249,355,595</u>	<u>56,648,000</u>	<u>34,322,582</u>	<u>15,143,006</u>
Deferred Outflows of Resources	1,359,631	-	1,518,543	-
Liabilities:				
Accounts payable and accrued expenses	5,993,138	10,467,000	5,945,285	207,572
Accrued interest payable	-	-	-	-
Due to component unit	-	-	-	-
Due to primary government	-	-	2,903,780	-
Rent deposits	-	-	-	-
Advances from grantors	-	-	-	-
Long-term liabilities:				
Due within one year	2,257,745	-	2,831,837	233,881
Due in more than one year	<u>6,858,952</u>	<u>-</u>	<u>-</u>	<u>199,231</u>
Total long-term liabilities	<u>9,116,697</u>	<u>-</u>	<u>2,831,837</u>	<u>433,112</u>
Total liabilities	<u>15,109,835</u>	<u>10,467,000</u>	<u>11,680,902</u>	<u>640,684</u>
Deferred Inflows of Resources	39,664,635	-	666,085	-
Net Position (Deficit):				
Net investment in capital assets	124,405,971	-	16,382,972	72,465
Restricted for:				
Passenger facility charges projects	8,500,187	-	-	-
Working capital	-	-	2,073,988	-
Promotion, tourism, and Convention Center	-	-	-	8,475,307
Stabilization by State statute	-	-	-	2,848,190
Register of Deeds	-	-	-	-
Mental and behavioral health	-	-	-	-
Revenue stabilization	-	-	-	-
Register of Deeds	-	-	-	-
Human services	-	-	-	-
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Culture and recreation	-	-	-	-
Register of Deeds' Pension Plan	-	-	-	-
Unrestricted (deficit)	<u>63,034,598</u>	<u>46,181,000</u>	<u>5,037,178</u>	<u>3,106,360</u>
Total net position (deficit)	<u>\$ 195,940,756</u>	<u>\$ 46,181,000</u>	<u>\$ 23,494,138</u>	<u>\$ 14,502,322</u>

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

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs:	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 73,962,784	\$ 12,896,698	\$ 28,422,400	\$ 401,870
Human services	102,255,926	2,701,495	38,682,688	131,654
Public safety	111,985,443	9,127,048	5,092,517	301,261
Economic and physical development	15,969,378	-	4,064,276	-
Culture and recreation	18,907,314	3,042,270	(589,556)	-
Education	110,390,406	-	2,371,048	-
Interest on long-term debt	7,999,697	-	-	-
Total governmental activities	<u>441,470,948</u>	<u>27,767,511</u>	<u>78,043,373</u>	<u>834,785</u>
Business-type activities:				
Environmental management	36,629,779	18,860,225	684,207	-
Total business-type activities	<u>36,629,779</u>	<u>18,860,225</u>	<u>684,207</u>	<u>-</u>
Total primary government	<u>\$ 478,100,727</u>	<u>\$ 46,627,736</u>	<u>\$ 78,727,580</u>	<u>\$ 834,785</u>
Component Units:				
New Hanover County Airport Authority	\$ 19,678,292	\$ 18,378,843	\$ 328,592	\$ 21,729,012
NHW Healthcare, Inc.	(5,252,000)	(201,000)	-	-
New Hanover County ABC Board	55,396,229	53,923,700	-	-
New Hanover County Tourism Development Authority	10,632,070	-	-	-
Total component units	<u>\$ 80,454,591</u>	<u>\$ 72,101,543</u>	<u>\$ 328,592</u>	<u>\$ 21,729,012</u>

General Revenues:

Property taxes
Sales taxes
Room occupancy taxes
Other taxes
Investment earnings
Net increase (decrease) in fair value of investments
Lease interest revenue
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net position
Net position (deficit), beginning
Net position (deficit), ending

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

NEW HANOVER COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position						
	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	New Hanover County	NHW Healthcare, Inc.	New Hanover County	New Hanover County Tourism
				Airport Authority		ABC Board	Development Authority
General government	\$ (32,241,816)	\$ -	\$ (32,241,816)	\$ -	\$ -	\$ -	\$ -
Human services	(60,740,089)	-	(60,740,089)	-	-	-	-
Public safety	(97,464,617)	-	(97,464,617)	-	-	-	-
Economic and physical development	(11,905,102)	-	(11,905,102)	-	-	-	-
Culture and recreation	(16,454,600)	-	(16,454,600)	-	-	-	-
Education	(108,019,358)	-	(108,019,358)	-	-	-	-
Interest on long-term debt	(7,999,697)	-	(7,999,697)	-	-	-	-
Total governmental activities	<u>(334,825,279)</u>	<u>-</u>	<u>(334,825,279)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities:							
Environmental management	-	(17,085,347)	(17,085,347)	-	-	-	-
Total business-type activities	<u>-</u>	<u>(17,085,347)</u>	<u>(17,085,347)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(334,825,279)</u>	<u>(17,085,347)</u>	<u>(351,910,626)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Units:							
New Hanover County Airport Authority	-	-	-	20,758,155	-	-	-
NHW Healthcare, Inc.	-	-	-	-	5,051,000	-	-
New Hanover County ABC Board	-	-	-	-	-	(1,472,529)	-
New Hanover County Tourism Development Authority	-	-	-	-	-	-	(10,632,070)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,758,155</u>	<u>5,051,000</u>	<u>(1,472,529)</u>	<u>(10,632,070)</u>
	238,656,748	-	238,656,748	-	-	-	-
	118,591,882	-	118,591,882	-	-	-	-
	11,419,984	-	11,419,984	-	-	-	11,064,862
	6,663,949	-	6,663,949	-	-	-	-
	14,654,779	562,407	15,217,186	1,400,672	-	202,206	177,090
	(8,648,408)	-	(8,648,408)	-	-	-	-
	17,864	-	17,864	1,000,212	-	-	-
	<u>15,003,440</u>	<u>-</u>	<u>15,003,440</u>	<u>-</u>	<u>-</u>	<u>1,731</u>	<u>509,992</u>
	396,360,238	562,407	396,922,645	2,400,884	-	203,937	11,751,944
	<u>627,621</u>	<u>(627,621)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>396,987,859</u>	<u>(65,214)</u>	<u>396,922,645</u>	<u>2,400,884</u>	<u>-</u>	<u>203,937</u>	<u>11,751,944</u>
	62,162,580	(17,150,561)	45,012,019	23,159,039	5,051,000	(1,268,592)	1,119,874
	<u>(21,869,377)</u>	<u>48,003,015</u>	<u>26,133,638</u>	<u>172,781,717</u>	<u>41,130,000</u>	<u>24,762,730</u>	<u>13,382,448</u>
	<u>\$ 40,293,203</u>	<u>\$ 30,852,454</u>	<u>\$ 71,145,657</u>	<u>\$ 195,940,756</u>	<u>\$ 46,181,000</u>	<u>\$ 23,494,138</u>	<u>\$ 14,502,322</u>

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

NEW HANOVER COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Debt Service	Room Occupancy Tax Special Revenue	Special Fire District Fund	American Rescue Plan Fund	Other Governmental Funds	Total Governmental Funds
Assets:							
Cash, cash equivalents, and investments	\$ 145,983,420	\$ 4,569,905	\$ 58,213,048	\$ 2,729,755	\$ 13,456,539	\$ 22,167,257	\$ 247,119,924
Receivables - net of allowances for doubtful accounts	35,622,862	5,571,705	1,661,371	1,610,567	7,382	584,303	45,058,190
Receivables - interfund loans	132,592	-	-	-	-	-	132,592
Due from component units	2,903,780	-	-	-	-	-	2,903,780
Inventory	22,303	-	-	-	-	48,492	70,795
Prepays	97,522	-	-	-	-	34,354	131,876
Restricted cash, cash equivalents, and investments	320,283,966	-	-	231,919	-	41,957,551	362,473,436
Lease receivable	902,183	-	-	-	-	-	902,183
Total assets	<u>\$ 505,948,628</u>	<u>\$ 10,141,610</u>	<u>\$ 59,874,419</u>	<u>\$ 4,572,241</u>	<u>\$ 13,463,921</u>	<u>\$ 64,791,957</u>	<u>\$ 658,792,776</u>
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable and accrued liabilities	\$ 18,525,242	\$ -	\$ 6,086	\$ 662,872	\$ 343,056	\$ 10,560,520	\$ 30,097,776
Interfund loans	-	-	-	-	-	132,592	132,592
Due to component unit	-	-	1,240,864	-	-	-	1,240,864
Rent deposits	-	-	-	-	-	27,606	27,606
Unearned revenues	120,587	-	-	-	12,122,840	2,419,018	14,662,445
Total liabilities	<u>18,645,829</u>	<u>-</u>	<u>1,246,950</u>	<u>662,872</u>	<u>12,465,896</u>	<u>13,139,736</u>	<u>46,161,283</u>
Deferred Inflows of Resources	7,295,450	-	19,283	120,183	-	-	7,434,916
Fund balances:							
Non-spendable:							
Inventory	22,303	-	-	-	-	16,197	38,500
Prepays	97,522	-	-	-	-	34,354	131,876
Leases	-	-	-	-	-	-	-
Restricted:							
Stabilization for State statute	45,593,409	5,571,705	1,857,388	2,250,317	-	573,642	55,846,461
Restricted - all other	317,682,355	-	54,858,818	1,235,175	998,025	45,738,729	420,513,102
Committed	4,353,877	4,569,905	-	-	-	4,748,798	13,672,580
Assigned	32,633,241	-	1,891,980	303,694	-	821,467	35,650,382
Unassigned	79,624,642	-	-	-	-	(280,966)	79,343,676
Total fund balances	<u>480,007,349</u>	<u>10,141,610</u>	<u>58,608,186</u>	<u>3,789,186</u>	<u>998,025</u>	<u>51,652,221</u>	605,196,577
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 505,948,628</u>	<u>\$ 10,141,610</u>	<u>\$ 59,874,419</u>	<u>\$ 4,572,241</u>	<u>\$ 13,463,921</u>	<u>\$ 64,791,957</u>	
Amounts reported in the governmental activities in the Statements of Net Position (Exhibit A) are different because:							
Charges related to refunding bond issue.							8,710,180
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.							288,069,597
Net pension asset - RODSPF							451,841
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.							20,811,270
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.							20,876,464
Net pension liability - LGERS							(80,559,797)
Total pension liability - LEOSSA							(17,581,669)
Total OPEB liability							(207,255,942)
Liabilities for earned, but deferred inflow of resources							6,854,711
Pension related deferrals - LGERS & LEOSSA							39,062,795
Deferrals related to OPEB							(212,096,574)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.							(432,246,250)
Net position (deficit) of governmental activities							<u>\$ 40,293,203</u>

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

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General	Debt Service	Room Occupancy Tax Special Revenue	Special Fire District Fund	American Rescue Plan Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 307,966,112	\$ 36,885,236	\$ 11,342,984	\$ 19,127,556	\$ -	\$ 651,311	\$ 375,973,199
Intergovernmental revenues	42,543,825	5,304,869	-	17,092	16,797,295	9,952,957	74,616,038
Special assessments	-	-	43,532	-	-	-	43,532
Charges for services	12,983,960	-	-	49,746	110,271	14,607,000	27,750,977
Investment earnings	10,271,812	1,580	1,389,050	93,692	546,662	2,351,983	14,654,779
Net increase/(decrease) in fair value of investments	(9,226,715)	-	-	-	-	578,307	(8,648,408)
Interest - Leases	17,864	-	-	-	-	-	17,864
Miscellaneous	1,028,350	-	-	35,313	-	16,268	1,079,931
Total revenues	<u>365,585,208</u>	<u>42,191,685</u>	<u>12,775,566</u>	<u>19,323,399</u>	<u>17,454,228</u>	<u>28,157,826</u>	<u>485,487,912</u>
Expenditures:							
Current:							
General government	67,788,888	-	-	-	12,203,563	3,178,703	83,171,154
Human services	69,664,259	-	-	-	-	7,125,122	76,789,381
Public safety	91,320,308	-	-	17,122,968	-	852,108	109,295,384
Economic and physical development	1,837,317	-	5,464,448	-	-	-	7,301,765
Culture and recreation	15,367,774	-	-	-	-	2,032,041	17,399,815
Education - community college and schools	12,171,250	-	-	-	-	-	12,171,250
Education - public schools	93,610,026	-	-	-	-	-	93,610,026
Capital outlay	-	-	-	2,161,114	15,509	55,208,130	57,384,753
Debt service:							
Principal - bonds	-	25,165,000	-	-	-	-	25,165,000
Interest and fees	-	8,964,015	-	270,342	-	-	9,234,357
Principal - leases	565,638	-	-	81,563	-	451,574	1,098,775
Interest and fees - leases	20,683	-	-	1,430	-	-	22,113
Principal - software	1,296,832	-	-	-	-	-	1,296,832
Interest and fees - software	2,579	-	-	-	-	-	2,579
Installment debt payments	-	22,341,131	-	1,361,997	-	-	23,703,128
Bond issuance costs	66,075	-	-	-	-	256,963	323,038
Total expenditures	<u>353,711,629</u>	<u>56,470,146</u>	<u>5,464,448</u>	<u>20,999,414</u>	<u>12,219,072</u>	<u>69,104,641</u>	<u>517,969,350</u>
Revenues over (under) expenditures	<u>11,873,579</u>	<u>(14,278,461)</u>	<u>7,311,118</u>	<u>(1,676,015)</u>	<u>5,235,156</u>	<u>(40,946,815)</u>	<u>(32,481,438)</u>
Other Financing Sources (Uses):							
Sale of capital assets	247,607	-	-	-	-	-	247,607
Insurance claim proceeds	58,574	-	-	-	-	-	58,574
Long-term debt issued	4,470,000	-	-	-	-	16,190,000	20,660,000
Premium on long-term debt issued	259,851	-	-	-	-	1,570,809	1,830,660
Software liabilities issued	3,200,296	-	-	-	-	231,206	3,431,502
Transfers from other funds	4,536,366	17,336,132	-	1,819,775	30,000	7,902,052	31,624,325
Transfers to other funds	(25,453,335)	-	-	-	(3,871,895)	(1,671,474)	(30,996,704)
Administrative reserve	-	-	-	-	(68,943)	-	(68,943)
Total other financing sources (uses)	<u>(12,680,641)</u>	<u>17,336,132</u>	<u>-</u>	<u>1,819,775</u>	<u>(3,910,838)</u>	<u>24,222,593</u>	<u>26,787,021</u>
Net change in fund balances	(807,062)	3,057,671	7,311,118	143,760	1,324,318	(16,724,222)	(5,694,417)
Fund Balances:							
Beginning of year - July 1	480,814,411	7,083,939	51,297,068	3,645,426	(326,293)	68,376,443	610,890,994
End of year - June 30	<u>\$ 480,007,349</u>	<u>\$ 10,141,610</u>	<u>\$ 58,608,186</u>	<u>\$ 3,789,186</u>	<u>\$ 998,025</u>	<u>\$ 51,652,221</u>	<u>\$ 605,196,577</u>

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

NEW HANOVER COUNTY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds	\$ (5,694,417)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those current assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	33,242,018
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	(6,592,746)
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	(1,455,925)
OPEB benefit payments paid and administrative costs made in the current fiscal year are not included on the Statement of Activities	11,988,193
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds. Revenue in the fund statements that is repayment of long-term receivables is not recorded as revenue in the Statement of Activities.	7,315,636
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This is the amount of the net effect of these differences in the treatment of long-term debt and related items.	22,706,775
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>653,046</u>
Change in net position of governmental activities	<u>\$ 62,162,580</u>

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

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Taxes:				
Ad valorem, including interest	\$ 206,724,165	\$ 206,724,165	\$ 209,493,998	\$ 2,769,833
Other	90,926,918	93,330,930	98,472,114	5,141,184
Total taxes	297,651,083	300,055,095	307,966,112	7,911,017
Intergovernmental revenue	37,362,717	46,768,690	42,543,825	(4,224,865)
Charges for services	12,394,019	12,442,689	12,983,960	541,271
Investment earnings	2,569,650	2,569,650	10,271,812	7,702,162
Unrealized Investment loss	-	-	(9,226,715)	(9,226,715)
Interest - leases	-	-	17,864	17,864
Miscellaneous	344,212	683,689	1,028,350	344,661
Total revenues	350,321,681	362,519,813	365,585,208	3,065,395
Expenditures:				
Current:				
General government	64,514,145	77,608,119	67,788,888	9,819,231
Human services	76,215,173	82,402,678	69,664,259	12,738,419
Public safety	87,582,013	95,017,055	91,320,308	3,696,747
Economic and physical development	2,304,652	2,449,652	1,837,317	612,335
Culture and recreation	20,911,132	17,231,212	15,367,774	1,863,438
Education - community college	13,494,742	13,494,742	12,171,250	1,323,492
Education - public schools	96,674,493	96,674,493	93,610,026	3,064,467
Debt service:				
Principal - lease liabilities	-	684,446	565,638	118,808
Interest - lease liabilities	-	25,552	20,683	4,869
Principal - software liabilities	-	1,651,925	1,296,832	355,093
Interest - software liabilities	-	51,075	2,579	48,496
Bond issuance costs	-	71,141	66,075	5,066
Total expenditures	361,696,350	387,362,090	353,711,629	33,650,461
Revenues over (under) expenditures	(11,374,669)	(24,842,277)	11,873,579	36,715,856
Other Financing Sources (Uses):				
Long term debt issued	4,898,091	6,916,027	4,470,000	(2,446,027)
Lease liabilities issued	-	53,998	-	(53,998)
Software subscription liabilities issued	-	4,533,001	3,200,296	(1,332,705)
Sale of capital assets	275,000	402,869	247,607	(155,262)
Insurance claims proceeds	-	27,867	58,574	30,707
Transfers from other funds	4,464,471	4,536,367	4,536,366	(1)
Transfers to other funds	(18,925,875)	(25,453,335)	(25,453,335)	-
Appropriated fund balance	20,662,982	33,825,483	-	(33,825,483)
Total other financing sources (uses)	11,374,669	24,842,277	(12,680,641)	(37,522,918)
Net change in fund balances	\$ -	\$ -	(807,062)	\$ (807,062)
Fund Balances:				
Beginning of year - July 1			480,814,411	
End of year - June 30			\$ 480,007,349	

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

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROOM OCCUPANCY TAX FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Room occupancy taxes	\$ 10,613,225	\$ 10,613,225	\$ 11,342,984	\$ 729,759
Special assessments	31,541	31,541	43,532	11,991
Intergovernmental revenue	3,123,077	3,123,077	-	(3,123,077)
Investment earnings	-	-	1,389,050	1,389,050
Total revenues	<u>13,767,843</u>	<u>13,767,843</u>	<u>12,775,566</u>	<u>(992,277)</u>
Expenditures:				
Current:				
Operating expenditures	125,366	125,366	127,947	(2,581)
Collection fee to New Hanover County	96,250	96,250	91,750	4,500
Tourism distributions to TDA and municipalities	4,711,477	4,711,477	5,054,094	(342,617)
Erosion control	8,834,750	9,025,407	190,657	8,834,750
Total expenditures	<u>13,767,843</u>	<u>13,958,500</u>	<u>5,464,448</u>	<u>8,494,052</u>
Revenues over (under) expenditures	<u>-</u>	<u>(190,657)</u>	<u>7,311,118</u>	<u>7,501,775</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	190,657	-	(190,657)
Total other financing sources (uses)	<u>-</u>	<u>190,657</u>	<u>-</u>	<u>(190,657)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>7,311,118</u>	<u>\$ 7,311,118</u>
Fund Balances:				
Beginning of year - July 1			<u>51,297,068</u>	
End of year - June 30			<u>\$ 58,608,186</u>	

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

NEW HANOVER COUNTY, NORTH CAROLINA

SPECIAL FIRE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (GAAP BASIS) - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance from
	Original	Final		Final Budget
				Over/Under
Revenues:				
Ad valorem taxes, including interest	\$ 13,527,204	\$ 13,527,204	\$ 13,837,664	\$ 310,460
Other taxes	4,709,151	4,709,151	5,289,892	580,741
Miscellaneous	5,968	5,968	35,313	29,345
Intergovernmental revenue	12,000	72,000	17,092	(54,908)
Charges for services	42,995	42,995	49,746	6,751
Investment earnings	-	-	93,692	93,692
Total revenues	<u>18,297,318</u>	<u>18,357,318</u>	<u>19,323,399</u>	<u>966,081</u>
Expenditures:				
Current:				
Operating expenditures	16,326,424	17,324,672	17,122,968	201,704
Capital outlay	1,838,194	2,849,282	2,161,114	688,168
Debt service:				
Principal - lease liabilities	-	89,927	81,563	8,364
Interest - lease liabilities	-	1,573	1,430	143
Principal - software liabilities	-	57,230	-	57,230
Interest - software liabilities	-	1,770	-	1,770
Installment debt payments	1,638,159	1,638,159	1,361,997	276,162
Interest and fees	-	-	270,342	(270,342)
Total expenditures	<u>19,802,777</u>	<u>21,962,613</u>	<u>20,999,414</u>	<u>963,199</u>
Revenues over (under) expenditures	<u>(1,505,459)</u>	<u>(3,605,295)</u>	<u>(1,676,015)</u>	<u>1,929,280</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	1,788,736	-	(1,788,736)
Long-term debt issued	-	108,100	-	(108,100)
Administrative reserve	(166,015)	-	-	-
Transfer from other funds	1,671,474	1,819,775	1,819,775	-
Transfer to other funds	-	(111,316)	-	(111,316)
Total other financing sources (uses)	<u>1,505,459</u>	<u>3,605,295</u>	<u>1,819,775</u>	<u>(1,785,520)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	143,760	<u>\$ 143,760</u>
Fund Balance:				
Beginning of year - July 1			<u>3,645,426</u>	
End of year - June 30			<u>\$ 3,789,186</u>	

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

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Environmental Management Fund
	<u> </u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 19,823,253
Receivables	<u>1,357,613</u>
Total current assets	<u>21,180,866</u>
Non-current assets:	
Restricted cash and cash equivalents	2,095,496
Capital assets:	
Land and construction in progress	7,291,124
Other capital assets, net of depreciation	<u>38,734,818</u>
Total non-current assets	<u>48,121,438</u>
Total assets	<u>69,302,304</u>
Deferred Outflows of Resources	1,782,115
Liabilities:	
Current liabilities:	
Current portion of long-term obligations	556,089
Accounts payable and accrued expenses	<u>1,885,338</u>
Total current liabilities	<u>2,441,427</u>
Non-current liabilities:	
Accrued landfill closure and post-closure care costs	26,070,561
Net pension liability	1,352,609
Long-term obligations, net of amortized charge, discount, and premiums	2,152,550
Total OPEB liability	<u>3,402,206</u>
Total non-current liabilities	<u>32,977,926</u>
Total liabilities	<u>35,419,353</u>
Deferred Inflows of Resources	4,812,612
Net Position:	
Net investment in capital assets	44,770,362
Restricted	2,095,496
Unrestricted (deficit)	<u>(16,013,404)</u>
Total net position	<u>\$ 30,852,454</u>

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

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Environmental Management Fund
Operating Revenues:	
Charges for services	\$ 18,456,982
Other	403,243
Total operating revenues	<u>18,860,225</u>
Operating Expenses:	
Personnel	4,038,743
System maintenance	8,443,454
Landfill post closure	14,561,353
Depreciation	<u>9,541,982</u>
Total operating expenses	<u>36,585,532</u>
Operating income (loss)	<u>(17,725,307)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	562,407
Intergovernmental revenues	684,207
Long-term debt proceeds, premiums	-
Interest and fees	<u>(44,247)</u>
Total non-operating revenues (expenses)	<u>1,202,367</u>
Income (loss) before transfers	(16,522,940)
Transfers from (to) other funds	<u>(627,621)</u>
Change in net position	(17,150,561)
Net position, beginning	<u>48,003,015</u>
Net position, ending	<u><u>\$ 30,852,454</u></u>

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

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Environmental Management Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 19,117,901
Cash payments for goods and services and system maintenance	(9,498,082)
Cash paid to employees for services	(2,803,095)
Other operating revenues	403,243
Net cash provided by operating activities	<u>7,219,967</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers from other funds	(627,621)
Proceeds from intergovernmental revenue	684,207
Net cash provided by non-capital financing activities	<u>56,586</u>
Cash Flows from Capital and Related Financing Activities:	
Installment debt issued	1,258,910
Acquisitions and construction of capital assets	(12,732,904)
Principal paid on long-term debt	(154,524)
Interest paid on long-term debt	(39,793)
Net cash used by capital and related financing activities	<u>(11,668,311)</u>
Cash Flows from Investing Activities:	
Interest on investments	562,407
Net cash provided by investing activities	<u>562,407</u>
Net decrease in cash and cash equivalents	(3,829,351)
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>25,748,100</u>
End of year - June 30	<u>\$ 21,918,749</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ (17,725,307)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	9,541,982
Landfill closure and post-closure care costs	14,561,353
Decrease in deferred outflows of resources - pensions	25,835
Decrease in deferred outflows of resources - OPEB	112,842
Decrease in deferred inflows of resources - pensions	(454,112)
Increase in deferred inflows of resources - OPEB	2,642,065
Changes in assets and liabilities:	
Decrease in receivables	660,919
Decrease in accounts payable and accrued expenses	(1,068,394)
Increase in net pension liability	1,032,966
Decrease in OPEB liability	(2,110,182)
Net cash provided by operating activities	<u>\$ 7,219,967</u>
Cash and cash equivalents	
Unrestricted	\$ 19,823,253
Restricted	<u>2,095,496</u>
	<u>\$ 21,918,749</u>

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

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2023

	Pension Trust Funds	Custodial Funds
Assets:		
Cash and investments	\$ 289,071,910	\$ 2,379,620
Receivables:		
Tax receivable	-	5,338,287
Total assets	<u>\$ 289,071,910</u>	<u>\$ 7,717,907</u>
Liabilities and Net Position:		
Liabilities:		
Accounts payable and accrued expenses	\$ -	\$ 3,160,711
Due to other governments	-	3,586,345
Total liabilities	-	<u>6,747,056</u>
Net Position:		
Restricted:		
Post employment benefits other than pensions individuals, organizations, and other governments	289,071,910	-
Individuals, organizations and other governments	-	970,851
Total net position	<u>289,071,910</u>	<u>970,851</u>
Total liabilities and fund balance	<u>\$ 289,071,910</u>	<u>\$ 7,717,907</u>

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

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Pension Trust Funds	Custodial Funds
Additions:		
Taxes for other governments	\$ -	\$ 107,383,805
Collections on behalf of inmates	-	1,391,851
Civil collections	-	643,187
Collections on behalf of Fireman's Relief	-	95,999
Fees	-	121,885
Investment earnings	6,444,048	10,139
Net appreciation (depreciation) in fair value of investments	<u>18,777,873</u>	<u>-</u>
Total additions	<u>25,221,921</u>	<u>109,646,866</u>
Deductions:		
Tax distributions to other governments	-	107,383,805
Payments on behalf of inmates	-	1,412,226
Civil collection payments	-	707,339
Payments on behalf of Fireman's Relief Board	-	73,289
Payments to other governments	-	121,181
Benefit payments	20,401,316	-
Administrative expense	2,257,503	-
Miscellaneous	<u>(2,582)</u>	<u>-</u>
Total deductions	<u>22,656,237</u>	<u>109,697,840</u>
Net change in net position	2,554,472	(50,974)
Net position, beginning	<u>286,517,438</u>	<u>1,021,825</u>
Net position, ending	<u>\$ 289,071,910</u>	<u>\$ 970,851</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Significant Accounting Policies

A. Reporting Entity

New Hanover County (“County”), chartered in 1729, is located in the southeastern corner of North Carolina and has a population of approximately 235,000 people. The County utilizes a County Manager form of government with a five-member Board of Commissioners. As required by accounting principles generally accepted in the United States of America (“GAAP”), these financial statements present all the fund types of the County and its component units, which are legally separate entities for which the County is financially accountable. These component units include the New Hanover County Airport Authority (“Authority”), which has a June 30 year-end, the NHW Healthcare, Inc. f/k/a New Hanover Regional Medical Center (“Medical Center”), which has a September 30 year-end, the New Hanover County ABC Board (“ABC Board”), which has a June 30 year-end, and the New Hanover County Tourism Development Authority (“TDA”), which has a June 30 year-end, and are presented as if they are separate proprietary funds of the County (discrete presentation). Each discretely presented component unit is reported in a separate column in the County’s government-wide financial statements to emphasize they are legally separate from the County. The Airlie Gardens Foundation, Inc., Public Health Foundation of New Hanover County, Inc., and the Parks Conservancy of New Hanover County exist to provide service or benefit to County departments. These units are presented as special revenue funds of the County’s financial statements using the blended presentation method, which presents component units as a department or unit of the County and offers no separate presentation as with the discrete method. The Industrial Facilities and Pollution Control Financing Authority (“Industrial Authority”) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Industrial Authority has no financial transactions or account balances for the periods presented; therefore, it is not presented in the basic financial statements.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
The Airlie Gardens Foundation, Inc.	Blended	Exclusive service or benefit to the primary government. Established on April 8, 1999 as a charitable corporation to establish an endowment and to receive and distribute monies for prospective funding of capital improvements at the County owned Airlie Gardens. The unit also serves in an advisory capacity to the Airlie Gardens’ staff and Board of Commissioners in relation to providing advice for operations, policy, capital improvements, and program development.	The Airlie Gardens Foundation, Inc. Wilmington, NC
Public Health Foundation of New Hanover County, Inc.	Blended	Exclusive service or benefit to the primary government. Established on September 20, 2001 solely to provide for the support and benefit of the County’s Health Department.	None issued.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Parks Conservancy of New Hanover County	Blended	Exclusive service or benefit to the primary government. Established on May 23, 2013 solely to provide for the support and benefit of the Parks and Gardens Department of New Hanover County.	None issued.
New Hanover County Airport Authority	Discrete	The Authority is governed by a seven-member board that is appointed by the Board of Commissioners. The County's ownership of the underlying real estate and statement of intent to provide financial support to fund any future operating deficits of the Authority provides a financial burden to the County.	New Hanover County Airport Authority 1740 Airport Blvd. Wilmington, NC 28405
NHW Healthcare, Inc. f/k/a New Hanover Regional Medical Center	Discrete	The Medical Center is a public, nonprofit corporation which provided health care to residents of Southeastern North Carolina prior to its transaction with Novant Health. The Medical Center is governed by a Board of Trustees that is appointed by the County Commissioners. The County is able to impose its will.	NHW Healthcare, Inc. PO Box 9000 Wilmington, NC 28402
New Hanover County ABC Board	Discrete	The members of the ABC Board's governing board are appointed by the County Commissioners. The ABC Board is required by State Statute to distribute its surpluses to the General Fund of the County.	New Hanover County ABC Board 523 S. 17 th Street Wilmington, NC 28401
New Hanover County Tourism Development Authority	Discrete	The Tourism Development Authority ("TDA") was established by the Board of Commissioners under the authority of North Carolina State Legislature House Bill 1707 and 1720 approved October 3, 2002. The members of the TDA Board are appointed by the County Commissioners. The TDA receives substantially all of its revenue from an occupancy tax implemented, and revocable, by the County Commissioners.	New Hanover County Tourism Development Authority 505 Nutt Street, Unit A Wilmington, NC 28401
Industrial Facilities and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member Board of Commissioners that is appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government net position (the "County") and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund. This fund accumulates resources to pay maturing principal and interest on general obligation bonds, certain installment obligations and other long-term obligations issued for governmental capital projects.

Room Occupancy Tax Special Revenue. Although the Room Occupancy Tax fund does not meet the criteria to be a major fund, the County has determined the fund is qualitatively material to the users of the financial statements. This fund accounts for the collection and disbursement of the room occupancy tax which is a legislatively enacted tax. The tax is used for tourism and erosion control.

Special Fire District Fund. Although the Special Fire District fund does not meet the criteria to be a major fund, the County has determined the fund is qualitatively material to the users of the financial statements. This fund accounts for the collection and disbursement of special fire district revenue, which includes a fire services tax rate for the unincorporated area of the county.

American Rescue Plan Fund. This fund accounts for the collection and disbursement of Coronavirus State and Local Recovery funds ("SCLRF") distributed to counties as part of the American Rescue Plan Act ("ARPA").

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The County reports the following major proprietary fund, which is an enterprise fund:

Environmental Management Fund. This fund accounts for the Landfill, recycling, and related construction projects.

The County reports the following fiduciary fund types:

Trust Funds. Trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined pension plans, defined contribution plans, or other postemployment benefit plans. The Pension Trust fund accounts for the contributions for benefits provided to qualified retirees. The Pension Trust funds are for the benefit of Medical Center qualified retirees and are being held by the County as a result of the sale of Novant Transaction. The Novant Transaction closed on February 1, 2021. Substantially all of New Hanover Regional Medical Center assets, with the exception of cash and certain excluded assets, were acquired by Novant Health New Hanover Regional Medical Center. The Pension Trust fund accounts became fiduciary funds of the County when the Novant Transaction closed.

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Room Occupancy Tax Fund which accounts for room occupancy taxes collected by the County for various municipalities within the County but that are not revenues of the County, the Tax Clearing Fund which accounts for ad valorem and vehicle property taxes that are billed and collected by the County for various municipalities within the County but that are not revenues to the County, the Public Safety Fund, which holds cash collections for the benefit of inmates from their friends and families, the Fireman's Relief Fund which holds collections for the benefit of the Fireman's Relief fund, the Children's Trust Fund which holds statutory fees collected by the register of deeds to be remitted to the Department of Health and Human Services, the Soil and Water Fund which holds collections for the benefit of the New Hanover County Soil and Water Conservation District, and the EnerGov Fund which accounts for fees collected on behalf of other municipalities that are submitted to the municipalities upon receipt.

Non-major Funds. The County maintains twenty-five non-major funds. Twenty-two are legally budgeted funds and three are component unit funds. There are eleven non-major special revenue funds: Local Law Enforcement Block Grant, Emergency Telephone System Grant, Revolving Loan Program, Stormwater Fee Program, Opioid Settlement Fund, Emergency Rental Assistance Fund, Special Purpose Fund, Representative Payee Fund, Parks Conservancy of NHC, Airlie Gardens Foundation, Inc., and Public Health Foundation. The County has fourteen non-major capital project funds: \$160 Million School Bond Capital Project, Public School Building Capital Fund Capital Project, Controlled Substance Tax Capital Project, Federal Forfeited Property Capital Project, Masons Inlet Relocation Capital Project, Bike/Pedestrian Paths Capital Project, Capital Improvement Projects Capital Project, Special Fire District Revenue Improvement Projects Capital Project, Healing Transition Facility Capital Project, Juvenile Justice Facility Capital Project, Airport Terminal Expansion Capital Project, Public Health and Social Services Facility Capital Project, Government Center Redevelopment Capital Project, and CFCC Health Program Expansion Capital Project .

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes 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. The State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received.

Sales taxes collected and certain intergovernmental revenues, such as beer and wine tax, collected and held by the State at year-end on behalf of the County, 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Assets, Liabilities, and Deferred Inflows and Outflows

Cash, Cash Equivalents, Deposits and Investments. All deposits of the County, Authority, Medical Center, ABC Board, and TDA are made in Board-designated official depositories and are secured as required by G.S. 159-31. The County, Authority, Medical Center, ABC Board, and TDA may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina and may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The majority of the County, Authority, and ABC Board's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost.

The North Carolina Capital Management Trust (NCCMT) consists of one SEC registered fund and is authorized by G.S. 159-30(c)(8). The Government Portfolio is a 2a7 fund which invests in treasuries and government agencies and is rated AAAM by S&P and AAmf by Moody Investor Services. The Government Portfolio is reported at fair value.

The County pools substantially all cash and investments from all funds, except the Other Post Employment Trust Fund, utilizing a single central depository. Each fund owns a pro rata interest in the depository and investment earnings are allocated based on daily average equity. Therefore, all cash and investments of its enterprise funds are essentially demand deposits and are considered cash and cash equivalents. Equities of funds participating in the depository are included on the Statement of Net Position in "Cash, cash equivalents, and investments" or "Restricted cash, cash equivalents, and investments".

The County, Authority, ABC Board, Medical Center, and TDA demand deposits and short-term, highly liquid investments maturing in three months or less from the date of purchase, are considered to be cash and cash equivalents.

Restricted Assets. The unexpended debt proceeds of the General Fund and Capital Project Funds are classified as restricted assets within the individual funds because their use is completely restricted to the purpose for which the debt was originally issued. Contributions received by the special revenue funds are classified as restricted assets because the use of the contributions is restricted for the purpose of the funds. Certain proceeds from the sale of the Medical Center were restricted to be used for revenue stabilization as well as mental and behavioral health and substance use disorders treatment. As of June 30, 2023, \$271,211,799 and \$46,374,111 were restricted for revenue stabilization and mental and behavioral health and substance use disorders treatment, respectively. The Environment Management Fund has excess funds from the White Goods Tax. These funds are classified as restricted assets because the use of these funds is restricted in accordance with G.S.130A-309.82 in addition to unexpended debt proceeds.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

New Hanover County Restricted Cash		
Governmental Activities:		
General Fund	Unexpended debt proceeds	\$ 2,698,056
General Fund	Unexpended allocations from	
General Fund	Medical Center sale	317,585,910
Special Fire District Fund	Unexpended debt proceeds	231,919
Stormwater Fee Program	Unexpended debt proceeds	3,060
Special Purpose Fund	Unexpended contributions	16,382,085
Parks Conservancy of NHC Special Revenue Fund	Unexpended contributions	71,961
\$160 Million Schools Capital Projects Fund	Unexpended debt proceeds	4,117,211
Juvenile Justice Facility Capital Project Fund	Unexpended debt proceeds	844,281
Capital Improvement Projects Capital Project Fund	Unexpended debt proceeds	10,394,727
CFCC Health Program Expansion	Unexpended debt proceeds	29,323
Airport Terminal Expansion Capital Project Fund	Unexpended debt proceeds	4,301,140
Government Center Redevelopment Capital Project Fund	Unexpended debt proceeds	5,813,763
Total Governmental Activities		362,473,436
Business-Type Activities:		
Environment Management Fund	Unexpended debt proceeds	1,255,580
Environment Management Fund	Unexpended White Goods Tax	839,916
Total Business Activities		2,095,496
Total Restricted Cash		\$ 364,568,932

Ad Valorem (Property) Taxes Receivable. In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are currently based on assessed values as of January 1, 2020. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

Lease Receivable. The County's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under any lease agreements. 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.

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

Inventory. Inventories of supplies and parts held at the County's garage are valued at cost (first-in, first-out method), which approximates market. Inventory of the ABC Board is valued at the lower of cost (first-in, first-out method) or market. Inventories are recorded as an asset and are not charged to operations until consumed or sold.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Capital Assets. Purchased or constructed capital assets for the County and the Authority are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are recorded at acquisition value.

Minimum capitalization costs of the County are \$5,000 for land, buildings and other improvements, and equipment. All vehicles are capitalized regardless of 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.

Minimum capitalization costs of the TDA are as follows: equipment, \$1,000, an estimated useful life in excess of two years, and all computers are capitalized regardless of cost with the exception of iPads and smaller computer peripheral items.

The County holds title to certain properties which are reflected as capital assets in the financial statements of the Authority. Under a lease agreement amended in 2020, the County leases facilities to the Authority for \$1 per year through 2070. The lease gives the Authority full use of the facilities and contains certain restrictions including requiring that the facility be used as an airport, and that the Authority carry insurance, maintain the facilities, notify the County prior to disposing of certain assets, and certain other restrictions. At June 30, 2023, the Authority believes it was in compliance with the terms of the lease.

The Authority recorded the historical costs and accumulated depreciation of capital assets included in the lease agreement with the County.

The County holds title to certain New Hanover County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the New Hanover County Board of Education.

When the County leases capital assets to a discretely presented component unit for nominal amounts, the County reports those capital assets and related depreciation in the component unit.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The County evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in the service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital assets. Any insurance recoveries received because of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

Depreciation of all depreciable capital assets is charged as an expense against their operations in the government-wide financial statements and in the proprietary fund financial statements. Accumulated depreciation is reported in the statements of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives of depreciable capital assets of the County are generally as follows:

Assets	Estimated Useful Lives
Buildings	10-40 years
Other improvements	10-40 years
Equipment and vehicles	3-10 years

Depreciable capital assets of the Authority are depreciated over their estimated useful lives on a straight-line basis as follows:

Assets	Estimated Useful Lives
Land improvements	10-20 years
Airfield improvements	10 years
Buildings	25 years
Building improvements, including parking facilities	5-15 years
Vehicles	5-20 years
Machinery and equipment	5-15 years

Depreciable capital assets of the ABC Board are depreciated over their estimated useful lives on a straight-line basis.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Depreciable capital assets of the TDA are depreciated over their estimated useful lives on a straight-line basis as follows:

Equipment	2-10 years
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The County, Authority, and TDA have recorded right-to-use lease assets. The right-to-use 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.

New Accounting Pronouncement – Subscription Based Information Technology Arrangements – As of July 1, 2022, the County, Authority, and TDA adopted the provisions of GASB 96, Subscription Based Information Technology Arrangements (“SBITA”). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Accordingly, the County, Authority, and TDA are required to recognize subscription liability and an intangible right-to-use subscription asset.

Medical Insurance. The County is self-insured for group medical insurance. The County’s losses are limited under the contract by specific excess loss insurance coverage for claims above specific amounts along with an aggregating specific rider coverage. Provisions for estimated unpaid claims outstanding at June 30, 2023 have been made.

The Medical Center was self-insured for employee medical claims prior to the Novant Transaction. There are currently no employees subject to self-insured health coverage by the Medical Center. The Medical Center is also self-insured for a portion of professional liabilities, worker’s compensation, and unemployment benefits. Provisions for estimated unpaid claims outstanding at September 30, 2022 have been made.

Deferred Outflows/Inflows of Resources. In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion – a charge on refunding, OPEB and pension related deferrals, and contributions made to the OPEB or pension plan in the current fiscal year. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, assessment receivable, other receivables, lease revenues that apply to future periods, and OPEB and pension related deferrals.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Long-Term Obligations. In the government-wide financial statements and in the proprietary fund types in the financial statements, long-term debt, and other long-term obligations are reported as liabilities on the Statement of Net Position.

In the fund financial statements for governmental fund types, the face amount of debt issued during the period is reported as other financing sources.

Bond Discounts and Premiums. In the government-wide financial statements and proprietary fund financial statements, bond discounts and premiums are deferred and amortized over the life of the bonds using the proportionate-to-stated-interest method. Long-term debt is reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts are recognized in the period of the related issuance. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Compensated Absences. The personal leave policy of the County generally provides for the accumulation of up to forty (40) days earned personal leave with such leave being fully vested when earned. Personal leave earned above the annual provision converts to sick leave.

The personal leave policy of the Authority generally provides for the accumulation of time depending on the length of service and job classification. Personal leave may accumulate to a maximum of 320 hours.

The ABC Board employees may accumulate up to 120 hours of leave which is based on time of service. Such leave is fully invested once earned.

The personal leave policy of the TDA generally provides for the accumulation of up to 300 hours of earned personal leave with such leave being fully vested when earned.

For the County's government-wide financial statements and proprietary funds, Authority, and TDA, an expense and a liability for compensated absences and the salary-related payments are recorded as the personal leave is earned. Compensated absences are reported in governmental funds only if they are paid out.

The sick leave policy of the County, the ABC Board, and the Authority generally provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. The sick leave policy of the TDA provides for the accumulation of up to 240 hours of earned sick leave; however, sick leave does not vest. Since the County, the ABC Board, the Authority, and TDA have no obligation for the accumulated sick leave until it is taken, no accrual for sick leave is reported.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Accounting Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

E. Opioid Settlement Funds

Since 2021, nationwide settlements totaling more than \$40 billion have been reached to resolve litigation with pharmaceutical distributors, pharmacy chains, and manufactures of opioids. These funds will generally be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the State ("State Abatement Fund")
- 80% to abatement funds established by Local Governments ("Local Abatement Funds")
- 5% to a County Incentive Fund.

The County received \$1,702,152 and \$716,970 in fiscal years 2023 and 2022, respectively. Per the terms of the MOA, the County 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. Funds are restricted until expended. No funds have been expended as of June 30, 2023. The MOA offered the County two options of expending the funds. The County opted to utilize a combination of both options. Option A allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic, whereas Option B allows for a wider array of strategies to address the impact of the opioid epidemic.

F. Reimbursements for Pandemic-related Expenditures

In fiscal year 2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The County was allocated \$45,543,632 of fiscal recovery funds to be paid in two equal installments of \$22,771,816. The installments were received in May 2021 and June 2022, respectively. The Board of Commissioners has adopted a project ordinance identifying how funds will be utilized. From inception through June 30, 2023, expenditures and transfers out totaled \$33,809,029, of which \$16,159,910 was recognized during the fiscal year ended June 30, 2023. Total revenues including transfers in from inception through June 30, 2023, totaled \$34,807,054, of which \$17,484,228 was recognized during the fiscal year ended June 30, 2023. As of June 30, 2023, \$12,122,840 is shown as unearned revenue.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

G. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets. If there are unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net position consists of assets that do not meet the definition of “restricted” or “net invested in capital assets” above.

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

The governmental fund types classify fund balances as follows:

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

Inventory – 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.

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

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

- **Restricted Fund Balance** – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors, or imposed by law.

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

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Mental and Behavioral Health – portion of fund balance that is restricted by revenue source to pay mental and behavioral health and substance use disorder treatment initiatives.

Restricted for Revenue Stabilization – portion of fund balance that is restricted by revenue source to be used by the County for revenue stabilization purposes.

Restricted for General Government – portion of fund balance restricted by revenue source for stormwater and other restricted revenues sources to be used for general government purposes such as: vehicle replacement and statutory deposits being held until certain criteria are met. These deposits include subdivision deposits, zoning deposits, and bid deposits.

Restricted for Human Services – portion of fund balance that is restricted by revenue source for the Public Health Foundation, representative payee accounts, and other human services items.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety related activities such as controlled substance funds, federal forfeited funds, fire service district tax revenue, and emergency telephone system grant funds.

Restricted for Economic and Physical Development – portion of fund balance that is restricted by revenue source to pay for erosion control expenses from the Room Occupancy tax fund and Masons Inlet Relocation Capital Project.

NEW HANOVER COUNTY, NORTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Restricted for Culture and Recreation – portion of fund balance that is restricted by revenue source for the Parks Conservancy of NHC and Airlie Gardens.

Restricted for Education – portion of fund balance that is restricted by revenue source to support public education with the \$160M bond issuance for the school bond capital projects.

<u>Purpose</u>	<u>General Fund</u>	<u>Room Occupancy Fund</u>	<u>Special Fire District Fund</u>	<u>American Rescue Plan Fund</u>	<u>Other Governmental Funds</u>
Restricted, all other:					
Register of Deeds	\$ 96,445	\$ -	\$ -	\$ -	\$ -
Mental and behavioral health	46,374,111	-	-	-	-
Revenue stabilization	271,211,799	-	-	-	-
General government	-	-	-	998,025	16,092,002
Human services	-	-	-	-	4,548,184
Public safety	-	-	1,235,175	-	7,119,360
Economic and physical development	-	54,858,818	-	-	3,318,273
Culture and recreation	-	-	-	-	10,748,336
Education	-	-	-	-	3,912,574
Total	<u>\$ 317,682,355</u>	<u>\$ 54,858,818</u>	<u>\$ 1,235,175</u>	<u>\$ 998,025</u>	<u>\$ 45,738,729</u>

- **Committed Fund Balance** – This classification includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Human Services – portion of fund balance budgeted by the Board to be used for various human service capital projects.

Committed for Public Safety – portion of fund balance budgeted by the Board to be used for various public safety capital projects.

Committed for Economic and Physical Development – portion of fund balance budgeted by the Board to be used for various economic and physical development capital projects.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Committed for Culture and Recreation – portion of fund balance budgeted by the Board to be used for various culture and recreation capital projects.

Committed for LEO pension liability – portion of fund balance budgeted by the Board to be used for the Law Enforcement Officers' Special Separation Allowance liabilities.

Committed for Debt Service – portion of fund balance budgeted by the Board to be used for debt service of the County.

<u>Purpose</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>
Human services	\$ -	\$ -	\$ 499,430
Public safety	-	-	336,803
Economic and physical development	-	-	3,842,094
Culture and recreation	-	-	70,471
LEO pension liability	4,353,877	-	-
Debt service	-	4,569,905	-
Total	<u>\$ 4,353,877</u>	<u>\$ 4,569,905</u>	<u>\$ 4,748,798</u>

Assigned Fund Balance – This classification includes revenue sources that are assigned to a specific purpose internally imposed by the County's intent to be used for a specific purpose but are neither restricted nor committed. This portion of fund balance has been budgeted by the Board of Commissioners.

Assigned for Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The governing body approves the appropriations; however, the budget ordinance authorizes the manager and/or budget director, as designee, to modify the appropriations within budget function and fund without limitation and without reporting to the board. Movements between budget functions within the same fund up to \$2,500 are permitted, but must be reported to the governing body.

Assigned for Post-Employment Benefits – portion of fund balance that has been budgeted by the Board for payments into the post-employment benefits trust.

Assigned for Capital Improvement Plan – portion of fund balance that has been assigned for the purpose of paying for future capital and capital project needs.

Assigned for Specific Fund Purposes – portion of fund balance that has been assigned for the specific purpose of the fund it is maintained in.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Assigned for Revolving Loans – portion of fund balance that has been budgeted by the Board to fund revolving loans.

<u>Purpose</u>	<u>General Fund</u>	<u>Room Occupancy Tax Fund</u>	<u>Special</u>	<u>Other Governmental Funds</u>
			<u>Fire District Fund</u>	
Subsequent year's expenditures	\$ 5,828,288	\$1,891,980	\$ 303,694	\$ 408,843
Post-employment benefits	4,711,727	-	-	-
Capital improvement plan	22,093,226	-	-	-
Specific fund purposes	-	-	-	301,273
Revolving loans	-	-	-	111,351
Total	<u>\$ 32,633,241</u>	<u>\$1,891,980</u>	<u>\$ 303,694</u>	<u>\$ 821,467</u>

- Unassigned Fund Balance** – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund can have either a positive or negative fund balance. Other funds can have only a negative unassigned fund balance if expenditures exceed the amounts available in the non-spendable, restricted and committed classifications. These other funds should report a negative unassigned fund balance after all assigned amounts have been eliminated.

The spending practices for programs with multiple revenue sources in New Hanover County guides the Finance Officer to spend funds using the following hierarchy: bond proceeds, federal funds, State funds, local funds, and County 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 Finance Officer has the authority to deviate from this practice if it is in the best interest of the County.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 480,007,349
Less:	
Inventories	22,303
Prepays	97,522
Stabilization by State statute	45,593,409
Mental and behavioral health	46,374,111
Revenue stabilization	<u>271,211,799</u>
Total available fund balance	<u>\$ 116,611,760</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The County has also adopted a fund balance policy that requires an available fund balance in the General Fund in an amount no less than 8% of the General Fund expenditures at the end of each fiscal year. It also establishes the goal of maintaining unassigned fund balance in the General Fund in an amount between 18% (approximately two and two-tenths of a month) and 21% (approximately two and a half months) of the General Fund expenditures and outflows at the end of each fiscal year. If the unassigned fund balance level exceeds the 21% ceiling in a given year, the Board of County Commissioners delegates authority to assign the funds for the purpose of reimbursing principal funds used from the revenue stabilization portion of the General Fund and then towards paying for future capital and capital project needs.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end and are included in the restricted for Stabilization for State statute calculation.

Encumbrances:	
General Fund	\$ 11,124,900
Room Occupancy Tax	196,377
Special Fire District	639,750
Emergency Telephone System Fund - Article 3	175,084
Stormwater Fee	133,482
Special Purpose	131,740

H. Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State: the Local Governmental Employees' Retirement System ("LGERS") and the Register of Deeds' Supplemental Pension Fund ("RODSPF") (collectively, the "State-administered defined benefit pension plans"). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State-administered defined benefit pension plans and additions to/deductions from the State-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the State-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the State-administered defined benefit pension plans. Investments are reported at fair value.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

I. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental funds balance sheet and the government-wide Statement of Net Position.

The governmental funds balance sheet includes a summary reconciliation between total fund balance – governmental funds and net position of governmental activities as reported in the government-wide Statement of Net Position. The net adjustment of (\$564,903,374) consists of several elements as follows:

(continued on next page)

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Deferred charges related to refunding bond issue - included on the government-wide Statement of Net Position but are not current financial resources	\$ 8,710,180
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds (total capital assets on the government-wide Statement of Net Position in governmental activities column)	284,632,680
Right to use leased assets used in governmental activities are not financial resources and are, therefore, not reported in the funds	3,436,917
Net pension asset - RODSPF	451,841
Contributions to the pension plan in the current fiscal year	20,811,270
Other long-term assets are not available to pay for current period expenditures	20,876,464
Liabilities for deferred inflows of resources reported in the fund statements but not for government-wide	6,854,711
Pension related deferrals - LGERS & LEOSSA	39,062,795
Deferrals related to OPEB	(212,096,574)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are, therefore, not recorded in the fund statements:	
Bonds and installment financing	(381,162,388)
Unamortized premiums and discounts	(31,438,556)
Accrued interest payable	(4,649,927)
Compensated absences	(11,530,317)
Leases	(1,104,322)
Software	(2,274,903)
Total pension liability (LEOSSA)	(17,581,669)
Net pension liability (LGERS)	(80,559,797)
Total OPEB liability	(207,255,942)
Claims and judgments	(85,837)
	<u>\$ (564,903,374)</u>
Total adjustment	

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of position.

The governmental fund statement of revenues, expenditures, and changes in fund balances include a summary reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. There are several elements of that total adjustment of \$67,856,997 as follows:

(continued on next page)

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 56,307,110
Loss on disposal of assets	(8,605,063)
Depreciation and amortization expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not in the fund statements	(14,460,029)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the Statement of Activities - it affects only the government-wide Statement of Net Position	(20,660,000)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities - LGERS & LEOSSA	16,183,094
OPEB benefit payments paid and administrative costs made in the current fiscal year are not included on the Statement of Activities	4,628,176
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Position in the government-wide statements	40,606,039
Changes on unamortized debt discounts and premiums	3,807,179
Net amortization of deferred charges related to refunded bond issue	(1,526,128)
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Accrued interest payable	479,685
Compensated absences	431,973
Claims and judgments	260,811
OPEB expense	7,360,017
Pension expense - LGERS & LEOSSA	(24,271,503)
Revenues reported in the Statement of Activities that do not provide Revenue in the fund statements that are repayments of long-term receivables are not recorded as a revenue in the Statement of Activities:	
Repayments of long-term receivable	4,262,120
Decrease in deferred inflows of resources - special assessments	28,907
Decrease in deferred inflows of resources - miscellaneous revenue	3,737,684
Reversal of deferred inflow of resources - tax revenue - June 30, 2022	(2,783,547)
Recording of deferred inflow of resources - taxes receivable in the fund statements as of June 30, 2023	<u>2,070,472</u>
Total adjustment	<u>\$ 67,856,997</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

J. Stewardship, Compliance, and Accountability

Budgetary Information. Annual budgets are adopted as required by North Carolina General Statutes. All budgets are prepared using the modified accrual basis of accounting. Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the American Rescue Plan Fund, Emergency Rental Assistance Fund, and capital projects funds, which adopt project ordinances. Proprietary funds are budgeted in the same manner as governmental type funds and, as such, are not budgeted on the accrual basis. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

In the General Fund, department heads are authorized to transfer budgeted line items between appropriation units within their departments if the overall departmental budget remains unchanged. The County Manager is authorized to make transfers between appropriation units within a budget function and to make transfers of up to \$2,500 between budget functions as they appear in the budget ordinance, but he must subsequently report these to the Board of Commissioners. All other funds are not budgeted by function; therefore, the County Manager can authorize transfers within the fund. The Board of Commissioners must approve all other budget transfers before they become valid. The originally adopted annual budget ordinance was increased \$32,193,200 during the fiscal year ended June 30, 2023.

Appropriations under annual budgets lapse at fiscal year-end; whereas, appropriations under project ordinances continue for the project life. The level of control for each legally adopted annual appropriated budget during the year ended June 30, 2023, was as follows:

The Public Health Foundation of New Hanover County, Inc., Parks Conservancy of New Hanover County, and the Airlie Gardens Foundation, Inc. special revenue funds (blended component units), and the Law Enforcement Officers' Pension Trust Fund did not adopt annual appropriated budgets.

Fund	Level
Governmental Funds:	
General	Function
Debt Service	
Room Occupancy Tax Special Revenue	Fund
Special Fire District Special Revenue	Fund
Revolving Loan Program	Fund
Emergency Telephone System Special Revenue	Fund
Stormwater Services	Fund
Proprietary Fund:	
Environmental Management Operating	Fund

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Deficit Fund Balance of Individual Funds not appropriated in subsequent year's budget ordinance. For the fiscal year ended June 30, 2023, two funds had a deficit fund balance. The deficit fund balances are a result of timing. The deficit balances include:

Deficit Fund Balance Fund	Amount
CFCC Health Program Expansion	(124,794)
Special Fire District Revenue Improvement Projects	(156,172)

2. Detail Notes on All Funds and Component Units

A. Assets

Cash, Cash Equivalents, Deposits, and Investments

Deposits. All of the County's, Authority's, Medical Center's, ABC Board's and TDA's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, Authority's, Medical Center's, ABC Board's or TDA's agents in these units' name. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer of North Carolina's ("State Treasurer") agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, Authority, Medical Center, ABC Board and TDA, these deposits are considered to be held by their agents in the entities' names. 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 County, Authority, Medical Center, ABC Board, TDA or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, Authority, Medical Center, ABC Board, and TDA 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 enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County, Authority, Medical Center, ABC Board, and TDA rely on the State Treasurer to monitor those financial institutions. There is no formal policy regarding custodial credit risk for deposits.

At June 30, 2023, the County's deposits had a carrying amount of \$33,630,898 and a bank balance of \$37,099,842. Of the bank balance, \$1,321,961 was covered by federal depository insurance and \$35,777,881 was covered by collateral held under the Pooling Method.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

At June 30, 2023, the Authority's deposits had a carrying amount of \$20,689,915 and a bank balance of \$20,690,219. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At September 30, 2022, the Medical Center's deposits had a carrying amount of \$46,830,000 and a bank balance of \$46,830,000. Of the bank balance, \$250,000 per financial institution was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2023, the ABC Board's deposits had a carrying amount of \$6,842,556 and a bank balance of \$7,327,573. All of the bank balance was covered by federal depository insurance or collateralized under the pooling method.

At June 30, 2023, the TDA's deposits had a carrying amount of \$6,985,986 and a bank balance of \$7,273,781. The bank balance was in excess of federal depository insurance limits of \$250,000.

Investments. At June 30, 2023, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6 to 12 Months</u>	<u>More Than 12 Months</u>
US Treasury	Fair Value-Level 1	84,370,400	19,868,154	10,127,578	54,374,668
US Government Agencies	Fair Value-Level 2	341,275,064	33,303,217	34,652,303	273,319,544
NC Capital Management Trust - Government portfolio	Amortized Cost	172,127,201	172,127,201	-	-
Certificate of deposit	Amortized Cost	232,744	232,744	-	-
Fixed Income Securities - Airlie Foundation	Fair Value-Level 1	202,851	202,851	-	-
Exchange traded - Airlie Foundation	Fair Value-Level 1	6,902,484	6,902,484	-	-
Money Market - Airlie Foundation	Amortized Cost	34,367	34,637	-	-
Total		<u>\$ 605,145,111</u>	<u>\$ 232,671,288</u>	<u>\$ 44,779,881</u>	<u>\$ 327,694,212</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

At June 30, 2023, the fiduciary pension plans had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6 to 12 Months</u>	<u>More Than 12 Months</u>
Equity Funds	Fair Value-Level 1	\$ 26,548,138	\$ 26,548,138	\$ -	\$ -
Equity - Exchange					
Traded Funds	Fair Value-Level 1	144,547,803	144,547,803	-	-
Fixed Income	Fair Value-Level 1	113,091,689	113,091,689	-	-
Total		<u>\$ 284,187,630</u>	<u>\$ 284,187,630</u>	<u>\$ -</u>	<u>\$ -</u>

Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an Aam rating from S&P and AAA-mf by Moody's Investor Service.

All investments measured at fair value using the market approach: Using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value of hierarchy: Level 1 are debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy, excluding investments related to the mental and behavioral health and the revenue stabilization funds, limits the County's investment portfolio to maturities of at least 1) 30% maturing within 30 days, 2) 75% maturing within 180 days, and 3) 100% maturing within 3 years. The Chief Financial Officer may, at his/her discretion, allow a variance in the minimum portfolio percentages required to mature within 30 and 180 days if market conditions dictate and adequate cash balances are maintained. The County's policy for the mental and behavioral health and the revenue stabilization funds is 1) 100% maturing within 10 years and 2) the investment of a single issuer shall not exceed 20% unless approved by the Chief Financial Officer.

The Authority's policy of limiting its exposure to fair value losses arising from rising interest rates is to limit the investment portfolio to 24 months.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2023, the County had no investments in commercial paper. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2023.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County had no policy on custodial credit risk, but it contracts with the trust department of a financial institution to hold its investments in the County's name.

Concentration of Credit Risk. The County places a limit that provides no more than 50% of the investment portfolio may be invested in any one institution. Also, no more than 50% of the investment portfolio may be invested in any one investment vehicle, unless specifically exempted by the Finance Director. Management believes the County was in compliance with this policy. More than 5% of the County's U.S. Government Agencies investments are in Federal Farm Credit Bank, Federal Home Loan Bank, and the Federal Home Loan Mortgage Corporation. These investments make up 18.71%, 25.13%, and 13.04% of the County's investments excluding investments with NC Capital Management Trust, respectively.

At June 30, 2023, the TDA had \$4,895,054 invested with the North Carolina Government Portfolio which carries a credit rating of AAAM by Standard & Poor's. The TDA has no policy regarding credit risk.

Cash, cash equivalents, and investments of the County can be summarized as follows as of June 30, 2023:

	<u>Total</u>
Cash on hand and undeposited items	\$ 99,786
Deposits	26,267,212
Investments	605,145,111
Fiduciary - Pension deposits	7,263,900
Fiduciary - Pension investments	284,187,630
Total	<u>\$ 922,963,639</u>
Primary government, unrestricted	\$ 266,943,177
Primary government, restricted	364,568,932
Custodial Funds, unrestricted	2,379,620
Pension, restricted	289,071,910
Total	<u>\$ 922,963,639</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Cash, cash equivalents, and investments of the Authority can be summarized as follows as of June 30, 2023:

	<u>Total</u>
Cash on hand	\$ 1,000
Deposits	20,689,915
Investments	<u>49,401,173</u>
Total	<u>\$ 70,092,088</u>
Unrestricted	\$ 57,958,053
Restricted	<u>12,134,035</u>
Total	<u>\$ 70,092,088</u>

Cash, cash equivalents, and investments of the Medical Center can be summarized as follows as of September 30, 2022:

	<u>Total</u>
Deposits	<u>\$ 46,830,000</u>

Cash, cash equivalents, and investments of the ABC Board can be summarized as follows as of June 30, 2023:

	<u>Total</u>
Cash on hand	\$ 5,126,439
Deposits	<u>6,842,556</u>
Total	<u>\$ 11,968,995</u>

Cash, cash equivalents, and investments of the TDA can be summarized as follows as of June 30, 2023:

	<u>Total</u>
Deposits	\$ 6,985,986
Investments	<u>4,895,054</u>
Total	<u>\$ 11,881,040</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Receivables. The County divested its water and sewer assets and operations to Cape Fear Public Utility Authority (“CFPUA”) on July 1, 2008. As part of the divestiture, CFPUA assumed all of the County’s liabilities including the long-term debt. However, certain term debt issuances of the County were combined between the governmental and business-type activities and, as such, could not be transferred as part of the inter-local agreement. Accordingly, the County is continuing to service the outstanding term debt and has recorded a receivable in its governmental activities in the government-wide statements from CFPUA in the same amount as the outstanding debt issuances which were not legally transferred to CFPUA. These debt balances are now considered governmental activities debt in the government-wide statements. The term and interest rate of the receivable corresponds to the terms and interest rates of the aforementioned debt. The long-term receivable balance from CFPUA is \$4,780,000 at June 30, 2023, which is recorded as another long-term asset of governmental activities on the Statement of Net Position. The related long-term debt in the same amount is reported as long-term obligations of governmental activities on the Statement of Net Position at June 30, 2023.

In 2006, the County entered into an agreement with the City of Wilmington in which the County would issue bonds to fund certain City of Wilmington park projects and joint projects between the County and the City of Wilmington. Parks & recreation bonds were issued in 2008 and 2010 for these projects. A portion of these bonds were refunded in 2016 as part of the County’s General Obligation Refunding Bonds issued in 2016. Accordingly, the County is servicing the outstanding debt for bonds issued in 2008, 2010, and 2016. The County has recorded a receivable in its governmental activities in the government-wide statements from the City of Wilmington in an amount that represents the City’s portion of the outstanding debt issuances. The term and interest rate of the receivable corresponds to the terms and interest rates of the aforementioned debt. The long-term receivable balance from the City of Wilmington is \$5,604,490 at June 30, 2023, which is recorded as an other long-term asset of governmental activities on the Statement of Net Position. The related long-term debt balances of \$11,945,000, which include the County’s portion of the joint projects, are reported as long-term obligations of governmental activities on the Statement of Net Position at June 30, 2023.

In 2008, the County entered into an agreement with the New Hanover County Airport Authority in which the County would issue bonds to fund certain Airport projects. These bonds were refunded in 2010 as part of the County’s Limited obligation bonds issued in 2010. The County also issued Limited Obligation Bonds in 2014 which included amounts to finance a new consolidated car rental facility construction project in addition to Limited Obligation Bonds in 2020 to pay capital costs for the renovation and expansion of the terminal. Accordingly, the County is servicing the outstanding debt for these bonds. The County has recorded a receivable in its governmental activities in the government-wide statements from the Authority in an amount that represents the Authority’s portion of the outstanding debt issuances. The term and interest rate of the receivable corresponds to the terms and interest rates of the aforementioned debt. The long-term receivable balance from the Authority is \$10,491,974 at June 30, 2023, which is recorded as another long-term asset of governmental activities on the Statement of Net Position. The related long-term debt balances are reported as long-term obligations of governmental activities on the Statement of Net Position at June 30, 2023.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Receivables at the government-wide level of the County are recorded net of allowances for doubtful accounts and are composed of the following major categories at June 30, 2023:

	Property Taxes (Other Sources)	Other Governmental Units	Other Sources	Leases	Total
Governmental Activities:					
General:					
Local sales tax	\$ -	\$ 23,125,023	\$ -	\$ -	\$ 23,125,023
Grants	-	4,018,191	-	-	4,018,191
Other	3,202,925	5,149,354	3,163,741	902,183	12,418,203
Subtotal	3,202,925	32,292,568	3,163,741	902,183	39,561,417
Debt Service:					
Local sales tax	-	5,454,901	-	-	5,454,901
Other	90,225	-	26,579	-	116,804
Subtotal	90,225	5,454,901	26,579	-	5,571,705
Special Revenue	221,801	1,394,830	1,796,025	-	3,412,656
Capital Projects	-	424,175	26,792	-	450,967
Total governmental activities	3,514,951	39,566,474	5,013,137	902,183	48,996,745
Business-Type Activities:					
Enterprise	-	-	1,357,613	-	1,357,613
Fiduciary Activities:					
Custodial	-	1,688,674	3,649,613	-	5,338,287
Total	\$ 3,514,951	\$ 41,255,148	\$ 10,020,363	\$ 902,183	\$ 55,692,645
Primary Government, unrestricted					\$ 50,354,358
Fiduciary Funds, restricted					5,338,287
Total					\$ 55,692,645

Allowances for Doubtful and Uncollectible Accounts. The amounts shown in Exhibit A for receivables of the County are net of the following allowances for doubtful accounts:

Governmental Activities:	
Allowance for uncollectible property taxes	\$ 4,461,610
Allowance for other uncollectible receivables	7,491,055
Total governmental activities	\$ 11,952,665
 Business Activities:	
Allowance for other uncollectible receivables	\$ 3,091

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The amount shown in Exhibit A for receivables of the Authority are net of an allowance in the amount of \$50,000 for possible uncollectible accounts.

As a result of the Novant Transaction, the only activity reflected in the Medical Center's net patient service revenue for the year ended September 30, 2022, pertains to cost report settlements and any revisions to prior estimated revenue amounts, and there is no allowance for possible uncollectible accounts.

Ad Valorem Taxes. The County collects taxes for the four municipalities located within New Hanover County and accounts for these taxes, as a fiduciary responsibility, in the Tax Clearing Agency Fund.

Analysis of Current Tax Levy (for General Fund only):

	Total Property Valuation	Rate per \$100	Levy
2022 Levy - County-wide (1)		\$ 0.4550	\$ 225,876,749
Add: Discoveries and fees			67,570
Subtotal			225,944,319
Less: Abatements			682,296
Total adjusted levy	\$ 48,449,504,226		\$ 225,262,023
Collections			\$ 224,291,757

(1) Penalties assessed become a part of the tax levy but have no effect on the property valuation.

Analysis of General Fund property taxes receivable by year:

Tax Year	Taxes Receivable June 30, 2022	2022 Levy Discoveries and Fees	Net Collections	Abatements and Adjustments	Taxes Receivable June 30, 2023
Prior	\$ 8,140,893	\$ -	\$ 920,173	\$ 436,225	\$ 6,784,495
2022	-	225,944,319	224,291,757	682,296	970,266
Total	\$ 8,140,893	\$ 225,944,319	\$ 225,211,930	\$ 1,118,521	7,754,761
Less: Allowance for uncollectible property taxes					4,461,610
Net property taxes receivable					\$ 3,293,151

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Analysis of Current Tax Levy (for Special Fire District only):

	Total Property Valuation	Rate per \$100	Levy
2022 Levy - County-wide (1)		\$ 0.0725	\$ 13,912,926
Add: Discoveries and fees			20,401
Subtotal			13,933,327
Less: Abatements and adjustments			78,825
Total adjusted levy	\$ 20,458,626,136		\$ 13,854,502
Collections			\$ 13,781,678

(1) Penalties assessed become a part of the tax levy but have no effect on the assessed valuation.

Analysis of Special Fire District property taxes receivable by year:

Tax Year	Taxes Receivable June 30, 2022	2022 Levy Discoveries and Fees	Collections	Abatements and Adjustments	Taxes Receivable June 30, 2023
Prior	\$ 452,326	\$ -	\$ 46,166	\$ 20,971	\$ 385,189
2022	-	13,933,327	13,781,678	78,825	72,824
Total	\$ 452,326	\$ 13,933,327	\$ 13,827,844	\$ 99,796	458,013
Less: Allowance for uncollectible property taxes					232,391
Net property taxes receivable					\$ 225,622

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Use-Value Assessment on Certain Lands:

In accordance with North Carolina General Statutes, agriculture, horticulture, and forest land may be taxed at present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years along with accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Contingent - Gain Tax Capture</u>
2019	\$ 949,458
2020	943,160
2021	889,089
2022	816,186
Total	<u>\$ 3,597,893</u>

Lease Receivables.

Leases are financings of the right-to-use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

The County has entered into three lease agreements as Lessor for the use of tower space under varying terms. Lessees are required to make fixed payments as determined by each lease. An initial lease receivable was recorded in the amount of \$383,119. As of June 30, 2023 the value of the lease receivable is \$366,741. The value of the deferred inflow of resources as of June 30, 2023 is \$358,215 and the County recognized lease revenue of \$40,189 during the fiscal year.

The County entered into a 120-month lease as Lessor for the use of parking spaces. An initial lease receivable was recorded in the amount of \$672,501. As of June 30, 2023, the value of the lease receivable is \$535,442. The lessee is required to make monthly fixed payments of \$5,500. The lease has an interest rate of 1.83%. The value of the deferred inflow of resources as of June 30, 2023 was \$522,710, and the County recognized lease revenue of \$65,098 during the fiscal year. The lessee has 1 extension option for 108 months.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The principal and interest expected to the maturity for the County is as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 98,733	\$ 16,766	\$ 115,499
2025	101,711	14,946	116,657
2026	89,407	13,072	102,479
2027	91,815	11,360	103,175
2028	94,288	9,600	103,888
2029 - 2033	365,000	22,372	387,372
2034 - 2038	45,404	3,024	48,428
2039 - 2043	14,303	940	15,243
2044	1,522	9	1,531
	<u>\$ 902,183</u>	<u>\$ 92,089</u>	<u>\$ 994,272</u>

The Authority has entered into lease agreements as Lessor for the use of 22 buildings under varying terms. Lessees are required to make monthly fixed payments as determined by each lease. An initial lease receivable was recorded in the amount of \$8,307,112. As of June 30, 2023 the value of the lease receivable is \$6,805,420. The value of the deferred inflow of resources as of June 30, 2023 is \$6,546,158 and the Authority recognized lease revenue of \$823,548 during the fiscal year.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Authority has entered into lease agreements as Lessor for the use of 26 parcels of land under varying terms. Lessees are required to make monthly fixed payments as determined by each lease. An initial lease receivable was recorded in the amount of \$33,746,975. As of June 30, 2023 the value of the lease receivable is \$34,648,669. The value of the deferred inflow of resources as of June 30, 2023 is \$32,950,572 and the Authority recognized lease revenue of \$1,151,503 during the fiscal year.

The principal and interest expected to the maturity for the Authority is as follows:

Year Ending	Principal	Interest	Total
June 30	Principal	Interest	Total
2024	\$ 964,990	\$ 1,146,758	\$ 2,111,748
2025	586,033	1,173,871	1,759,904
2026	522,647	1,164,611	1,687,258
2027	524,349	1,155,086	1,679,435
2028	554,434	1,144,538	1,698,972
2029 - 2033	3,066,835	5,524,599	8,591,434
2034 - 2038	2,557,384	5,182,079	7,739,463
2039 - 2043	4,275,847	4,679,169	8,955,016
2044 - 2048	5,452,373	3,913,603	9,365,976
2049 - 2053	7,497,335	2,912,607	10,409,942
2054 - 2058	8,949,804	1,513,488	10,463,292
2059 - 2063	6,146,528	431,380	6,577,908
2064 - 2067	355,530	15,010	370,540
	<u>\$ 41,454,089</u>	<u>\$ 29,956,799</u>	<u>\$ 71,410,888</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital Assets. The County, Authority, and TDA have recorded right-to-use leased assets. The related leases are discussed in the Leases subsection of the Long-term obligations section of this note. The right-to-use lease assets are amortized on a straight-line basis over the terms of the related leases. Capital assets activity of the primary government for the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 47,970,238	\$ 813,187	\$ 153,085	\$ 48,630,340
Construction in progress	60,182,370	57,273,456	102,860,646	14,595,180
Total non-depreciable capital assets	<u>108,152,608</u>	<u>58,086,643</u>	<u>103,013,731</u>	<u>63,225,520</u>
Depreciable Capital Assets:				
Buildings	195,510,942	85,041,157	15,748,198	264,803,901
Other improvements	39,023,524	52,209	419,820	38,655,913
Equipment and vehicles	81,265,607	10,367,222	1,628,201	90,004,628
Total depreciable capital assets	<u>315,800,073</u>	<u>95,460,588</u>	<u>17,796,219</u>	<u>393,464,442</u>
Right-to-use:				
Land	389,705	-	81,181	308,524
Land Improvements	172,236	-	-	172,236
Buildings	1,694,628	-	-	1,694,628
Equipment	180,300	-	13,917	166,383
Software subscription	2,878,157	553,345	-	3,431,502
Total right to use assets	<u>5,315,026</u>	<u>553,345</u>	<u>95,098</u>	<u>5,773,273</u>
Less Accumulated Depreciation:				
Buildings	72,062,174	5,090,851	7,300,984	69,852,041
Other improvements	29,748,830	1,466,089	374,463	30,840,456
Equipment and vehicles	67,314,098	5,566,396	1,515,709	71,364,785
Total accumulated depreciation	<u>169,125,102</u>	<u>12,123,336</u>	<u>9,191,156</u>	<u>172,057,282</u>
Less Accumulated Amortization:				
Land	117,412	139,742	81,181	175,973
Land Improvements	35,635	35,635	-	71,270
Buildings	461,825	480,171	-	941,996
Equipment	37,166	47,293	13,917	70,542
Software subscription	-	1,076,911	-	1,076,911
Total accumulated amortization	<u>652,038</u>	<u>1,779,752</u>	<u>95,098</u>	<u>2,336,692</u>
Governmental activities capital assets, net	<u>\$ 259,490,567</u>	<u>\$ 140,197,488</u>	<u>\$ 111,618,794</u>	<u>\$ 288,069,261</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Business Type Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 3,239,227	\$ -	\$ -	\$ 3,239,227
Construction in progress	<u>19,872,524</u>	<u>13,381,888</u>	<u>29,202,515</u>	<u>4,051,897</u>
Total non-depreciable capital assets	<u>23,111,751</u>	<u>13,381,888</u>	<u>29,202,515</u>	<u>7,291,124</u>
Depreciable Capital Assets:				
Buildings	21,335,698	-	-	21,335,698
Other improvements	38,766,895	27,884,359	-	66,651,254
Equipment and vehicles	<u>18,776,891</u>	<u>669,172</u>	<u>595,783</u>	<u>18,850,280</u>
Total depreciable capital assets	<u>78,879,484</u>	<u>28,553,531</u>	<u>595,783</u>	<u>106,837,232</u>
Less Accumulated Depreciation:				
Buildings	17,116,628	446,614	-	17,563,242
Other improvements	31,014,346	7,600,147	-	38,614,493
Equipment and vehicles	<u>11,025,241</u>	<u>1,495,221</u>	<u>595,783</u>	<u>11,924,679</u>
Total accumulated depreciation	<u>59,156,215</u>	<u>9,541,982</u>	<u>595,783</u>	<u>68,102,414</u>
Business-type activities capital assets, net	<u>\$ 42,835,020</u>	<u>\$ 32,393,437</u>	<u>\$ 29,202,515</u>	<u>\$ 46,025,942</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Governmental Activities:

Depreciation:

General government	\$ 2,851,484
Human services	1,108,253
Public safety	6,346,152
Culture and recreation	1,745,910
Education	<u>71,537</u>
Total depreciation, governmental activities	<u>\$ 12,123,336</u>

Amortization:

General government	\$ 1,121,723
Human services	139,742
Public safety	454,238
Culture and recreation	<u>64,049</u>
Total amortization, governmental activities	<u>\$ 1,779,752</u>

Business-Type Activities:

Depreciation:

Environmental management	<u>\$ 9,541,982</u>
Total depreciation, business-type activities	<u>\$ 9,541,982</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital assets activity for the Authority for the year ended June 30, 2023 is as follows:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Non-Depreciable Capital Assets:				
Land	\$ 15,870,465	\$ 53,036	\$ 16,022	\$ 15,939,523
Easements	888,167	-	-	888,167
Construction in progress	<u>49,905,959</u>	<u>20,796,143</u>	<u>14,202,125</u>	<u>56,499,977</u>
Total non-depreciable capital assets	<u>66,664,591</u>	<u>20,849,179</u>	<u>14,218,147</u>	<u>73,327,667</u>
Depreciable Capital Assets:				
Land improvements	2,462,628	39,309	-	2,501,937
Building and improvements - (Airfield and building)	177,401,031	11,345,549	30,000	188,716,580
Vehicles	1,846,721	100,516	-	1,947,237
Machinery and equipment	<u>9,116,182</u>	<u>3,208,524</u>	-	<u>12,324,706</u>
Total depreciable capital assets	<u>190,826,562</u>	<u>14,693,898</u>	<u>30,000</u>	<u>205,490,460</u>
Right-to-use:				
Equipment	39,441	21,532	-	60,973
Software subscription	<u>92,222</u>	<u>470,700</u>	-	<u>562,922</u>
Total right to use assets	<u>131,663</u>	<u>21,532</u>	-	<u>623,895</u>
Less Accumulated Depreciation:				
Land improvements	775,898	123,436	-	899,334
Building and improvements - (Airfield and building)	131,630,077	7,198,306	16,750	138,811,633
Vehicles	1,294,606	66,051	-	1,360,657
Machinery and equipment	<u>3,775,610</u>	<u>860,421</u>	-	<u>4,636,031</u>
Total accumulated depreciation	<u>137,476,191</u>	<u>8,248,214</u>	<u>16,750</u>	<u>145,707,655</u>
Less Accumulated Amortization:				
Equipment	9,860	11,374	-	21,234
Software	-	<u>63,295</u>	-	<u>63,295</u>
Total accumulated amortization	<u>9,860</u>	<u>74,669</u>	-	<u>84,529</u>
Business-type activities capital assets, net	<u>\$ 120,136,765</u>	<u>\$ 27,241,726</u>	<u>\$ 14,231,397</u>	<u>\$ 133,649,838</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital assets activity for the ABC Board at June 30, 2023 is as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>
Non-Depreciable Capital Assets:				
Land	\$ 5,308,300	\$ -	\$ -	\$ 5,308,300
Total non-depreciable capital assets	<u>5,968,458</u>	<u>-</u>	<u>-</u>	<u>5,308,300</u>
Depreciable Capital Assets:				
Buildings and improvements	17,002,275	28,760	-	17,031,035
Fixtures and equipment	1,637,991	34,312	-	1,672,303
Vehicles	<u>373,869</u>	<u>-</u>	<u>-</u>	<u>373,869</u>
Total depreciable capital assets	<u>18,981,854</u>	<u>63,072</u>	<u>-</u>	<u>19,077,207</u>
Less: Accumulated depreciation	<u>7,324,959</u>	<u>677,576</u>	<u>-</u>	<u>8,002,535</u>
Total depreciable capital assets, net	<u>11,689,176</u>	<u>\$ (614,504)</u>	<u>\$ -</u>	<u>11,074,672</u>
Capital assets, net	<u>\$ 16,997,476</u>			<u>\$ 16,382,972</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital assets activity for the TDA for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Depreciable Capital Assets:				
Equipment	\$ 172,227	\$ 74,441	\$ 56,062	\$ 190,606
Right-to-use assets:				
Leased buildings	277,173	-	-	277,173
Leased equipment	20,383	10,576	4,443	26,516
Subscriptions	-	322,542	-	322,542
Total right to use assets	297,556	333,118	4,443	626,231
Less Accumulated Depreciation:				
Equipment	157,449	25,350	56,062	126,737
Less Accumulated Amortization:				
Leased buildings	58,352	57,592	-	115,944
Leased equipment	7,979	8,523	4,443	12,059
Subscriptions	-	107,311	-	107,311
Total accumulated amortization	66,331	173,426	4,443	235,314
Governmental activities capital assets, net	\$ 246,003	\$ 208,783	\$ -	\$ 454,786

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

B. Payables

Accounts payable and accrued expenses at the government-wide level at June 30, 2023 were as follows:

	Vendors	Salaries and Benefits	Insurance and Claims Reserve	Total
Governmental Activities:				
General	\$ 10,918,660	\$ 4,778,713	\$ 2,827,869	\$ 18,525,242
Special revenue	771,877	908,969	-	1,680,846
Capital projects	9,891,657	31	-	9,891,688
Total governmental activities	\$ 21,582,194	\$ 5,687,713	\$ 2,827,869	\$ 30,097,776
Business-Type Activities:				
Environmental management	\$ 1,746,786	\$ 138,552	\$ -	1,885,338
Total business-type activities	\$ 1,746,786	\$ 138,552	\$ -	\$ 1,885,338

3. Pension Plan Obligations

The County and its component units participate in the following retirement systems:

A. Local Governmental Employees' Retirement System of North Carolina

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

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County, Authority, and ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County, Authority and ABC Board's contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.14%, 12.15%, and 12.27%, respectively, for general employees and firefighters, actuarially determined as an amount, that when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County, Authority, and ABC Board were \$16,041,940, \$369,351, and \$374,913 respectively, for the year ended June 30, 2023.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the County, Authority, and ABC Board reported liabilities of \$81,912,406, \$1,881,416, and \$1,981,834, respectively, for their proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2022. The total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The County, Authority, and ABC Board's proportion of the net pension liabilities were based on a projection of the County, Authority, and ABC Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022 (measurement date), the County, Authority, and ABC Board's proportions were 1.4520%, 0.0334% and 0.0351%, respectively, which were increase/(decreases) of 0.024%, (0.0003%) and (0.002%), respectively, from their proportions measured as of June 30, 2021.

For the year ended June 30, 2023, the County, Authority, and ABC Board's recognized pension expense of \$23,235,865, \$525,393, and \$167,945, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,529,531	\$ 346,050
Changes in assumptions	8,173,021	-
Net difference between projected and actual earnings on pension plan investments	27,072,908	-
Changes in proportion and differences between County contributions and proportionate share of contributions	555,402	525,320
County contributions subsequent to the measurement date	16,041,940	-
Total	\$ 55,372,802	\$ 871,370

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,069	\$ 7,948
Changes in assumptions	187,723	-
Net difference between projected and actual earnings on pension plan investments	621,828	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	28,577	24,275
Authority contributions subsequent to the measurement date	369,351	-
Total	\$ 1,288,548	\$ 32,223

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 85,395	\$ 8,373
Changes in assumptions	197,743	-
Net difference between projected and actual earnings on pension plan investments	655,017	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	5,117	54,067
Board contributions subsequent to the measurement date	374,913	-
Total	\$ 1,318,185	\$ 62,440

NEW HANOVER COUNTY, NORTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

\$16,041,940, \$369,351, and \$374,913 reported as deferred outflows of resources related to pensions resulting from County, Authority, and ABC Board contributions, respectively, subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

County:

<u>Year ended June 30:</u>	
2024	\$ 12,075,848
2025	10,272,465
2026	3,213,139
2027	12,898,040
	<u>\$ 38,459,492</u>

Authority:

<u>Year ended June 30:</u>	
2024	\$ 268,920
2025	249,725
2026	72,077
2027	296,252
	<u>\$ 886,974</u>

ABC Board

<u>Year ended June 30:</u>	
2024	\$ 267,744
2025	237,994
2026	63,032
2027	312,062
	<u>\$ 880,832</u>

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

Inflation	2.5%
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

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.00%	1.40%
Global Equity	42.00%	5.30%
Real Estate	8.00%	4.30%
Alternatives	8.00%	8.90%
Opportunistic Fixed Income	7.00%	6.00%
Inflation Sensitive	6.00%	4.00%
Total	100.00%	

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

NEW HANOVER COUNTY, NORTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 contribution 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 Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the County’s, Authority’s, and ABC Board’s proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the County’s, Authority’s, and ABC Board’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

County:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net pension liability (asset)	\$ 147,841,344	\$ 81,912,406	\$ 27,583,133

Authority:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the net pension liability (asset)	\$ 3,395,714	\$ 1,881,416	\$ 633,547

ABC Board:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
ABC Board's proportionate share of the net pension liability (asset)	\$ 3,576,955	\$ 1,981,834	\$ 667,361

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

B. Law Enforcement Officers’ Special Separation Allowance

Plan Description. The County and Authority both administer a public employee retirement system (“Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% of the annual equivalent to the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County and Authority law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the LEO System’s membership consisted of:

	County	Authority
Retirees receiving benefits	34	-
Active plan members	391	1
Total	425	1

A separate report was not issued for either the County or Authority plan.

Summary of Significant Accounting Policies. Basis of Accounting. The County and Authority have chosen to fund the Separation Allowance on a pay-as-you-go-basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2021 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary increases	3.25% to 7.75%, including inflation and productivity factor
Discount rate	4.31%

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employee's Retirement System for the five-year period ending December 31, 2019.

Mortality rates: All mortality rates use Pub-2010 amount-weighted tables.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward 1 year.

Deaths After Retirement (Disabled): Mortality rates are based on the non-safety mortality table for disabled retirees. Rates are set back 3 years all ages.

Deaths Before Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

Contributions. The County is required by Article 12D of the G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligations to contribute to the plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$714,538 as benefits came due for the reporting period.

The Authority is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis. The Authority paid no benefits for the year ended June 30, 2023, as there were no eligible retirees. The Authority's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the County and Authority reported a total pension liability of \$17,581,669 and \$83,748, respectively. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was rolled forward to December 31, 2022 utilizing update procedures incorporating the actuarial assumption. For the year ended June 30, 2023, the County and Authority recognized pension expense of \$2,216,176 and (\$10,610), respectively.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 663,643	\$ 61,227
Changes of assumptions	3,245,665	3,180,821
County benefit payments and plan administrative expenditures paid subsequent to the measurement date	386,505	-
Total	\$ 4,295,813	\$ 3,242,048

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,945	\$ 3,973
Changes of assumptions	2,199	-
Authority benefit payments and plan administrative expenditures paid subsequent to the measurement date	9,405	-
Total	\$ 13,549	\$ 3,973

NEW HANOVER COUNTY, NORTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

The County paid \$386,505 and the Authority paid \$9,405 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

County:

<u>Year ended June 30:</u>	
2024	\$ 586,940
2025	555,924
2026	406,782
2027	(202,762)
2028	(556,934)
Thereafter	<u>(122,690)</u>
	<u>\$ 667,260</u>

Authority:

<u>Year ended June 30:</u>	
2024	\$ (1,902)
2025	<u>1,083</u>
	<u>\$ (819)</u>

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's and Authority's total pension liability calculated using the discount rate of 4.31 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.31 percent) or 1-percent point higher (5.31 percent) than the current rate:

County:

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total pension liability	\$ 19,081,463	\$ 17,581,669	\$ 16,219,461

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Authority:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 85,668	\$ 83,748	\$ 81,905

Schedule of changes in total pension liability and law enforcement officers' special separation allowance for the County:

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

Beginning balance of the pension liability as of December 31, 2021	\$ 20,021,043
Service cost	1,077,148
Interest on the total pension liability	443,312
Difference between expected and actual experience in the measurement of the total pension liability	(72,934)
Changes of assumptions and other inquiries	(3,250,342)
Benefit payments	(636,558)
Ending balance of the total pension liability as of December 31, 2022	\$ 17,581,669

Schedule of changes in total pension liability and law enforcement officers' special separation allowance for the Authority:

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

Beginning balance of the pension liability as of December 31, 2021	\$ 85,138
Interest on the total pension liability	1,704
Differences between expected and actual experience in the measurement of total pension liability	19,762
Changes of assumptions and other inputs	(4,046)
Benefit payments	(18,810)
Ending balance of the total pension liability as of December 31, 2022	\$ 83,748

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience as of December 31, 2019.

C. Supplemental Retirement Income Plan of North Carolina

Plan Description. The County and the Authority each contribute to the Supplemental Retirement Income Plan of North Carolina, 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 employees and general employees employed by the County and the Authority. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report 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 G.S. Chapter 143 requires the County and the Authority to contribute an amount equal to 5% of each law enforcement employee's salary, and all amounts contributed are vested immediately. Also, the law enforcement employees and general employees may make voluntary contributions to the plan.

Contributions of the County for the year ended June 30, 2023, were \$5,882,535, which consisted of \$4,028,794 from the County and \$1,853,741 from the law enforcement employees and general employees. No contributions from the Authority for the year ended June 30, 2023, were made by either the Authority or the law enforcement employees.

The Authority is only required to make contributions of behalf of the law enforcement employees. The Authority has elected to contribute on behalf of employees not engaged in law enforcement at the same rate as for law enforcement employees. Authority contributions on behalf of employees not engaged in law enforcement were \$106,707 for the year ended June 30, 2023. The plan provides for voluntary contributions on the part of all employees. Voluntary contributions by employees not engaged in law enforcement were \$162,776 for the year ended June 30, 2023.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

D. Register of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the Registers of Deeds' Supplemental Pension Fund ("RODSPF"), a noncontributory cost-sharing multiple-employer, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental Employees' Retirement System ("LGERS") or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund 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 the Registers of Deeds' Supplemental Pension Fund. 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 or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a Register of Deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$19,547 for the year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the County reported an asset of \$451,841 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension asset was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2022, the County's proportion was 3.41270%, an increase of 0.54473% from its proportion measured as of June 30, 2021.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

For the year ended June 30, 2023, the County recognized pension expense of \$23,043. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,481	\$ 8,190
Changes of assumptions	23,923	-
Net difference between projected and actual earnings on pension plan investments	187,801	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	82,947
County contributions subsequent to the measurement date	19,547	-
Total	\$ 234,752	\$ 91,137

\$19,547 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 12,039
2025	2,276
2026	62,521
2027	47,232
	\$ 124,068

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

Inflation	2.5%	
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	

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return as of June 30, 2022 is 0.78%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2022 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that contribution from employers will be made at statutorily required rates. 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.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Sensitivity of the County’s Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 3.00%, as well as what the County’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension liability (asset)	\$ (319,900)	\$ (451,841)	\$ (563,539)

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.

E. Pension Liabilities, Pension Expense (Assets), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for LGERS and RODSPF was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability for the Law Enforcement Officers’ Special Separation Allowance (“LEOSSA”) was measured as of December 31, 2022, with an actuarial valuation date of December 31, 2021.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Following is information related to the proportionate share and pension expense for the County:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 81,912,406	\$ (451,841)	n/a	\$ 81,460,565
Proportion of the Net Pension Liability (Asset)	1.4520%	3.4127%	n/a	n/a
Total Pension Liability	n/a	n/a	\$ 17,581,669	\$ 17,581,669
Pension Expense	\$ 23,235,865	\$ 23,043	\$ 2,216,176	\$ 25,475,084
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 3,529,531	\$ 3,481	\$ 663,643	\$ 4,196,655
Changes of assumptions	8,173,021	23,923	3,245,665	11,442,609
Net difference between projected and actual on plan investments	27,072,908	187,801	-	27,260,709
Changes in proportion and differences between contributions and proportionate share of contributions	555,402	-	-	555,402
County contributions (LGERS,ROD)/benefit payments and administrative costs paid subsequent to the measurement date	16,041,940	19,547	386,505	16,447,992
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 346,050	\$ 8,190	\$ 61,227	\$ 415,467
Changes of assumptions	-	-	3,180,821	3,180,821
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	525,320	82,947	-	608,267

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Following is information related to the proportionate share and pension expense for the Authority:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 1,881,416	n/a	\$ 1,881,416
Proportion of the Net Pension Liability (Asset)	0.0334%	n/a	n/a
Total Pension Liability	n/a	\$ 83,748	\$ 83,748
Pension Expense	\$ 525,393	\$ (10,610)	\$ 514,783
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 81,069	\$ 1,945	\$ 83,014
Changes of assumptions	187,723	2,199	189,922
Net difference between projected and actual on plan investments	621,828	-	621,828
Changes in proportion and differences between contributions and proportionate share of contributions	28,577	-	28,577
Benefit payments and administrative costs paid subsequent to the measurement date	369,351	9,405	378,756
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 7,948	\$ 3,973	\$ 11,921
Changes of assumptions	-	990	990
Changes in proportion and differences between contributions and proportionate share of contributions	24,275	-	24,275

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

F. Medical Center Pension Plan

Plan Description. Prior to the Novant Transaction on February 1, 2021, and ceasing at the time of the transaction, the Medical Center had provided a defined benefit pension plan. As such, there were no benefits and contributions in the year ended September 30, 2022.

The Medical Center sponsored and had fiduciary responsibility for The Pension Plan of New Hanover Regional Medical Center (the "Medical Center Plan"). The Plan was originally effective June 14, 1967 and amended in December 2012 to comply with the Heroes Earnings Assistance and Relief Tax Act of 2008. The Plan is a single employer plan, covering all employees of the Medical Center (including Foundation) and certain employees of CHA who meet eligibility requirements. The plan was created by act of the Trustees of the Medical Center, who had the authority to amend or terminate the Plan. As of the Medical Center sale on February 1, 2021 (Novant Transaction), the plan was frozen and became a fiduciary fund of the County.

Benefits Provided: An employee was eligible to participate in the plan upon completion of 1,000 hours of service in a plan year. Employees may retire with unreduced retirement benefits upon attainment of the age of 65 (if participation in the plan was prior to January 1, 1988) or the later of age 65 or completion of five years of participation (if participation in the plan was on or after January 1, 1988). Employees hired prior to January 1, 2001 who retire under the above conditions are entitled to annual retirement benefits equal to 1.25% of their average compensation times the years of service up to 30 years and .65% of the excess, if any, of the average compensation over Social Security covered compensation, times the years of service up to 30 years. Employees hired on or after January 1, 2001, who retire under the above conditions are entitled to annual retirement benefits equal to .75% of their average compensation times the years of service up to 30 years and .65% of the excess, if any, of the average compensation over Social Security covered compensations, times the years of service up to 30 years. The average compensation is the average salary of the employee during the five highest paid consecutive calendar years of creditable service during the ten calendar years preceding the employee's retirement date.

Employees could retire with reduced retirement benefits after reaching age 55 and completing five years of creditable service. Plan provisions also included death and disability retirement benefits, whereby the disabled employee is entitled to receive their normal retirement benefit accrued up to the date of disability retirement. Upon death of an employee before retirement, benefit payments will be paid to the surviving spouse, if any. If there is no surviving spouse, the death benefit will be split among surviving children or paid to a designated beneficiary. Upon the death of an employee after retirement, benefit payments will be distributed in accordance with the method elected by the employee.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Contributions. The contribution requirements of the contributing employers to the Medical Center plan are established by the Plan Document and determined annually by the Medical Center based on actuarial recommendations. Contributions to the pension plan from the Medical Center were \$0 for the year ended September 30, 2022.

Pension Liabilities, Pension Expense (Assets), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2022, the Medical Center reported a net pension obligation of \$0 as the plan sponsor was changed as part of the Novant Transaction. For the year ended September 30, 2022, the Medical Center recognized pension expense of \$0.

G. Medical Center Contribution Retirement Plans

Plan Description. Prior to the Novant Transaction, the Medical Center offered a defined contribution plan under IRS code section 403(b) which was available to all employees and administered by a third-party administrator. Under provisions of the Plan document, the Medical Center matched employee contributions according to a Plan formula, which is weighted for years of service. This match was suspended in January 2010. Employee contributions vested when made, employer contributions vested after three calendar years of service with 1,000 hours worked in each year. There were no employer matching contributions by the Medical Center for the year ended September 30, 2022.

The Medical Center also offered all employees a retirement plan created in accordance with the Internal Revenue Code Section 457(b). The Medical Center was not required to match employee contributions or make employer contributions to the plan. Plan balances and activities are not reflected in the Medical Center's financial statements.

Due to the Novant Transaction, there were no contributions to retirement plans in the year ended September 30, 2022.

H. New Hanover County ABC Board Supplemental Retirement Plan

Plan Description. The ABC Board contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the Supplemental Retirement Income Plan. 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.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The plan covers all employees who are also eligible to participate in the Local Government Employee's Retirement System. The Board's contribution is based on matching 100% of employee's contributions ranging from 1% to 5% of salary deferral elected by each eligible employee. The employer match policy was removed by the ABC Board effective January 1, 2021. The Board's contribution for the years ended June 30, 2023 and 2022 was \$46,840 and \$0 respectively.

I. New Hanover County Tourism Development Authority Employee Pension Plan

The TDA maintains a simplified employee pension plan, with the TDA matching up to 3% of the employees' wages for all employees who qualify and contribute to the plan.

During the year ended June 30, 2023, the TDA's contributions to the plan totaled \$30,024 representing 2.5%, of eligible employees' salaries.

J. Deferred Compensation Plans

The County and the Authority offer their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457, balances and activities of which are not reflected in the County's or the Authority's financial statements. The plans, available to employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries.

The County began offering its employees a 401k deferred compensation plan through the Prudential NC 401(k) plan effective July 1, 2021. All benefits-eligible employees will receive an employer contribution of 2.5% each pay period. No employee match will be required, but employees can choose to contribute. Sworn law enforcement offers will continue to receive the 5% contribution as per North Carolina general statute.

The County began offering its employees a Prudential 457 deferred compensation plan. The 457 Plan is a deferred compensation plan administered by the North Carolina Department of State Treasurer. Elected officials will receive a contribution of 2.5% each pay period. No match will be required, but elected officials can choose to contribute.

K. Other Post-Employment Benefits (OPEB)

Plan Description.

County: Under the terms of a County resolution, the County administers a single-employer defined benefit healthcare plan. The County may amend the benefits provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. A separate report was not issued for the plan.

NEW HANOVER COUNTY, NORTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Authority: Under the terms of an Authority resolution, the Authority administers a single-employer defined benefit healthcare plan. The Authority may amend the benefits provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. A separate report was not issued for the plan.

ABC Board: The ABC Board has adopted, by resolution, a single employer, defined benefit health insurance plan.

Benefits Provided.

County: The County provides post-employment healthcare benefits to retirees of the County, provided they have at least five consecutive years of service with the County immediately prior to retirement. Employees may maintain the type of coverage in effect at the time of retirement; however, the retiring employee must make an election to continue or terminate coverage at the time of retirement and may not elect coverage at a future date. Retirees at the age of 65 must obtain primary coverage through the Federal Medicare Plan (Part A & B), which will become primary, and the County’s Medical Insurance Plan will assume secondary responsibility for covered medical services.

The County pays a portion of the cost of coverage based on the following scale:

<u>Years of Service in Retirement System</u>	<u>County Contribution</u>
At least 5 but less than 15	0.00%
At least 15 but less than 20	25.00%
At least 20 but less than 25	50.00%
At least 25 but less than 30	75.00%
30 or more	Prevailing payroll rate for individual coverage

Membership of the healthcare benefits for the County’s plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	357
Active plan members	<u>1,900</u>
	<u><u>2,257</u></u>

NEW HANOVER COUNTY, NORTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Authority: The plan provides healthcare benefits to retirees of the Authority who have not yet reached their 65th birthday and who participate in the North Carolina Local Government Employee’s Retirement System (System). If the retiree’s age and service equal 70 years with 10 years of creditable service, the Authority will pay 100% of the premium not to exceed \$300 per month, and with five years of creditable service, the Authority pays 50% of the premium not to exceed \$150 per month. As of July 1, 2018, this plan was closed to new participants.

Membership of the healthcare benefits for the Authority’s plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	2
Active plan members	<u>30</u>
	<u>32</u>

ABC Board: Upon retirement of each employee who has been continuously employed by the ABC Board for thirty or more years or service or continuously employed by the ABC Board for twenty-five years of service and reached age sixty, the Board shall pay and provide medical insurance coverage at no costs to said employee unit such time as said employee is eligible for Medicare Benefits. Thereafter, the Board shall pay and provide to each qualifying employee, supplemental insurance to Medicare Benefits they are eligible to receive.

Membership of the healthcare benefits plan for the ABC Board consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	6
Active plan members	<u>53</u>
	<u>59</u>

Total OPEB Liability.

The County’s total OPEB liability of \$210,735,795 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless other specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases, including wage inflation	
General Employees	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law Enforcement Officers	3.25% - 7.90%
Municipal Bond Index Rate	
Prior measurement date	2.16%
Measurement date	3.54%
Health care cost trend rates	
Pre-Medicare	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2031
Medicare	5.125% for 2022 decreasing to an ultimate rate of 4.50% by 2025
Dental	3.50%

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published at the last Thursday of June by the Bond Buyer.

The Authority's total OPEB liability of \$239,003 was measured as of June 30, 2022, and was based on a June 30, 2021 actuarial valuation.

Actuarial assumptions and other inputs. The Authority's total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless other specified:

Inflation	2.50%
Salary increases	3.50% - 7.80%, including inflation
Discount rate	3.69%
Healthcare cost trend rates	
Pre-Medicare	4.00% for 2022, then 5.50% for 2023 decreasing to an ultimate rate of 4.50% by 2026
Medicare	0.00% for 2022, 4.50% for 2023 and thereafter

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

The ABC Board's total OPEB liability of \$850,003 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021.

Actuarial assumptions and other inputs. The ABC Board's total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless other specified:

Inflation	2.50%
Salary increases	3.50% - 7.80%, including inflation
Discount rate	3.69%
Healthcare cost trend rates	
Pre-Medicare	4.00% for 2022, then 5.50% for 2023 decreasing to an ultimate rate of 4.50% by 2026
Medicare	0.00% for 2022, 4.50% for 2023 and thereafter

The discount rate is based on the yield of the Municipal GO AA Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability.

County:

Balance at June 30, 2021	\$ 383,103,721
Changes for the year:	
Service cost	20,203,971
Interest	8,676,031
Differences between expected and actual experience	(128,563,231)
Changes in assumptions or other inputs	(69,387,866)
Benefit payments	<u>(3,296,831)</u>
Net changes	<u>(172,367,926)</u>
Balance at June 30, 2022	<u>\$ 210,735,795</u>

Changes in assumptions and other inputs include: changes in the discount rate and changes in medical trend and dental trend.

Mortality rates were based on the PUB-2010 mortality tables, with adjustments for LGERS experience and generational morality improvements using Scale MP-2019.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The demographic actuarial assumptions for retirement, disability incidences, withdrawal, and salary increases used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS Board. The remaining actuarial assumptions used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

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

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 259,943,403	\$ 210,735,795	\$ 173,379,110

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a healthcare cost trend that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 169,746,015	\$ 210,735,795	\$ 266,094,262

Authority:

Balance at June 30, 2021	\$	258,022
Changes for the year:		
Service cost		14,346
Interest		5,691
Differences between expected and actual experience		5,185
Changes in assumptions or other inputs		(26,341)
Benefit payments		(17,900)
Net changes		(19,019)
Balance at June 30, 2022	\$	239,003

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

Mortality rates based on the RP-2010 mortality tables, with adjustments from LGERS experience and generational mortality improvements using a Scale MP-2019.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increased used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions used in the June 30, 2022 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2021 valuation.

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

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 257,754	\$ 239,003	\$ 221,933

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease (6.00%)	Current (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 223,562	\$ 239,003	\$ 257,341

ABC Board:

Balance at June 30, 2021	\$ 1,189,151
Changes for the year:	
Service cost	61,431
Interest	23,802
Differences between expected and actual experience	(48,716)
Changes in assumptions or other inputs	(353,760)
Benefit payments	(21,905)
Net changes	(339,148)
Balance at June 30, 2022	\$ 850,003

Changes in assumptions and other inputs reflect a change in the discount rate from 1.92% to 3.69%.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Mortality rates were based on the RP-2014 total data set for healthy annuitants' mortality table, with adjustments for LGERS experience and generational mortality improvements using scale MP-2021.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 2014 through December 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the ABC Board, as well as what the ABC Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.69%) or 1-percentage point higher (4.69%) than the current discount rate:

	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB liability	\$ 1,012,893	\$ 850,003	\$ 721,549

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates. The following presents the total OPEB liability of the ABC Board, as well as what the ABC Board's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 701,845	\$ 850,003	\$ 1,044,120

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2023, the County, Authority, and ABC Board recognized OPEB expense of \$11,343,468, (\$8,353), and \$6,127, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,465,137	\$207,478,053
Changes in assumptions	62,451,888	83,096,674
Benefit payments and administrative costs made subsequent to the measurement date	4,705,884	-
Total	\$ 79,622,909	\$290,574,727

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,901	\$ 103,977
Changes in assumptions	51,633	26,741
Total	\$ 57,534	\$ 130,718

At June 30, 2023, the ABC Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,553	\$ 218,301
Changes in assumptions	180,220	385,344
Benefit payments and administrative costs made subsequent to the measurement date	18,585	-
Total	\$ 200,358	\$ 603,645

\$4,705,884, \$0 and \$18,585 reported as deferred outflows of resources related to pensions resulting from benefit payments and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2024 for the County and ABC Board, respectively. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

County:

<u>Year ended June 30:</u>	
2024	\$ (36,542,566)
2025	(36,340,934)
2026	(31,556,142)
2027	(32,701,477)
2028	(32,391,569)
Thereafter	(46,125,014)
	\$ (215,657,702)

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Authority:

<u>Year ended June 30:</u>	
2024	\$ (16,564)
2025	(15,174)
2026	(14,562)
2027	(9,455)
2028	(11,795)
Thereafter	(5,634)
	<u>\$ (73,184)</u>

ABC Board:

<u>Year ended June 30:</u>	
2024	\$ (88,510)
2025	(88,510)
2026	(81,401)
2027	(71,828)
2028	(52,082)
Thereafter	(39,541)
	<u>\$ (421,872)</u>

Other Employment Benefits

The County, ABC Board, and the Authority have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan"), a multi-employer State administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest consecutive months' salary during the 24 months prior to their death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, ABC Board, or the Authority, the County, the ABC Board, and the Authority do not determine the number of eligible participants. The County, ABC Board, and the Authority have no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County, ABC Board, and Authority consider these contributions to be immaterial.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

4. Long-Term Debt of the County

A. Debt Related to Capital Activities

Governmental Activity, net investment in capital assets, is calculated as follows:

Capital assets, net of accumulated depreciation		\$	284,632,680
Right to use assets, net of accumulated amortization			3,436,581
Deferred outflows of resources			8,710,516
Less: capital debt			
Gross debt	\$	(415,980,169)	
Debt related to assets to which the County does not capitalize		261,330,617	
Debt related to assets to which the County does not amortize		3,379,225	
Unspent debt proceeds, non-school related debt		<u>18,901,217</u>	<u>(132,369,110)</u>
Net investment in capital assets			<u><u>164,410,667</u></u>

Business Type Activity, net investment in capital assets, is calculated as follows:

Capital assets, net of accumulated depreciation		\$	46,025,942
Less: capital debt			
Gross debt	\$	(2,409,533)	
Unspent debt proceeds		<u>-</u>	<u>(1,255,580)</u>
Net investment in capital assets			<u><u>\$ 44,770,362</u></u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The following is a summary of changes in the County's long-term obligations for the year fiscal year ended June 30, 2023:

<u>Governmental Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions/ Transfers</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 240,999,997	\$ -	\$ 20,700,000	\$ 220,299,997	\$ 20,670,000
Direct placement general obligation bonds	16,250,000	-	4,465,000	11,785,000	4,360,000
Direct placement installment debt	147,237,655	20,660,000	18,820,264	149,077,391	15,784,959
Unamortized premiums and discounts	35,245,735	1,830,660	5,637,839	31,438,556	-
Compensated absences	11,962,290	5,098,237	5,530,210	11,530,317	6,571,352
Leases	1,801,066	-	696,744	1,104,322	608,620
Software subscriptions	2,878,157	527,796	1,131,050	2,274,903	1,099,803
Total pension liability (LEOSSA)	20,021,043	-	2,439,374	17,581,669	793,140
Net pension liability (LGERS)	21,586,549	58,973,248	-	80,559,797	-
Total OPEB liability	377,513,686	-	170,257,744	207,255,942	4,628,237
Claims and judgments	346,648	55,226	316,037	85,837	85,837
Total governmental activities	<u>\$ 875,842,826</u>	<u>\$ 87,145,167</u>	<u>\$ 229,994,262</u>	<u>\$ 732,993,731</u>	<u>\$ 54,601,948</u>

Net pension liability, total pension liability, and total other postemployment liability for governmental activities are typically liquidated by the General Fund. Compensated absences are generally liquidated by the General Fund and special Fire District Special Revenue Fund.

<u>Business-Type Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions/ Transfers</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Direct placement installment debt	\$ 1,155,000	\$ 1,190,000	\$ 125,000	\$ 2,220,000	\$ 370,000
Unamortized premiums and discounts	150,147	68,910	29,524	189,533	-
Accrued landfill closure and post-closure care costs	11,509,208	18,087,920	3,526,567	26,070,561	-
Net pension liability (LGERS)	319,643	1,032,966	-	1,352,609	-
Total OPEB liability	5,590,035	-	2,110,182	3,479,853	77,647
Compensated absences	235,225	78,251	92,017	221,459	108,442
Total business-type activities	<u>\$ 18,959,258</u>	<u>\$ 20,458,047</u>	<u>\$ 5,883,290</u>	<u>\$ 33,534,015</u>	<u>\$ 556,089</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

General obligation bonds of the County are direct obligations and pledge the full faith and credit of the County. In the event of a default, the County agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the County under this Agreement. General obligation bonds consist of the following individual issues outstanding as of June 30, 2023:

Serviced by the Debt Service Fund:

\$30,000,000 general obligation school bonds, series 2006, issued February 1 and 9, 2006, due in remaining semi-annual installments February 1 and 9, 2006, due in remaining semi-annual installments on a weekly rate - determined by a remarketing agent due semi-annually through February 1, 2026. Serviced by Debt Service Fund.	\$ 2,250,000
\$31,335,000 2013B direct placement refunding general obligation bonds due in annual installments ranging from \$390,000 to \$4,660,000 through December 1, 2025; interest rates ranging from 1.43% to 1.98% due semi-annually through December 1, 2025. Serviced by Debt Service Fund.	11,785,000
\$83,255,000 2015 general obligation bonds due in remaining annual installments ranging from \$4,160,000 to \$4,165,000 through February 1, 2036; interest rates ranging from 3.00% to 5.00% due semi-annually through February 1, 2036. Serviced by Debt Service Fund.	54,100,000
\$55,080,000 2016 refunding general obligation bonds due in remaining annual installments ranging from \$770,000 to \$7,820,000 through December 1, 2021; interest rates ranging from 1.50% to 5.00%, due semi-annually through August 1, 2030. Serviced by Debt Service Fund.	29,240,000

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$34,215,000 2017 general obligation bonds due in remaining annual installments ranging from \$1,710,000 to \$1,715,000 through August 1, 2037; interest rates ranging from 2.00% to 5.00%, due semi-annually through August 1, 2037. Serviced by Debt Service Fund.	25,650,000
\$65,970,000 2018 general obligation bonds due in remaining annual installments ranging from \$3,295,000 to \$3,300,000 through September 1, 2038; interest rates ranging from 2.75% to 5.00%, due semi-annually through September 1, 2038. Serviced by Debt Service Fund.	52,770,000
\$3,355,000 2020 general obligation bonds due in remaining annual installments ranging from \$165,000 to \$170,000 through February 1, 2040; interest rates ranging from 2.125% to 5.00%, due semi-annually through February 1, 2040. Serviced by Debt Service Fund	2,845,000
\$25,495,000 2021A refunding general obligation bonds due in remaining annual installments ranging from \$2,815,000 to \$2,850,000 through August 1, 2030; interest rates ranging from 3.00% to 4.00%, due semi-annually through August 1, 2030. Serviced by Debt Service Fund	22,670,000
\$32,310,000 2021B refunding general obligation bonds due in remaining annual installments ranging from \$565,000 to \$3,320,000 through June 1, 2034; interest rates ranging from 0.141% to 1.746%, due semi-annually through June 1, 2034. Serviced by Debt Service Fund	<u>30,774,997</u>
Total General and Public School Special Revenue Funds (Governmental activities)	<u>\$ 232,084,997</u>
Total Enterprise Funds (Business-type activities)	<u>\$ -</u>
Total General Fund Obligation Bonds, net of unamortized charges and premiums	<u>\$ 232,084,997</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Direct placement Installment debt consists of the following at June 30, 2023:

\$49,835,000 2010 refunding limited obligation bonds issued June 2, 2010, due in annual installments through December 1, 2025; interest rates ranging 2.00% to 5.00%. Serviced by the Debt Service Fund, Fire District Special Revenue, and enterprise funds.	\$ 1,000,001
\$4,925,744 Qualified School Construction Bonds issued December 14, 2010, due in semi-annual payments through December 14, 2025; interest at rate of 5.63%. Serviced by the Debt Service Fund.	820,957
\$20,540,000 2012 refunding limited obligation bonds issued September 12, 2012, due in annual payments through December 1, 2022; interest at rate ranging from 1.00% to 5.00%. Serviced by the Debt Service Fund and Fire District Special Revenue.	4,780,000
\$12,615,000 2014 limited obligation bonds issued June 4, 2014, due in annual installments through June 1, 2034; interest rates ranging from 1.00% to 5.00%. Serviced by Debt Service Fund.	6,950,000
\$4,570,000 2014 limited obligation bonds issued June 4, 2014, due in annual installments through June 1, 2029; interest rates ranging from 0.31% to 4.29%. Serviced by the Debt Service Fund.	1,830,000
\$37,210,000 2020A limited obligation bonds issued February 6, 2020, due in annual installments through February 1, 2040; interest rates ranging from 2.25% to 5.00%. Serviced by the Debt Service Fund, special revenue funds, and enterprise funds.	25,415,000

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$74,475,000 2021 limited obligation bonds issued March 4, 2021, due in annual installments through August 1, 2040; interest rates ranging from 2.00% to 5.00%.	
Serviced by the Debt Service Fund and special revenue funds.	64,775,000
\$16,300,000 2022 limited obligation bonds issued June 23, 2022, due in annual installments through June 1, 2042; interest rates ranging from 2.25% to 5.00%.	
Serviced by the Debt Service Fund, special revenue funds, and enterprise funds.	14,130,000
\$21,850,000 2023 limited obligation bonds issued June 22, 2023, due in annual installments through June 1, 2043; interest rates ranging from 4.00% to 5.00%.	
Serviced by the Debt Service Fund, special revenue funds, and enterprise funds.	21,850,000
Other installment debt; interest at rates ranging from 2.60% to 6.00%.	
Serviced by the Debt Service Fund, special revenue funds, and enterprise funds.	<u>9,746,433</u>
Total installment debt - governmental and business-type activities	<u>\$ 151,297,391</u>
Total installment debt - governmental activities	<u>\$ 149,077,391</u>
Total installment debt - business-type activities	<u>\$ 2,220,000</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Annual maturity requirements on the County's long-term debt (except compensated absences, net pension liability, total pension liability, total other postemployment liability, claims and judgments lease liabilities and accrued landfill closure and post-closure care costs) with related interest as of June 30, 2023, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2024	\$ 40,814,959	\$ 13,856,116	\$ 370,000	\$ 104,029	\$ 55,145,104
2025	39,424,929	12,398,318	370,000	89,700	52,282,947
2026	38,548,067	10,837,464	370,000	71,900	49,827,431
2027	33,935,072	9,301,997	365,000	53,400	43,655,469
2028	30,350,072	7,834,104	365,000	35,150	38,584,326
2029-2033	109,525,360	25,393,005	380,000	38,400	135,336,765
2034-2038	68,278,929	9,241,157	-	-	77,520,086
2039-2043	20,285,000	1,131,691	-	-	21,416,691
Total	<u>381,162,388</u>	<u>89,993,852</u>	<u>2,220,000</u>	<u>392,579</u>	<u>473,768,819</u>
Less: Unamortized discounts	(18,456)	-	-	-	(18,456)
Add: Unamortized Premiums	<u>31,457,012</u>	-	<u>189,533</u>	-	<u>31,646,545</u>
Net	<u>\$ 412,600,944</u>	<u>\$ 89,993,852</u>	<u>\$ 2,409,533</u>	<u>\$ 392,579</u>	<u>\$ 505,396,908</u>

Other. The County's legal debt margin at June 30, 2023 was \$3,577,357,951.

There is no debt authorized but unissued at June 30, 2023.

Long-Term Debt of the Authority. The Authority incurred long-term debt in 2014 of \$4,570,000 in order to finance a new consolidated car rental facility construction project. Financing was acquired through an interlocal agreement with New Hanover County. Under the agreement, New Hanover County incurred debt on behalf of the Authority and the Authority agreed to repay all expenses attributable to the debt, including principal, interest and issuance costs. Interest rates range from 0.69% to 4.29%, as a result of the County's bond refunding with Limited Obligation Bonds in 2014.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Authority incurred long-term debt in 2019 of \$12,790,000 to assist with the financing of the terminal expansion project. Financing was acquired through an interlocal agreement with New Hanover County. Under the agreement, New Hanover County incurred debt on behalf of the Authority and the Authority agreed to repay all expenses attributable to the debt, including principal, interest and issuance costs. Interest rates are currently ranging from 3.00% to 5.00%. There was \$4,106,431 available to draw upon by the Authority at June 30, 2023.

The following is a summary of changes in the Authority's long-term debt obligations, as detailed above, all due to the County, for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Principal:					
\$4,570,000 issue	\$ 2,135,000	\$ -	\$ 305,000	\$ 1,830,000	\$ 305,000
\$12,790,000 issue	1,919,342	4,664,227	1,830,000	4,753,569	1,825,000
Lease liability	30,063	21,532	11,013	40,582	14,122
Subscription liability	92,223	313,773	117,616	288,380	113,623
	\$ 4,176,628	\$ 4,999,532	\$ 2,263,629	\$ 6,912,531	\$ 2,257,745

Debt service requirements are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 2,130,000	\$ 400,431	\$ 2,530,431
2025	2,130,000	316,485	2,446,485
2026	2,130,000	232,081	2,362,081
2027	2,130,000	129,122	2,259,122
2028	305,000	25,705	330,705
2029-2030	305,000	13,081	318,081
	\$ 9,130,000	\$ 1,116,905	\$ 10,246,905

Total amount of principal shown in the above debt service requirement schedule is higher than the outstanding balance because it includes the full draw down amount. The Authority expects to fully draw on the loan in fiscal year 2024.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Long-Term Liabilities of the Medical Center. As a result of the Novant Transaction, there was no debt activity during the year ended September 30, 2022.

Long-Term Obligations of the TDA. Changes in long-term liabilities of the TDA for the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Lease obligations	\$ 237,468	\$ 10,576	\$ 63,195	\$ 184,849	\$ 65,997
Subscription obligations	-	304,542	107,070	197,472	117,093
Compensated absences	<u>44,762</u>	<u>6,029</u>	<u>-</u>	<u>50,791</u>	<u>50,791</u>
	<u>\$ 282,230</u>	<u>\$ 321,147</u>	<u>\$ 170,265</u>	<u>\$ 433,112</u>	<u>\$ 233,881</u>

Leases Obligations. The County has entered into three lease agreements as Lessee for the use of office space under varying terms. The County is required to make fixed payments as determined by each lease. An initial lease liability was recorded in the amount of \$1,476,882. As of June 30, 2023, the value of the lease liability is \$737,755. The value of the associated right-to-use leased assets as of June 30, 2023, is \$1,476,881 with accumulated amortization of \$749,477.

The County has entered into two lease agreements as Lessee for the use of warehouse space under varying terms. The County is required to make fixed payments as determined by each lease. An initial lease liability was recorded in the amount of \$526,271. As of June 30, 2023, the value of the lease liability is \$163,446. The value of the associated right-to-use leased assets as of June 30, 2023, is \$526,271 with accumulated amortization of \$368,493.

The County has entered into a lease agreement as Lessee for the use of a communication tower. The County is required to make fixed payments as determined by the lease. An initial lease liability was recorded in the amount of \$172,236. As of June 30, 2023, the value of the lease liability is \$105,309. The value of the associated right-to-use leased assets as of June 30, 2023, is \$172,236 with accumulated amortization of \$71,270.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The County has entered into seven lease agreements as Lessee for the use of equipment. The County is required to make fixed payments as determined by the lease. An initial lease liability was recorded in the amount of \$166,720. As of June 30, 2023, the value of the lease liability is \$98,149. The value of the associated right-to-use leased assets as of June 30, 2023, is \$152,620, with accumulated amortization of \$70,542.

Principal and interest requirements for the County are as follows:

Year Ending	Governmental Activities		
June 30	Principal	Interest	Total
2024	\$ 608,620	\$ 12,577	\$ 621,197
2025	407,201	4,942	412,143
2026	74,991	1,029	76,020
2027	13,510	158	13,668
Total	\$ 1,104,322	\$ 18,706	\$ 1,123,028

Lease obligations for the Authority at June 30, 2023 is as follows:

The Authority has recorded three right-to-use leased assets for equipment. The right-to-use assets are amortized on a straight-line basis over the terms of the related leases.

Principal and interest requirements for the Authority are as follows:

Year Ending			
June 30	Principal	Interest	Total
2024	\$ 14,122	\$ 1,125	\$ 15,247
2025	14,643	604	15,247
2026	4,333	263	4,596
2027	4,450	146	4,596
2028	3,033	31	3,064
Total	\$ 40,581	\$ 2,169	\$ 42,750

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The TDA has lease agreements that qualify as other than short term leases and have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed April 2021 to lease office space and requires 60 monthly payments of \$4,900. There are no variable components of the lease. The lease liability is measured at the discount rate of 3%, which is the stated rate in the lease agreement. As a result, the Authority has a lease obligation of \$169,812 at June 30, 2023.

The second agreement was executed April 2019 to lease equipment and requires 60 monthly payments of \$787. There are variable components of the copies and monthly maintenance included with the lease. The lease liability is measured at the discount rate of 2.37%, which is the implied rate in the lease agreement. As a result, the Authority has a lease obligation of \$5,440 at June 30, 2023.

The third agreement was executed November 2022 to lease equipment and requires 5 years and requires quarterly payments of \$699. There are variable components of the copies and monthly maintenance included with the lease. The lease liability is measured at the discount rate of 3.45%, which is the implied rate in the lease agreement. As a result, the Authority has a lease obligation of \$9,597 at June 30, 2023.

The future minimum lease obligations and the net present value of these minimum lease payments for the TDA as of June 30, 2023 were as follows:

Year Ending				
June 30	Principal	Interest	Total	
2024	\$ 65,996	\$ 4,674	\$ 70,670	
2025	64,319	2,727	67,046	
2026	51,169	777	51,946	
2027	2,224	87	2,311	
2028	1,141	15	1,156	
Total	<u>\$ 184,849</u>	<u>\$ 8,280</u>	<u>\$ 193,129</u>	

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Other Obligations. The County leases land and the airport facilities to the Authority at \$1 per year through 2049. The lease gives the Authority full use of the facilities and contains certain restrictions, including requiring the facility to be used as an airport, and that the Authority carry insurance, maintain the facilities, notify the County prior to disposing of certain assets, and certain other restrictions. At June 30, 2023, management of the Authority believes the Authority was in compliance with the terms of the lease.

Software Obligations. The County and TDA have entered into agreements to use certain technology software. The subscription agreements that qualify as other than short term agreements under GASB 96 have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The County has entered into five software subscription agreements. The County is required to make fixed payments as determined by the agreements. An initial software subscription liability was recorded in the amount of \$3,405,953. As of June 30, 2023, the value of the subscription liability is \$2,274,903. The value of the associated right-to-use subscription assets as of June 30, 2023, is \$3,431,502 with accumulated amortization of \$1,076,911.

Principal and interest requirements for the County are as follows:

Year Ending June 30	Governmental Activities		Total
	Principal	Interest	
2024	\$ 1,099,803	\$ 47,334	\$ 1,147,137
2025	1,114,182	24,592	1,138,774
2026	60,918	1,577	62,495
Total	\$ 2,274,903	\$ 73,503	\$ 2,348,406

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Authority has recorded nine right-to-use subscription assets for software. The right-to-use assets are amortized on a straight-line basis over the terms of the related agreements.

Principal and interest requirements for the Authority are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 113,623	\$ 6,821	\$ 120,444
2025	104,274	4,058	108,332
2026	37,330	1,655	38,985
2027	30,109	850	30,959
2028	3,043	82	3,125
Total	<u>\$ 288,379</u>	<u>\$ 13,466</u>	<u>\$ 301,845</u>

The TDA has ten software subscription arrangements in effect during fiscal year 2023 to assist in the marketing and promotion efforts. The length of these agreements varies from 18 months to 48 months, depending on the changing nature of the marketing needs of the Authority and the strategic policies in place. Options to renew are included in the arrangements. These arrangements required yearly payments ranging from \$3,798 to \$6,000; semi-annual payment of \$5,358, and quarterly payments of \$1,500. There are no variable components of these arrangements. The subscription liabilities are measured at discount rates ranging from 2.194% to 3.409%.

As of June 30, 2023, the value of the subscription liability for the subscription arrangements is \$197,473. The value of the right-to-use assets as of June 30, 2023, is \$322,542, with accumulated amortization of \$107,311.

Principal and interest requirements for the TDA are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 117,093	\$ 4,052	\$ 121,145
2025	75,545	1,388	76,933
2026	4,835	165	5,000
Total	<u>\$ 197,473</u>	<u>\$ 5,605</u>	<u>\$ 203,078</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Conduit Debt Obligations. Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are collateralized by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision, thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2023, the amount of industrial revenue bonds outstanding was \$929,599.

Accrual for Closure and Post-Closure Care Costs. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on estimated landfill capacity used as of each financial statement sheet date. The \$26,070,561, reported as landfill closure and post-closure care liability at June 30, 2023 represents (1) a cumulative amount of \$17,516,779 for final closure and post-closure care based on the full use of the total estimated capacity of the landfill and (2) \$8,553,782 for the cost of placing a closing cover on each open cell at the landfill, recognized as the cell receives waste. These amounts are based on what it would cost to perform all closure and post-closure care in 2023. The County completed the closure of this developed portion of the landfill during fiscal year end 2023. The undeveloped portion of the landfill is expected to serve the County for an additional 26 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under the State and federal laws and regulations that helps determine if a unit is financially able to meet closure and post-closure care requirements.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Deferred Outflows and Inflows of Resources. The deferred outflows and deferred inflows of resources at June 30, 2023 are composed of the following elements:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	\$ 8,710,516	\$ -
Pensions - difference between expected and actual experience:		
LGERS	3,529,531	-
Register of Deeds	3,481	8,190
LEOSSA	663,643	61,227
OPEB	12,465,137	207,478,053
Pensions - changes of assumptions (LGERS, ROD)	8,196,944	-
Pensions - changes of assumptions (LEOSSA)	3,245,665	3,180,821
Pensions - changes of assumptions (OPEB)	62,451,888	83,096,674
Pensions - difference between projected and actual investment earnings (LGERS, ROD)	27,260,709	346,050
Pensions - charge in proportion and difference between employer contributions and proportionate share of contributions (LGERS, ROD)	555,402	608,267
Benefit payments made and administrative expenses for LEOSSA	386,505	-
Benefit payments made and administrative expenses for OPEB	4,705,884	-
Employer contributions subsequent to the measurement date (LGERS, ROD)	16,061,487	-
Prepaid property taxes not yet earned (General)	-	580,205
Total government-wide	<u>\$ 148,236,792</u>	<u>\$ 295,359,487</u>
Deferred - business type activities	<u>\$ 1,782,115</u>	<u>\$ 4,812,612</u>
Deferred - governmental activities	<u>\$ 146,454,677</u>	<u>\$ 290,546,875</u>
Prepaid property taxes not yet earned (General)		\$ 580,205
Taxes receivable, net (General), less penalties		1,957,024
Taxes receivable, net (Special revenue), less penalties		113,448
Special assessments receivable, net (General)		9,321
Special assessments receivable, net (Special revenue)		26,018
Grants receivable (General)		1,622,338
Other receivable (General)		2,230,584
Scattered site/SARF receivables (General)		895,978
Total governmental funds		<u>\$ 7,434,916</u>

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Interfund Receivables and Payables. Amounts classified on the balance sheet as “Receivables – interfund loans” and “Interfund loans” at June 30, 2023 included the following:

Receivable Fund	Payable Fund	Amount
General Fund	Special Fire District Revenue Improvement Capital Project	\$ 132,592

The interfund receivable and payable is a result of timing related to the borrowing funds for a new fire station.

Due from/to Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Primary Government:	Component Unit:	
General Fund	The ABC Board for intergovernmental revenues due at June 30, 2023	\$ 2,903,780
Component Unit:	Primary Government:	
NHC Tourism Development Authority	Room Occupancy Tax Fund for room occupancy tax held by the County	1,240,864
		\$ 4,144,644

B. Other

Interfund Transfers. Interfund transfers presented in the fund financial statements for the year ended June 30, 2023, can be summarized as follows:

Transfers Out:	Transfers In:						Total
	General Fund	Debt Service Fund	American Rescue Plan Fund	Special Fire District Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	
General fund	\$ -	\$17,336,132	\$ 30,000	\$ 148,301	\$ 12,309	\$7,889,743	\$25,416,485
American Rescue Plan	3,871,895	-	-	-	-	-	3,871,895
Nonmajor special revenue funds	-	-	-	1,671,474	-	-	1,671,474
Environmental fund	664,471	-	-	-	-	-	664,471
Total	<u>\$4,536,366</u>	<u>\$17,336,132</u>	<u>\$ 30,000</u>	<u>1,819,775</u>	<u>\$ 12,309</u>	<u>\$7,889,743</u>	<u>\$31,624,325</u>

Interfund transfers are used to 1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 2) use unrestricted revenues collected in various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) move previous transfers to capital project funds back to the general fund as capital projects are cancelled in accordance with budgetary authorizations.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

5. Major Customers

Approximately 47% of Environmental Management revenues can be attributed to its two largest customers. Transactions with the customers accounted for the following as of June 30, 2023:

<u>Customer</u>	<u>Revenues</u>	<u>Percentage</u>	<u>Accounts Receivable</u>
A	\$ 6,587,745	35.69%	\$ -
B	\$ 2,052,924	11.12%	\$ 185,332

6. Joint Ventures

The County, in conjunction with Bladen, Brunswick, Carteret, Columbus, Jones, Onslow and Pender counties, participates in a joint venture to operate Trillium Health Resources Southern Region, (the "Center"). The counties appoint two members, respectively, to the seventeen-member board of the Center. The County has an on-going financial responsibility for the Center because the Center's continued existence depends on the participating governments' continued funding. The County provided \$416,317 to the Center during the year for its on-going operations. None of the participating governments has an equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2023. Complete financial statements for the Center can be obtained from the Center at 3809 Shipyard Boulevard, Wilmington, NC 28403.

The County, in conjunction with the State of North Carolina and the New Hanover County Board of Education, participates in a joint venture to operate Cape Fear Community College (the "College"). Each of the three participants appoints four members of the thirteen-member board of trustees of the College. The president of the College's student government serves as an ex-officio non-voting member of the College's board of trustees. The College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the College and also provides some financial support for the College's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an on-going financial responsibility for the College because of the statutory responsibilities to provide funding for the College's facilities. The County contributed \$11,407,742 to the College for operating purposes, during the fiscal year ended June 30, 2023. In addition, the County made debt service payments of \$10,368,538 during the fiscal year on debt service for bonds issued for College capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2023. Complete financial statements for the College may be obtained from the College's administrative office at 321 N. Front Street, Wilmington, NC 28401.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

7. Jointly Governed Organizations

The County, in conjunction with Brunswick, Columbus and Pender counties, and the municipalities therein established the Cape Fear Council of Governments (the "Council"). The Council was established for various purposes, but mainly to coordinate funding for federal and State assistance. Each participating government appoints a minimum of one member to the Council's board. The County paid fees of \$67,189 to the Council during the fiscal year ended June 30, 2023.

The Lower Cape Fear Water and Sewer Authority (the "Sewer Authority") provides raw water to its membership which includes the County and other municipalities. The County appoints two of the fourteen members of the Sewer Authority. The long-term receivable balance from the Sewer Authority is \$0 as of June 30, 2023.

The County and the City of Wilmington established the Cape Fear Public Utility Authority ("CFPUA"). CFPUA was established to provide water and sewer services for the residents of the County and City of Wilmington. The County appoints five of the eleven members of the CFPUA board. Two of these five members may be elected officials of the County. CFPUA paid the County \$1,230,926 in connection with debt the County is servicing for CFPUA for the fiscal year ended June 30, 2023. See Note 10 for further details.

8. Public School Building Capital Fund

The NC Education Lottery is currently the sole source of revenue for the PSBCF (Public School Building Capital Fund). Revenue for the PSBCF was originally provided by corporate taxes and distributed to what is referred to as the "ADM Fund". No corporate tax revenue has been distributed to the "ADM Fund" of the PSBCF since the end of FY 2008-09. Any unspent revenue in the "ADM Fund" remains available for allocation. At June 30, 2023, the balance of the County's ADM unallocated account related to corporate income taxes was \$6,784.

Since 2006, Lottery revenue has been distributed to what is referred to as the "Lottery Fund". The School Planning Section of NCDPI (NC Department of Public Instruction) is the primary administrator for the Lottery PSBCF and the PSBRRF (Public School Building Repair and Renovation Fund). After approving a school capital project application, NCDPI transfers funds from the county's unallocated balance to its disbursing account maintained with the State Treasurer.

Funds in the disbursing account are considered State monies until the County draws them down. At that time, they are recognized in the County's Capital Project Fund as intergovernmental revenue. During the fiscal year ended June 30, 2023, the County drew down in the public school building capital fund \$0 of "ADM Fund" and \$4,092,852 of "Lottery Fund".

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

During the fiscal year ended June 30, 2023, the County's lottery PSBCF allocation was \$1,963,956. Since 2008, \$30,770,280 has been approved by the State for construction projects. During the fiscal years ended June 30, 2008 through June 30, 2023, the County drew down \$28,791,423 of these funds, leaving a disbursing account balance of \$1,978,857.

The County's lottery PSBRRF allocation for the fiscal year ended June 30, 2023 was \$233,606. During the fiscal year June 30, 2023, the County drew down \$233,606 of these funds, leaving a disbursing account balance of \$0.

9. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County obtains property insurance through Waypoint Brokerage equal to the replacement cost values of owned property, subject to a loss limit of \$337,654,987 for any one occurrence, with a sub-limit of \$35,000,000 when caused by wind or hail damage during a hurricane. The County obtains commercial general liability, auto liability, public officials' liability, law enforcement liability, employment practices liability, and Employee Benefits Liability from the Travelers Indemnity Insurance Company in the amount of \$1,000,000 each occurrence. In addition, the County purchases commercial excess liability (umbrella) insurance in the amount of \$5,000,000 each occurrence from Travelers Indemnity Insurance Company. Crime insurance in the amount of \$500,000 per claim is obtained through Travelers Casualty & Surety Company of America and cyber liability in the amount of \$3,000,000 from AXA XL per occurrence.

The County is self-insured for workers compensation and employers' liability insurance, and purchases Specific and Aggregate Excess Workers Compensation and Employers Liability Indemnity Insurance. The County contracted with Safety National Casualty Corp, Inc., a provider of claims administrative services, to administer the program. The program provides that the County is responsible for the first \$750,000 for Fire Services and Sheriff's deputies and \$550,000 for all other employees of cost and/or benefits payable to employees resulting from any one accident or event, regardless of the number of persons injured. Specific and Aggregate Excess Workers Compensation and Employers Liability Indemnity insurance provides protection against compensable claims during the policy year above the self-insured specific retention of \$750,000 for Fire Services and Sheriff's deputies and \$550,000, up to the maximum limits provided under the North Carolina Workers' Compensation Act and up to \$1,000,000 each accident or disease for Employer's Liability. The aggregate excess insurance provides protection against cumulative retained losses after the County's aggregate costs reach a minimum of \$3,555,545 for claims occurring during the policy period. The aggregate excess insurance has a maximum limit of indemnity of \$2,000,000. Any losses above this amount would be retained by the County.

The County is provided flood insurance coverage through their property coverage with AmWins Brokerage. The limit for loss within a Special Flood Hazard Area is \$2,500,000. For all other zones the total insured value is the property value listed on the statement of values, up to a \$25,000,000 annual aggregate for the policy period.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through the Travelers Casualty & Surety Company of America with a limit of \$500,000 per occurrence. The Director of Finance is individually bonded under a Performance Bond in the amount of \$1,000,000 through The Ohio Casualty Insurance Company. The Tax Collector has a Performance Bond in the amount of \$100,000 through the Ohio Casualty Insurance Company.

Following is a reconciliation of changes in the recorded aggregate liability for the County's claims for group medical insurance, which is recorded as accounts payable and accrued liabilities in the General Fund:

<u>For Fiscal Year Ended</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Unpaid claims at July 1	\$ 2,337,601	\$ 2,337,601
Provisions for claims	24,644,726	24,175,002
Payments for claims	(27,340,834)	(21,707,018)
Administrative fees	2,693,108	(2,467,984)
Unpaid claims at June 30	<u>\$ 2,334,601</u>	<u>\$ 2,337,601</u>

The County carries commercial coverage for all other risks of loss.

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. During 2015, the Authority ceased participating in the NCACC pools and obtained commercial coverage for these risks of loss. Through commercial coverage, the Authority has replacement cost coverage for owned property subject to a limit of \$93.9 million, auto liability coverage of \$1 million with physical damage on owned audits paid at actual cash value, public officials liability and employment practices liability coverage of \$2 million, crime coverage of \$250,000 per occurrence, and workers' compensation up to the statutory limits; and health and dental insurance for Authority employees. The Authority carries commercial coverage for all other risks of loss, including airport liability coverage of \$75 million per occurrence. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the last three fiscal years.

The Authority carries earth movement/flood insurance through AmWINS Brokerage of Florida Inc. subject to a limit of \$10 million for any one occurrence.

The Authority Finance Director is bonded for \$250,000. All remaining Authority employees that have access to funds are bonded through the Authority's aforementioned crime package.

The Medical Center was exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of medical malpractice (hospital professional liability), natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Medical Center purchases commercial insurance coverage against risk of loss due to errors and omissions, fiduciary liability, property damage and theft, pollution liability and various other insurable risks. The Medical Center carried property insurance in the amount of \$1,000,000,000 for the year ended September 30, 2022 with a deductible of \$100,000 for all perils except named windstorm. For the year ended September 30, 2022, the minimum deductible for named storm is \$5,000,000 per location. For the year ended September 30, 2022, the Medical Center was self-insured for workers' compensation and employer's liability up to \$350,000 per claim. Statutory limits apply to worker's compensation. For the year ended September 30, 2022, the Medical Center was also self-insured for professional liability and general liability claims up to \$5,000,000. There was a \$30,000,000 annual aggregate retention in the year ended September 30, 2022. In the year ended September 30, 2022, hospital professional liability and general liability stop loss coverage is on a claims made basis; general liability is written on an occurrence basis. Excess commercial insurance is purchased to provide coverage above the self-insured retention levels for hospital professional liability and general liability.

The Medical Center is fully self-insured for hospital professional liability claims incurred prior to June 25, 2002, but not reported as of that date. No payments have exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above. The Medical Center is self-insured for employee medical claims up to \$350,000 per individual, excluding costs associated with domestic claims (claims for services provided at the Medical Center).

The liability for workers' compensation, hospital professional liability, and general liability claims are accrued at estimated amounts as determined by a third party actuary.

Following is a reconciliation of changes in the Medical Center's recorded aggregate liability for claims, which is included in professional liability claims and other self-funded liabilities. Provisions for claims are primarily included in salaries, wages and benefits, and other expense on the statements of revenues, expenses and changes in net position:

For Fiscal Year Ended	September 30, 2021
Unpaid claims at October 1	\$ 30,923,000
Provisions for claims	20,697,000
Payments for claims	<u>(34,835,000)</u>
Unpaid claims at September 30	<u>\$ 16,785,000</u>

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has commercial property, general liability, auto liability, workmen's compensation, data breach, flood, wind & hail, public officials' liability/employment practice and employee health coverage. The Board also has liquor legal liability coverage.

There have been no significant reductions in the ABC Board's insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

In accordance with G.S. 18B-700(i), each ABC Board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

The TDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The TDA carries commercial general liability insurance for all risks of loss. Through this, TDA obtains coverage in the amount of \$1,000,000 each occurrence. No claims have been experienced under these policies for any of the past three years.

In accordance with G.S. 159-29, TDA employees that have access to \$100 or more at any given time of TDA funds are covered under a \$10,000 employee dishonesty blanket policy. The TDA's board is covered under a director's and officer's liability policy in the amount of \$1,000,000 each claim. The Finance Officer is bonded under a surety bond for \$50,000.

There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

10. Commitments and Contingencies

The County is named as a defendant in various lawsuits incidental to carrying out its functions. Based upon the opinions of the County's legal department, the County believes its ultimate liability, if any, will be limited to insurance deductibles.

At June 30, 2023, the County was party to various contracts for the construction or purchase of various capital assets. The remaining commitments to be honored during the subsequent year under the aforementioned contracts relative to governmental activities have been included as fund balance reserved for encumbrances. Contractual commitments relative to construction in progress entered into subsequent to June 30, 2023 total approximately \$1,729,980.

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

Pursuant to the interlocal agreement transferring the County's water and sewer system to Cape Fear Public Utility Authority (the "CFPUA"), CFPUA has assumed responsibility for servicing all of the County's enterprise long-term debt. However, certain long-term debt instruments could not either be refinanced or transferred to CFPUA due to the nature of the agreements. Accordingly, the County has retained and is servicing those debt instruments with CFPUA making payments to the County equal to the principal and interest payments required under those debt instruments.

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Authority has entered into several contracts and agreements as of June 30, 2023, primarily related to construction projects and equipment. The remaining commitment under these contracts and agreements is approximately \$8,384,308.

The Medical Center is aware of various asserted and unasserted claims. Management has been unable to reasonably estimate the amount of the loss, if any, since the ultimate resolution of these matters will be dependent upon future events. Management believes that these claims can be successfully defended and intends to challenge the allegations of these matters in every way and does not plan to seek out-of-court settlements. In the event that judgments adverse to their interests should be rendered, management feels any liability will be fully covered by existing insurance or not be material to the financial statements.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Medical Center believes that they are in compliance with all applicable laws and regulations and are not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs.

The ABC Board contracts with the New Hanover County Sheriff's Department to provide law enforcement services. At June 30, 2023, the commitment for the contract to the Sheriff's Department totaled \$378,000.

The ABC Board also has a commitment remaining on a contract for support for its accounting system in the amount of \$86,364 at June 30, 2023.

The ABC Board also has a commitment for alcohol, education, and rehabilitation in the amount of \$725,000 at June 30, 2023.

The ABC Board also has a commitment for law enforcement grants in the amount of \$150,000 at June 30, 2023.

11. Subsequent Events

The County sold 2023A Limited Obligation Bonds, Series 2023A totaling \$53,280,000 in October 2023. The bonds will be used to pay for capital costs of the construction of a new joint library-museum facility and improvements to an existing County parking deck that will serve the library-museum facility as part of Project Grace. Closing occurred on November 1, 2023. Annual installments ranging from \$2,719,850 to \$5,235,775 will be due through 2044. Interest rates range from 4.50% to 5.00%. The principal plus unamortized premium will be serviced by the Debt Service Fund.

APPENDIX C
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Contract, the Indenture and the Deed of Trust. This summary is not intended to be definitive and is qualified in its entirety by reference to each of the aforementioned documents for the complete terms thereof. Copies of said documents are available from the County on request.

DEFINITIONS

“*Acquisition and Construction Fund*” means the special fund created under the Indenture.

“*Additional Bonds*” means additional parity bonds or other parity obligations executed and delivered in accordance with the Indenture.

“*Additional Payments*” means the reasonable and customary expenses and fees (including, but not limited to, attorneys’ fees, costs and expenses) of the Trustee and the Corporation, any expenses of the Corporation in defending an action or proceeding in connection with the Contract or the Indenture and any taxes or any other expenses, including, but not limited to, licenses, permits, state and local income, sales and use or ownership taxes or property taxes which the County or the Corporation is expressly required to pay as a result of the Contract (together with interest that may accrue thereon if the County fails to pay the same).

“*Bond Fund*” means the special fund created under the Indenture.

“*Bonds*” means the 2024 Bonds and any Additional Bonds.

“*Business Day*” means a day on which the Trustee or the County is not required or authorized by law to remain closed.

“*Cede & Co.*” means Cede & Co., the nominee of DTC or any successor nominee of DTC with respect to the Bonds.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder, or any successor statute thereto.

“*Contract*” means the Installment Financing Contract dated as of September 1, 2024 between the Corporation and the County and any amendments or supplements thereto, including the Exhibits attached thereto.

“*Corporation*” means New Hanover County Financing Corporation or any successor thereto.

“*Corporation Representative*” means any person or persons at the time designated to act on behalf of the Corporation for purposes of performing any act on behalf of the Corporation under the Contract and the Indenture by a written certificate furnished to the County and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President.

“*Cost of Acquisition and Construction*” includes payment of or reimbursement for the following items:

- (a) the Costs of Issuance;

(b) obligations incurred or assumed for the Projects in connection with the acquisition, construction, renovation, equipping and financing or refinancing thereof, including, without limitation, costs of obtaining title insurance and a survey of the Mortgaged Property; and

(c) all other costs which are considered to be a part of the cost of acquisition, construction, renovation, equipping and financing of the Projects in accordance with generally accepted accounting principles and, to the extent applicable, which will not affect the exclusion from gross income for federal income tax purposes of the designated interest component of Installment Payments payable by the County, including sums required to reimburse the County for advances made by the County that are properly chargeable to the acquisition, construction, renovation, equipping and financing of the Projects.

“*Costs of Issuance*” means the costs incurred in connection with the initial execution and delivery of the Bonds, including, without limitation, all printing expenses in connection with the Indenture, the Contract, and the documents and certificates contemplated by the Indenture, the Preliminary Official Statement and the Official Statement for the Bonds, if any, and the Bonds, legal fees and expenses of counsel to the Corporation, special counsel, counsel to the County, other counsel, counsel to the purchaser or purchasers of the Bonds, financial advisor fees, rating agency fees, any accounting expenses incurred in connection with determining that the Bonds are not “arbitrage bonds” within the meaning of the Code, the Trustee’s initial fees and expenses (including attorney’s fees, costs, and expenses), and state license fees, on the submission of requisitions by the County signed by a County Representative stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of executing and delivering the Bonds.

“*County*” means the County of New Hanover, North Carolina or any successor to its functions.

“*County Representative*” means (1) the County Manager, the Chair of the Board, the Chief Financial Officer, or the person or persons at the time designated to act on behalf of the County for the purpose of performing any act under the Contract by a written certificate furnished to the Trustee and the Corporation containing the specimen signatures of such person or persons and signed on behalf of the County by the County Manager, the Chair of the Board, or the Chief Financial Officer, or (2) if any or all of the County’s rights and obligations are assigned under the Contract, the person or persons at the time designated to act on behalf of the County and the assignee by a written certificate similarly furnished and of the same tenor.

“*Deed of Trust*” means the Deed of Trust, Security Agreement and Fixture Filing dated as of September 1, 2024 from the County to the deed of trust trustee named therein for the benefit of the Corporation or its assignees, as the same may be modified or extended in accordance with its terms. All of the terms, definitions, conditions and covenants of the Deed of Trust are incorporated by reference and are made a part of the Contract as if fully set forth therein.

“*Deed of Trust Trustee*” means the trustee named in the Deed of Trust and any trustee subsequently named pursuant to the terms of the Deed of Trust.

“*DTC*” means The Depository Trust Company, a limited purpose company organized under the law of the State of New York, and its successors and assigns.

“*DTC Participant*” or “*DTC Participants*” means securities brokers and dealers, banks, trust companies, clearing corporations and certain other corporations which have access to the DTC system.

“*Event of Default*” means those events of default specified in the Contract and the Indenture, as applicable.

“*Federal Securities*” means, to the extent such investments qualify under Section 159-30, or any replacement statute, of the General Statutes of North Carolina as amended from time to time, (a) direct obligations of the United States of America, obligations the principal of and interest on which are guaranteed by the United States of America or obligations of any agency or instrumentality of the United States of America, in each case for the payment of which the full faith and credit of the United States of America are pledged (including any securities issued or held in the name of the Trustee in book entry form on the books of the Department of the Treasury of the United States of America) which obligations are held by the Trustee and are not subject to prepayment or purchase before maturity at the option of anyone other than the holder; (b) any bonds or other obligations of any state or territory of the United States of America or of any agency, instrumentality or local governmental unit of any such state or territory which are (1) not callable before maturity or (2) as to which irrevocable instructions have been given to the trustee or escrow agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified, and which are rated by Moody’s and S&P within its highest rating category and which are secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) of this definition which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate; or (c) evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in clause (a) or (b) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in clause (a) or (b), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated.

“*Fiscal Year*” means a twelve-month period commencing on the first day of July of any year and ending on the 30th day of June of the succeeding year, or such other twelve-month period which may subsequently be adopted as the Fiscal Year of the County.

“*Indenture*” means the Indenture of Trust dated as of September 1, 2024 between the Corporation and the Trustee, as amended or supplemented from time to time, pursuant to which the Bonds are executed and delivered.

“*Installment Payments*” means those payments made by the County to the Corporation as described in the Contract and in the Payment Schedule attached thereto.

“*Interest Payment Date*” means, (a) with respect to the 2024 Bonds, each April 1 and October 1, beginning April 1, 2025, and (b) for any Additional Bonds, the days designated in the supplemental indenture authorizing such Additional Bonds.

“*LGC*” means the Local Government Commission of North Carolina.

“*Moody’s*” means Moody’s Investors Service, its successors and their assigns, and, if such entity for any reason no longer performs the function of a securities rating agency, “*Moody’s*” will be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

“*Mortgaged Property*” means the property subject to the lien and security interest created by the Deed of Trust, as more particularly described therein.

“*Net Proceeds*,” means, when used with respect to any (1) proceeds from policies of insurance which are payable to the Corporation or the Trustee with respect to the Mortgaged Property, (2) proceeds from any payment and performance bond maintained pursuant to the Contract, (3) proceeds of any condemnation award arising out of the condemnation of all or any portion of the Mortgaged Property or (4) proceeds from any sale or lease of the Mortgaged Property pursuant to the Deed of Trust or otherwise subsequent to an Event of Default, the amount remaining after deducting from the gross proceeds thereof all expenses (including, without limitation, attorneys’ fees, costs and expenses) incurred in the collection of such proceeds.

“*Opinion of Counsel*” means an opinion in writing of legal counsel, who may be counsel to the Trustee, the County or the Corporation.

“*Outstanding*” or “*Bonds Outstanding*” means, as of the date in question, all Bonds which have been executed and delivered under the Indenture, except:

- (a) Bonds canceled or which have been surrendered to the Trustee for cancellation;
- (b) Bonds in lieu of which other Bonds have been authenticated under the Indenture;
- (c) Bonds which have been prepaid as provided in the Indenture (including Bonds prepaid on a partial payment as provided in the Indenture); and
- (d) Bonds which have been deemed paid under the Indenture.

“*Owner*” or “*Owners*” means, initially, Cede & Co., as nominee for DTC, and if the book entry system of evidence and transfer of ownership in the Bonds is discontinued, the registered owner or owners of any Bond fully registered as shown in the registration books of the Trustee.

“*Payment Schedule*” means the document attached to the Contract which sets forth the County’s Installment Payments.

“*Permitted Investments*” means investments which are qualified under Section 159-30, or any replacement statute, of the General Statutes of North Carolina, as amended from time to time.

“*Person*” or “*person*” means natural persons, firms, associations, corporations and public bodies.

“*Prepayment Fund*” means the special fund of that name created under the Indenture.

“*Projects*” means, initially, the 2024 Projects, as such term may be amended in connection with any other project financed or refinanced with the proceeds of Additional Bonds executed and delivered under the Indenture.

“*Purchase Price*” means the amount advanced by the Corporation to enable the County to finance and refinance the Projects, as such price may be adjusted in connection with the execution and delivery of Additional Bonds under the Indenture.

“*Rebate Fund*” means the special fund of that name created under the Indenture.

“*Record Date*” means the fifteenth day (whether or not a Business Day) of the month next preceding an Interest Payment Date.

“*Revenues*” means (a) all Net Proceeds not applied to the replacement of the Mortgaged Property; (b) all Installment Payments; and (c) all investment income on all funds and accounts created under the Indenture (other than the Rebate Fund).

“*S&P*” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, its successors and their assigns, and, if such entity for any reason no longer performs the function of a securities rating agency, “*S&P*” will be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

“*State*” means the State of North Carolina.

“*Tax Certificate*” means the Tax Certificate executed by and among the County, the Corporation and the Trustee to signify the acceptance of certain covenants and obligations necessary for the exclusion of interest with respect to the 2024 Bonds from the gross income of the owners thereof under the Code.

“*Trustee*” means U.S. Bank Trust Company, National Association, acting in the capacity of trustee for the Owners pursuant to the Indenture, and any successor thereto appointed under the Indenture.

“*Trust Estate*” means the property pledged and assigned to the Trustee pursuant to and defined as such in the granting clauses of the Indenture.

“*Trustee Representative*” means the person or persons at the time designated to act on behalf of the Trustee for purposes of performing any act on behalf of the Trustee under the Indenture by a written certificate furnished to the County and the Corporation containing the specimen signature of such person or persons and signed on behalf of the Trustee by any duly authorized officer of the Trustee.

“*2024 Bonds*” means the Limited Obligation Bonds (County of New Hanover, North Carolina), Series 2024 evidencing proportionate undivided interests in rights to receive certain Revenues pursuant to the Contract.

“*2024 Projects*” means (a) the construction, equipping and furnishing of a new library known as Northchase Library, (b) the construction, equipping and furnishing of two fire stations known as the Castle Hayne Fire Station and the Gordon Road Fire Station, (c) the construction of an ammunition warehouse and office/classroom building at the New Hanover County Firing Range, and (d) the replacement of the roof and other exterior improvements to the New Hanover County Senior Resource Center.

“*Underwriter*” means, with respect to the 2024 Bonds, PNC Capital Markets LLC.

THE CONTRACT

Advancement. In the Contract, the Corporation agrees to make an advance to the County of the Purchase Price, and the County accepts from the Corporation the Purchase Price to be applied in accordance with the terms and conditions of the Contract. The County will use the proceeds of the Purchase Price to finance the Projects and to Costs of Issuance.

Title; Release of Security Interest. Title to the Mortgaged Property and any and all additions, repairs, replacements or modifications thereto will be in the County from and after the date of execution and delivery of the Contract. The County will own the Mortgaged Property free and clear of any lien or security interest created by the Contract and the Deed of Trust, as applicable, on the repayment in full of the Purchase Price and the payment of all other amounts due under the Contract. The County will deliver to the Trustee the Deed of Trust simultaneously with the execution and delivery of the Contract and will

cause the Deed of Trust to be recorded in the New Hanover County Register of Deeds. On payment in full of all of the County's obligations under the Contract, including the Purchase Price and all other payments due under the Contract, the Corporation or its assignee, at the County's expense and request, will discharge the Indenture and release the lien on the Mortgaged Property, at which time the Contract will terminate.

Installment Payments; Additional Payments. As consideration for the Corporation's advance of the Purchase Price to the County, the County shall repay to the Trustee, as assignee of the Corporation under the Indenture, the Purchase Price in installments with interest as provided in the Contract and the Payment Schedule attached to the Contract (each an "*Installment Payment*"). Each installment shall be deemed to be an Installment Payment and shall be paid in the amounts and at the times set forth on the Payment Schedule except as provided in the Contract. There shall be credited against the amount of Installment Payments otherwise payable under the Contract amounts equal to (1) earnings derived from the investment of the Bond Fund and the Prepayment Fund and (2) any other money not constituting Installment Payments required to be deposited in the Bond Fund. Installment Payments shall be sufficient in the aggregate to repay the Purchase Price together with interest thereon. As further consideration for the Corporation's advance of the Purchase Price to the County, the County shall also pay the Additional Payments, as required in the Contract, on a timely basis directly to the person or entity to which such Additional Payments are owed.

Limited Obligation of the County. NOTWITHSTANDING ANY PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST WHICH MAY BE TO THE CONTRARY, NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. NO PROVISION OF THE CONTRACT, THE DEED OF TRUST OR THE INDENTURE SHALL BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS NOR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. THE CONTRACT, THE DEED OF TRUST AND THE INDENTURE SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE COUNTY FOR ANY FISCAL YEAR IN WHICH THE CONTRACT IS IN EFFECT; PROVIDED, HOWEVER, ANY FAILURE OR REFUSAL BY THE COUNTY TO APPROPRIATE FUNDS WHICH RESULTS IN THE FAILURE BY THE COUNTY TO MAKE ANY PAYMENT COMING DUE UNDER THE CONTRACT WILL IN NO WAY OBTIATE THE OCCURRENCE OF THE EVENT OF DEFAULT RESULTING FROM SUCH NONPAYMENT. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF A CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEY DUE UNDER THE CONTRACT. NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED TO PLEDGE OR TO CREATE A LIEN ON ANY CLASS OR SOURCE OF THE COUNTY'S MONEY, NOR SHALL ANY PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST RESTRICT THE FUTURE ISSUANCE OF ANY OF THE COUNTY'S BONDS OR OBLIGATIONS PAYABLE FROM ANY CLASS OR SOURCE OF THE COUNTY'S MONEY. TO THE EXTENT OF ANY CONFLICT BETWEEN THIS PROVISION AND ANY OTHER PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST, THIS PROVISION SHALL TAKE PRIORITY.

Damage, Destruction or Condemnation; Use of Net Proceeds. If, during the term of the Contract, (1) any portion of the Mortgaged Property is destroyed or damaged by fire or other casualty; (2) title to or the temporary or permanent use of any portion of the Mortgaged Property or the estate of the County or the Corporation or its assignee in any portion of the Mortgaged Property is taken under the power of eminent domain by any governmental authority; (3) a material defect in construction of any portion of the Mortgaged Property becomes apparent; or (4) title to or the use of any portion of the Mortgaged Property is lost by reason of a defect in title thereto, then the County continues to be obligated, subject to the provisions set

forth below, to pay the amounts specified in the Contract at the respective times required and written notice of any of the foregoing shall promptly be given to the Trustee.

Subject to the provisions set forth below, the County shall direct the Trustee in writing to cause the Net Proceeds of any insurance policies, performance or payment bonds, if any, condemnation awards or Net Proceeds made available by reason of any occurrence described above, to be deposited in a separate fund held by the Trustee. Except as set forth below, all Net Proceeds so deposited will be applied to the prompt repair, restoration, modification, improvement or replacement of the Mortgaged Property on receipt of requisitions approved by a County Representative stating with respect to each payment to be made: (a) the requisition number; (b) the name and address of the person, firm or corporation to whom payment is due; (c) the amount to be paid; and (d) that each obligation mentioned therein has been properly incurred, is a proper charge against the Acquisition and Construction Fund or such separate fund, and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee will cooperate with the County in the administration of such separate fund and shall not unreasonably withhold its approval of requisitions under this paragraph. The Trustee shall be fully protected in releasing amounts approved by the County Representative and the Trustee has no duty or obligation to determine whether or not any such requisitioned amounts are appropriate. If the Net Proceeds (plus any amount withheld therefrom by reason of any deductible clause) are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Mortgaged Property, the County may complete the work and pay any cost in excess of the amount of the Net Proceeds, and the County agrees that, if by reason of any such insufficiency of the Net Proceeds, the County will make any payments pursuant to the provisions of this paragraph, the County is not entitled to any reimbursement therefor from the Corporation, the Trustee or the Owners nor is the County entitled to any diminution of the amounts payable under the Contract. Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds will be the property of the County, subject to the Deed of Trust to the extent it relates to the Mortgaged Property, and will be included as part of the Mortgaged Property as set forth in the Contract.

On the occurrence of an event described above with respect to the Mortgaged Property, the County may elect not to repair, restore, improve or replace the affected portion of the Mortgaged Property if (1) (a) the Net Proceeds are less than \$1,000,000 and (b) a County Representative certifies to the Corporation that such Net Proceeds are not necessary to restore the affected portion of the Mortgaged Property to its intended use or (2) the County uses the Net Proceeds, together with any other available funds of the County that may be necessary, to redeem or defease all of the Outstanding Bonds in accordance with the terms of the Indenture. In such event, the County shall direct the Trustee in writing to either deposit such Net Proceeds in the Bond Fund to be applied toward the next payment of principal and interest with respect to the Bonds or in the Prepayment Fund or an escrow fund to effect the prepayment or defeasance of the Outstanding Bonds, as the case may be.

Within 90 days of the occurrence of an event specified above, the County will commence the repair, restoration, modification, improvement or replacement of the Mortgaged Property, or will elect, by written notice to the Trustee, to proceed under the provisions of the immediately preceding paragraph. For purposes of these provisions, "commence" will include the retention of an architect or engineer in anticipation of repair, restoration, modification, improvement or replacement of the Mortgaged Property.

Care and Use. Subject to the provisions of applicable law and the terms of the Contract, the County shall use the Mortgaged Property in a careful and proper manner, in compliance with all applicable laws and regulations, and, at its sole cost and expense, shall service, repair and maintain the Mortgaged Property so as to keep the Mortgaged Property in good condition, repair, appearance and working order for the purposes intended, ordinary wear and tear excepted. The County shall replace any part of the Mortgaged Property as may from time to time become worn out, unfit for use, lost, stolen, destroyed or damaged, if

necessary to the proper operation of the Mortgaged Property. Any and all additions to or replacements of the Mortgaged Property and all parts thereof shall constitute accessions to the Mortgaged Property and shall be subject to all the terms and conditions of the Contract and included in the term “*Mortgaged Property*” and as used in the Contract.

General Tax Covenant. In the Contract, the County covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest portion of the Installment Payments created by the Contract and allocable to the 2024 Bonds under Section 103 of the Code. The County will not directly or indirectly use or permit the use of any proceeds of any fund created under the Indenture allocable to the 2024 Bonds, or take or omit to take any action that would cause the obligation created by the Contract and allocable to the 2024 Bonds to be an “arbitrage bond” within the meaning of Section 148(a) of the Code. To that end, the County and the Corporation have executed the Tax Certificate and will comply with all requirements of Section 148 of the Code to the extent applicable. The County further represents and covenants that the Installment Payments created by the Contract and allocable to the 2024 Bonds are not and will not constitute a “private activity bond” as defined in Section 141 of the Code.

Property Insurance. The County shall continually maintain or cause to be maintained insurance to the full insurable value of the Mortgaged Property against, to the extent commercially available at a reasonable cost, loss by fire, wind damage, hazards customarily included in the term “extended coverage” with responsible and reputable insurance companies and shall promptly pay all premiums therefor when due. All insurance policies and renewals thereof shall name the Corporation and the Trustee as parties insured thereunder, as the respective interests of each of such parties may appear, and have attached thereto a mortgagee long form loss payable clause in favor of the Trustee, and provide that no such policy can lapse or be canceled, substantially modified or terminated without at least 30 days prior notice to the Trustee and that any loss payable thereunder shall be made payable and shall be applied as provided in the Contract. In the event of loss, the County shall give immediate written notice by mail to the Trustee, who may, but shall not be obligated to, make proof of loss. In the event of a foreclosure of the Deed of Trust or other transfer of title to the Mortgaged Property, all right, title and interest of the County in any insurance policies then in force shall pass to the Trustee. Additionally, during the term of the Contract, the County shall continually maintain standard liability insurance as is customarily maintained by like entities with respect to facilities similar to the Mortgaged Property.

The County may provide for and maintain the insurance required under the Contract partially or wholly by means of an adequate risk retention fund. Reserves for a risk retention fund shall be determined by using actuarial principles. Any risk retention fund shall be reviewed annually by the County’s risk manager or an independent insurance consultant or actuarial consultant. The Trustee shall conclusively rely on a letter of the County’s risk manager or an independent insurance consultant or actuarial consultant as to the adequacy of any risk retention fund. The Trustee has made no evaluation as to the sufficiency of the insurance requirements set forth in the Contract.

Assignment. The County may not sell, assign, lease, sublease, pledge or otherwise encumber or suffer a lien or encumbrance on or against any interest in the Contract or the Mortgaged Property (except for permitted encumbrances under the Contract and as defined in the Deed of Trust) without the prior written consent of the Trustee. Notwithstanding the foregoing, the County may lease all or a portion of the Mortgaged Property subject to the following conditions:

- (a) the obligation of the County to make Installment Payments and Additional Payments under the Contract will remain obligations of the County;

(b) the County will furnish or cause to be furnished to the Trustee a true and complete copy of such lease at least 30 days before the execution and delivery of any such lease;

(c) no lease will cause the interest component of Installment Payments relating to any Bonds intended to be excludable from gross income of the recipient thereof for federal income tax purposes to become includable in gross income for federal income tax purposes; and

(d) the Trustee may request to receive an Opinion of Counsel to the County to the effect that such lease is subordinate in all respects to the lien of the Deed of Trust and that such lease is subject to immediate termination at the direction of the Trustee following an Event of Default by the County under the Contract.

Amendments and Modifications.

--Without Consent of the Owners. The Indenture provides that the Corporation and the Trustee may, with the written consent of the County, but without the consent of or notice to the Owners, consent to any amendment, change or modification of the Contract or the Deed of Trust as may be required (a) by the provisions of the Contract, the Deed of Trust or the Indenture; (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Contract or the Deed of Trust; (c) to more precisely identify the Mortgaged Property or to add or substitute improvements acquired in accordance with the Contract, the Deed of Trust and the Indenture; (d) to execute and deliver Additional Bonds as provided in the Indenture; (e) to amend the County's continuing disclosure obligation as provided in any supplement or amendment to the Contract; or (f) in connection with any other change therein which does not materially adversely affect the interests of the existing Owners.

--With Consent of the Owners. The Indenture provides that, except for the amendments, changes or modifications permitted by the above provision, neither the Corporation nor the Trustee will consent to any other amendment, change or modification of the Contract or the Deed of Trust without the giving of notice thereof to the LGC and to the Owners and receipt of consent by the LGC and by the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in the Indenture. If the County and the Corporation request the consent of the Trustee to any such proposed amendment, change or modification of the Contract or the Deed of Trust, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in the Indenture. Such notice will be prepared by the County or the Corporation, shall briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the designated corporate trust office of the Trustee for inspection by all Owners.

The consent by the purchaser of a series of Additional Bonds constitutes the consent of the Owners of that series of Additional Bonds.

Events of Default. The occurrence of the following are considered Events of Default under the Contract:

(a) The County fails to make any Installment Payment on the date such Installment Payment is due under the Contract;

(b) The County fails to budget and appropriate money sufficient to pay all Installment Payments and the reasonably estimated Additional Payments coming due in any Fiscal Year;

(c) The County fails to perform or observe any term, condition or covenant of the Contract on its part to be observed or performed, other than as referred to in (a) or (b) above, or of the Deed of Trust on its part to be observed or performed, or breaches any warranty by the County therein contained, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Trustee unless the Trustee agrees in writing to an extension of such time prior to its expiration; provided, however, that if the failure cannot be corrected within the stated period, the Trustee will not unreasonably withhold consent for an extension;

(d) Any bankruptcy, insolvency or reorganization proceedings or similar litigation, is instituted by the County, or a receiver, custodian or similar officer is appointed for the County or any of its property, and such proceedings or appointments are not vacated or fully stayed within 90 days after the institution or occurrence thereof; or

(e) Any representation or statement made by the County in the Contract, in the Deed of Trust or in any other document executed or delivered in connection therewith is found to be incorrect or misleading in any material respect on the date made.

Remedies on Default. On the occurrence of any Event of Default, the Trustee may, and if required by a majority in aggregate principal amount of the Owners of the Bonds, the Trustee shall, to the extent permitted by applicable law and the Contract, exercise any one or more of the following remedies as the Trustee may elect or as shall be directed in writing by a majority in aggregate principal amount of the Owners of the Bonds:

(a) Declare the unpaid portion of the principal and interest components of Installment Payments immediately due and payable without notice or demand to the County;

(b) Proceed by appropriate court action to enforce performance by the County of the applicable covenants of the Contract or to recover for the breach thereof; or

(c) Exercise or direct the Deed of Trust trustee to exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State and the general laws of the State with respect to the enforcement of the security interest granted or reserved under the Contract and the Deed of Trust including, without limitation, to the extent permitted by law, re-enter and take possession of the Mortgaged Property without any court order or other process of law and without liability for entering the premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the County, and apply the proceeds of any such sale, lease, sublease or other disposition, after deducting all costs and expenses, including court costs and attorneys' fees, costs and expenses incurred with the recovery, repair, storage and other sale, lease, sublease or other disposition, toward the balance due under the Contract and, thereafter, shall pay any remaining proceeds to the County.

NOTWITHSTANDING ANY OTHER PROVISIONS IN THE CONTRACT TO THE CONTRARY, IT IS THE INTENT OF THE PARTIES TO THE CONTRACT TO COMPLY WITH GENERAL STATUTES OF NORTH CAROLINA SECTION 160A-20. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN VIOLATION OF SECTION 160A-20 INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT WHEN THE SALE OF ALL OR ANY PORTION OF THE MORTGAGED PROPERTY IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT.

THE INDENTURE

Funds and Accounts. The Indenture creates (1) the Bond Fund; (2) the Prepayment Fund; (3) the Rebate Fund; and (4) the Acquisition and Construction Fund, to be held in trust by the Trustee.

--The Bond Fund. There has been created and established with the Trustee a special fund to be designated “*County of New Hanover, NC 2024 Installment Financing Contract Bond Fund*” (the “*Bond Fund*”), the money in which shall be used to pay the principal, premium, if any, and interest with respect to the Bonds. Within the Bond Fund are an Interest Account and a Principal Account, the money in each of which is to be used as set forth in the Indenture. A “*2024 Subaccount of the Interest Account*” has been created within the Interest Account of the Bond Fund. A “*2024 Subaccount of the Principal Account*” has been created within the Principal Account of the Bond Fund.

--The Interest Account. There shall be deposited into the Interest Account of the Bond Fund (1) that portion of each payment of Installment Payments which is designated and paid as interest under the Contract; (2) investment earnings on the Bond Fund and the Prepayment Fund, as provided in the Indenture; (3) Net Proceeds from any lease of the Mortgaged Property, including after an Event of Default to the extent required to pay the next installment of interest or any previous installment of interest not paid; (4) all money required to be deposited therein in accordance with the Indenture; and (5) all other money received by the Trustee under the Indenture accompanied by directions from the County that such money is to be deposited into the Interest Account of the Bond Fund. The Trustee shall credit all amounts deposited into the Interest Account of the Bond Fund, including the amounts set forth in the Contract, toward the interest component of the Installment Payment then due and payable under the Contract. The Trustee shall notify the County of all amounts credited toward such Installment Payments within 30 days of such credit.

--The Principal Account. There shall be deposited into the Principal Account of the Bond Fund (1) that portion of each payment of Installment Payments which is designated and paid as principal with respect to the Bonds under the Contract; (2) Net Proceeds from any lease of the Mortgaged Property, including after an Event of Default after the deposit described under the first paragraph of the caption “*--The Interest Account*” above; (3) all money required to be deposited therein in accordance with the Indenture; and (4) all other money received by the Trustee under the Indenture accompanied by directions from the County that such money is to be deposited into the Principal Account of the Bond Fund.

--Use of Money in Bond Fund. Money in the Interest Account of the Bond Fund shall be used for the payment of the interest with respect to the Bonds as the same becomes due and payable. Money in the Principal Account of the Bond Fund shall be used for the payment of the principal with respect to the Bonds. Investment earnings on money on deposit in the Interest Account and Principal Account of the Bond Fund shall be applied to the next payment of Installment Payments with respect to the Bonds. If the Bonds are to be prepaid in whole pursuant to the Indenture, any money remaining in the Interest Account and the Principal Account of the Bond Fund shall be applied to such prepayment along with other money held by the Trustee for such purpose.

--The Prepayment Fund. There has been created and established with the Trustee a special fund to be designated the “*County of New Hanover, NC 2024 Installment Financing Contract Prepayment Fund*” (the “*Prepayment Fund*”). A “*2024 Account*” has been created within the Prepayment Fund. The Trustee shall deposit into the Prepayment Fund money provided by the County as a prepayment of Installment Payments and apply such funds to prepay Installment Payments as directed in writing by the County. Money on deposit in the Prepayment Fund shall be disbursed for prepayment of the Bonds as provided in the Indenture. Any income from investment of money in the Prepayment Fund shall be deposited into the Interest Account of the Bond Fund and applied to the interest component of the next payment of the Installment Payments. Whenever any money on deposit in the Prepayment Fund is disbursed for

prepayment of less than all of the Outstanding Bonds, the Installment Payments set forth in the Contract shall be recalculated by the Trustee and verified by the County to reflect the reduction in the outstanding principal amount of the Bonds after such prepayment.

--*The Rebate Fund.* If the County informs the Trustee that funds are to be set aside in a separate account of the Trustee to be held for the payment of rebate payments to the Federal Government pursuant to the terms of the Tax Certificate, the Trustee shall create and establish the “*County of New Hanover, NC 2024 Installment Financing Contract Rebate Fund*” (the “*Rebate Fund*”) and a “*2024 Account*” within the Rebate Fund. The Trustee shall deposit in the Rebate Fund the amounts as directed by the County. The County shall make or cause to be made the calculation or calculations required by the Tax Certificate and shall direct the Trustee in writing to make deposits and disbursements from the Rebate Fund in accordance therewith. The Trustee shall invest the Rebate Fund as directed in writing by the County. The Rebate Fund is a trust fund, but amounts therein do not constitute part of the Trust Estate.

--*The Acquisition and Construction Fund.* There has been created and established with the Trustee a special fund to be designated “*County of New Hanover, NC 2024 Installment Financing Contract Acquisition and Construction Fund*” (the “*Acquisition and Construction Fund*”) and within the Acquisition and Construction Fund, a separate account designated the “*2024 Account.*” The Trustee shall deposit in the 2024 Account the amount set forth in the Indenture. In addition, the Trustee shall deposit into the Acquisition and Construction Fund such amounts as the County may designate in a certificate signed by a County Representative in connection with the execution and delivery of Additional Bonds under the Indenture. Any money held in the Acquisition and Construction Fund or any account thereof shall be invested and reinvested by the Trustee at the direction of the County in accordance with the Indenture, and the income therefrom shall be retained in the Acquisition and Construction Fund or any account thereof and used (together with all other money held in the Acquisition and Construction Fund) to pay the Cost of Acquisition and Construction attributable to the Projects and otherwise, as directed by the County in accordance with the Contract. The Trustee shall create additional accounts within the Acquisition and Construction Fund on the County’s written direction.

Investment of Money. All money held as part of the Bond Fund, the Prepayment Fund, the Acquisition and Construction Fund or any other fund or account created under the Indenture or the Contract except the Rebate Fund will be deposited or invested and reinvested from time to time by the Trustee, at the written direction of the County as agent of the Corporation, in deposits or investments, which are certified by the County to be Permitted Investments subject to the following restrictions:

(a) Money in the Acquisition and Construction Fund shall be invested only in obligations which will by their terms mature not later than the date the County estimates, in a writing provided to the Trustee, the money represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund;

(b) Money in the Bond Fund shall be invested only in obligations which will by their terms mature on such dates as to ensure that on the date of each interest and principal payment, there will be in the Bond Fund from matured obligations and other money already in the Bond Fund, cash to pay the interest and principal payable on such payment date; and

(c) Money in the Prepayment Fund shall be invested in obligations which will by their terms mature, or will be subject to prepayment at the option of the owner thereof, on or before the date funds are expected to be required for expenditure or withdrawal.

The Rebate Fund shall be invested and reinvested by the Trustee, at the written direction of the County. The County acknowledges that all investment directions given to the Trustee are required to

comply with the terms of the Tax Certificate, and the Trustee may rely upon any such direction as to such compliance.

If the County fails to provide the Trustee with written investment direction for any funds held by the Trustee under the Indenture, then the Trustee will hold such amounts uninvested in cash and without liability for interest. Any and all such deposits or investments shall be held by or under the control of the Trustee. The Trustee may make any and all such deposits or investments through its own investment department or the investment department of any bank, trust company or financial institution under common control with the Trustee and may charge its ordinary and customary fees for such investments, as agreed to by the County. The Trustee is specifically authorized to enter into agreements with itself or any other person, which agreements guarantee the repurchase of specific Permitted Investments at specific prices. Except as expressly provided in the Indenture, deposits or investments, shall at all times be a part of the fund or account from which the money used to acquire such deposits or investments shall have come, and all income and profits on such deposits or investments shall be credited to, and losses thereon shall be charged against, such fund or account. In computing the amount in any fund or account held under the provisions of the Indenture, obligations purchased as a deposit or investment of money therein shall be valued at the market price thereof, exclusive of accrued interest. The Trustee shall sell and reduce to cash a sufficient amount of such deposits or investments whenever the cash balance in any fund or account created under the Indenture is insufficient to satisfy the purposes of such fund or account.

Additional Bonds. So long as the Contract remains in effect and no Event of Default has occurred and is continuing, Additional Bonds may be executed and delivered on the terms and conditions provided in the Indenture.

Additional Bonds may be delivered by the Trustee at the direction of the Corporation to provide funds to pay: (1) the cost of expanding the Projects, acquiring, constructing, renovating and equipping other facilities or acquiring equipment and other capital assets for utilization by or on behalf of the County for public purposes; (2) the cost of refunding of all or any portion of the Bonds then Outstanding or any other financing obligations of the County; and (3) the Costs of Issuance relating to the execution, delivery and sale of the Additional Bonds.

Additional Bonds may be executed and delivered only on there being filed with the Trustee:

(a) Originally executed counterparts of a supplemental indenture and an amendment to the Contract adopted in accordance with the requirements of the Indenture and approved by the LGC, if so required by law, including requirements regarding approval of the Owners, if applicable, expressly providing that the Additional Bonds being executed and delivered as well as any Bonds and Additional Bonds theretofore executed and delivered will be secured on a parity as provided in the Indenture, except that the date or dates of the Additional Bonds, the rate or rates of interest with respect to the Additional Bonds, the time or times of payment of interest with respect thereto and the principal amount thereof, and provisions for the prepayment thereof, if any, all will be as provided in the supplemental indenture and amendment to the Contract, and further providing for an increase in the Purchase Price and the Installment Payments required or authorized to be paid to the Trustee under the Contract in such amount as will be necessary to pay (assuming that no Event of Default will occur), the principal, premium, if any, and interest with respect to the Additional Bonds.

(b) A written opinion or opinions of nationally recognized bond counsel and mutually acceptable to the County and the Corporation, to the effect that the amendment to the Contract and the execution and delivery of the Additional Bonds have been duly authorized, that the amendment to the Contract is valid and enforceable against the County and, to the extent applicable, that the

exclusion from gross income for federal income tax purposes of the interest component of the Installment Payments will not be adversely affected by the execution and delivery of the Additional Bonds, and that the execution, sale, and delivery of the Additional Bonds will not constitute a default under the Contract or the Indenture or cause any violation of the covenants, agreements or representations under the Contract or the Indenture.

(c) A written order to the Trustee to deliver the Additional Bonds to the purchaser or purchasers therein identified on payment to the Trustee of a specified sum plus accrued interest, if any.

Each of the Additional Bonds executed and delivered pursuant to the Indenture will evidence a proportionate undivided interest in rights to receive certain Revenues under the Contract, as amended, proportionately and ratably secured with the 2024 Bonds originally executed and delivered and all other issues of Additional Bonds, if any, executed and delivered pursuant to the Indenture, without preference, priority or distinction of any 2024 Bonds or Additional Bond over any other.

Supplemental Indentures.

--Consent of Owners Not Required. The Trustee and the Corporation may, with the written consent of the County, but without the consent of, or notice to, the Owners, enter into such indentures supplemental to the Indenture for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the Corporation contained in the Indenture other covenants and agreements to be thereafter observed by the Corporation or to surrender any rights or powers herein reserved to or conferred upon the Corporation which are not contrary to or inconsistent with the Indenture as then in effect;

(b) To cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if such provisions are necessary or desirable and do not adversely affect the interests of the Owners;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee which are not contrary to or inconsistent with the Indenture as then in effect or to subject to the pledge and lien of the Indenture, additional revenues, properties, or collateral;

(d) To modify, alter, supplement or amend the Indenture in such manner as shall permit the qualification of the Indenture, if required, under the Trust Indenture Act of 1939 or, the Securities Act of 1933, as from time to time amended, or any similar federal statute hereafter in effect;

(e) To make any other change to the Indenture that is determined by the Trustee to be not materially adverse to the interests of the Owners and which does not involve a change requiring consents of specific Owners; or

(f) To execute and deliver Additional Bonds as provided in the Indenture.

--Consent of Owners Required. Exclusive of supplemental indentures covered under the caption “*--Consent of Owners Not Required*” above, the written consent of the County and the LGC and the consent

of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding is required for the execution by the Corporation and the Trustee of any indenture or indentures supplemental to the Indenture; provided, however, that (1) if such supplemental indenture will, by its terms, not take effect so long as any Bonds so affected remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture, and (2) without the consent of the LGC and the Owners of all the Bonds at the time Outstanding affected thereby nothing contained in the Indenture will permit, or be construed as permitting:

- (a) A change in the terms of prepayment or maturity of the principal amount of or the interest with respect to any Outstanding Bond, or a reduction in the principal amount of or premium payable on any prepayment of any Outstanding Bond or the rate of interest with respect thereto;
- (b) The deprivation of the Owner of any Bond then Outstanding of the lien created by the Indenture (other than as originally permitted thereby);
- (c) A privilege or priority of any Bond or Bonds over any other Bond or Bonds; or
- (d) A reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

If at any time the County or the Corporation requests the Trustee to enter into such supplemental indenture for any of the purposes described above, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by first class mail to the Owners of the Bonds then Outstanding at the address shown on the registration books maintained by the Trustee (or by such other method as permitted by the Owners). Such notice will be prepared by the County or the Corporation, will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as is prescribed by the County following the giving of such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof as provided in the Indenture, no Owner will have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

The consent by the purchaser of a series of Additional Bonds constitutes the consent of the Owners of that series of Additional Bonds.

Any consent or request by the Owners of any Bond is conclusive and binding on such Owner and on all future Owners of the Bonds and of any Bonds executed and delivered on the transfer of any Bond, whether or not notation of such consent or request is made on the Bond.

--Consent of Initial Purchaser, Underwriter or Remarketing Agent. Notwithstanding anything in the Indenture to the contrary, (1) any initial purchaser, underwriter or remarketing agent holding any Bonds may, regardless of its intent to sell or distribute such Bonds in the future, consent as the Owner of such Bonds to any amendment or supplemental indenture as required by the Indenture, including any amendment or supplemental indenture that adversely affects the interests of other Owners and (2) any such holder providing its consent will not be entitled to receive, nor will the County be required to provide, any prior notice or other documentation regarding such amendment or supplemental indenture.

Exclusion of Bonds Held By or For the County and the Corporation. In determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the County and the Corporation will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee is protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee actually knows to be so owned will be disregarded.

Events of Default. Any of the following events are defined as and shall be deemed an “*Event of Default*” under the Indenture:

- (a) Default in the payment of the principal or premium, if any, with respect to any Bond when the same becomes due and payable, whether at the stated maturity thereof or as a sinking fund prepayment or on proceedings for prepayment for which notice of such prepayment was not a conditional notice.
- (b) Default in the payment of any installment of interest with respect to any Bond when the same becomes due and payable.
- (c) The occurrence of an “*Event of Default*” under the Contract.

Remedies on Default.

(a) On the occurrence and continuance of an Event of Default, the Trustee may, and shall, if required in writing by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the County, declare the obligations of the County as to the principal and interest components of Installment Payments and the aggregate principal amount of the Bonds and the accrued interest with respect thereto to be immediately due and payable, whereupon they will, without further action, become due and payable.

(b) The provisions of the preceding paragraph are subject, to the condition that if, after the principal with respect to any of the Installment Payments and the Bonds has been so declared to be due and payable, and before the earlier of (1) the exercise of rights granted under the Deed of Trust or (2) to the extent permitted by applicable law and the Indenture, any judgment or decree for the payment of the money due has been obtained or entered as provided in the Indenture, the defaulting party (the “*Defaulting Party*”) shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of the principal and interest with respect to all Bonds which have become due otherwise than by reason of such declaration (with interest on such overdue installments of principal and interest, to the extent permitted by law, at the rate or rates per annum borne by the Bonds) and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default under the Indenture other than nonpayment of the principal or interest with respect to the Bonds which have become due by said declaration have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission or annulment to the Defaulting Party and shall give notice thereof by first class mail to all Owners; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

The provisions of paragraph (a) are further subject to the condition that any waiver of any event of default under the Contract and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default under the Indenture and a rescission and annulment of the consequences thereof. If notice of such event of default under the Contract has been given as provided in the Indenture, the Trustee shall promptly give written notice of such waiver, rescission or annulment to the Defaulting

Party and shall give notice thereof by first class mail to all Owners; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(c) On the occurrence and continuance of any Event of Default and on the written direction of Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding and receipt of indemnity to the Trustee's satisfaction, the Trustee shall, to the extent permitted by the Indenture and applicable law, in its own name and as the Trustee of an express trust:

(1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the Defaulting Party to carry out any agreements with or for the benefit of the Owners and to perform its or their duties under the Contract and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Contract or the Indenture, as the case may be;

(2) take whatever action at law or in equity is permissible and may appear necessary or desirable to enforce its rights against the Defaulting Party or the Mortgaged Property held as security therefor, including exercising its rights under the Deed of Trust.

No right or remedy is intended to be exclusive of any other rights or remedies, but each and every such right or remedy shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute. If any Event of Default has occurred and if requested in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee is obligated to exercise, to the extent permitted applicable law and subject to the Indenture, such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners. When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Application of Money. All money received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture (other than amounts in the Rebate Fund) after an Event of Default shall, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the outstanding fees of the Trustee and the costs, expenses, liabilities and advances incurred or made by the Trustee, including the reasonable fees, costs, and expenses of its agents and counsel, be deposited in the Bond Fund and applied as follows:

(a) Unless the principal with respect to all of the Bonds have become or have been declared due and payable, all such money shall be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due with respect to the Bonds, in the order of the maturity of the installments of such interest beginning with the earliest such maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid principal and premium, if any, with respect to any of the Bonds which have become due (other than Bonds matured or called for prepayment for the payment of which money is held pursuant

to the provisions of the Indenture), in the order of their due dates and beginning with the earliest due date, and, if the amount available is not sufficient to pay in full the principal of such Bonds due on any particular date, then to the payment, ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto of interest on overdue installments of principal, premium, if any, and interest, to the extent permitted by law, and if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such particular installment, to the persons entitled thereto, without any discrimination or privilege; and

FOURTH - To be held for the payment to the persons entitled thereto, as the same become due, of the principal, premium, if any, and interest with respect to the Bonds which may thereafter become due in accordance with the terms of the Indenture.

(b) If the principal with respect to all of the Bonds has become due or has been declared due and payable, all such money shall be applied to the payment of the principal and interest then due and unpaid with respect to the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or privilege, with interest on overdue installments of interest or principal, to the extent permitted by law.

Whenever money is to be applied pursuant to the provisions described above, such money shall be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee applies such funds, it shall fix the date (which shall be an Interest Payment Date unless it deems another date more suitable) on which such application is to be made and on such date interest with respect to the amounts of principal to be paid on such dates, and for which money is available, shall cease to accrue. The Trustee shall also select a new record date for such payment date. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such record date and payment date, and shall not be required to make payment to the Owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal, premium, if any, and interest with respect to all of the Bonds have been paid and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the County.

Defeasance. If, when the Bonds secured by the Indenture become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal, premium, if any, and interest due and payable with respect to all of the Bonds shall be paid or provision has been made for the payment of the same, together with all other sums payable under the Indenture, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Corporation to the Trustee and the Owners shall then cease, terminate and become void and be discharged and satisfied. In such event, on the written request of the County, the Trustee shall transfer and convey to the County all property assigned or pledged to the Trustee by the Corporation then held by the Trustee pursuant to the Indenture, and the Trustee shall execute such documents as may be reasonably required by the County and shall turn over to the County any surplus in any fund created under the Indenture other than the Rebate Fund and unclaimed funds set aside pursuant to the Indenture.

Outstanding Bonds shall, before the maturity or prepayment date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph if (a) in case said Bonds are to be prepaid on any date before their maturity, the County has given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give on a date, in accordance with the provisions of the Indenture, notice of prepayment of such Bonds on said prepayment date, (b) there has been deposited with the Trustee either money in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide money which, together with the money, if any, deposited with or held by the Trustee at the same time, sufficient to pay when due the principal, premium, if any, and interest due and to become due with respect to said Bonds on and before the prepayment date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to prepayment within the next 60 days, the County has given the Trustee in form satisfactory to it (1) irrevocable instructions to give, as soon as practicable in the same manner as the notice of prepayment is given pursuant to the Indenture, a notice to the Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or prepayment date on which money is to be available for the payment of the principal, premium, if any, and interest with respect to said Bonds, (2) verification from an independent accountant or other nationally recognized expert selected by the County that the money or Federal Securities deposited with the Trustee will be sufficient to pay when due the principal, premium, if any, and interest due and to become due with respect to the Bonds on and before the prepayment date or maturity date thereof, and (3) an opinion of nationally recognized bond counsel selected by the County that, to the extent applicable, such deposit of money or Federal Securities will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the applicable Bonds delivered with the expectation that interest with respect thereto will be excludable from the gross income of the owners thereof for federal income tax purposes. Neither the Federal Securities nor money deposited with the Trustee pursuant to the Indenture or principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and such Federal Securities or money shall be held in trust for, the payment of the principal, premium, if any, and interest with respect to said Bonds; provided any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Federal Securities of the type described in clause (b) of this paragraph maturing at the times and in amounts sufficient (together with any other money or Federal Securities then held by the Trustee as described above) to pay when due the principal, premium, if any, and interest to become due with respect to said Bonds on or before such prepayment date or maturity date thereof, as the case may be. At such time as any Bonds shall be deemed paid as aforesaid, such Bonds shall no longer be secured by or entitled to the benefits of the Indenture and the Contract, except for the purpose of exchange and transfer and any payment from such money or Federal Securities deposited with the Trustee.

The release of the obligations of the Corporation described in the preceding paragraph is without prejudice to the rights of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements incurred with respect to the administration of the trust created by the Indenture and the performance of its powers and duties under the Indenture.

THE DEED OF TRUST

Deed of Trust and Security Interest. To secure (1) the obligations of the County to make the Installment Payments and (2) the payment and performance of all the other liabilities and obligations, whether now existing or hereafter arising, of the County to the Corporation under the Contract and the Deed of Trust, the County has granted and conveyed to the Deed of Trust Trustee for the benefit of the Beneficiary, its successors and assigns all right, title and interest that the County now has or may hereafter acquire in the Mortgage Property as more fully described in the Deed of Trust.

County's Continuing Obligation. The County will remain liable for full payment and performance, as the case may be, of all obligations secured by the Deed of Trust, notwithstanding the occurrence of any event or circumstance whatsoever. However, no deficiency judgment may be rendered against the County in favor of the Beneficiary in violation of Section 160A-20 of the North Carolina General Statutes, including, without limitation, any deficiency judgment for amounts that may be owed under the Contract or the Deed of Trust when the sale of all or any portion of the Mortgaged Property is insufficient to produce enough money to pay in full all remaining obligations under the Contract or the Deed of Trust.

Release of Mortgaged Property. Notwithstanding any other provisions of the Deed of Trust, at any time so long as there is no Event of Default, the Deed of Trust Trustee must release the Mortgaged Property or any part thereof from the lien and security interest of the Deed of Trust when and if the following requirements have been fulfilled:

(a) In connection with any release of the Mortgaged Property, or any part thereof, there shall be filed with the Beneficiary a certified copy of the resolution of the Board of Commissioners for the County stating the purpose for which the County desires such release of the Mortgaged Property, giving an adequate legal description of the part of the Mortgaged Property to be released, requesting such release and providing for the payment by the County of all expenses in connection with such release.

(b) In connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, either (1) the tax, insured or appraised value of the Mortgaged Property remaining after the proposed release is not less than 25% of the aggregate principal components of the Installment Payments related to the Bonds then Outstanding under the Indenture or (2) the County (i) provides for the substitution of other real property therefor and the tax, insured or appraised value of the Mortgaged Property remaining after the proposed substitution is not less than the replacement value of the Mortgaged Property (as determined above) immediately before the proposed substitution, (ii) delivers to the Deed of Trust Trustee and the Corporation, or its assignee, an opinion of Bond Counsel to the effect that the substitution (A) is permitted by law and under the Deed of Trust and (B) will not adversely affect the tax treatment of any Outstanding Bonds, and (iii) records a modification to the Deed of Trust reflecting such substitution of the Mortgaged Property.

(c) In connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, such release shall not prohibit the County's ingress, egress and regress to and from the remainder of the Mortgaged Property not being released, or materially interfere with the use of the remainder of the Mortgaged Property not being released.

(d) In connection with the release of all property constituting the entire Mortgaged Property, there is paid to the Beneficiary an amount sufficient to provide for the payment in full of all Outstanding Bonds in accordance with the Indenture.

Grant and Release of Easements. Notwithstanding any other provisions of the Deed of Trust, at any time so long as there is no Event of Default, the County may at any time or times grant easements, licenses, rights of way and other rights and privileges in the nature of easements with respect to any part of the Mortgaged Property and the County may release existing interests, easements, licenses, rights of way and other rights or privileges with or without consideration. The Beneficiary agrees that it shall execute and deliver and will cause, request or direct the Deed of Trust Trustee to execute and deliver any instrument reasonably necessary or appropriate to grant or release any such interest, easement, license, right of way or other right or privilege but only upon receipt of (a) a copy of the instrument of grant or release, (b) a written request of the County requesting such instrument and (c) a certificate executed by the County that the grant

or release is not detrimental to the proper conduct of the operations of the County at the Mortgaged Property and will not impair the effective use, nor materially decrease the value, of the Mortgaged Property.

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

Amendments. See “THE CONTRACT—*Amendments and Modifications*” above.

Events of Default. The term “*Event of Default*” as used in the Deed of Trust, shall mean any one or more of the following events:

- (a) The occurrence of any “*Event of Default*” under the Contract; or
- (b) Failure by the County to perform or observe any term, condition or covenant of the Deed of Trust on its part to be observed or performed, other than as referred to in (a) above, or breach of any warranty by the County therein contained, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Deed of Trust Trustee or the Beneficiary unless the Deed of Trust Trustee or the Beneficiary agrees in writing to an extension of such time before its expiration; provided, however, that if the failure cannot be corrected within the stated period, the Deed of Trust Trustee or the Beneficiary will not unreasonably withhold consent for an extension.

Acceleration on Default; Additional Remedies. If an Event of Default has occurred and is continuing, the Beneficiary shall, at the written direction of a majority in aggregate principal amount of the Owners of the Outstanding Bonds, declare all Indebtedness to be due and payable and the same shall thereupon become due and payable in accordance with the Contract and the Deed of Trust without any presentment, demand, protest or notice of any kind. Thereafter, the Beneficiary may, to the extent permitted by applicable law and subject to the Contract:

- (a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Mortgaged Property, or any part thereof, in its own name or in the name of the Deed of Trust Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Mortgaged Property, or part thereof or interest therein, increase the income therefrom or protect the security thereof, and, with or without taking possession of the Mortgaged Property, sue for or otherwise collect the rents and issues thereof, including those rents and issues past due and unpaid, and apply the same, less costs and expenses of operation and collection including attorney’s fees, upon any Indebtedness, all in such order as the Beneficiary may determine. The entering upon and taking possession of the Mortgaged Property, the collection of such rents and issues and the application thereof as aforesaid, shall not cure or waive any Event of Default or notice of Event of Default under the Deed of Trust or invalidate any act done in response to such Default or pursuant to such notice of Default and notwithstanding the continuance in possession of the Mortgaged Property or the collection, receipt and application of rents and issues, the Deed of Trust Trustee or the Beneficiary, to the extent permitted by applicable law and

subject to the Contract, shall be entitled to exercise every right provided for in any instrument securing or relating to the Indebtedness or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

(b) Commence an action to foreclose the Deed of Trust as a mortgage, specially enforce any of the covenants of the Deed of Trust, or cause the Deed of Trust Trustee to foreclose the Deed of Trust by power of sale; and

(c) To the extent permitted by applicable law and subject to the Contract, exercise any or all of the remedies available to a secured party under the Uniform Commercial Code of North Carolina or under any other applicable laws.

NOTWITHSTANDING ANY PROVISIONS CONTAINED IN THE DEED OF TRUST, IT IS THE INTENT OF THE PARTIES TO COMPLY WITH THE PROVISIONS OF NORTH CAROLINA GENERAL STATUTES SECTION 160A-20. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN FAVOR OF THE BENEFICIARY IN VIOLATION OF SECTION 160A-20, INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT OR THE DEED OF TRUST WHEN THE SALE OF ALL OR ANY PORTION OF THE MORTGAGED PROPERTY IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT OR THE DEED OF TRUST. NOTWITHSTANDING ANY PROVISION TO THE CONTRARY IN THE DEED OF TRUST, NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION TO COLLECT ANY OF THE INDEBTEDNESS SECURED BY THE DEED OF TRUST AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEY DUE OR SECURED UNDER THE DEED OF TRUST.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Parker Poe Adams & Bernstein LLP]

September __, 2024

County of New Hanover, North Carolina
Wilmington, North Carolina

New Hanover County Financing Corporation
Wilmington, North Carolina

U.S. Bank Trust Company, National Association
Charlotte, North Carolina

\$33,015,000
Limited Obligation Bonds
(County of New Hanover, North Carolina), Series 2024
Evidencing Proportionate Undivided Interests in Rights to
Receive Certain Revenues Pursuant to an Installment Financing Contract
between the New Hanover County Financing Corporation and
the County of New Hanover, North Carolina

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the execution and delivery of the \$33,015,000 Limited Obligation Bonds (County of New Hanover, North Carolina), Series 2024 (the “2024 Bonds”) evidencing proportionate undivided interests in rights to receive certain Revenues pursuant to an Installment Financing Contract dated as of September 1, 2024 (the “Contract”) between the New Hanover County Financing Corporation, a nonprofit corporation organized and existing under the Constitution and laws of the State of North Carolina (the “Corporation”), and the County of New Hanover, North Carolina (the “County”).

The 2024 Bonds are being executed and delivered pursuant to an Indenture of Trust dated as of September 1, 2024 (the “Indenture”) between the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). To secure its obligations under the Contract, the County has executed and delivered a Deed of Trust, Security Agreement and Fixture Filing dated as of September 1, 2024 (the “Deed of Trust”) from the County to the deed of trust trustee named therein. The Corporation has assigned to the Trustee pursuant to the Indenture all of its rights, title and interest in and to the Contract, including the right to receive Installment Payments, but excluding certain reserved rights described in the Indenture, and the Deed of Trust. Each capitalized term used but not defined herein has the meaning given to such term in the Contract and the Indenture, as applicable.

The proceeds of the 2024 Bonds will be disbursed by the Trustee to (1) finance (a) the construction, equipping and furnishing of a new library known as Northchase Library, (b) the construction, equipping and furnishing of two fire stations known as the Castle Hayne Fire Station and the Gordon Road Fire Station, (c) the construction of an ammunition warehouse and office/classroom building at the New

Hanover County Firing Range, and (d) the replacement of the roof and other exterior improvements to the New Hanover County Senior Resource Center, and (2) pay financing costs related to the 2024 Bonds. The County has agreed under the Contract to pay its Installment Payments required thereunder directly to the Trustee.

In our capacity as Bond Counsel, we have examined executed copies of the Indenture, the Deed of Trust and the Contract, a specimen of the 2024 Bonds and such law and certified proceedings, instruments, opinions and other documents as we have deemed necessary to render the opinions hereinafter expressed. As to questions of fact material to the opinions hereinafter expressed, we have relied on representations of the Corporation and the County contained in the Contract and the related documents thereto, the certified proceedings and other certifications of public officials and others furnished to us, including certifications furnished to us by or on behalf of the Corporation and the County, without undertaking to verify the same by independent investigation. We have also relied on the opinion of K. Jordan Smith, Esq., County Attorney, dated the date hereof, with respect to the County's due authorization, execution and delivery of the Contract and other matters set forth therein. We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings that we have examined that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents, opinions and proceedings.

On the basis of the foregoing, we are of the opinion, under existing law, that:

1. The Indenture has been duly authorized, executed and delivered by the Corporation and is a valid, binding and enforceable obligation of the Corporation and, assuming the due authorization, execution and delivery by the Trustee, creates a valid lien on the Revenues in favor of the Trustee for the benefit of the Owners of the 2024 Bonds.

2. The Contract has been duly authorized, executed and delivered by the County and the Corporation and is a valid, binding and enforceable obligation of the County and the Corporation.

3. The 2024 Bonds have been duly authorized, executed and delivered for the purposes described above. The 2024 Bonds evidence valid and legally binding proportionate undivided interests in the Revenues pursuant to the Contract, enforceable in accordance with their terms. The 2024 Bonds are entitled to the benefits and security of the Indenture for the payment thereof from certain amounts to be paid under the Contract in accordance with the terms of the Indenture and the Contract.

4. The portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. The opinion set forth in the preceding sentence is subject to the condition that the County and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the execution and delivery of the 2024 Bonds in order that the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The County and the Corporation have covenanted to comply with

all such requirements. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2024 Bonds. We express no opinion regarding other federal tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest with respect to the 2024 Bonds.

5. The portion of the Installment Payments designated and paid as interest under the Contract with respect to the 2024 Bonds is exempt from State of North Carolina income taxation.

The rights of the Owners of the 2024 Bonds and the enforceability of the Indenture, the Contract and the 2024 Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors' rights and remedies generally, and by general principles of equity, whether such principles are considered in a proceeding at law or in equity.

Our services as Bond Counsel in connection with the execution and delivery of the 2024 Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the 2024 Bonds and the tax-exempt status of interest with respect thereto. We 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 2024 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 County or the ability of the County to make the payments required under the Contract, that may have been relied on by anyone in making the decision to purchase the 2024 Bonds.

This opinion is delivered to you and for your benefit in connection with the above transaction; it may not be relied on by you for any other purposes and may not be relied on by, nor may copies be provided to, any other person, firm, corporation or other entity without our prior written consent.

Respectfully submitted,

PARKER POE ADAMS & BERNSTEIN LLP

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APPENDIX E
BOOK ENTRY ONLY SYSTEM

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APPENDIX E

BOOK ENTRY ONLY SYSTEM

The Depository Trust Company
a subsidiary of The Depository Trust & Clearing Corporation

The Depository Trust Company (“DTC”), Jersey City, New Jersey, a subsidiary of the Depository Trust Company & Clearing Corporation, will act as securities depository for the 2024 Bonds (the “2024 Bonds”). The 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the 2024 Bonds, in the aggregate principal component amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2024 BONDS, AS DTC’S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE 2024 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2024 BONDS.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the 2024 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has a Standard & Poor’s rating: of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of the 2024 Bonds (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests with respect to the 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2024 Bonds, such as prepayments, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2024 Bonds may wish to ascertain that the nominee holding the 2024 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.

Prepayment notices shall be sent to DTC. If less than all of the 2024 Bonds within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

BECAUSE DTC IS TREATED AS THE OWNER OF THE 2024 BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE INDENTURE, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE COMMISSION, TO THE COUNTY, TO DTC OR TO THE TRUSTEE, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE 2024 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

Prepayment proceeds, distributions, and Installment Payments on the 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the County or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and Installment Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee'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. THE COMMISSION AND THE COUNTY CANNOT AND DO NOT GIVE ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its services as depository with respect to the 2024 Bonds at any time by giving reasonable notice to the Commission, the County and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2024 Bond certificates are required to be printed and delivered.

The Commission or the County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2024 Bond certificates will be printed and delivered to DTC.

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources the Commission and the County believe to be reliable, but the Commission and the County take no responsibility for the accuracy thereof.

THE COMMISSION, THE COUNTY AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2024 BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE INDENTURE TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL PREPAYMENT OF THE 2024 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2024 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Commission and the County believe to be reliable, but the Commission and the County take no responsibility for the accuracy thereof.

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